Georgetown University Health Policy Institute
Center for Children and Families

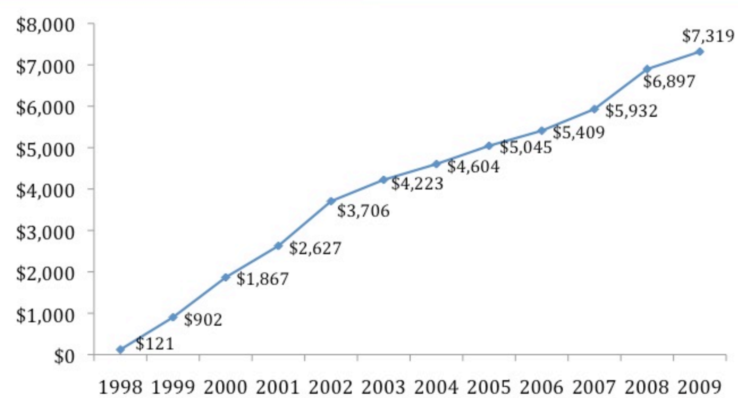
CHIP Allotments: Federal Funding Remains Secure for States

One of the goals of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) was to ensure that no state would be at risk of exhausting the federal funding needed to cover uninsured children through its Children's Health Insurance Program (CHIP). Recent data show that the legislation is working as intended, as states have had the federal resources they need to sustain and strengthen their CHIP programs over the past year, even as more and more families have lost their jobs and turned to CHIP (along with its larger companion program, Medicaid) for affordable coverage. Although state policymakers may face challenges raising the state share of CHIP costs that they are expected to cover due to their budget crises, federal funding is proving to be sufficient.

Background

The federal government and states split the cost of providing coverage to over seven million children under CHIP, with the federal government picking up 65 to 83 percent of the cost, depending on the state. Since the program's inception, federal CHIP spending (i.e., federal matching funds) has increased substantially to cover the needs of more uninsured children, reaching $7.3 billion in fiscal year 2009 (see Figure 1). In recognition that reliable and sustainable federal funding is essential for the continued success of CHIP, CHIPRA significantly increased the amount of federal funding available for the program (i.e., the national allotment) and created a new mechanism for distributing the funds among the states and territories. Under the original formula, each state's share of the available federal CHIP matching funds (i.e., state allotment) was based primarily on its share of uninsured children and did not take into account its actual spending on children's health coverage in CHIP. As a result, some states ended up not using their full allotments, as others faced the prospect of running out of funds. In contrast, the new formula distributes the available federal CHIP funds among states based largely on their actual use of and need for such funds to cover children. For more on CHIP financing, see: CHIP Tips: CHIP Financing Structure.

Figure 1.
Federal CHIP Expenditures
(in millions)



Source: Center for Children and Families analysis of Form CMS-21C.

Each state's allotment level for fiscal year 2009 was set at 110 percent of the highest of:

1. A state's fiscal year 2008 spending, adjusted for health care inflation and child population growth;
2. A state's fiscal year 2008 allotment, adjusted for health care inflation and child population growth; or

3. A state's projected spending of federal CHIP funds in fiscal year 2009.

In addition to the annual allotments (states' primary source of CHIP funding), CHIPRA included a number of mechanisms to provide funds to states should they be needed to cover more children. These are discussed below in more detail.

Recent Data on the Adequacy of Federal CHIP Spending

CMS recently released data on states' use of CHIP funds through fiscal year 2009. A CCF analysis of these data show that federal resources have been sufficient to finance the cost of any recession-driven enrollment increases attributable to families turning to CHIP for coverage after losing jobs, as well as growth driven by simplification measures or expansions undertaken by states. With the severe budget crises facing most states, the issue now is whether they are able to raise the state funds needed to "match" available federal CHIP dollars; it is not a question of the availability of federal CHIP funds.

Specifically, in fiscal year 2009, states used an amount of federal CHIP funds equivalent to 80 percent of the fiscal year 2009 national allotment, although spending varied by state (see Table 1). Some states spent little or none of their 2009 allotment, while only one state used the full amount. This is the case because many states used funds remaining from prior year allotments or redistributed funds before tapping the fiscal year 2009 funding. Therefore, some of the spending in fiscal year 2009 was not necessarily drawn from the 2009 allotment, and as a result, at the end of the fiscal year, a considerable amount of unspent federal CHIP funds remained available to nearly all states (see Table 2).

