



FEDERAL HEALTH CARE REFORM; CHIP CHANGES

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) makes seven significant changes that will have impacts on the Children’s Health Insurance Program (CHIP) with an estimated savings for the State of \$15.7 million beginning in FY 2016 and decreasing to \$7.1 million in FY 2020. Three of the seven provisions could not be quantified at this time. This brief is for informational purposes only and no Legislative action is required.

DISCUSSION AND ANALYSIS

\$26.4 Million in General Fund Savings to the State in FY 2019

The estimated quantifiable General Fund savings to the State is \$15.7 million in FY 2016 and \$7.1 million in FY 2020. The fiscal impact by year is shown in the table below.

General Fund (Cost)/Savings in Millions	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
End of Medicaid asset test	N/A	N/A	N/A	N/A	???	???	???	???	???	???	???	???
Maintenance of effort requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Increased federal match rate	N/A	N/A	N/A	N/A	N/A	N/A	\$ 15.7	\$ 22.6	\$ 24.4	\$ 26.4	\$ 7.1	N/A
Option to enroll in private plans	N/A	N/A	N/A	N/A	N/A	N/A	???	???	???	???	???	???
Online enrollment	N/A	N/A	N/A	N/A	???	???	???	???	???	???	???	???
Provider background check fees	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
No federal money for elective abortions	see Issue Brief entitled "Federal Health Care Reform; Changes to Medicaid Benefits"											
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15.7	\$ 22.6	\$ 24.4	\$ 26.4	\$ 7.1	\$ -

Wherever “???” appears in the table above, it means that the impact to State expenditures is not known, but an impact is probable. Three of the seven provisions could not be quantified at this time. As those estimates become available, this will change the estimated net impact to State expenditures. Each of the seven items listed in the table above are discussed in more detail below.

Changes to the CHIP program from federal health care reform

- End of Medicaid asset test** – beginning January 1, 2014, Medicaid will no longer be permitted to look at assets to determine eligibility. This means that the CHIP enrollees with incomes up to 133% of the Federal Poverty Level (\$2,480 monthly for a family of 4) will be on Medicaid. This change includes all CHIP Plan A enrollees as well as some Plan B enrollees. Additionally, children under 6 with incomes up to 133% of the Federal Poverty Level will also be on Medicaid. In October 2010, these future Medicaid enrollees represented about 47% or 20,000 CHIP members.
- Maintenance of effort requirements** – except for a waiting list, the State must maintain eligibility standards through September 2019 or risk losing Medicaid payments.
- Increased federal match rate** – from October 2015 through September 2019, the federal government will pay 100% of the costs for CHIP program services. CHIP administration will remain at the normal match rate. In FY 2010 the State paid \$13,131,700 from General Fund and General Fund Restricted accounts for match monies for medical services in the Children’s Health Insurance Program. If the average projected growth rate of 8.1% for FY 2011 and FY 2012 continued annually through FY 2020, the Analyst estimates savings to the State of \$15.7 million in FY 2016 peaking at \$26.4 million in FY 2019.
- Option to enroll in private plans** – Effective October 2015, the State can opt to enroll CHIP-eligible children in private plans with equivalent benefits and cost-sharing via the health exchanges.

5. **Online enrollment** – Effective January 2014, the online health exchange must be able to make final determinations for CHIP eligibility.
6. **Provider background check fees** – Effective March 23, 2011, the State may charge a fee to providers to conduct mandatory background check fees every five years for those providers not already screened by Medicare or Medicaid. Fees that exceed costs, must be paid to the federal government. Providers who have been blacklisted in Medicare or any State’s Medicaid or CHIP program will not be allowed to receive reimbursement for CHIP services. It would appear that this change for the State should be cost neutral.
7. **No federal money for elective abortions** – On March 24, 2010 President Obama issued an executive order (<http://www.whitehouse.gov/the-press-office/executive-order-patient-protection-and-affordable-care-acts-consistency-with-longst>) that directed that no federal funds be used to cover elective abortions. The Department of Health implemented this provision by excluding payments to health insurance plans via Utah's Premium Partnership for Health Insurance that covered elective abortions. Of the 560 children on Utah's Premium Partnership for Health Insurance in April 2010, about 129 or 23% lost premium assistance and of those 61% joined the CHIP or Medicaid program. The Department of Health estimates an annual General Fund savings of \$6,100 for the child impact as well as the adult impact. These savings are accounted for in the Issue Brief entitled “*Federal Health Care Reform; Changes to Medicaid Benefits.*”

Additional Information About Federal Health Care Reform

- www.healthcare.gov
- www.ncsl.org
- www.kff.org