



What's Next for CHIP-Funded Adult Coverage?

The Children's Health Insurance Program (CHIP) was created in 1997 to provide affordable health coverage to low-income children in working families who make too much money to be eligible for Medicaid but not enough to afford private coverage. The program currently covers more than 7 million children. In February 2009, after a protracted political fight, Congress enacted, and President Obama signed, legislation that renewed CHIP through the end of 2013 and expanded its scope. This series of issue briefs examines the new provisions that were included in the reauthorization and how they will affect implementation in the coming months.

As its name indicates, the Children's Health Insurance Program (CHIP) was designed primarily to serve children. However, federal laws passed in 2000 and 2001 allowed states with leftover CHIP funds to use those funds to cover low-income, uninsured adults who do not qualify for Medicaid. (In 2006, federal legislation was enacted that prevented additional states from using CHIP funds to cover adults without dependent children.) Now, several states rely on CHIP funds to cover adults. For the most part, these adults are the parents of children who are eligible for Medicaid or CHIP, but a few states use CHIP funding to cover adults without dependent children as well.

During the CHIP reauthorization debate in Congress, adult coverage was a hot topic, and some members questioned whether states should be allowed to continue using their CHIP funds to cover adults. The CHIPRA legislation includes a compromise on the issue of adult coverage: Additional states are not allowed to use CHIP funds for adult coverage, but states that currently offer such coverage are not required to terminate it completely. Instead, CHIPRA makes significant changes to how that coverage will be financed over the next five years. This brief explores those changes.

Background

Nine states currently have CHIP waivers that have allowed them to provide CHIP-funded coverage to parents (Arizona,¹ Arkansas, Idaho, Minnesota,² Nevada, New Jersey, New Mexico, and Wisconsin³) and/or to adults without dependent children (Idaho, Michigan, and New Mexico) (see Table 1). Although expanding coverage to adults using CHIP funds has been controversial on Capitol Hill, covering these individuals is beneficial not only to the adults who gain coverage, but also—in the case of parents—to their children. For example, states

that have expanded CHIP coverage to parents have enrolled 20 percent more of their eligible children than states that have not.⁴ In addition, covering parents helps children obtain care: Children whose parents have health insurance have better access to care, and they are more likely to see a doctor when they are sick.⁵ For more information on the benefits of covering parents, see “How Covering Parents Helps Children” on page 9.

Table 1

Number of Adults in CHIP-Funded Health Coverage during Fiscal Year (FY) 2007

| State | Parents | Adults without Dependent Children |
|-------------------------|----------------|-----------------------------------|
| Arizona ^a | 25,774 | n/a |
| Arkansas | 639 | n/a |
| Idaho ^b | 380 | 152 |
| Michigan | n/a | 77,713 |
| Minnesota ^c | 29,225 | n/a |
| Nevada ^b | 5 | n/a |
| New Jersey | 99,629 | n/a |
| New Mexico ^b | 4,304 | 7,891 |
| Wisconsin | 48,271 | n/a |
| Total | 208,227 | 85,756 |

^a State has authority to cover childless adults using CHIP funds. However, in FY 2007, childless adults were enrolled in Medicaid, not CHIP.

^b Coverage through premium assistance programs only.

^c Minnesota used CHIP funds to cover parents through its MinnesotaCare waiver from June 2001 through 2008. The most recent terms of the waiver no longer allow the state to use CHIP funds for parent coverage, so it now covers these parents in Medicaid.

Source: Evelyn Baumrucker, *Status of SCHIP Adult Coverage Waivers (as of August 18, 2008)* (Washington: Congressional Research Service, September 2008).

Why Have States Used CHIP Funds to Cover Adults?

When CHIP was created in 1997, it was designed primarily to provide coverage to low-income children (children made up 92 percent of CHIP enrollees in fiscal year [FY] 2007⁶). Initially, the Centers for Medicare and Medicaid Services (CMS, which administers the program) would not entertain waivers for the program. However, in July 2000, in the face of mounting evidence that covering entire families helps cover more children, CMS began granting states the option to apply for Section 1115 waivers to expand CHIP coverage to parents with dependent children and to pregnant women. However, CMS granted these waivers only if expanding coverage to

these populations helped states meet the objectives of CHIP—to improve enrollment, health care outcomes, and access to health services for children. The Bush Administration's 2001 Health Insurance Flexibility and Accountability (HIFA) initiative further encouraged states to use their unspent CHIP funds to cover uninsured parents and permitted states to use section 1115 waivers to cover adults without dependent children. In general, states have been able to use CHIP waivers to provide health coverage to adults who would not have been eligible for Medicaid and who have few other options for affordable coverage. Five of the nine states with these waivers cover adults with incomes up to twice the federal poverty level. Four of the nine states currently use CHIP waivers to expand parent coverage to the same eligibility levels as those for children, which allows entire families to be covered together under one plan (see Table 2).

