Georgetown University Health Policy Institute
Center for Children and Families

The Children's Health Insurance Program Reauthorization Act of 2009

Overview and Summary

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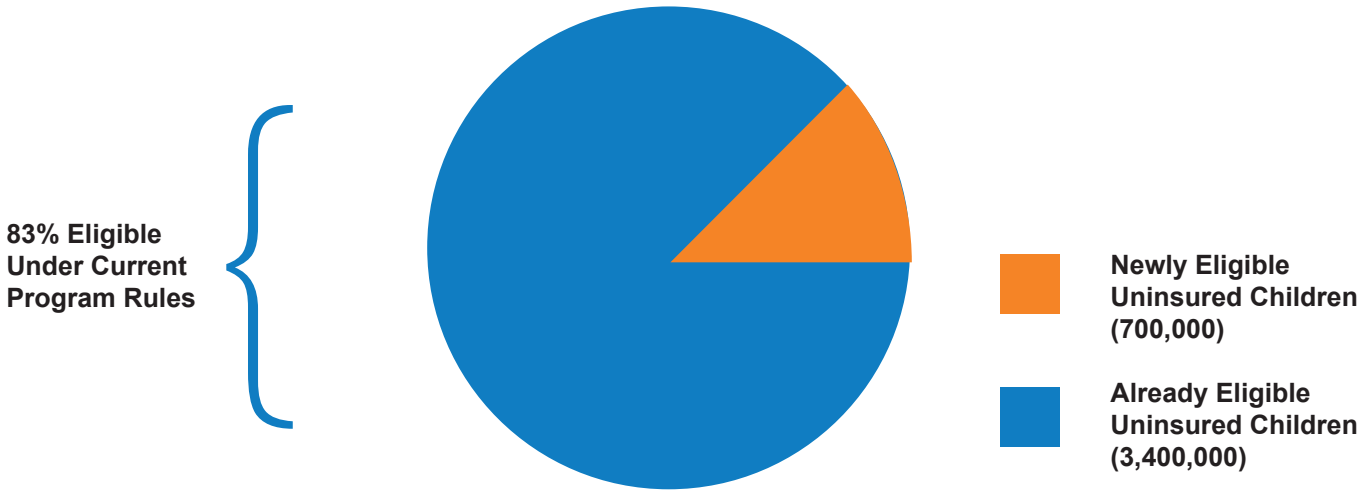
I. INTRODUCTION

On February 4, 2009, President Obama signed into law the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). The new law (Public Law No. 111-3) is designed to provide coverage to significant numbers of uninsured children and to improve the quality of care that all of America's children receive. Most notably, it strengthens and extends the Children's Health Insurance Program (CHIP)[1] over a four and a half year period (April 1, 2009 to September 30, 2013). Created in 1997, CHIP builds on its larger companion program, Medicaid, to offer coverage options to uninsured children in families without access to affordable employer-sponsored insurance. This report gives an overview of key elements of the new law, as well as a more detailed summary of each of its provisions.

CHIPRA is expected to result in substantial health coverage gains for millions of children, especially critical during the economic downturn when more and more families are losing jobs and health insurance. The law's funding and policies are designed to put CHIP on more secure financial footing. It gives states the resources and tools they need to sustain and strengthen their CHIP programs and to enroll more of the uninsured children who already qualify for coverage through CHIP or Medicaid. Overall, under the new law, states are expected by 2013 to cover 4.1 million children who otherwise would be uninsured. The Congressional Budget Office (CBO) estimates that more than eight in ten of the children (83 percent) who will gain coverage under CHIPRA will be children who are eligible for CHIP or Medicaid under existing guidelines—the vast majority of whom are low-income (Figure 1).

By providing states with the funding and options they need to cover millions more of the nation's children, the new CHIP law reaffirms that children's coverage is a national priority. Now, the locus of action shifts to state capitols where policymakers and program administrators across the country must decide how to use the opportunities created by the new CHIP law to make progress in covering America's children.



Source: Congressional Budget Office, February 11, 2009. Note: Projected average monthly new enrollment of otherwise uninsured children in Medicaid and CHIP for fiscal year 2013.

Figure 1: CHIPRA Will Cover Over 4 Million Children Who Otherwise Would Be Uninsured

[1] Note that the law changes the official name of the State Children's Health Insurance Program (SCHIP) to the Children's Health Insurance Program (CHIP), as designated throughout this report.

II. OVERVIEW OF KEY PROVISIONS

CHIPRA 2009 was designed to finance CHIP for the next 4.5 years while extending coverage to millions of additional uninsured children, most of whom are eligible under current rules but not enrolled. In addition, it improves benefits and data collection and launches a major new quality initiative for children's health care. The next section provides a detailed description of the law, but the key provisions are as follows. See Table 1 on the next page for implementation dates of key provisions.