Even though, in practice, only one state used its full fiscal year 2009 allotment, CHIPRA anticipated and planned for this possibility by including several provisions meant to protect such states from exhausting federal funding as they cover additional children. The legislation allows states with planned expansions to request adjustments to their allotments in FY 2010 and FY 2012. It also establishes a child enrollment contingency fund, which provides states with additional funding if they face a funding shortfall and their child enrollment exceeds a target level.

It also is important to note that the new CHIP financing structure can be used to more quickly redirect federal CHIP funds from states that do not use them to states that need them. Specifically, after two years, any unspent funds remaining in a state's allotment are sent to "shortfall" states (states having projected expenditures that exceed available funding from allotments, as well as any contingency fund payments).

In addition, the CHIP financing formula is adjusted every two years to reflect states' total CHIP spending, including the use of prior year allotments, redistributed funds, and the child enrollment contingency fund. In effect, states that increase their use of federal CHIP funds to cover more uninsured children eventually secure permanent improvements in their CHIP allotments, while states that do not use their full allotments forfeit a share of them. The next "re-alignment" of CHIP funding will take place with respect to fiscal year 2011 allotments, looking at fiscal year 2010 spending.

The financing structure under CHIPRA was designed to provide states with stable federal matching funds adequate to sustain and strengthen their CHIP programs, including strong base allotments and supplemental funding sources that states can tap if needed. The fiscal year 2009 spending data indicate that the legislation has succeeded to date in providing states with sufficient federal matching funds to cover CHIP-eligible children.

Table 1: Federal CHIP Expenditures, Federal Fiscal Year 2009

	TOTAL FFY 09 CHIP SPENDING	FFY 09 ALLOTMENT	SPENDING AS A SHARE OF ALLOTMENTS*
Alabama	$116,352,875	$140,300,600	82.93%
Alaska	$16,211,963	$24,565,200	66.00%
Arizona	$194,327,426	$171,133,218	113.55%
Arkansas	$79,533,285	$133,752,696	59.46%
California	$1,139,241,869	$1,552,909,600	73.36%
Colorado	$102,349,530	$100,696,200	101.64%
Connecticut	$34,520,857	$45,644,506	75.63%
Delaware	$11,390,183	$15,096,397	75.45%
District of Columbia	$11,210,077	$14,180,255	79.05%
Florida	$286,407,493	$356,095,478	80.43%
Georgia	$225,548,195	$302,054,500	74.67%
Hawaii	$20,171,213	$20,888,564	96.57%
Idaho	$39,575,304	$44,514,800	88.90%
Illinois	$247,646,939	$344,561,804	71.87%
Indiana	$81,011,353	$137,584,700	58.88%
Iowa	$59,174,313	$65,255,300	90.68%
Kansas	$50,940,110	$57,163,700	89.11%
Kentucky	$110,442,102	$126,013,800	87.64%
Louisiana	$189,735,653	$197,540,833	96.05%
Maine	$34,861,837	$38,168,769	91.34%
Maryland	$154,937,371	$183,142,916	84.60%
Massachusetts	$227,440,608	$258,238,690	88.07%
Michigan	$186,940,217	$221,124,200	84.54%
Minnesota	$34,570,984	$83,960,234	41.18%
Mississippi	$148,586,762	$181,937,056	81.67%
Missouri	$100,937,484	$158,829,000	63.55%
Montana	$31,370,882	$32,989,000	95.09%
Nebraska	$36,728,120	$41,955,100	87.54%
Nevada	$22,750,758	$61,397,036	37.06%
New Hampshire	$13,344,045	$14,844,500	89.89%
New Jersey	$442,501,231	$404,472,178	109.40%
New Mexico	$283,021,618	$233,235,215	121.35%
New York	$345,285,630	$433,472,600	79.66%
North Carolina	$219,985,709	$241,660,100	91.03%
North Dakota	$13,116,702	$15,821,554	82.90%
Ohio	$252,020,683	$285,275,100	88.34%
Oklahoma	$115,957,679	$151,399,600	76.59%
Oregon	$74,404,699	$100,197,900	74.26%
Pennsylvania	$246,328,976	$310,308,900	79.38%
Rhode Island	$19,497,949	$66,992,709	29.10%
South Carolina	$84,259,471	$106,862,800	78.85%
South Dakota	$16,708,520	$20,655,800	80.89%
Tennessee	$113,681,568	$156,629,000	72.58%
Texas	$702,229,612	$867,350,000	80.96%
Utah	$55,614,105	$65,264,100	85.21%
Vermont	$5,990,948	$9,489,700	63.13%
Virginia	$148,401,066	$175,860,300	84.39%
Washington	$33,529,989	$94,285,111	35.56%
West Virginia	$38,240,490	$43,263,469	88.39%
Wisconsin	$91,015,032	$204,275,500	44.56%
Wyoming	$9,194,597	$11,326,700	81.18%
United States	**$7,319,246,082**	**$9,124,636,988**	**80.21%**

Source: Georgetown Center for Children and Families analysis of Form CMS-21C.

