DEPARTMENT OF HUMAN SERVICES

The Children's Health Insurance Program in Minnesota

9/13/2017

Background and History

The Children's Health Insurance Program (CHIP) supplements existing federal Medicaid funds to cover health care for low-income Minnesota families. Minnesota administers CHIP through Medical Assistance, our state's Medicaid program, so there is no separate CHIP program. In other states, CHIP operates as a program for children that is distinct from Medicaid, or is used to cover all children with income up to 50 percentage points above the state's Medicaid income standard, rather than targeted to specific groups.

When the program was created in 1997, Minnesota was already covering most of the children Congress intended to cover through CHIP. Therefore, the Minnesota Legislature chose to use CHIP funds to extend benefits to a small group of children who did not have coverage at the time: those under age 2 with family incomes between 275 percent and 280 percent of the federal poverty line (FPL).

In 2001, Minnesota obtained a federal §1115 waiver to allow the state to use CHIP funds to add coverage for parents of some children on Medicaid. Over time, Congress also revised the CHIP law (Title XXI of the Social Security Act) to allow states to extend coverage to pregnant women who were ineligible for Medicaid and to use CHIP funding for Medicaid-enrolled children with incomes above 133 percent of the FPL.

Today, Minnesota uses its full federal CHIP funds to cover the populations in the table below.

Minnesota's CHIP populations enrolled in Medicaid

Coverage	Income	Enrollment	CHIP Funding in 2017[1]
Infants under age 2	Income above 275 percent up to 283 percent FPL	200	CHIP enhanced match at 88 percent; state funds at 12 percent
Pregnant women ineligible for Medicaid	Income up to 278 percent FPL	1,700	CHIP enhanced match at 88 percent; state funds at 12 percent
Children on Medicaid	Income above 133 percent and below 275 percent FPL	125,000	Medicaid match at 50 percent; CHIP additional match at 38 percent; state funds at 12 percent[2]

[1] With the passage of the Affordable Care Act, section 2105(b) of the Social Security Act was amended to authorize an enhanced CHIP match for all states, for federal fiscal years 2016 through 2019. In prior years, Minnesota's CHIP match was 65 percent for infants and pregnant women and 15 percent for children under the age of 21. The CHIP funding levels listed above will each decrease by 23 percent if this provision expires in federal law.

[2] As an early Medicaid expansion state under the Affordable Care Act, Minnesota is able to use CHIP funds for certain Medicaid-covered children in an amount that is the difference between the regular Medicaid match and the CHIP matching rate. Minnesota has been claiming expenditures through CHIP in this manner since February 2009.

Allotments to States and Federal Matching Funds

Each state receives a portion of available CHIP funds based on a formula that has changed over time. The state's federal portion of CHIP funding is called an allotment. Minnesota's federal allotment from the CHIP program was approximately $115 million in 2017. Unlike the Medicaid program, the federal government does not match every dollar that a state spends on CHIP coverage. Since the federal funding is limited, states limit enrollment to ensure spending does need exceed the dollars available. Therefore, not all children who are eligible receive coverage.

Medicaid generally provides Minnesota with a 50 percent federal matching rate. The federal share of costs for the CHIP program is higher than the Medicaid matching rate but the total dollars available for CHIP is more limited than Medicaid. For Minnesota, the CHIP base matching rate is 65 percent but the state's funding is subject to the total allotment amount. In addition, the Affordable Care Act (ACA) temporarily increased the base rate by 23 percentage points from 2016 through 2019 so that Minnesota draws down federal funds against the CHIP allotment at a rate of 88 percent until September 30, 2019. This funding effectively covers 88 percent of the cost of care for the three population groups covered by CHIP in Minnesota. If the 23-percentage point ACA-enhanced CHIP funding were to be discontinued, Minnesota would be projected to lose about $60 million per year (this is a conservative estimate and could be higher based on the actual CHIP formula).

Fiscal Impact of the CHIP Funding Reauthorization

If Congress does not extend funding for the CHIP program beyond September 30, 2017, Minnesota would lose a substantial amount of federal funding that helps support the state's Medicaid program. Our department will exhaust our CHIP allotment of $115 million for fiscal year (FY) 2017 at the end of September.[3]

Without CHIP funding, the state would go back to receiving Medicaid's 50 percent matching rate for the two groups of children that are covered by CHIP in Minnesota. The pregnant women covered by CHIP in Minnesota would lose coverage altogether and would have to use Emergency Medical Assistance to receive coverage, which would be for their labor and delivery costs and any other medical emergencies only.[4] Prenatal and postpartum care would not be covered nor would any other health care services.

Should Congress not extend CHIP by October 1, 2017, DHS estimates that coverage for pregnant women could continue for up to nine months by carrying over CHIP funds from FY 2017. Doing so, however, would result in a significant loss of federal funding for our state since federal law requires a one-third reduction in any CHIP carryover funds from FY2017 to FY2018. The estimated impact of this reduction to our state general fund is approximately $10 million.

[3] There are other reports (MACPAC and others) showing that Minnesota would exhaust CHIP funds at varying times in FFY 2018. These reports were likely based on estimates earlier in FFY 2017 when the actual, final allotment was not known and the actual spending against the allotment was less clear.

[4] Federal Medicaid law requires states to provide coverage that is limited to emergency medical conditions for people with low income but are otherwise ineligible for Medicaid due to immigration status (such as temporary visitors to the U.S., undocumented non-citizens, etc.).