

## CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

### THE ISSUE

When Congress established the Children's Health Insurance Program (CHIP) in 1997, it did so in response to mounting pressure to address the number of uninsured children in the United States. Proponents of the plan argued that CHIP would deliver health insurance coverage to half of the nation's 10 million uninsured children by 2000. Through federal FY 2005, however, the CHIP program had never reached enrollment of even 4 million children at any given time.

The Texas Legislature established the CHIP program in 1999, though the new program did not begin to enroll children until June 2000. Texas' CHIP program is limited to children under age 18 in families whose incomes fall below 200 percent of the federal poverty level (FPL) and who are not eligible for Medicaid. Some states have tried to extend eligibility to children in families whose incomes meet or exceed 400 percent FPL, but those efforts have been denied and Congressional SCHIP reauthorization in 2007 failed to allow for such expansion. Some states also extend CHIP benefits to CHIP parents who meet income eligibility requirements, but this is not the case in Texas.

From its implementation in June 2000, to its peak enrollment of 529,211 in May 2002, the CHIP caseload steadily increased; but state law passed in 2003 that required enrollees to prove their continued eligibility every six months, as well as pass an assets test, and a 90-day waiting period before enrollment took effect lead to a decline in enrollment. However, due to the CHIP expansion passed by the Texas Legislature in 2007, the state expects roughly 500,000 children to be enrolled in the CHIP program in 2009, as of October 2008 enrollment had already reach 465,094. When the 80th Legislature extended CHIP eligibility to one full year without reapplication, it created separate periods of continuous eligibility for children's Medicaid (6 months) and CHIP (12 months), and many people are already advocating Medicaid expansion to match the new, longer CHIP eligibility period.

While the CHIP program is for all intents and purposes an expansion of the Medicaid program, it does have fundamental policy differences in comparison to the Medicaid program. There are two main differences: CHIP, unlike Medicaid, is not an entitlement, and federal funds that are available to states through a matching arrangement are capped. Importantly, since CHIP is not an entitlement, states have greater flexibility to design a benefits package and require recipients to share in the cost of care.

### THE FACTS

- ★ CHIP is NOT an entitlement program—Texas can limit enrollment, require cost sharing among participants, and exercise flexibility in designing the benefits package.

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- ★ In 2005, the Legislature approved expanding CHIP to include a new perinatal benefit to cover pregnant women up to 200 percent FPL; Medicaid currently covers pregnant women up to 185 percent FPL.
- ★ For the 2008-09 biennium, CHIP funding totaled \$2.03 million in All Funds, a 99 percent increase over the previous CHIP budget; state general revenue funds account for \$622 million of the CHIP budget.
- ★ The CHIP caseload peaked in May 2002 shy of 530,000 children enrolled and then steadily declined—in part due to policies intended to verify and limit eligibility to the truly eligible children—until lawmakers expanded the program to boost enrollment to cover 500,000 children in 2009.
- ★ Health and human services agencies account for just more than 60 percent of all federal funds in the state budget due to the matching funds for the Medicaid and CHIP programs.
- ★ Although CHIP is said to be budget certain, it has required supplemental appropriations to prevent budget shortfalls, and the budget has steadily grown since its inception.
- ★ Despite the creation of the CHIP program and coverage of more than 2.2 million children between Medicaid and CHIP, the state's uninsured rate remains relatively unchanged.

### RECOMMENDATIONS

- ★ Require all insurance plans contracting with the state for CHIP coverage to offer some coverage on the private market, making a private insurance product available for purchase to all CHIP applicants determined ineligible or disenrolled.
- ★ Reinstate the reforms passed in 2003 and reversed in 2007, including the 90-day waiting period for benefits, the assets test, and the six month period of continuous eligibility.
- ★ CHIP benefits should be no more generous than state employee benefits. Additional benefits, such as dental and vision services, should come at the family's option with separate cost sharing.

### RESOURCES

- *Funding SCHIP with Tobacco Taxes* by Mary Katherine Stout, Texas Public Policy Foundation (Sept. 2007) <http://www.texaspolicy.com/pdf/2007-09-PP23-SCHIP-tobaccotax-mks.pdf>.
- *What SCHIP Reauthorization Means for the States, A Presentation at the American Legislative Exchange Council's Annual Meeting* by Mary Katherine Stout and Tarren Bragdon (July 2007) <http://www.texaspolicy.com/pdf/2007-07-Stout-BragdonPresentationALEC.pdf>.
- *CHIPing Away at Reform* by Mary Katherine Stout, Texas Public Policy Foundation (Mar. 2007) <http://www.texaspolicy.com/pdf/2007-03-01-CHIP-mks.pdf>.

