

Updated October 2017 | Fact Sheet

Current Status of State Planning for the Future of CHIP

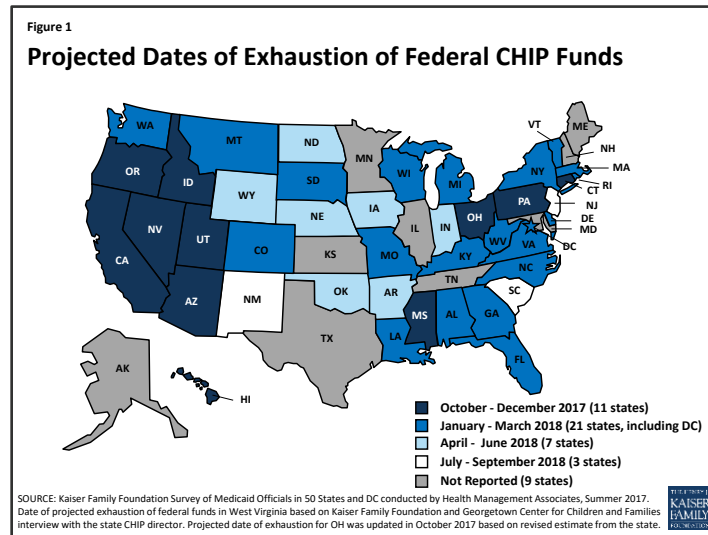
Federal funding for the Children’s Health Insurance Program (CHIP), which covered [8.9 million](#) children in FY 2016, is set to expire on September 30, 2017. This fact sheet provides an overview of current state plans for CHIP amid continuing uncertainty about future federal funding for the program and discusses how states and children would be affected if Congress does not extend funding by the September 30, 2017 deadline. With this deadline nearing, states will need to begin making decisions soon about actions they will take if Congress does not extend funding. States provide CHIP through a separate CHIP program, a CHIP-funded Medicaid expansion, or a combination of both approaches. States with CHIP-funded Medicaid expansions would be required to maintain this coverage under the Affordable Care Act (ACA) maintenance of effort requirement, and state costs would increase since states would receive the lower federal Medicaid match rate. States with separate CHIP coverage would not be required to maintain this coverage if federal funding ends.

During Summer 2017, the Kaiser Family Foundation and Health Management Associates surveyed state Medicaid officials about their state budget assumptions and future plans for CHIP if Congress does not extend funding. In addition, the Kaiser Family Foundation and the Georgetown University Center for Children and Families conducted interviews with CHIP directors in several states. Key findings show that without federal funding, states would face budget pressures, children would lose coverage, and implementation of program changes could result in increased costs and administrative burden for states as well as confusion for families. See Appendix Table 1 for state data; see [here](#) for state Medicaid and CHIP eligibility limits for children.

Nearly all (48 of 50) responding states (including DC) assumed continuation of federal CHIP funding in their FY 2018 state budgets. In addition, 34 of 42 responding states assumed that this funding would continue with the 23 percentage point enhanced federal match that was included in the ACA.

Because states have assumed continued federal funding in their state budgets, the majority of states will face a funding shortfall if Congress does not extend federal funding. Addressing these shortfalls will likely require special legislative sessions and/or Governor action because state budgets have already been passed. States will face challenges replacing federal dollars since many were already facing budget shortfalls heading into FY 2018.¹ States will also face costs associated with implementing program changes in response to loss of federal funding, including system changes and outreach and training costs. For example, Colorado estimates that eligibility system changes to implement program changes will cost \$300,000. The Centers for Medicare and Medicaid Services (CMS) indicated that states must factor such costs associated with close out of the program into calculations of use of remaining federal funds.² If Congress extends funding but does not include the 23 percentage point increase in the federal matching rate that was provided in the ACA, most states will still face shortfalls, since many assumed continued funding with the enhanced match rate.

Of the 42 states (including DC) that provided an estimate of when they will run out of their FY 2017 CHIP allotment, 11 anticipate exhausting funding by the end of 2017 (Figure 1). A total of 32 states project they will exhaust federal funds as of the end of March 2018. These recent state estimates show more states running out of funds earlier compared to previous projections from the Medicaid and CHIP Payment and Access Commission (MACPAC), which found that four states will run out of funding by December 2017.³ In most cases, differences with the MACPAC estimates are small (one or two months); in some cases they result in differences in the projected quarter that federal funds will be exhausted.



