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Health Policy Institute

Sequestration Replacement Cuts Could Unravel the Country's Success in Covering Children

Introduction

The House Energy and Commerce Committee, charged with finding offsets to avoid reductions to defense spending, has passed a package of cuts totaling $113 billion.[1] The House Budget Committee has incorporated those cuts into the Sequester Replacement Reconciliation Act. The package would repeal exchange establishment grants that are needed by states to implement the Affordable Care Act (ACA), as well as a prevention and public health fund. It also would reduce Medicaid payments to the territories and to disproportionate share hospitals. But perhaps the greatest threat to children's health coverage in the package is the inclusion of two provisions that have helped to drive down the number of uninsured children to the lowest level on record: 1) repeal of the stability protections in the ACA (aka "maintenance-of-effort requirements") that have kept Medicaid and CHIP coverage steady for children in recent years, and 2) cancelation of an innovative, pay-for-performance program that has rewarded states for connecting eligible children to coverage.

Repealing the Stability Protections

Eligibility levels for Medicaid and CHIP held steady in nearly all states in 2011, maintaining a vital lifeline for families struggling to make ends meet. Coverage remained stable even though state budgets remained stressed due to dampened revenue growth and the loss of the temporary increase in federal assistance in June of 2011 that Congress had provided to help states offset recession-driven increases in Medicaid enrollment. This stability can be directly attributed to the Affordable Care Act requirements that states maintain their eligibility rules and enrollment and renewal procedures until broader health reform goes into effect. For children, these protections extend until 2019.

If the stability provisions are rescinded, states could eliminate Medicaid for anyone who is covered at state option, as well as cut eligibility, shut down enrollment, or even abolish their CHIP programs, putting coverage at risk for more than a third of Medicaid and CHIP beneficiaries.[2] Even those who remain eligible for coverage will be vulnerable to cuts through "backdoor" strategies as states could re-introduce red-tape barriers to coverage. While not as obvious as restricting eligibility, such strategies can be extremely effective at depressing enrollment. In fact, during the last recession, when states were not precluded from doing so, close to half of all states added administrative barriers to enrollment.[3]

In the first year following a repeal of the stability protections, states setting up new administrative barriers to enrollment would likely result in 400,000 people a year losing coverage, with two out of three being children. By 2016, with the incentive of fully-federally funded Exchange coverage, half of states are expected to entirely eliminate their CHIP programs while the remaining states would scale back coverage for children. As a result, 1.7 million children would lose CHIP coverage, 300,000 of whom would become uninsured, while others would secure less comprehensive coverage at a higher cost to their families.[4]

Eliminating a Pay-for-Performance Program to Connect Children to Coverage

When CHIP was reauthorized in 2009, the legislation created an innovative program to reward states for enrolling more Medicaid-eligible children into coverage. In order to qualify for these incentive payments, states must adopt five of eight simplification measures and reach enrollment targets. To date, the program has worked exactly as intended – rewarding states for connecting the lowest-income children to coverage. While the incentive

payments only modestly offset the cost of successfully enrolling more eligible children in Medicaid, they have motivated states to make it easier for these children to get enrolled. In 2011, a diverse group of 23 states across the country received over $296 million in awards.

The elimination of the pay-for-performance program would remove an important incentive for states to continue to make progress in covering kids. In the states that received rewards in 2011 (see Table 1), an additional 1.1 million kids were enrolled above expected levels. While the incentive payments do not necessarily fully explain this increase in enrollment, they certainly help to support the states in reaching these children.

Conclusion

Preliminary estimates suggest that the repeal of the stability protections would generate a relatively paltry $1.4 billion in federal savings, while eliminating the pay-for-performance program would save just $400 million.[5] However, such a move could turn back the clock on the nation's success in driving the uninsured rate of children to record lows.

