



Medicaid caps put children in Medicaid and CHIP at risk

Medicaid is a children’s program. More than half of all Medicaid beneficiaries are children. Changes to Medicaid’s financing structure would hurt not only children covered through Medicaid, but children covered through CHIP, as well.

The rate of uninsured children is at a historic low of 4.5%. This progress is the result of Medicaid and the Children’s Health Insurance Program (CHIP). Of the 46 million children covered by both programs, the vast majority (92 percent) are enrolled in Medicaid – either Medicaid or CHIP-funded Medicaid coverage (see Figure 1). Medicaid is the primary source of coverage for children; CHIP plays an important, though secondary, role extending coverage. CHIP’s success covering 9 million children is only possible because of Medicaid’s role covering more than 37 million children.

Medicaid and CHIP have different financing structures. Federal matching funds in Medicaid are open-ended and permanent. By contrast, CHIP is a block grant that makes federal funds available up to a predetermined limit each year for a fixed number of years. CHIP must be periodically renewed by Congress.

Without Medicaid as it is currently structured, CHIP could not effectively do its job of covering children in families who have low or moderate incomes but are not sufficiently poor to qualify for Medicaid. Historically, states used enrollment freezes and waiting lists to stay within their federal CHIP allotments, undercutting coverage for children. Most recently the state of Arizona closed its CHIP program which was just reopened in 2016.

If children in Medicaid were moved into CHIP, the cost to the federal government would need to be increased by \$11.9 billion to cover the additional 34 million children. This is an underestimate because it does not include the cost of many children with disabilities. The increase is due to the fact that the federal government spends almost 20% more per child in CHIP than per child in Medicaid. The CHIP block grant is not a significant federal budget platform because of the relative small federal investment (\$14.5 billion in 2017) corresponding to the relatively small and inexpensive population of children covered.

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