Although the majority of states have not yet developed plans for actions they will take if Congress does not extend funding, some plan to close or cap enrollment and/or discontinue coverage for children in separate CHIP programs (Box 1). A few states have state statutes that require them to close the program and/or discontinue coverage if federal funds for the program decrease. For example, under state statute, Arizona must freeze enrollment if the effective federal match rate decreases below its current level. State legislation in West Virginia requires the state to close the program if federal funding levels fall below the levels allotted in 1997. In Colorado, the state would no longer be able to access provider taxes it uses to support coverage for some CHIP children, since state statute requires federal participation to use those funds for CHIP. In addition, a few states indicated that CHIP-funded coverage for other groups, including pregnant women and children in buy-in programs, would likely be at risk for cutbacks. Some states indicated that they plan to cap or close enrollment in their CHIP-funded Medicaid expansion programs. However, they would not be able to take this action under the ACA maintenance of effort requirement. More states plan to explore program changes as the deadline for funding expiration grows closer.

Box 1: Selected State Plans to Limit CHIP Coverage if Congress does not Extend Federal Funding

Arizona anticipates it will run out of federal funding by December 31, 2017. If Congress does not extend CHIP funding prior to that date, the state will consider various policy alternatives. Additionally, state statute requires the state to freeze enrollment if the federal match goes below its current level. Thus, an enrollment freeze will be required if Congress lowers the applicable federal match below 100% as part of a funding reauthorization or otherwise. In light of the uncertainty surrounding federal funding, the state has warned health insurers of the risk of a shortfall and a possible enrollment freeze and is preparing to notify families of the same. The state would like to give families at least 30 days' notice prior to closing enrollment, but is trying to avoid confusion and concern among families, so has held off sending notices to date.

Nevada anticipates it will run out of federal funding by the end of November or beginning of December, 2017. Given this timeline, if funding is not extended, the state would potentially freeze enrollment on November 1, 2017 and end coverage on November 30, 2017. In order to give families at least 30 days' notice of these changes, the state would need to send notifications to families by the beginning of October. The state has included federal funding for CHIP in its budget so a special session would be required if the federal funding were to change for policy makers to determine how to address the funding shortfall.

Utah anticipates it will run out of federal funding by December 31, 2017, and would close the program by that date. The state would like to give families as much notice as possible so that they can make contingency plans, so is considering sending a notice to families 60 days ahead of the program closure (November 1) outlining the risk of program closure and describing the state's transition plan. The state anticipates that unforeseen issues may arise as they move down a compressed timeline. In addition to the challenges associated with closing CHIP, the state is experiencing challenges related to the uncertainty of funding. For example, the state is dependent on the timely federal reallocation of CHIP funds to continue the program through December.

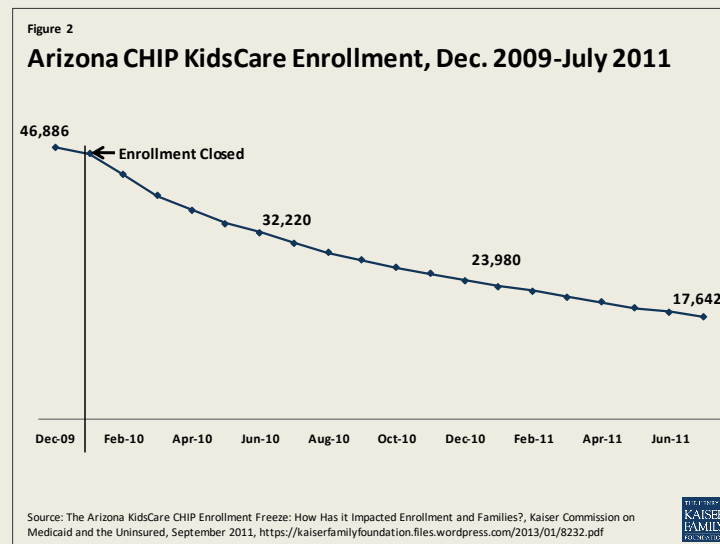
West Virginia anticipates it will run out of federal funding by April 1, 2018. State statute requires the state to terminate the program if annual federal funding levels decrease below the amounts allocated in 1997. The state is in the process of determining whether the effective date of this decrease would be interpreted to mean immediately after the deadline for Congressional action (i.e., October 1, 2017) or when the state is projected to exhaust its federal allotment (April 1, 2018). Without continued federal funds, the state would close enrollment to new enrollees. It would continue coverage for current enrollees as long as possible until it exhausts its federal funds. The state anticipates it would need about 6 months prior to the closing date to implement program changes. Previous projections suggest that about one-third of children enrolled in CHIP would become uninsured with closure of the program.

Source: Telephone interviews conducted with state CHIP directors by the Georgetown University Center for Children and Families and Kaiser Family Foundation during August 2017.