*Note: many states rely on unspent funds from earlier years, so the share of a state's FY 2009 allotment that remains may be higher than presented here. For data on unspent funds, see Table 2.

Table 2: Unspent Federal Funds at the end of Federal Fiscal Year 2009

STATES	FFY 07 UNSPENT ALLOTMENT	FFY 08 UNSPENT ALLOTMENT	FFY 09 UNSPENT ALLOTMENT	TOTAL UNSPENT AT END OF FFY 09
Alabama	$0	$0	$33,270,440	$33,270,440
Alaska	$0	$0	$8,353,237	$8,353,237
Arizona	$0	$0	$33,615,551	$33,615,551
Arkansas	$0	$0	$54,219,411	$54,219,411
California	$0	$0	$413,667,731	$413,667,731
Colorado	$0	$0	$87,101,013	$87,101,013
Connecticut	$6,702,433	$37,477,496	$45,644,506	$89,824,435
Delaware	$0	$9,645,503	$15,096,397	$24,741,900
District of Columbia	$0	$11,123,812	$14,180,255	$25,304,067
Florida	$0	$196,115,128	$356,095,478	$552,210,606
Georgia	$0	$0	$76,506,305	$76,506,305
Hawaii	$0	$0	$12,316,427	$12,316,427
Idaho	$0	$0	$30,132,123	$30,132,123
Illinois	$0	$0	$96,914,865	$96,914,865
Indiana	$0	$29,194,396	$137,584,700	$166,779,096
Iowa	$0	$0	$6,080,987	$6,080,987
Kansas	$0	$0	$14,425,850	$14,425,850
Kentucky	$0	$0	$56,367,004	$56,367,004
Louisiana	$0	$0	$17,667,147	$17,667,147
Maine	$0	$0	$4,409,869	$4,409,869
Maryland	$0	$0	$39,836,329	$39,836,329
Massachusetts	$0	$0	$94,218,092	$94,218,092
Michigan	$0	$0	$52,057,087	$52,057,087
Minnesota	$0	$0	$49,389,250	$49,389,250
Mississippi	$0	$0	$44,352,138	$44,352,138
Missouri	$0	$0	$71,892,301	$71,892,301
Montana	$0	$0	$6,601,177	$6,601,177
Nebraska	$0	$0	$5,226,980	$5,226,980
Nevada	$29,305,691	$51,071,928	$61,397,036	$141,774,655
New Hampshire	$0	$811,557	$14,844,500	$15,656,057
New Jersey	$0	$0	$62,893,769	$62,893,769
New Mexico	$0	$0	$0	$0
New York	$0	$103,462,443	$433,472,600	$536,935,043
North Carolina	$0	$0	$21,674,391	$21,674,391
North Dakota	$0	$0	$2,704,852	$2,704,852
Ohio	$0	$0	$26,042,502	$26,042,502
Oklahoma	$0	$0	$40,697,887	$40,697,887
Oregon	$0	$0	$83,504,759	$83,504,759
Pennsylvania	$0	$0	$177,464,805	$177,464,805
Rhode Island	$0	$0	$50,027,201	$50,027,201
South Carolina	$0	$51,419,978	$106,862,800	$158,282,778
South Dakota	$0	$0	$4,653,189	$4,653,189
Tennessee	$0	$83,619,629	$156,629,000	$240,248,629
Texas	$0	$168,720,156	$867,350,000	$1,036,070,156
Utah	$0	$0	$41,070,648	$41,070,648
Vermont	$0	$2,455,243	$8,497,265	$10,952,508
Virginia	$0	$0	$51,896,611	$51,896,611
Washington	$44,471,443	$79,883,308	$94,285,111	$218,639,862
West Virginia	$0	$0	$17,209,695	$17,209,695
Wisconsin	$0	$0	$119,268,977	$119,268,977
Wyoming	$0	$0	$9,479,189	$9,479,189
United States	**$80,479,567**	**$825,000,577**	**$4,329,149,437**	**$5,234,629,581**

Source: Georgetown Center for Children and Families analysis of Form CMS-21C.