- **Significant new CHIP funding through fiscal year 2013.** CHIPRA markedly increases CHIP allotments, modernizes the formula for dividing funds among the states, and establishes a mechanism for "re-basing" state allotments every two years to ensure that CHIP funds are targeted to states that are using them for covering children. The law provides funding over a period of four and a half years (April 1, 2009 to the end of fiscal year 2013) and is financed largely by a nearly $0.62 increase in the tax on cigarettes. (Page 4 in the detailed summary.)

- **Initiatives to enroll the lowest-income uninsured children in coverage.** The law includes new tools, such as Express Lane eligibility, to encourage the enrollment of already-eligible uninsured children in coverage as well as an increase in federal funding for outreach. These new tools are accompanied by a performance bonus system that provides states with additional federal financial help when they significantly increase their enrollment of already-eligible uninsured children in Medicaid and adopt measures to streamline enrollment and renewal in both Medicaid and CHIP. The law applies current Medicaid citizenship documentation rules to CHIP, but also includes a new electronic option for documenting citizenship status in both Medicaid and CHIP to address concerns that red tape barriers to coverage were keeping low-income citizen children from enrolling in coverage for which they are eligible. (Page 10 in the detailed summary.)

- **State option to cover legal immigrant children and pregnant women.** CHIPRA provides states with the option to eliminate the five-year waiting period now imposed on lawfully residing immigrant children and pregnant women in Medicaid and CHIP. (Page 14 in the detailed summary.)

- **State option to cover pregnant women.** Although states have had some flexibility to cover pregnant women in CHIP through waivers or other means, CHIPRA establishes a new, explicit statutory option to cover pregnant women with CHIP funds. (Page 14 in the detailed summary.)

- **New rules on covering moderate-income children.** The original CHIP law gave states the flexibility to set the income eligibility level for children in their state, although in August 2007, a directive issued by the Centers for Medicare and Medicaid Services (CMS)[2] sharply limited that flexibility. On February 4, 2009, the President directed the Secretary of Health and Human Services (HHS) to rescind the CMS directive. The new CHIP law also retains state flexibility to set income eligibility levels, but reduces the matching rate that the federal government will provide for new expansions to children above 300 percent of the federal poverty level (FPL) from CHIP to Medicaid levels. (Page 14 in the detailed summary.)

- **Elimination of adult coverage.** The law eliminates the authority of the Secretary of HHS to grant CHIP waivers for family-based coverage and phases out existing CHIP waivers that allow states to cover parents and childless adults. (Page 15 in the detailed summary.)

- **New provisions for premium assistance**. CHIPRA includes provisions to reduce barriers states face when implementing premium assistance programs, as well as to ensure that premium assistance programs are cost-effective and provide children benefits that are equivalent to what they would receive if enrolled directly in a state's CHIP program. (Page 16 in the detailed summary.)

- **Improvements in the quality of care and benefits for children.** CHIPRA establishes a new initiative to improve the quality of care provided to all children, including those covered by private insurance. It includes the development and dissemination of new child-specific health quality measures, the creation of a new model electronic medical record for children, and demonstration projects on quality improvement and health information technology for children. (Page 18 in the detailed summary.) The law also strengthens dental coverage for children in CHIP, including requiring states to provide dental services in their CHIP plans. (Page 17 in the detailed summary.)

[2] Centers for Medicare and Medicaid Services, Dear State Health Official, SHO #07-001, August 17, 2007. See http://ccf.georgetown.edu/index/cmsdirective for background information on the directive.

Table 1: Implementation Date of Key CHIPRA Provisions[1]

