MACPAC
Medicaid and CHIP Payment and Access Commission

CHIP Financing: State Budget Implications

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September 18, 2014

Agenda

- Key points
- Source of data for current projections
- Overview of federal CHIP funding
- Projected exhaustion of federal CHIP funding in FY 2016 under current law
- State budgetary effects of CHIP's exhaustion from 6 groups of CHIP enrollees
- Possible next steps for analyses and exploration of options

Key Points

- Under current law, states will begin running out of federal CHIP funds in October 2015.
- State budget implications of CHIP's exhaustion depend on spending levels for six groups of CHIP enrollees and thus are uneven across states:
  - 1. Medicaid-expansion children. 50% of CHIP spending. States must continue Medicaid coverage at least through FY 2019 at Medicaid's lower federal match.
  - 2–4. Separate CHIP children and pregnant women. 43% of CHIP spending. No continued state budget obligations.
  - 5–6. §2105(g) states and territories. 2% of CHIP spending. No more supplemental payments for Medicaid children.

Source of Data for CHIP Projections

- States provide quarterly projections of CHIP spending to CMS through Form CMS-37.
- Latest available data for memo was from states' projections as of May 2014, including:
  - FY 2014 projected spending; and
  - FY 2015 projected spending.
- For FY 2016, MACPAC projections assumed:
  - 5% growth above states' FY 2015 projections; and
  - FY 2016 underlying matching rates same as FY 2015.
- In November, states will provide:
  - Final FY 2014 CHIP spending; and
  - Projections for FY 2015 and 2016.

Overview of Federal CHIP Funding

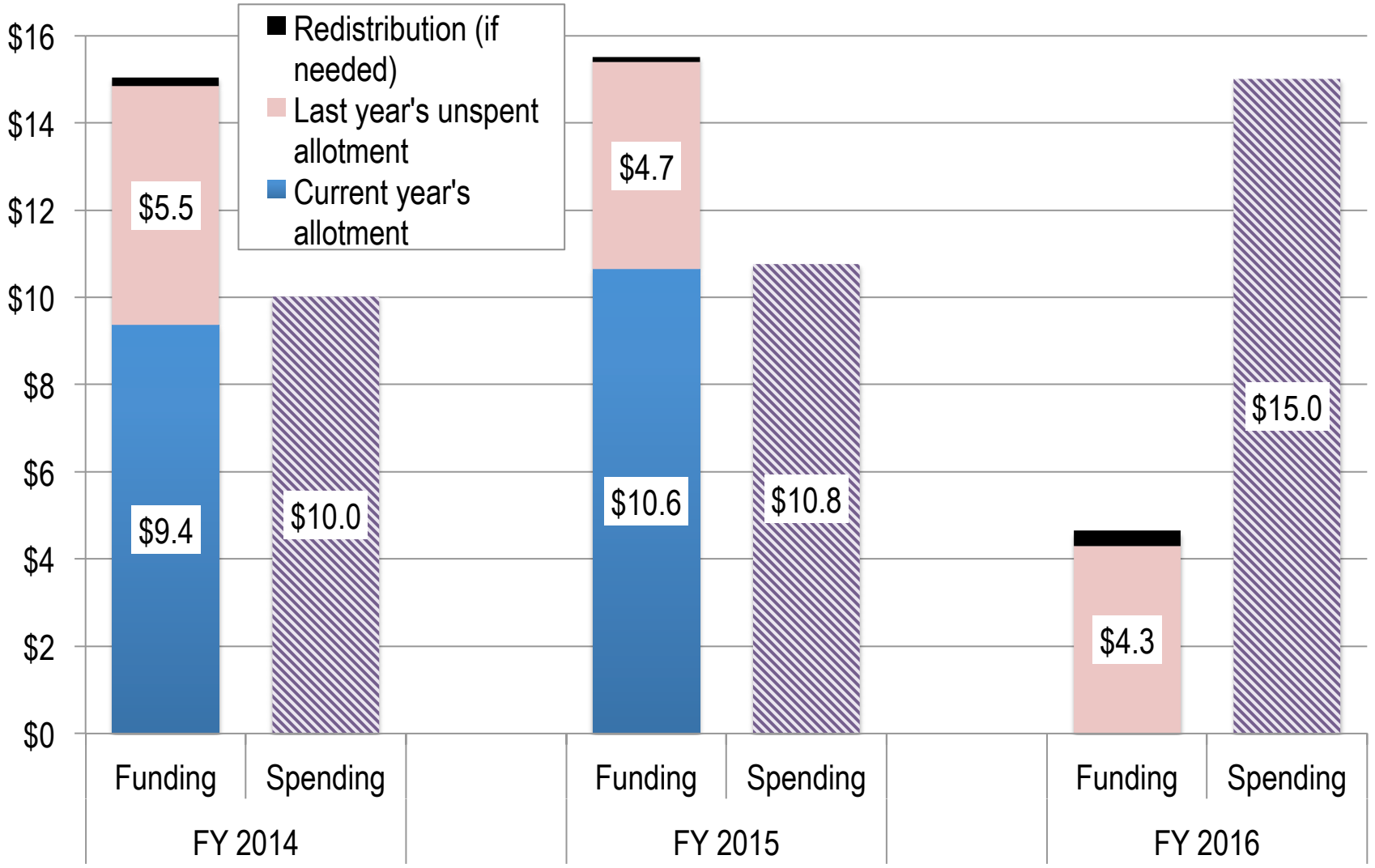
- Capped, federal CHIP allotments provided annually, based on each state's recent spending.
- Each state has access to its federal CHIP allotments for two years.
- In any given year, states have their own:
  - Leftover funds from last year's allotment; and
  - Allotment for the current year.
- If a state is poised to exhaust their allotments, other funds may be available.
  - Contingency funds, primarily based on increased CHIP enrollment since 2007.
  - Redistribution funds, from other states that did not spend their allotment after two years.