Reductions in CHIP coverage will result in coverage losses for children and negative effects on children’s health and family finances. If states close enrollment and/or discontinue coverage for children in separate CHIP programs, some children could shift to parents’ employer-sponsored plans or Marketplace plans, but others would become uninsured. Previously, some states closed enrollment in CHIP for limited periods in response to state budget pressures, and studies show that this led to coverage losses, left eligible individuals without access to coverage, and had negative effects on health and family finances (Box 2).

Box 2: Effects of Previous State Enrollment Caps and Freezes

After Arizona froze CHIP enrollment in December 2009, enrollment fell by more than 60% from about 46,900 to 17,600 as of July 2011 (Figure 2).⁴ Just over four in ten disenrolled children moved to Medicaid due to declines in family income, but many others likely became uninsured.⁵ The children’s uninsured rate in Arizona grew following the enrollment freeze.⁶ Over the same period, the waiting list for CHIP grew to over 100,000 children and was continuing to grow at a rate of about 10,000 children per month.⁷



In North Carolina, enrollment fell by nearly 30% from about 72,000 to 51,300 when it froze enrollment between January and October 2001. The number of children determined eligible for CHIP but placed on a waiting list grew to over 34,000.⁸ Most (60%) children added to the waiting list were previously enrolled in Medicaid and were unable to transition to CHIP.

Enrollment freezes negatively affected children’s health and family finances. In North Carolina, parents with children affected by the enrollment freeze said their children experienced periods of being uninsured and that almost all needed care during the time that they lacked coverage.⁹ Parents often had to delay care while their children were uninsured and reported difficulties obtaining prescription medications for their children.¹⁰ Parents also reported that obtaining care while their children were uninsured resulted in significant financial hardships, requiring them to cut back on necessities, borrow money from family or friends, and accrue debt for missed payments on bills.¹¹

With the deadline for the expiration of funding nearing, states are bumping up against deadlines to start implementing program changes. To implement changes in coverage, states need sufficient time to notify families and other stakeholders of changes in coverage, make changes to eligibility systems, and train eligibility workers. They also must update contracts with managed care plans and third party administrators, conduct Tribal consultation as necessary, and submit necessary state plan amendments to CMS. Those states projected to run out of funding by the end of 2017 will need to begin acting soon to implement program changes if Congress does not take action. There also is the potential for significant confusion among families and wasted spending and administrative efforts for states if they begin to implement changes and then Congress takes action after the deadline to extend funding, causing states to reverse course.

**Appendix Table 1:
State CHIP Budget Assumptions and Projected Dates of Exhaustion of Federal Funds**

State	Has separate CHIP coverage?	FY 2018 budget assumes continued federal funding?	FY 2018 budget assumes ACA enhanced match continues?	State estimate of when it will exhaust federal funding (calendar year quarter*)
Alabama	Yes	Yes	Yes	1st Q 2018*
Alaska		Yes	No	NR
Arizona	Yes	Yes	Yes	4th Q 2017
Arkansas	Yes	Yes	Yes	2nd Q 2018
California		Yes	No	4th Q 2017
Colorado	Yes	Yes	Yes	1st Q 2018
Connecticut	Yes	Yes	Yes	4th Q 2017
Delaware	Yes	Yes	Yes	1st Q 2018
DC		Yes	NR	1st Q 2018
Florida	Yes	Yes	Yes	1st Q 2018
Georgia	Yes	Yes	NR	1st Q 2018
Hawaii		Yes	Yes	4th Q 2017
Idaho	Yes	Yes	Yes	4th Q 2017
Illinois	Yes	Yes	No	NR
Indiana	Yes	Yes	NR	2nd Q 2018*
Iowa	Yes	Yes	Yes	2nd Q 2018
Kansas	Yes	NR	NR	NR
Kentucky	Yes	Yes	Yes	1st Q 2018
Louisiana	Yes	Yes	Yes	1st Q 2018
Maine	Yes	Yes	NR	NR
Maryland		Yes	Yes	NR
Massachusetts	Yes	Yes	Yes	1st Q 2018
Michigan		Yes	Yes	1st Q 2018
Minnesota		Yes	NR	NR
Mississippi	Yes	Yes	Yes	4th Q 2017
Missouri	Yes	Yes	No	1st Q 2018
Montana	Yes	Yes	Yes	1st Q 2018
Nebraska		Yes	No	2nd Q 2018*
Nevada	Yes	Yes	NR	4th Q 2017
New Hampshire		No	N/A	NR
New Jersey	Yes	Yes	Yes	3rd Q 2018
New Mexico		Yes	NR	3rd Q 2018
New York	Yes	Yes	Yes	1st Q 2018*
North Carolina	Yes	Yes	Yes	1st Q 2018
North Dakota	Yes	Yes	Yes	2nd Q 2018
Ohio		Yes	NR	4th Q 2017
Oklahoma		No	N/A	2nd Q 2018
Oregon	Yes	Yes	Yes	4th Q 2017
Pennsylvania	Yes	Yes	Yes	4th Q 2017
Rhode Island		Yes	Yes	1st Q 2018
South Carolina		Yes	Yes	3rd Q 2018*
South Dakota	Yes	Yes	Yes	1st Q 2018
Tennessee	Yes	Yes	Yes	NR
Texas	Yes	Yes	Yes	NR
Utah	Yes	Yes	Yes	4th Q 2017
Vermont		Yes	No	1st Q 2018
Virginia	Yes	Yes	Yes	1st Q 2018
Washington	Yes	Yes	Yes	1st Q 2018
West Virginia	Yes	Yes	Yes	1st Q 2018
Wisconsin	Yes	Yes	Yes	1st Q 2018
Wyoming	Yes	Yes	Yes	2nd Q 2018

