

March 2018

## Introduction

After initially extending the Children’s Health Insurance Program (CHIP) for six years as part of the [short-term continuing resolution passed on January 22](#), Congress extended CHIP for another four years as part of the [Bipartisan Budget Act of 2018](#), which was passed on February 9. As the result of the two pieces of legislation that were passed in close succession, states now have much-desired certainty to continue their programs for the next decade. For a complete summary of the Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable Act (HEALTHY KIDS Act) and the additional extension provided by the Advancing Chronic Care, Extenders, and Social Services Act (ACCESS Act), please refer to the [longer brief](#).

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## CHIP Funding Extension

Unlike Medicaid, CHIP is funded on an annual basis with appropriated amounts specified in statute and divided among states according to a formula. States can use their share of appropriated CHIP funds (typically referred to as a state’s “allotment”) for up to two years, and, depending on circumstances, may also have access to additional federal dollars from a contingency fund or from other states that did not use their full allotments.<sup>1</sup>

**Funding Level:** The HEALTHY KIDS Act extended CHIP funding for six years. As has been the practice in the past, the fiscal year (FY) 2018 – FY 2023 appropriation levels are set at levels above what states are expected to actually need, ensuring that states are unlikely to run out of CHIP funds despite the capped nature of the federal funding stream. In extending CHIP for four more years, the ACCESS Act does not include specific allotments for FY 2024 – FY 2027, instead specifying that “such sums” as necessary will be available. The language is intended to cover all CHIP expenditures during the reauthorization period. Both the HEALTHY KIDS Act and the ACCESS Act make technical changes to the CHIP allotment rebasing formula to reflect the reauthorization period but generally continue the key features of CHIP funding distribution, including the contingency fund to assist states that experience funding shortfalls.

**Enhanced CHIP Matching Rate (or “CHIP Bump”):** State spending on CHIP is matched at an enhanced matching rate, which ranges from 65 percent to 85 percent. The Affordable Care Act (ACA) increased this enhanced matching rate by 23 percentage points (not to exceed 100%) for most CHIP expenditures from FY 2016 through FY 2019. As enacted, the legislation would maintain the current law’s 23 percentage points increase for two years (FYs 2018 and 2019), transition to an 11.5 percentage point increase in FY 2020, and then eliminate the increase entirely after that.

## Medicaid and CHIP Coverage Provisions

**Express Lane:** Under current law, states may rely on eligibility determinations made by “express lane” agencies (e.g., Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, CHIP and Medicaid) for initial determinations of eligibility for Medicaid or CHIP, as well as for redeterminations and renewals for these programs. This authority will continue through FY 2047. [Nine states](#) currently use express lane agencies for eligibility or renewal, or both, in their Medicaid or CHIP programs.

**Maintenance of Effort:** For children up to age 19, states are required to maintain their Medicaid and CHIP programs with the same eligibility standards, methodologies, and procedures in place as of the date of enactment of the ACA (March 23, 2010) through September 30, 2019. The enacted legislation maintains the current law maintenance of effort provision through FY 2019 and then extends the provision, with revisions, through FY 2027. Specifically, from October 1, 2019 through September 30, 2027, the legislation extends the Medicaid and CHIP maintenance of effort for children in families, except states would not be obligated to maintain coverage for children with incomes above 300 percent of the federal poverty level.

## Conclusion

Congress' decision to reauthorize CHIP for six years reflects an updated Congressional Budget Office (CBO) score finding that because the individual mandate was repealed, not only would the cost of a five-year extension be significantly lower than previously assumed, but extending CHIP for longer could actually save money. By extending CHIP for an additional four years, CBO scored the further extension in the ACCESS Act as actually reducing the deficit by \$4.8 billion over the next 10 years. The [full brief](#) discusses in more detail how these savings are achieved.

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State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's Woodrow Wilson School of Public and International Affairs.

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### ABOUT MANATT HEALTH

This brief was prepared by Allison Orris and Patricia Boozang. Manatt Health is an interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, LLP, one of the nation's premier law and consulting firms. Manatt Health helps clients develop and implement strategies to address their greatest challenges, improve performance, and position themselves for long-term sustainability and growth. For more information, visit [www.manatt.com/ManattHealth.aspx](http://www.manatt.com/ManattHealth.aspx).

## Endnotes

1. The formula (as most recently adjusted) takes into account prior-year spending as well as growth in per capita National Health Expenditures and child population in the state; the allotments are "rebased" every other year to reflect spending in the prior year.