Table 2

Eligibility Levels for States with Adults in CHIP-Funded Health Coverage During Fiscal Year (FY) 2007, as a Percent of the Federal Poverty Level

| State | Parents | Adults without Dependent Children | Children |
|-------------------------|---------|-----------------------------------|----------|
| Arizona ^a | 200% | n/a | 200% |
| Arkansas | 200% | n/a | 200% |
| Idaho ^b | 185% | 185% | 185% |
| Michigan | n/a | 35% | 200% |
| Minnesota ^c | n/a | n/a | 275% |
| Nevada ^b | 200% | n/a | 200% |
| New Jersey | 133% | n/a | 350% |
| New Mexico ^b | 200% | 200% | 235% |
| Wisconsin | 200% | n/a | 250% |

^a State has authority to cover childless adults using CHIP funds. However, in FY 2007, childless adults were enrolled in Medicaid, not CHIP.

^b Coverage through premium assistance programs only

^c Minnesota used CHIP funds to cover parents through its MinnesotaCare waiver from June 2001 through 2008. The most recent terms of the waiver no longer allow the state to use CHIP funds for parent coverage, so it now covers these parents in Medicaid.

Sources: Evelyn Baumrucker, *Status of SCHIP Adult Coverage Waivers (as of August 18, 2008)* (Washington: Congressional Research Service, September 2008); Kaiser State Health Facts Online, *Income Eligibility Levels for Children's Separate SCHIP Programs by Annual Incomes and as a Percent of Federal Poverty Level, 2009*, available online at <http://www.statehealthfacts.org/comparemaptable.jsp?ind=204&cat=4>, accessed on August 4, 2009; Kaiser State Health Facts Online, *Income Eligibility Levels for Children's Regular Medicaid and Children's SCHIP-funded Medicaid Expansions by Annual Incomes and as a Percent of Federal Poverty Level (FPL), 2009*, available online at <http://www.statehealthfacts.org/comparemaptable.jsp?ind=203&cat=4>, accessed on August 4, 2009.

There are several reasons states have chosen to take advantage of these waivers and extend CHIP-funded coverage to low-income, uninsured adults, as follows:

- **Covering parents allowed states to use CHIP funds that would have otherwise gone unspent.** Minnesota and Rhode Island had expanded Medicaid coverage for children before Congress enacted CHIP. Therefore, they could not use their CHIP allotments to cover these children. Instead, they used these allotments to provide coverage for families using CHIP Section 1115 waivers.⁷
- **Covering parents allows all family members to be insured together in the same plan instead of having to navigate multiple plans.** Several states, including Arizona, Illinois, New Jersey, and Wisconsin, use CHIP funds to cover parents in order to enable all family members to enroll in a single plan. This allows the entire family to get health care from the same doctors, with the same cost-sharing rules, renewal processes, and other policies. This simplifies coverage for families, and it improves how they understand and use their health insurance. In fact, covering parents together with their children may increase children's retention rates in Medicaid and CHIP by up to 76 percent.⁸
- **Covering parents helps get children covered and improves the health status of working families.** Children with insured parents have better access to care and are more likely to receive preventive health services than children whose parents are uninsured.⁹
- **Covering parents means that there are fewer uninsured adults.** Idaho, Michigan, and New Mexico obtained CHIP Section 1115 waivers for adult coverage in order to reduce the number of uninsured adults in their states.¹⁰ Overall, CHIP-funded coverage for low-income adults without dependent children has provided coverage for a small group of adults who have few other options for obtaining affordable health coverage.

States Can Continue Their Existing Parent Coverage—with Some Important Changes

There are currently seven states that use CHIP funds for parent coverage: Arizona, Arkansas, Idaho, Nevada, New Jersey, New Mexico, and Wisconsin. Combined, these states covered nearly 108,000 parents under CHIP waivers in federal FY 2007 (see Table 1).¹¹ These states can and should choose to automatically extend their waivers and continue covering parents through the end of FY 2011. During this period, these states will continue to receive their CHIP federal matching rates (which are higher than their Medicaid federal matching rates). It is important to note that states with parent coverage waivers that terminate before the end of FY 2011 (Idaho and Wisconsin) must apply for an extension by September 1, 2011, to continue their existing CHIP-funded parent coverage.

