Georgetown University Health Policy Institute
Center for Children and Families

About CHIP

Introduction

In 1997, the Children's Health Insurance Program (CHIP) was created with strong bipartisan support (the law was renewed in April 2009). CHIP gives states financial support to expand publicly funded coverage to uninsured children who are not eligible for Medicaid. CHIP is a block grant program that provides states with a set amount of funding that must be matched with state dollars. This primer provides a general overview of the program rules.

Structure

CHIP builds off Medicaid and the child health coverage that was in place through the program immediately before CHIP was created. More specifically, states can use their federal CHIP funds to finance coverage for children whose family incomes are too high to qualify for Medicaid under the rules the state had in place as of June 1997. States can use their CHIP funds to expand Medicaid beyond the June 1997 levels, cover children through a separate program, or combine the two approaches.

As of January 2011, 13 states (including the District of Columbia) opted to use CHIP funds to expand their Medicaid programs. In 38 states, CHIP funds are used to run a combination or separate health insurance program.

Eligibility

Federal CHIP eligibility rules set the guidelines determining which children states can cover with federal CHIP funds. In Medicaid-expansion states, children who cannot be covered with CHIP funds may, in certain situations, be covered with Medicaid funds. The key eligibility rules are:

Income	States have broad flexibility to set their CHIP income eligibility levels. Most states cover children up to or above 200 percent of the federal poverty level (see federal poverty guidelines). States can establish asset or resource requirements, but they need not do so. States expanding coverage up to 300 percent of the FPL receive an enhanced match rate. States that expand further receive the Medicaid match for their coverage.
Ages	States may cover children up to 18 years of age.
Insurance Status	Children must be uninsured to qualify for CHIP-funded coverage. Some states require children to be uninsured for a certain period of time before they can enroll, but this is not a federal requirement.
Coordination	States with separate CHIP-funded programs must coordinate their enrollment procedures with Medicaid to prevent children from "falling through the cracks" and remaining uninsured, as well as to ensure that children are enrolled in the

	appropriate program. These coordination rules require state CHIP programs to screen children who are applying for coverage for Medicaid and CHIP eligibility and to assure that the Medicaid-eligible children are enrolled into Medicaid, rather than simply turning them away from CHIP. This "screen and enroll" requirement also applies to Medicaid programs to assure they screen for CHIP eligibility. Most states with a separate CHIP-funded program use a joint Medicaid/CHIP application.
Citizenship/ Immigration Status	CHIP covers citizens and certain legal immigrants. States have the option of covering lawfully present immigrant children who have not been in the country for five years (with exceptions for refugees). Federal funds may not be used to cover undocumented children (except for emergency or pregnancy-related services). Some states use state funding to children regardless of immigration status.
Renewal	Federal law generally requires states to review eligibility circumstances at least every 12 months. States can either review eligibility when financial circumstances change or they can enroll children for periods of up to 12 months, regardless of changes in income, through a continuous eligibility option.
Documentation	States have discretion in requiring families to provide documentation of income or other eligibility requirements. The only eligibility criteria that federal law requires families to document is immigration status and citizenship status (unless the state implements an option to use electronic means for documenting citizenship).
Parents and Adults	CHIP law does not allow coverage of parents and adults. A handful of states obtained waivers from the federal government to use their CHIP funds to cover uninsured adults and parents but these waivers are no longer allowed in CHIP. The existing adult waivers expired January 1, 2010 and the existing parent waivers expire September 30, 2011. States may be able to receive funding outside of CHIP to continue coverage for those already enrolled.

Financing

CHIP is a block grant program in which the federal government makes a capped amount of new funding available for each fiscal year. This capped funding is divided annually among the states into state-specific allotments, determined by a formula set out in the law.

CHIP funds generally must be used to provide coverage to uninsured, low-income children who do not qualify for regular Medicaid. States also can use a limited amount of funds for administrative costs and other non-coverage initiatives, such as outreach.

The federal government pays for 65 percent to 82 percent of each state's CHIP initiatives (depending on the state). The match rate is based on the regular Medicaid match rate, but is significantly higher.

Unlike Medicaid the amount that a state can draw down for CHIP is capped. States facing funding shortfalls can obtain additional funding through a child enrollment contingency fund and allotment increases are available for states with approved plans to expand eligibility or benefits.

Benefits

If a state has elected to use its child health funds to expand Medicaid coverage, the Medicaid program rules on benefits and the scope of coverage will apply to the group of children covered under the expansion in the same manner that they apply to children already eligible under the Medicaid program. If a state elects to use its CHIP funds to cover children under a separate state program, however, states have other options for meeting minimum federal benefit standards.

States can choose health benefits coverage equivalent to those offered under:

- the standard Blue Cross/Blue Shield preferred provider option service plan offered to federal employees;
- a health plan available to a state's public employees; or
- the HMO within the state that has the highest commercial enrollment (excluding Medicaid enrollment).

A state can also choose one of these three plans to serve as a "benchmark" for an alternative package of benefits. Finally, federal officials have the authority to allow states to use alternative benefit packages if they determine that they are appropriate for low-income children.

Under the 2009 CHIP law states must also provide dental services in their CHIP plans and can use CHIP funds to provide coverage or cost sharing help to children who have private insurance.

Cost Sharing

States may impose cost sharing (i.e., deductibles, coinsurance, and co-payments) for some children enrolled in CHIP, within federal guidelines.

In general, states cannot adopt cost sharing or premium policies that impose costs that exceed five percent of family income or that favor higher-income families over lower-income families. They also are prohibited from imposing cost sharing for well-baby and well-child care, including immunizations. Finally, states cannot count money raised through premiums or cost sharing as state dollars for purposes of meeting the block grant's matching requirements.

Research has shown that premiums in Medicaid and CHIP depress enrollment because of the financial burden they impose on families, potentially increasing the number of uninsured children.