NOTES: NR: Not reported. N/A: Not applicable, state budget does not assume continuation of CHIP funding. *When a state provided a range for when it anticipates running out of CHIP funding, the reported quarter is based on the earliest month in the range. Projected date of exhaustion for OH was updated in October 2017 based on a revised estimate from the state.

SOURCES: Kaiser Family Foundation Survey of Medicaid Officials in 50 States and DC conducted by Health Management Associates, Summer 2017. Date of projected exhaustion of federal funds in West Virginia based on interview with the state CHIP director by Kaiser Family Foundation and Georgetown University Center for Children and Families. List of states with separate CHIP coverage is from a national survey conducted by the Kaiser Family Foundation with Georgetown University Center for Children and Families, January 2017, <http://www.kff.org/medicaid/report/medicaid-and-chip-eligibility-enrollment-renewal-and-cost-sharing-policies-as-of-january-2017-findings-from-a-50-state-survey/>.

ENDNOTES

¹ Larisa Antonisse, Elizabeth Hinton, Robin Rudowitz, Kathleen Gifford, and Nicole McMahon, *Governors' Proposed Budgets for FY 2018: Focus on Medicaid and Other Health Priorities* (Washington, DC: Kaiser Family Foundation, April 2017), <http://www.kff.org/report-section/governors-proposed-budgets-for-fy-2018-focus-on-medicaid-and-other-health-priorities-issue-brief/>

² Centers for Medicare and Medicaid Services, "Contingency Planning for a Title XXI Shortfall," Children's Coverage TAG, July 25, 2017.

³ Medicaid and CHIP Payment and Access Commission, *Federal CHIP Funding: When Will States Exhaust Allotments?* (Washington, DC: MACPAC, July 2017), <https://www.macpac.gov/wp-content/uploads/2017/03/Federal-CHIP-Funding-When-Will-States-Exhaust-Allotments.pdf>

⁴ Kaiser Commission on Medicaid and the Uninsured, *The Arizona KidsCare CHIP Enrollment Freeze: How Has it Impacted Enrollment and Families?* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, September 2011), <http://www.kff.org/medicaid/issue-brief/the-arizona-kidscare-chip-enrollment-freeze-how/>

⁵ Ibid.

⁶ Elisabeth Wright Burak, *Children's Health Coverage in Arizona: A Cautionary Tale for the Future of the Children's Health Insurance Program (CHIP)* (Washington, DC: Georgetown Center for Children and Families, January 2015), <http://ccf.georgetown.edu/wp-content/uploads/2015/01/Childrens-Coverage-in-Arizona-A-Cautionary-Tale-for-the-Future-of-Childrens-Health-Insurance-Program.pdf>

⁷ Kaiser Commission on Medicaid and the Uninsured, *The Arizona KidsCare CHIP Enrollment Freeze: How Has it Impacted Enrollment and Families?* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, September 2011), <http://www.kff.org/medicaid/issue-brief/the-arizona-kidscare-chip-enrollment-freeze-how/>

⁸ Ian Hill, Brigitte Courtot, and Jennifer Sullivan, "Coping With SCHIP Enrollment Caps: Lessons From Seven States' Experiences" *Health Affairs* 26 no.1 (January/February 2007): 258-268, <http://content.healthaffairs.org/content/26/1/258.full.pdf>

⁹ Pam Silberman, Joan Walsh, Rebecca Slifkin, and Stephanie Poley, *The North Carolina Health Choice Enrollment Freeze of 2001* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, January 2003), <https://kaiserfamilyfoundation.files.wordpress.com/2002/12/4081-north-carolina-health-choice.pdf>

¹⁰ Ibid

¹¹ Ibid