CHIPRA allows states that currently use CHIP funds to cover parents to continue doing so through FY 2013. However, beginning with FY 2012, the funding mechanism for covering them will change, the amount of funding that will be available will be limited, and these states cannot increase their eligibility levels for parents in CHIP (see Table 3 for details).

■ Changes in the CHIP Funding Mechanism

For fiscal years 2009-2011, states can continue covering parents according to the terms of their waivers, under which parent coverage is one component of a state's overall CHIP budget. However, beginning in FY 2012, the Secretary of Health and Human Services (HHS) will set aside a pool of federal funding to pay for parent coverage that will be separate from states' CHIP allotments, and that pool will be divided into separate block grants for each state. The amount of money that will be available in each state's block grant will essentially be enough to cover the number of parents who were enrolled in CHIP-funded coverage in the state during the previous fiscal year (see Table 3 for more details).

CHIPRA reauthorizes CHIP for only five years. Therefore, the funding mechanism for covering parents after 2013 is unknown. However, if national health reform legislation is passed, it will likely provide new coverage options for low-income adults. To get up-to-date information about how health reform may affect adult coverage, see our Web site at www.familiesusa.org/health-reform-2009/.

Table 3

Changes to CHIP-Funded Parent Coverage

| Fiscal Year | CHIP Funding Source | Federal Match Rate |
|----------------------|--|--|
| 2009, 2010, and 2011 | The state's CHIP allotment, according to the terms of the state's existing waiver. | All states receive their enhanced federal matching rate. |
| 2012 | CMS will transition the federal share of funding for parent coverage to a separate block grant outside the state's CHIP allotment. The amount of a state's grant will equal its parent coverage expenditures in FY 2011 plus 10 percent. | States that met specified criteria for child outreach or child coverage benchmarks in FY 2011 will receive their enhanced CHIP matching rate. States that did not meet these criteria will receive their regular Medicaid matching rate. |
| 2013 | From a separate block grant. The amount of a state's grant will equal its parent coverage expenditures in FY 2012 plus 10 percent. | States that met their child outreach and enrollment benchmarks in FY 2012 will receive a "Reduced Enhanced Medical Assistance Percentage" (REMAP). [*] States that did not meet these criteria will receive their regular Medicaid matching rate. |

^{*}A state's REMAP is equal to its regular FMAP plus one-half the difference between its regular FMAP and its enhanced FMAP.

■ **Changes in States' Matching Rates**

For fiscal years 2009-2011, states will continue to receive the CHIP federal matching rates they've been receiving for CHIP-funded parent coverage. In fiscal years 2012 and 2013, the federal matching rates for parent coverage will depend on whether states meet their child coverage benchmarks or participate in significant child outreach. In FY 2012, states that met their child outreach and enrollment benchmarks in FY 2011 will receive their CHIP matching rate. In FY 2013, the states that met their child outreach and enrollment benchmarks in FY 2012 will receive a matching rate that falls between their enhanced CHIP matching rate and their regular Medicaid match, known as the Reduced Enhanced Medical Assistance Percentage, or REMAP. States that have not met these criteria will receive only their regular Medicaid match.

■ **Child Coverage and Outreach Benchmarks**

In order to receive the highest possible federal matching rate for parent coverage, CHIPRA requires states to meet at least one of the following criteria. (Note that CMS has not yet issued official guidance on the exact requirements a state must meet.)

- Participation in a significant child outreach campaign that includes at least one of the following:
 - Receive a CHIP outreach grant in FY 2011;
 - Implement one or more of the following enrollment and retention provisions: 12-month continuous eligibility, administrative verification/elimination of the asset test, elimination of the face-to-face interview requirement, joint application for Medicaid and CHIP, automatic/passive renewal, presumptive eligibility, express lane eligibility, or premium assistance.
 - Submit a specific outreach plan to the HHS Secretary.
- Rank in the lowest one-third of states in terms of uninsured rates for low-income children.
- Qualify for a performance bonus in the most recent fiscal year.

Fortunately, significant research has shown that offering parent coverage increases children's coverage rates as well. By virtue of the fact that a state offers parent coverage, it may also be covering a significant number of low-income children.

