The Affordable Care Act (ACA) included a “maintenance of effort” (MOE) provision that has ensured stability of coverage for children in Medicaid and CHIP, even as the rest of the U.S. healthcare system has seen significant change. The MOE—along with coverage expansions for parents and other adults in Medicaid and the Marketplaces—has helped bring the uninsured rate for kids down to an historic low. Ninety-five percent (95%) of children have coverage today, and Medicaid and CHIP cover almost 36 million children nationwide.

The MOE helps ensure that children maintain stable health coverage by requiring states to maintain Medicaid and CHIP income eligibility and preventing them from adding new barriers to enrollment. Continuous coverage is important for children and families to ensure that they receive the ongoing preventive and primary care that is essential to healthy development. It also protects families from financial trouble should an uninsured child experience a broken bone or other emergency. States regularly face fiscal and political pressures that, without federal protections, could lead to reductions in Medicaid and CHIP eligibility levels, enrollment freezes, and changes to eligibility rules that make enrolling harder.

The MOE requires states to maintain the eligibility levels for children in Medicaid and CHIP as of March 23, 2010 through September 30, 2019. The MOE also prevents states from setting new enrollment caps or freezes in CHIP and implementing less obvious, “backdoor” ways to reduce enrollment like enacting more restrictive methodologies or procedures for enrollment.

### Maintenance of Effort Requirement:
**What States May and May Not Do**

**States may:**
- Adopt or continue enrollment simplification initiatives
- Maintain caps or freezes that existed prior to March 23, 2010
- Choose not to renew waiver programs once they expire
- Implement routine premium increases approved in their state plans prior to March 23, 2010

**States may not:**
- Eliminate CHIP or scale back eligibility for children in Medicaid or CHIP below levels in place as of March 23, 2010
- Raise premiums for children in CHIP beyond reasonable inflation factors or a methodology that was approved in the state’s CHIP plan
- Impose new or increase current waiting periods
Prior to the MOE, states enacted freezes, caps, and, more often, backdoor cuts to suppress enrollment and save state funds. In response to the economic recession that began in 2001, many states took action to reduce enrollment in CHIP to save state dollars. Some states chose to implement subtle methods to depress enrollment, including reducing outreach efforts, charging or increasing premiums, and scaling back administrative simplifications intended to facilitate sign-ups. Seven states (Alabama, Colorado, Florida, Maryland, Montana, North Carolina, and Utah) froze CHIP enrollment between 2001 and 2003. State officials cited difficulties meeting the state share of CHIP costs, leaving eligible low-income children uninsured. For example, when Florida implemented a freeze on July 1, 2003, the waiting list of uninsured children who would have been eligible to enroll grew to 44,000 in just four and a half months. The original federal funding formula also created financial uncertainty for states as CHIP programs were fully implemented, and by 2006, 12 states were facing federal funding shortfalls, growing to 19 states by 2008. Without Congressional action to appropriate additional money, even more states would have been forced to take action to reduce CHIP expenditures.

Though the recession-induced enrollment restrictions were in place for relatively brief periods, the impact on children’s coverage was significant. By the fall of 2004, enrollment had declined by 29 percent in North Carolina, by 27 percent in Colorado, by 17 percent in Utah, by 12 percent in Alabama, and by six percent in Florida and Maryland.

More recently, Arizona enacted multiple changes to CHIP amid rounds of state budget cuts. Between 2010 and 2014, fluctuations in Arizona’s uninsured rate for children corresponded with the state’s CHIP enrollment freezes. While the US saw a steady decline in the number of uninsured children over this time period, Arizona saw ups and downs as CHIP closed and re-opened.

Currently, there is no new CHIP funding after September 30, 2017. The MOE is set to expire on September 30, 2019, along with the extra federal funding for CHIP known as “the bump” (a 23-percentage point increase in the federal CHIP match rate). In its recent CHIP recommendation, the Medicaid and CHIP Payment and Access Commission (MACPAC), the advisory body to Congress on Medicaid and CHIP, endorsed a five-year CHIP funding extension (through September 30, 2022) and three-year extensions of the MOE and the bump (also through September 30, 2022) in order assure the stability and continuity of health insurance coverage for low- and moderate-income children and mitigate budget uncertainty for states. Were the MOE to be lifted in 2017 or allowed to expire in 2019, children currently eligible for CHIP would either become uninsured or be forced to pay more for less comprehensive coverage in the private market.

Past CHIP funding proposals in Congress and the President’s fiscal year 2018 budget have called for ending the MOE and the bump. Even though CHIP is a popular program, past experience shows that some states will employ ways to reduce CHIP enrollment to save state funds. Despite the success of Medicaid and CHIP in reducing the number of uninsured children, it is clear that additional state flexibility of this kind will result in some children losing coverage. Stable coverage is critical for children and families to promote access to health services children need and to ensure families’ financial security. Further, in light of recent research that establishes the long term economic and educational benefits of covering children, programmatic changes to CHIP that result in even a temporary loss of coverage can have lasting effects. The MOE keeps children’s coverage from getting caught in the back and forth of state budget making and chaos in the federal health policy landscape, helping to preserve the historic state and national success covering children and make sure it continues.

For more details on the role of the MOE in helping kids maintain coverage see our full report.