Current Law FY 2016 Scenario for CHIP

On October 1, 2015:

- No FY 2016 allotment.
- States can use their leftover FY 2015 balances.
- Federal CHIP matching rate increases by 23 percentage points (will range from 88–100 percent rather than 65–82 percent).
- Contingency funds no longer authorized.
- Redistribution of FY 2014 funds will delay states' exhaustion of CHIP by a week or so.

Federal CHIP Financing, FY 2014–2016



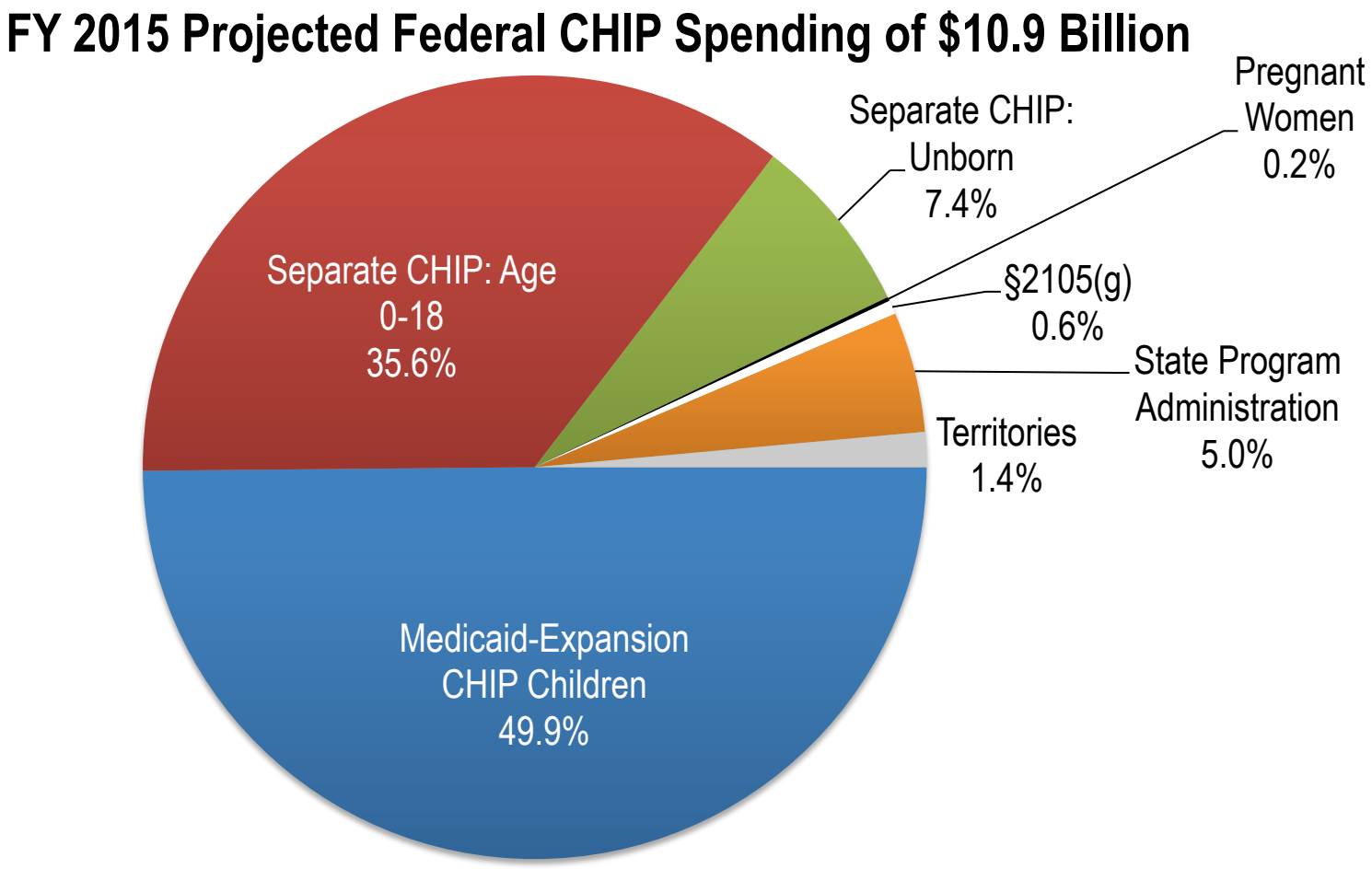
Note: Dollars in billions. FY 2016 spending is FY 2015's plus 5% and reflects 23-point increase in federal matching rate.
Source: Preliminary MACPAC analysis based on state FY 2014–2015 projections as of May 2014 on Form CMS-37.