Coverage for Other Adults through CHIP

Low-income adults without dependent children are eligible for public programs in only a handful of states and have few other options for obtaining affordable health care. Such adults make up more than 57 percent of the nation's uninsured.¹² Recognizing this problem, several states took advantage of the 2001 HIFA initiative to expand CHIP coverage to this population. However, the 2005 Deficit Reduction Act (DRA) prohibits additional states from using CHIP funds to cover adults without dependent children, and CHIPRA reiterates this prohibition.

As of January 2009, only four states used CHIP funds to cover these adults: Arizona, Idaho, Michigan, and New Mexico. Together, these states covered more than 85,000 adults without dependent children in federal fiscal year 2007 (see Table 1).¹³ These states can and should continue to cover this group under CHIP through December 31, 2009. During this period, these states will receive their CHIP federal matching rates for these individuals. In order to continue covering these adults through 2009, states with waivers that terminate before the end of the year (Idaho and Michigan) must apply for an extension of their waivers by no later than September 30, 2009.

■ How Does CHIPRA Change CHIP-Funded Coverage for Adults without Dependent Children?

CHIPRA phases adults without dependent children completely out of CHIP-funded coverage by the end of December 2009: After December 31, 2009, adults without dependent children can no longer be covered under CHIP waivers. However, states have the option of transitioning these adults into Medicaid using Section 1115 waivers, and they should be encouraged to do so. States must submit their applications for Medicaid waivers to cover this group by no later than September 30, 2009. In addition, federal spending on these Medicaid waivers in FY 2010 cannot exceed the amount spent for adults without dependent children under CHIP in FY 2009. Federal spending for each successive year will be tied to the previous year's spending.

It is important to note that a state can continue to cover adults without dependent children *only* if the state first chooses to extend CHIP coverage through the end of 2009 and then applies for a Section 1115 waiver to shift these individuals into Medicaid.

Why States Can and Should Continue to Cover Adults

Unfortunately, CHIPRA makes it more difficult for states to cover adults using CHIP funds at a time when health coverage is becoming increasingly difficult to hang on to. During this recession, many workers have lost their health coverage when they lost their jobs. For those who still have job-based coverage, premiums for such coverage increased 5.4 times faster than median worker earnings between 2000 and 2007.¹⁴ Meanwhile, the majority of low-income adults cannot afford private insurance in the individual health insurance market, and few are eligible for public safety net programs.¹⁵ For example, the national median eligibility level for parents is a mere 67 percent of the federal poverty level (\$12,268 for a family of three). No wonder one in three Americans was uninsured for some time during 2007-2008.¹⁶ These trends demonstrate the tremendous need for states to maintain public health coverage programs for low-income adults.

The good news is that states that cover adults without dependent children using CHIP funds can continue to cover these individuals through the end of 2009. What's more, there are other mechanisms states can use to provide coverage to parents or adults without dependent children through Medicaid, and this will likely improve their child coverage rates as well.

- States can expand coverage for low-income *parents* under Medicaid Section 1931.¹⁷ Current eligibility levels for parents with dependent children are extremely low: Only 16 states and the District of Columbia even cover such parents with incomes up to the federal poverty level (\$18,310 a year for a family of three).
- States can expand Medicaid coverage to *adults without dependent children* using a Section 1115 waiver. Currently, only eight states use Section 1115 waivers to provide Medicaid to low-income adults without dependent children.¹⁸ This means that, in the vast majority of states, adults without dependent children can be literally penniless and still not qualify for Medicaid.
- In addition, national health reform may provide another pathway for covering low-income adults. Current national health reform proposals include a federal mandate to expand Medicaid coverage to all adults under age 65 with incomes up to 133 percent of poverty (\$24,352 a year for a family of three or \$14,404 a year for a single adult).
- By expanding Medicaid, states will provide more low-income adults with comprehensive, affordable benefits that meet their specific needs.

How Covering Parents Helps Children

Expanding coverage for parents of CHIP-eligible children provides numerous benefits for both the parents and their children:

- Covering parents helps cover children: States that have expanded coverage to parents enrolled 20 percent more of their eligible children than states that have not.¹⁹
- Family coverage allows everyone in the family to get health care from the same doctors, with the same cost-sharing rules, renewal processes, and other policies. This makes coverage simpler for families and helps them understand and use that coverage.
- Children who have insured parents are more likely to see a doctor when they are sick and to have well-child visits.²⁰
- Covering parents, regardless of how that coverage is funded, will help states cover more children, which will help them use the higher allotments granted under CHIPRA. This is important because, if states do not spend these higher allotments, they will lose that money, and their future CHIP allotments will shrink. For more information on these allotments, see our issue brief, *More Funding for CHIP, Different Rules: How Does CHIPRA Change CHIP Funding?*, available online at www.familiesusa.org/assets/pdfs/chipra/funding.pdf.