February 4, 2009 (CHIPRA signed into law)	States can receive only the Medicaid (rather than the CHIP) matching rate for new expansions to children above 300% FPL. • HHS no longer can grant CHIP waivers for coverage of parents. • New rules for qualifying states go into effect. • Some improvements to existing citizenship documentation requirements are in effect, including states must allow eligible individuals to receive benefits while proving citizenship. (New option is effective January 1, 2010; see below.)
February 2009	States expected to submit to HHS projected CHIP spending for fiscal year 2009, which will be a key factor in determining state allotments in future years.
March 31, 2009	HHS will finalize fiscal year 2009 CHIP allotments.
April 1, 2009	The effective date of most provisions in the law, including new CHIP financing structure and state options to: • Eliminate the 5-year waiting period for lawfully resident immigrant children and pregnant women in Medicaid and CHIP. • Cover pregnant women in CHIP without a waiver. • Use Express Lane eligibility in Medicaid and CHIP. • Provide supplemental dental coverage to privately-insured children. • Employ new premium assistance options in Medicaid and CHIP.
August 4, 2009	HHS must issue new PERM regulations by this date.
August 31, 2009	States seeking an adjustment to their fiscal year 2010 allotment for an expansion must submit the request by this date.
October 1, 2009	New mandate to provide dental coverage in CHIP goes into effect.
January 1, 2010	Citizenship documentation extended to CHIP; states can begin to use the new electronic option for verifying citizenship status. • Existing childless adult waivers terminated; states may be able to receive some funding through Medicaid to continue coverage for already-enrolled adults. • HHS must release core set of child health quality measures for Medicaid and CHIP.
January 1, 2011	HHS must establish Pediatric Quality Measures Program for children's coverage.
March 1, 2011	First set of recommendations to Congress by the Medicaid and CHIP Access Commission.
August 31, 2011	States seeking an adjustment to their fiscal year 2010 allotment for an expansion must submit the request by this date.
September 30, 2011	Existing parent waivers are terminated; states can receive some funding outside of CHIP to continue parent waivers.

[1] This chart is not meant to be exhaustive and only provides information on key implementation dates. In addition, dates for certain provisions, such as outreach funding, are not included because the law does not stipulate the dates and further federal guidance is needed.

III. DETAILED SUMMARY

This summary provides a description of the major child and family health provisions in CHIPRA, which are effective April 1, 2009 through September 30, 2013 (unless otherwise noted). It is based on CCF's analysis of the provisions in the law. Some of these provisions raise questions of interpretation that will need to be resolved through federal guidance. As that guidance is issued, CCF will provide updated information.

The full text of CHIPRA is available at http://ccf.georgetown.edu/index/schipreauthorization.

A. FINANCING/FUNDING FOR CHILDREN'S COVERAGE

CHIPRA provides substantial new resources to states to provide coverage to uninsured children. Most notably, it extends and increases funding for CHIP through fiscal year 2013 and makes major changes in the formula used to determine how much CHIP funding each state will receive. It also includes provisions that are expected to increase Medicaid funding for children, such as a new performance bonus system to help states that succeed in significantly increasing enrollment of Medicaid-eligible children. Taken together, CBO has estimated that these and other provisions in CHIPRA will cause federal spending on CHIP, Medicaid, and other related programs to increase by $32.8 billion in the period from fiscal year 2009 and fiscal year 2013. This spending increase is financed primarily by a nearly $0.62 increase in the federal cigarette tax.

- **National CHIP Funding Levels.** Since CHIP's inception, the federal government has set aside a specified amount of federal funding each year for the CHIP program. The funds in these "national allotments" are then distributed according to a formula among the states and territories. Under prior law, CHIP funding was slated to expire March 31, 2009. With CHIPRA, Congress extended funding for the program through 2013, and set national allotments for fiscal years 2009 through 2013. The new national allotment levels, shown in Table 2, are designed to provide the funding states need to continue operating their existing CHIP programs, but also to increase enrollment among already-eligible children, expand coverage, and/or improve the scope and quality of care provided to children. Over the four and a half year period covered by the law, the national allotments will total $68.9 billion.[3]

  While the national funding base represents a significant increase, in the event that there is not enough CHIP funding to give each state the allotment it is otherwise slated to receive, the law calls for proportionately reducing the size of each state's allotment to fit within the national cap.

TABLE 2: CHIP NATIONAL ALLOTMENT LEVELS (FY 2009- FY 2013)

Year	*Allotment (In Billions)*
2009	$10.562
2010	$12.520
2011	$13.459
2012	$14.982
2013	$17.406
Total (2009-2013)	**$68.929**

[3] The $68.9 billion available to states in total CHIP allotments differs from CBO's estimate that CHIPRA will cost $32.8 billion because the figures are designed to serve very different purposes. The $68.9 figure reflects the total amount of CHIP funding (or, more technically, "budget authority") set aside for states in national allotments over the next four and a half years. In contrast, the CBO figure is designed to estimate the additional federal spending on CHIP, Medicaid, and other programs above "baseline" levels (i.e., spending that would have occurred even in the absence of CHIPRA) that will result from adopting CHIPRA. For example, CBO's baseline already assumed a little more than $25 billion on CHIP spending over the same period, reducing the marginal cost of passing CHIPRA. At the same time, CBO's estimate takes into account that CHIPRA is expected to increase Medicaid spending on children, not just CHIP spending. As a result of these and other issues, there is only a minimal relationship between the size of the national allotments and CBO's estimate of the fiscal impact of the bill on federal spending.