Endnotes

1. Congressional Budget Office, "Reconciliation Recommendations of the House Committee on Energy and Commerce" (April 27, 2012).
2. J. Guyer & M. Heberlein, "Eliminating Medicaid and CHIP Stability Provisions (MoE): What's at Stake for Children and Families," Georgetown Center for Children and Families (February 23, 2011).
3. D. Cohen Ross & L. Cox, "Beneath the Surface: Barriers Threaten to Slow Progress on Expanding Health Coverage of Children and Families," Kai¬ser Commission on Medicaid and the Uninsured (October 2004).
4. The Congressional Budget Office has released a cost estimate of the reconciliation recommendations from the House Energy and Commerce Committee, but has not released a detailed analysis of what the cuts would mean in regards to coverage. Therefore, we report their estimates from a similar bill (H.R. 1683) considered last year. Congressional Budget Office, "Cost Estimate: H.R. 1683 – State Flexibility Act" (May 11, 2011).
5. op. cit. (1).

This brief was prepared by the Georgetown Center for Children and Families.

CCF is an independent, nonpartisan research and policy center based at Georgetown University's Health Policy Institute whose mission is to expand and improve health coverage for America's children and families.

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Table 1: FY 2011 CHIPRA Performance Bonus Enrollment Information

December 2011

The chart below summarizes enrollment information for States that received FY 2011 performance bonuses.

State	2011 PB Enrollment Baseline	2011 Actual Enrollment	Additional Enrollment Above 2011 Baseline	% Increase in FY 2011 Enrollment Above FY 2011 PB baseline	Tier 2 Enrollment Reached*	FY 2011 Performance Bonus Amount
AL	395,959	462,291	66,332	17%	Yes	$19,758,656
AK	68,450	76,920	8,470	12%	Yes	$5,660,544
CO	288,834	342,341	53,507	19%	Yes	$26,141,052
CT	265,635	283,258	17,623	7%	No	$5,209,262
GA	852,611	889,180	36,569	4%	No	$4,965,887
ID	143,624	154,022	10,398	7%	No	$1,302,552
IL	1,397,262	1,506,272	109,010	8%	No	$15,069,869
IA	209,121	242,797	33,676	16%	Yes	$9,575,525
KS	175,874	196,772	20,898	12%	Yes	$5,862,957
LA	713,555	732,105	18,550	3%	No	$1,929,692
MD	441,315	502,527	61,212	14%	Yes	$28,301,384
MI	947,725	1,012,027	64,302	7%	No	$5,902,731
MT	52,158	65,122	12,964	25%	Yes	$6,473,416
NJ	535,320	596,024	60,704	11%	Yes	$16,822,537
NM	300,872	332,371	31,499	10%	Yes	$4,971,028
NC	867,442	965,652	98,210	11%	Yes	$21,135,087
ND	30,396	36,596	6,200	20%	Yes	$3,195,768
OH	1,079,548	1,202,782	123,234	11%	Yes	$21,036,616
OR	220,556	274,015	53,459	24%	Yes	$22,493,771
SC	453,327	474,930	21,603	5%	No	$2,383,837
VA	473,207	535,071	61,864	13%	Yes	$26,729,489
WA	599,085	673,340	74,255	12%	Yes	$16,987,468
WI	379,289	467,963	88,674	23%	Yes	$24,541,778
Total	**10,891,165**	**12,024,378**	**1,133,213**	**10%**	**16**	**$296,450,906**

States shaded in blue are receiving a bonus for the first time in FY 2011.

*The enrollment target is based on FY 2007 Medicaid child enrollment and adjusted based on a formula that accounts for population growth and for increases in enrollment during an economic recession. States that exceed their enrollment target have increased enrollment above what would have been expected without expanded outreach efforts. States that exceed their enrollment target by more than 10% qualify for a "Tier 2" performance bonus payment, in which additional enrollment is rewarded at a higher rate. **This enrollment data and the related bonus amounts are considered preliminary and subject to reconciliation after States' Medicaid enrollment numbers are finalized in early 2012.**