Conclusion

In a time of economic crisis, it is fundamentally important for states to maintain access to affordable health care for their low-income residents, who have few other options for coverage. Doing so not only provides numerous benefits to the adults who receive coverage, but also, in the case of parents, significantly improves the health of their children as well. What's more, states can continue to receive a higher federal matching rate for their existing coverage for these adults for up to the next four years. While CHIPRA does limit states' ability to cover adults in CHIP, it gives states the tools they need to smoothly transition adults out of CHIP and to ensure continued coverage of these individuals.

Endnotes

- ¹ Arizona also has the legal authority to cover adults without dependent children in CHIP, but it no longer does this.
- ² Minnesota used CHIP funds to cover parents through its MinnesotaCare waiver from June 2001 through 2008. The most recent terms of the waiver no longer allow the state to use CHIP funds for parent coverage, so Minnesota now covers these parents in Medicaid.
- ³ Wisconsin is in the process of transitioning their parents covered in CHIP to Medicaid.
- ⁴ Lisa Dubay and Genevieve Kenney, "Expanding Public Health Insurance to Parents: Effects on Children's Coverage under Medicaid," *Health Services Research* 38, no. 5 (October 2003): 1,283-1,302.
- ⁵ Amy Davidoff, Lisa Dubay, Genevieve Kenney, and Alshadye Yemane, "The Effect of Children's Preventative Service Use: Implications of Parents' Medicaid Status," *Inquiry* 40, no. 3 (Fall 2003): 254-268.
- ⁶ Chris L. Peterson, *Memorandum: Estimates of SCHIP Child Enrollees up to 200% of Poverty, above 200% of Poverty, and of SCHIP Adult Enrollees* (Washington: Congressional Research Service, March 17, 2008).
- ⁷ Rhode Island's waiver to cover parents in CHIP expired on September 30, 2008. The state now covers these individuals under a Section 1115 Medicaid waiver.
- ⁸ Benjamin Sommers, "Insuring Children or Insuring Families: Do Parental and Sibling Coverage Lead to Improved Retention of Children in Medicaid and CHIP?" *Journal of Health Economics* 25, (2006): 1,154-1,169.
- ⁹ Amy Davidoff, Lisa Dubay, Genevieve Kenney, and Alshadye Yemane, op. cit.
- ¹⁰ Ibid.
- ¹¹ Evelyn Baumrucker, *Status of SCHIP Adult Coverage Waivers (as of August 18, 2008)* (Washington: Congressional Research Service, September 2008). According to the Arizona Medicaid Web site, the state eliminated coverage for parents in its KidsCare program during the fiscal year 2010 budget session. Currently enrolled parents will no longer be covered as of September 30, 2009. *Important Notice about Closing the AHCCCS Health Insurance for Parents Program*, August 11, 2009, available online at <http://www.azahcccs.gov/shared/Downloads/News/HealthInsurance4Parents.pdf>.
- ¹² Lisa Dubay, John Holahan, and Allison Cook, op. cit.
- ¹³ Congressional Research Service, *Estimated Number of Individuals Enrolled in SCHIP in FY2007*, analysis of data from the SCHIP Statistical Enrollment Data System (SEDS) provided by the Centers for Medicare and Medicaid Services (CMS).
- ¹⁴ Calculation by Families USA.
- ¹⁵ Lisa Dubay, John Holahan, and Allison Cook, op. cit.
- ¹⁶ Kim Bailey, *Americans at Risk: One in Three Uninsured* (Washington: Families USA, March 2009).
- ¹⁷ Section 1931 of the Medicaid law, enacted as part of the 1996 Welfare reform law, repeals the historic link between welfare and Medicaid. This means that poor families need not qualify for welfare to be eligible for Medicaid. Under Section 1931, families are eligible for Medicaid if they meet the requirements for Medicaid in their state that were in place on July 16, 1996. Section 1931 also allows states to expand Medicaid eligibility to families with higher incomes.
- ¹⁸ Families USA, *Upper Public Program Eligibility Levels for Children and Adults* (Washington: Families USA, August 2009).
- ¹⁹ Amy Davidoff, Lisa Dubay, Genevieve Kenney, and Alshadye Yemane, op. cit.
- ²⁰ Ibid.

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