States Will Exhaust CHIP Funds in FY 2016 at Different Points in the Year

Based on state projections from May 2014, states will exhaust federal CHIP funds in FY 2016 as follows:

- 18 states in the first quarter (Oct-Dec 2015)
- 15 states in the second quarter
- 12 states in the third quarter
- 4 states in the fourth quarter
- 2 states with funds lasting through the entirety of FY 2016, although they may be understating their projected spending

Spending on Six CHIP Enrollee Groups
(Plus State Program Administration)

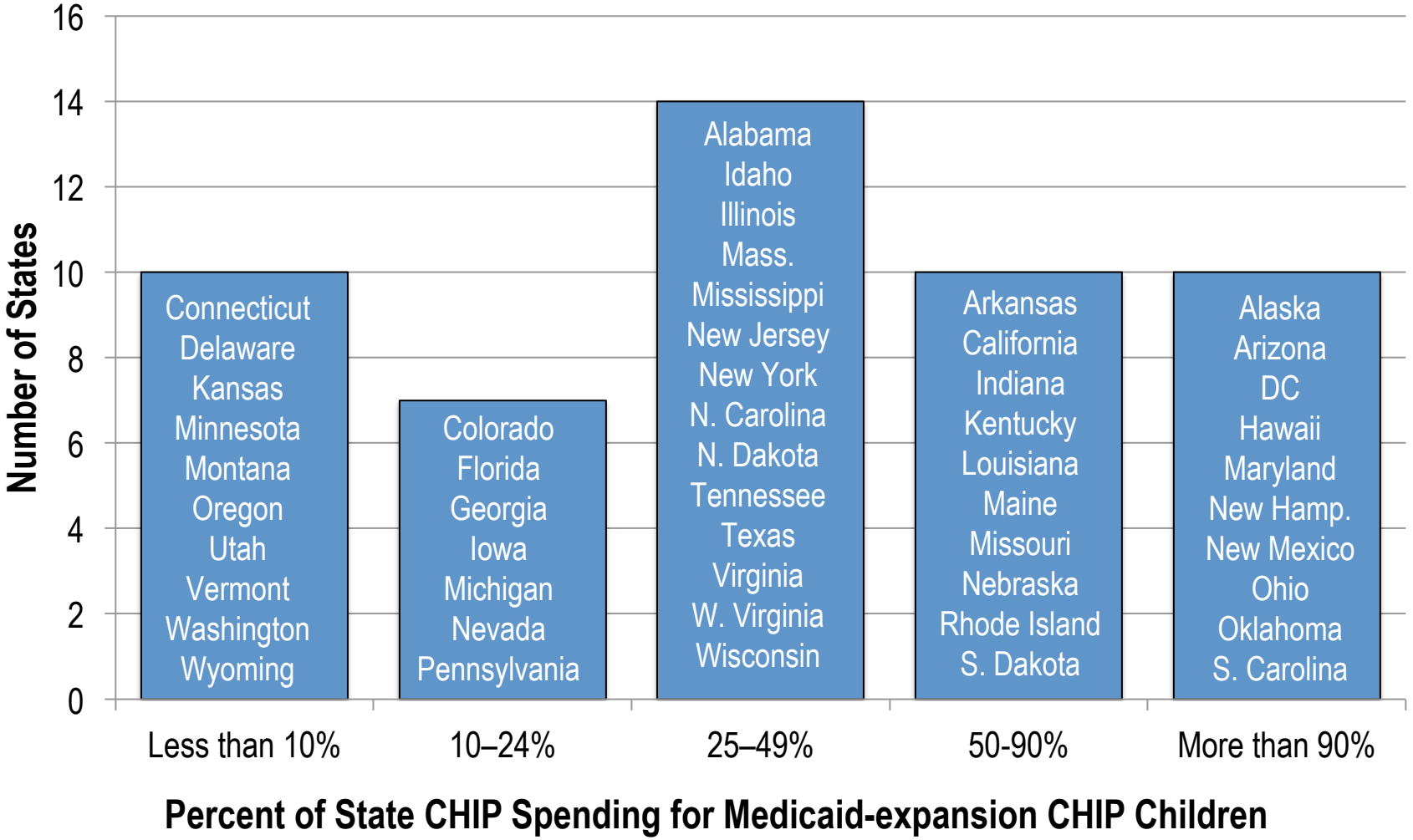


Source: MACPAC analysis based on state FY 2015 projections as of May 2014 on Form CMS-37.

1. Medicaid-Expansion CHIP Children

- When federal CHIP funds are exhausted, states fall back to Medicaid matching rate for Medicaid-expansion CHIP children. In terms of state budget implications:
  - Median CHIP state share FY 2015: 29%
  - Median CHIP state share FY 2016: 6%
  - Median Medicaid state share: 42%
- Transitioning from the current state share of CHIP to Medicaid increases state expenditures for Medicaid-expansion children by 43%.
- Generally, states are subject to the ACA's maintenance of effort for these children through FY 2019.
- States must cover currently CHIP-funded children below 138% FPL with Medicaid even after the MOE expires.

Percentage of States' CHIP Spending for Medicaid-Expansion Children, FY 2015



Source: MACPAC analysis based on state FY 2015 projections as of May 2014 on Form CMS-37.

2. Separate CHIP Children Age 0–18

- 14 states are considered entirely separate CHIP, with another 29 considered combination programs.
- When federal CHIP funds are exhausted, states have no further budget obligation to separate CHIP children.
- In the absence of CHIP, these children age 0–18 could end up on employer-sponsored or subsidized exchange coverage, or be uninsured, none of which requires any state match.
- Because of Modified Adjusted Gross Income (MAGI), it is unclear whether or not states could extend Medicaid to these children, particularly above 200% FPL.

3. Separate CHIP Unborn Children

- 15 states cover unborn children.
  - All 15 cover unborn children in the income range for pregnant women in Medicaid. Thus, these are generally unborn children whose mothers lack satisfactory immigration status.
  - 3 states (California, Tennessee, and Texas) also cover unborn children above the income range for pregnant women in Medicaid. Thus, these are unborn children whose mothers are citizens and qualified non-citizens, as well as those lacking satisfactory immigration status.
