

The Children's Health Insurance Program in Minnesota

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Background and history

The Children's Health Insurance Program (CHIP) supplements existing federal Medicaid funds that provide health care coverage for low-income Minnesota families. States can use CHIP funds to either expand their Medicaid program, create a separate CHIP program, or take a combination approach. In Minnesota, we have used CHIP funds to expand our state's Medicaid program, also known as Medical Assistance.

When the program was created in 1997, Minnesota already covered most of the children Congress intended to cover through CHIP. Therefore, the Minnesota Legislature chose to use CHIP funds to extend benefits to a small group of children who did not have coverage at the time: those under age 2 with family incomes between 275 percent and 283 percent of the federal poverty line (FPL).

In 2001, Minnesota obtained a federal §1115 waiver to allow the state to use CHIP funds to add coverage for parents of some children on Medicaid. Over time, Congress also revised the CHIP law (Title XXI of the Social Security Act) to allow states to extend coverage to pregnant women who were ineligible for Medicaid and to use CHIP funding for Medicaid-enrolled children with incomes above 133 percent of the FPL.

Today, Minnesota uses its federal CHIP funds to cover the populations in the table below:

Coverage	Income	Enrollment	CHIP funding in 2017 ¹
Infants under age 2	Income above 275 percent up to 283 percent FPL	200	CHIP enhanced match at 88 percent; state funds at 12 percent
Pregnant women ineligible for Medicaid	Income up to 278 percent FPL	1,700	CHIP enhanced match at 88 percent; state funds at 12 percent
Children on Medicaid	Income above 133 percent and below 275 percent FPL	125,000	Medicaid match at 50 percent; CHIP additional match at 38 percent; state funds at 12 percent ²

¹With the passage of the Affordable Care Act, section 2105(b) of the Social Security Act was amended to authorize an enhanced CHIP match for all states for federal fiscal years 2016 through 2019. In prior years, Minnesota's CHIP match was 65 percent for infants and pregnant women and 15 percent for children under the age of 21. The CHIP funding levels listed above will each decrease by 23 percent when this provision expires in federal law.

²As an early Medicaid expansion state under the Affordable Care Act, Minnesota is able to use CHIP funds for certain Medicaid-covered children in an amount that is the difference between the regular Medicaid match and the CHIP matching rate. Minnesota has been claiming expenditures through CHIP in this manner since February 2009.

Allotments to states and federal matching funds

Each state receives a portion of available CHIP funds based on a formula that has changed over time. The state's federal portion of CHIP funding is called an allotment. Minnesota's CHIP allotment was approximately \$115 million in 2017. Unlike the Medicaid program, the federal government does not match every dollar that a state spends on CHIP coverage. Since the federal funding is limited, states can limit enrollment to ensure spending does not exceed the dollars available.

Medicaid generally provides Minnesota with a 50 percent federal matching rate. The federal share of costs for the CHIP program is higher than the Medicaid matching rate but the total dollars available for CHIP are more limited than Medicaid. For Minnesota, the CHIP base matching rate is 65 percent, however, the Affordable Care Act temporarily increased the base rate by 23 percentage points from 2016 through 2019 such that Minnesota draws down federal funds against the CHIP allotment at a rate of 88 percent until Sept. 30, 2019. This funding effectively covers 88 percent of the cost of care for the three population groups covered by CHIP in Minnesota.

Fiscal impact of the failure to reauthorize CHIP funding

The authorization for the CHIP program expired at the end of federal fiscal year (FFY) 2017 on September 30, 2017. Since Minnesota has maximized its CHIP allotment, it was the first state in the country to exhaust its FY 2017 allotment at the end of September.

Since Congress has not renewed CHIP and federal funding for the program has lapsed, Minnesota will only receive Medicaid's 50 percent matching rate for the two groups of children that are covered by CHIP. Because we have a Medicaid expansion CHIP program, these children remain enrolled in our Medicaid program and will not experience any lapse in coverage while the program is expired. Minnesota has continued coverage for pregnant women on CHIP in October and November using CHIP redistribution funds in the amount of \$4.6 million provided by the Centers for Medicare & Medicaid Services (CMS).

To continue coverage for pregnant women into December, the Minnesota Department of Human Services will carry over FFY 2017 funds by not claiming CHIP funds for the last quarter of FFY 2017 for children above 133 percent of FPL. Carrying over these funds would provide coverage for pregnant women through May 2018, however, the state will incur a fiscal penalty of \$11.2 million since federal law requires a one-third reduction in any CHIP funds carried over from FFY 2017 to FFY 2018. It is unclear at this point what the deadline is for Minnesota to claim funds for FFY2017 and not incur a financial penalty if Congress acts sometime in December to fund CHIP.

When CHIP is fully funded by Congress for FFY 2018, DHS anticipates that the current coverage for the two groups of children covered by CHIP will be reimbursed at the enhanced match rate of 88 percent from the FFY 2018 allotment. With regard to the CHIP redistribution funds, the total federal CHIP dollars the state receives through redistribution will not be finalized immediately as it will not be reconciled until after the first of the year. Therefore, some of this funding may be dollars the state will keep and some may be partially taken back after reconciliation following the appropriation of CHIP funding. Until the state knows the level at which Congress will appropriate CHIP for FFY 2018, we won't know how much CHIP funding the state will ultimately lose for this fiscal year and moving forward.