# Report to the Social Services Appropriations Subcommittee

## Impact of Ending the Children's Health Insurance Program (CHIP)

Prepared by the Division of Medicaid and Health Financing

June 1, 2021

UTAH DEPARTMENT OF HEALTH

## EXECUTIVE SUMMARY

This report is submitted in response to the following intent language passed in the 2021 General Session of the Utah Legislature:

> *"The Legislature intends that the Department of Health report to the Social Services Appropriations Subcommittee by June 1, 2021 on the financial impact to the State for ending the Children's Health Insurance Program during the federal maintenance of effort requirements and after it expires. Additionally, the report shall include how many current clients on the Children's Health Insurance Program could qualify for other programs and how those programs compare to current coverage."*

### *Summary*

The elimination of the Children's Health Insurance Program will result in 15,200 children potentially losing some or all of their health care coverage. While many of these children are in household that can qualify for health insurance available on the federal marketplace, employer sponsored or other commercial coverage, these plans do not provide the same benefits that are available under CHIP.

In addition, a financial analysis shows that the state would save approximately $1.9 million in general fund annually if CHIP were to end. In addition, the state economy would lose $134.3 million in federal funds.

### *Background*

The Children's Health Insurance Program (CHIP) was created in 1997 as a result of the bipartisan efforts of Senators Orin Hatch and Ted Kennedy. CHIP gives states financial support to expand publicly funded coverage to uninsured children who are not eligible for Medicaid. The Children's Health Insurance Program (CHIP) was most recently renewed in October 2018, providing ongoing program funding for 10 years (through September 30, 2027). This renewal continued an eligibility maintenance of effort (MOE) requirement that started with the passage of the Affordable Care Act (ACA) in 2010. States must maintain Medicaid and CHIP "eligibility standards, methodologies, and procedures" for children that are no more restrictive than those in effect on March 23, 2010. A slight MOE modification was included with the passage of the Advancing Chronic Care, Extenders and Social Services Act or ACCESS Act which allows eligibility changes to populations with income over 300% federal poverty level (FPL.)

### *Program Structure and Benefits*

Unlike Medicaid, CHIP is structured as a block grant. This allows states to structure CHIP to meet the specific needs of each state. Utah chose to structure CHIP to look and act more like a commercial insurance plan. Section 26-14-106, UCA requires

Utah's CHIP benefit to be benchmarked against a commercial plan in accordance with 42 U.S.C. Sec. 1397cc, as follows:

> (a) medical program benefits, including behavioral health care benefits, shall be benchmarked effective July 1, 2019, and on July 1 every third year thereafter, to:
> (i) be substantially equal to a health benefit plan with the largest insured commercial enrollment offered by a health maintenance organization in the state; and
> (ii) comply with the Mental Health Parity and Addiction Equity Act, Pub. L. No. 110-343; and
> (b) dental program benefits shall be benchmarked effective July 1, 2019, and on July 1 every third year thereafter in accordance with the Children's Health Insurance Program Reauthorization Act of 2009, to be substantially equal to a dental benefit plan that has the largest insured, commercial, non-Medicaid enrollment of covered lives that is offered in the state, except that the utilization review mechanism for orthodontia shall be based on medical necessity.

In addition, as of July 1, 2021, Utah CHIP includes coverage for Applied Behavioral Analysis (ABA) therapy as follows:

> (3) The program benefits:
> (b) shall include treatment for autism spectrum disorder as defined in Section 31A-22-642, which:
> (i) shall include coverage for applied behavioral analysis; and
> (ii) if the benchmark described in Subsection (1)(a) does not include the coverage described in this Subsection (3)(b), the department shall exclude from the benchmark described in Subsection (1)(a) for any purpose other than providing benefits under the program.

CHIP will provide ABA therapy to children with as ASD diagnosis regardless of age. Commercial, federal marketplace and ESI plans are only required to provide this service to children from the age of 2 through age 9.

### *Cost Sharing Protections*

CHIP has a cap on out of pocket costs of no more than 5% of the gross annual income of the household. There are cost sharing protections in federal market place plans as well. However, these same cost sharing protections are not available in commercial and employer sponsored plans.

### *Service Delivery System*

All Utah CHIP children are enrolled in managed care plans for the delivery of their care. These same plans also are part of Utah's Medicaid delivery system. This allows for

continuity of care as children move back and forth between Medicaid and CHIP depending on the status of their household income.

### *Behavioral Health Benefits*

By federal regulations, CHIP must be incompliance with Mental Health Parity and Addiction Equity Act, Pub. L. No. 110-343. As a result, CHIP offers a behavioral health benefit that covers the continuum of care. Select Health and Molina provide access to these services through their panels of private providers, but also contract with many of the Local Mental Health and Substance Use Authorities for these services.

In summary, CHIP provides a richer benefit plan, is required to comply with MPHEA and has better cost sharing provisions than commercial or ESI plans.

