

# Protecting Kids' Coverage CHIP and Medicaid Q&A

## How do CHIP and Medicaid differ?

Together, Medicaid and the Children's Health Insurance Program (CHIP) provide critical health insurance coverage to more than 5.6 children in California. Both programs are successful state and federal partnerships, with joint funding from the federal and state governments.

Medicaid provides health coverage for low-income and vulnerable children, low-income adults, seniors and people with disabilities. CHIP was created to cover children under 19 whose families earn too much to qualify for Medicaid but not enough to afford private insurance. We must renew this commitment as CHIP funding is set to expire in September.

## Why do we need both Medicaid and CHIP?

Medicaid and CHIP are designed to work together. They have helped insure an historic 97% of kids in California, and stabilize California's budget in the process. Both programs are needed to make sure every child has a chance to grow up healthy and succeed in life. In California, nearly all CHIP funds are used to extend Medicaid (Medi-Cal) to children at higher income levels—making the two programs seamless and indistinguishable to families.

Medicaid is an important source of coverage for low-income children and parents, as well as seniors and people with disabilities who may require complex care to treat special needs or chronic conditions. It's a lifeline to those who otherwise wouldn't have health insurance or sufficient income to cover the care they need.

CHIP covers children under 19 whose families earn too much to qualify for Medicaid but not enough to afford private insurance. It provides an important source of funding for kids' health coverage (CHIP finances coverage for roughly one quarter of children in Medi-Cal), allows kids to get doctor-recommended screenings and treatment that get them off to a healthy start, and ensures a continuum of coverage and care for our nation's children.

## How does the Federal CHIP Funding "Bump" work, and why do we need to keep it?

The federal CHIP funding bump started in 2015 to provide states with a 23 percentage-point increase in federal dollars to support kids' health coverage during a time of great change in the U.S. health care system. The "bump" has allowed states to provide access to coverage for more kids and expand eligibility and services. As states look ahead to 2018, most have already approved their budgets to include bump funding. If the bump goes away, states would be faced with tough choices of where to cut expenditures, including potential cuts to education, law enforcement, the justice system, and other important state programs. Putting these additional federal dollars into CHIP allows states to use more of their own funds to invest in other programs that can also improve the lives of kids and families.

In California, our current CHIP funds will run out in December 2017 (California's FY 2017 federal CHIP allotment was nearly \$2.7 billion). California's enacted FY 2017-18 state budget already assumes CHIP base and bump funding, and is needed to prevent a hole in our budget that would need to be made up by making cuts elsewhere. Some people think this gives Congress plenty of time to act, but states and families need predictability and certainty. If Congress fails to act quickly, CHIP programs cannot be shut down on a moment's notice without creating havoc for families with children who rely on CHIP.

## **Why should we keep the maintenance of effort (MOE) requirements in place for states?**

The Maintenance of Effort (MOE) requirement ensures that children have consistent, stable access to health insurance, giving their families peace of mind. It prevents states from taking steps that would limit kids' coverage through CHIP or Medicaid—like putting in place more restrictive eligibility levels, charging higher premiums, freezing enrollment or adding red tape to enrollment processes. States maintain coverage under the MOE, or risk losing federal funds.

The MOE ensures that the quality, affordable health coverage families depend on for their kids is secure and stable. When kids have consistent access to coverage, they can get ongoing care, including checkups and preventive screenings, that help them grow up healthy and go to school ready to learn. And families' finances are protected when kids get sick or injured.

## **If CHIP works so well as a block grant, why can't we block grant Medicaid?**

CHIP builds on the solid foundation of Medicaid, which covers far more children—more than 37 million nationwide compared to nearly 9 million in CHIP. Because Medicaid has the flexibility—and funding—to cover the lowest-income and most vulnerable kids, including children with disabilities like Down Syndrome or autism, CHIP can operate as a much smaller program funded through a block grant. CHIP also only serves children, whereas Medicaid covers a more diverse, and higher-cost population of people with disabilities and seniors, in addition to children, that make a hard funding limit more difficult for states to manage. Since 2009, CHIP has been adequately funded with a number of contingency options to ensure states don't run out of federal matching funds even if expenditures exceed the state's allotment. Such contingency funds have never been included in proposals to block grant Medicaid.

Adequate funding would not be maintained in a Medicaid block grant. In fact, recent proposals to block grant Medicaid would have cut hundreds of billions in funding for states, shifting significant costs to states and taxpayers. And they would have put coverage for our most vulnerable family members and neighbors at risk. Unlike CHIP, Medicaid also provides coverage for seniors, disabled individuals and low-income adults. A Medicaid block grant would not account for rising enrollment due to an aging population, increasing health care costs, or unexpected needs (such as funding for new blockbuster drugs or an epidemic like Zika) for its diverse population, many of who have more complex and costly health needs. It would also allow Congress to ratchet down the amount it pays in the future, shifting even more costs to states and forcing more children and families to go without care.

## **Why do we still need CHIP—can't those on CHIP get coverage via a Marketplace now?**

Congress has considered several proposals that put the future of Medicaid and affordable Marketplace coverage at risk. This uncertainty threatens our nation's success in covering 95% of children. We need a clean, long-term extension of CHIP to ensure that children's coverage doesn't get caught up in what has proven to be a divisive and ideological debate over health care.

A number of families are unable to receive financial assistance to enroll children in Marketplace plans if one parent has access to affordable employer-based insurance—regardless of the cost of family coverage, which can be many times higher. And even when families qualify for premium tax credits, the private Marketplace plan often have extremely high out-of-pocket costs, high deductibles, benefit limits and other costs. Research has shown that families pay more for less comprehensive health coverage in the Marketplace as compared to CHIP. CHIP coverage ensures that kids in working families can access essential preventive care, immunizations and doctor and hospital visits they need to grow and thrive.