- When federal CHIP funds are exhausted, no federal funding currently exists as an alternative for unborn children—unless California, Tennessee, and Texas are able to extend Medicaid eligibility for pregnant women.

4. Pregnant Women

- 3 states use CHIP funds to cover pregnant women, with FY 2013 enrollment and FY 2014 eligibility levels as follows:
  - Colorado: 4,873 pregnant women (201–265 percent FPL)
  - New Jersey: 291 pregnant women (200–205 percent FPL)
  - Rhode Island: 349 pregnant women (196–258 percent FPL)
- Without CHIP, these women may qualify for subsidized exchange coverage, with no state match.
- Because of MAGI, it is unclear whether or not states could extend Medicaid eligibility to pregnant women at these income levels.

5. Medicaid Children with Supplemental CHIP Funding Under §2105(g)

- 6 states use CHIP funds to pay the difference between the Medicaid and CHIP matching rates for Medicaid-enrolled children above 133 percent FPL.
- §2105(g) spending is projected to total $63 million in FY 2015, or 0.6 percent of total federal CHIP spending.
- §2105(g) spending accounts for half the federal CHIP spending of Connecticut, Minnesota, and Vermont.
- Without CHIP, these states would not receive supplemental funding for Medicaid-enrolled children above 133 percent FPL.

6. Medicaid Children with Supplemental CHIP Funding in the Territories

- 4 territories use CHIP funds to pay for the coverage of Medicaid-enrolled children once their Medicaid allotments have run out.
- Federal CHIP spending in the territories is projected to total $165 million in FY 2015, or 1.4 percent of total federal CHIP spending.
- Without CHIP, no other federal matching funds would be available once territories' Medicaid allotments are exhausted.

Next Steps

- In November, states will provide:
  - Actual CHIP expenditures for FY 2014; and
  - CHIP projections for FY 2015 and 2016.
- Considering the six groups' state budget impacts, what are potential options staff should develop for discussion later this fall?
- The Commission may want to weigh the following:
  - the extent to which federal relief might be needed for states with increased spending;
  - whether such relief should be broad (for example, holding states harmless for any population they continue to cover through Medicaid) or narrow; and
  - whether such relief should be permanent or temporary.

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