### *Impact of Terminating the CHIP*

The impact of CHIP and its funding goes beyond the direct healthcare coverage provided to approximately 15,200 children (May 2021). CHIP funding also pays for 316 children enrolled in the Utah's Premium Partnership (UPP) program. UPP provides a premium subsidy to children enrolled in their parent's employer sponsored health coverage.

In addition, with the passage of the ACA, CHIP also funds the costs of many Medicaid children at a higher match rate than Medicaid. These are children who were previously eligible CHIP until ACA raised the income level for Medicaid. These Medicaid children (often referred to as "Chipicaid children") would remain Medicaid eligible, but will lose approximately 9.5% of the federal match the state receives for them today as the CHIP match rate gives way to the Medicaid match rate

### *Alternative Coverage for CHIP Children*

Children who lose their CHIP coverage or UPP subsidies will not be eligible for Medicaid because they are already income ineligible for that program. State systems would automatically refer these children to the Federal Marketplace for coverage. As the marketplace plans' costs are higher than CHIP even with the subsidies provided there, some families may not seek other health insurance options, and will go without coverage altogether. Many of these same families could be eligible for a Medicaid spenddown program for future catastrophic needs. Due to the COVID 19 Public Health Emergency MOE, the Department did attempt to project what coverage children would be eligible for if CHIP were to be ended due to lack of current income and household information for most CHIP households.

***Financial Impact of Ending CHIP***

If a state reduces its eligibility levels for CHIP children protected by the current CHIP MOE, the state would potentially face a disallowance of the federal funds. If the CHIP were to end, the state would stop claiming federal financial participation. The net state savings from ending CHIP is estimated to be $1,839,036 State Funds.  At the same time the state will lose ($134,280,100) in federal funds.

Additional Questions From Representative Thurston Regarding the Impact of Ending the Children's Health Insurance Program With Answers from Health in Red Text

1.Please provide estimates of how many children could qualify for employer-sponsored plans and other opportunities.

Due to the COVID 19 maintenance of effort (MOE) requirement, states must keep Medicaid cases open, with a few exceptions, to receive the 6.2% enhanced federal funds. This requirement is also impacting the transition of children from Medicaid to CHIP as their household income increases. Until recently, states also applied an COVID 19 MOE to CHIP. CMS has since reversed their position on an MOE for CHIP.

During the MOE period, Medicaid and CHIP households have not consistently completed eligibility reviews or provided updated information regarding employment, availability of employer sponsored insurance, household income or composition. As a result, at this time we can't determine how many CHIP children would qualify for ESI. Once the federal PHE is terminated, we may have a better answer to this question.

In addition, technically, every child enrolled in CHIP is income eligible to be enrolled in a federal marketplace plan. Household income between 138% FPL and 200% FPL overlap CHIP and marketplace coverage.

I also didn't see any discussion of the value to families of having everyone enrolled in the same plan. There is a discussion of continuity as children move from CHIP to Medicaid, but there wasn't any discussion of efforts to keep children on family plans through employers (such as UPP) as family incomes fluctuate below and above income eligibility levels.

Please provide a more detailed discussion of the value of having all family members on the same plan that can remain in place as incomes fluctuate above the CHIP income levels.

You are correct, there is a benefit to keeping family members on the same plan as much as possible. It is also important to allow individuals to stay with the same plan to gives individuals access to the much of the same provider network as possible, thereby minimizing disruption of care. This holds true if the household income goes down and a child moves from CHIP to Medicaid or if household income increases and a child moves from CHIP to a marketplace plan.

Please also provide information about how CHIP interfaces with UPP and the potential of providing wrap-around benefits that would maximize the inclusion of employer contributions toward coverage.

The Utah Premium Partnership Program (UPP) is authorized under Utah's 1115 Demonstration Waiver. This program allows the state to provide a premium subsidy up to a maximum of $300.00 (effective July 1, 2021) to adults who enroll in employer

sponsored insurance using Medicaid (Title XIX) funds. In addition, the state may pay a per child subsidy for each child enrolled in a parent's employer sponsored insurance up to a maximum of $120.00 per child using CHIP (Title XXI) funds. Children in UPP may also receive a $20.00 per month subsidy for employer sponsored dental insurance. If employer sponsored dental insurance is not available, the child is enrolled in the CHIP dental managed care plan.

UPP is voluntary and a child must be allowed to move seamlessly back to CHIP without the need for a new application. CHIP is the federal funding source for this program for children. If CHIP is ended, the state will no longer have the ability to administer this program for children whose household income is between 138% -200% FPL.

By state law, CHIP is entirely administered though managed care contracts. As a result, there is no fee for service alternative available for CHIP. Providers cannot bill claims directly to the state because there is no system support for this process either in the state's current Medicaid Management Information System (MMIS) or in PRISM. While the 1115 waiver could be amended to allow additional wrap around services for children in UPP, changes would need to made to PRISM to support this program change. Any significant changes PRISM, which is in user acceptance testing, will delay the implementation date of the system (January 2023).