When the CHIPs Are Down — Health Coverage and Care at Risk for U.S. Children

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Despite bipartisan agreement on a 5-year plan in both the Senate and the House of Representatives, Congress failed to reauthorize the Children’s Health Insurance Program (CHIP) last fall, causing uncertainty and worry for families and state CHIP directors alike. Families in several states, including Colorado and Virginia, received letters saying that their children could lose their CHIP coverage, and Alabama and Connecticut announced that they were going to stop new CHIP enrollments because of funding shortfalls. Shortly before leaving town for the holidays, Congress

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Data are Urban Institute tabulations of 1997–2016 National Health Interview Survey data.

Included stopgap funding of $2.8 billion for CHIP in a short-term government funding bill. That additional funding means that states have not had to begin disenrolling children from CHIP just yet. But with the Centers for Medicare and Medicaid Services reporting on January 5 that it could ensure only that the available funds would keep CHIP funded in every state through January 19, it also means that the sword of Damocles continues to hang over the program: parents and state CHIP directors will still be on edge, worrying that they will need to scramble in the coming months to address the fallout from the loss of CHIP coverage for millions of children.

CHIP was created in 1997 to address high uninsured rates among children in families whose incomes were above Medicaid eligibility thresholds but who lacked access to affordable private coverage. Jointly administered and financed by states and the federal government through a block-grant structure, CHIP has enjoyed bipartisan support from the outset; within just a few years, all states had voluntarily implemented programs through Medicaid, a separate CHIP program, or some combination of the two. Under CHIP, states also adopted enrollment and outreach changes aimed at increasing take-up and retention among uninsured children who were eligible for Medicaid or CHIP but not enrolled. In 2016, a total of 8.9 million people, mostly children but also pregnant women, relied on CHIP for insurance coverage at some point during the year. According to the most recent information available, the vast majority (89%) of CHIP enrollees have family incomes below 200% of the federal poverty level and 25% have special health care needs.

CHIP has been a major public policy success: in the 20 years since its enactment, uninsured rates among U.S. children have fallen by 63%, and coverage differences among income groups have diminished sharply (see graph). The gap in uninsured rates between higher- and lower-income children (i.e., those whose family incomes are above 200% of the poverty level vs. those who incomes are 200% or below) was 15.4 percentage points in 1997, and it had narrowed to 3.6 percentage points by 2016. But CHIP and Medicaid have done more than just reduce uninsured rates among children. Expansions of public health insurance coverage through Medicaid and CHIP have also led to increased receipt of preventive care, diminished access barriers for children, and reduced worries and financial burdens for their parents. In addition, a growing literature has documented that expansions of public health insurance during pregnancy and childhood have resulted in positive effects on health, educational attainment, and economic well-being that last into adulthood.

CHIP has been reauthorized multiple times, most recently in 2015, when the program was extended through September 2017. But CHIP was not a priority in 2017 for a Congress focused on repealing the Affordable Care Act and overhauling the tax system. Even with bipartisan agreement on the structure of CHIP reauthorization, Congress disagreed about how to pay for it, despite Congressional Budget Office (CBO) estimates that extending funding for the program in 2017 would have cost only an additional $8.2 billion over 10 years — a drop in the bucket when measured against the $1.5 trillion tax bill that was passed in late December.

The government funding bill that prevented a shutdown provided short-term relief for CHIP but still presents enormous issues for states. Without a longer-term solution, in early 2018, states will need to determine whether to let their programs lapse or transfer children from CHIP into Medicaid and commit the additional state funds required to sustain their programs. These deci-
sions take time; some require state plan amendments, legislative action, or both. States that close their programs will need to decide when to freeze enrollment and start disenrollment, inform families in advance, and reprogram their eligibility systems. All these changes require resources, regardless of whether they are ultimately undone: among states providing estimates, the project costs of turning off CHIP ranged from $200,000 in South Dakota to $3.4 million in Pennsylvania.2

What happens when states run short of CHIP funds? Most children enrolled in the 41 separate CHIP programs would lose their coverage; states are not obligated to continue covering these children and would face very steep, unbudgeted increases in state spending to do so. Although states can transfer children from separate CHIP programs into Medicaid, few states are likely to do so given the costly budget implications.2 Parents would then be faced with worse coverage options for their children; some children would lose coverage altogether, and others would end up with coverage that has higher cost sharing and fewer benefits.3 As a consequence, children losing CHIP coverage could have more unmet health needs and miss important preventive care, while their parents struggle to meet their needs.

In contrast, children who have CHIP coverage through a Medicaid program would retain it even if CHIP is not reauthorized, because states are required by the Affordable Care Act to maintain eligibility for Medicaid at 2010 levels through 2019. Without additional federal CHIP funds, these states would need to use more state resources to fund their CHIP programs within Medicaid. This requirement, in turn, would place pressure on state budgets, potentially leading to cuts in Medicaid or other programs, a need to raise additional revenue, or all of the above.

The ongoing uncertainty regarding CHIP sows confusion, which will almost certainly cause more children to go without health insurance coverage. It also creates worry and stress among the families whose children depend on the program. Without a longer-term reauthorization for CHIP, families will not know whether the insurance they rely on for their children will exist next week, let alone next month or later this year. CHIP coverage provides immediate gains to children and families by expanding children's access to affordable health care, but it also has long-term payoffs in children's educational attainment, their health in adulthood, and their economic well-being — payoffs that confer benefits to society more broadly.5 Given the CBO's newly released finding that the cost to the federal government of reauthorizing CHIP is now much lower (less than $1 billion over 10 years for a 5-year reauthorization, with actual savings possible for the federal government from a longer-term reauthorization) because of the elimination of the Affordable Care Act's individual mandate, the question of how to pay for it should be moot, and reauthorizing CHIP for 5 years or even longer should be a no-brainer. By taking quick action to renew CHIP, Congress could save states the millions of dollars that would be required to prepare to shut down their CHIP programs — and could provide peace of mind for millions of parents throughout the country.

Editor's note: CHIP was reauthorized for 6 years on January 22, 2018.

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