

Federal CHIP Funding: When Will States Exhaust Allotments?

Under current law, federal funds for the State Children's Health Insurance Program (CHIP) are only provided through fiscal year (FY) 2017. Unless CHIP funding is extended, all states are expected to exhaust their federal CHIP funds during FY 2018; this includes unspent CHIP funding from prior years. Three states and the District of Columbia are projected to exhaust their funds by December 2017. Most states (31 states and the District of Columbia) are projected to exhaust federal CHIP funds by March 2018. These estimates are based on states' projections of their CHIP spending for FYs 2017 and 2018.¹ How quickly states deplete CHIP funds could change if actual CHIP spending is above or below projections.

This issue brief updates data on the exhaustion of CHIP funds presented in a March 2017 issue brief and with MACPAC's January 2017 *Recommendations for the Future of CHIP and Children's Coverage*. With the end of FY 2017 approaching, congressional action to renew CHIP funding is urgent to ensure the stability of children's coverage during a time in which health insurance markets are expected to face substantial changes, and to provide budgetary certainty for states. If CHIP funding is not renewed, states will need to make decisions including whether to end separate CHIP, how to finance Medicaid-expansion CHIP with reduced federal spending, and how to provide information to families, providers, and plans (Hensley-Quinn and King 2016).

Federal CHIP Funding and Its Exhaustion under Current Law

Federal CHIP funds are allotted to states annually based on each state's recent CHIP spending, increased by a growth factor. States have two years to spend their allotments, and unspent allotments are available for redistribution to other states experiencing CHIP funding shortfalls. Under current law, new CHIP allotments are not available after FY 2017 and unspent FY 2017 CHIP allotments that remain available for expenditures in FY 2018 are reduced by one-third (§ 2104(m)(2)(B)(iv) of the Social Security Act (the Act)).

States experiencing CHIP funding shortfalls can also receive contingency fund payments if their CHIP enrollment exceeds target levels specified in Section 2105(n) of the Act. However, contingency fund payments are not available for FY 2018 and subsequent years.

CHIP funding in FY 2017

The federal CHIP funding that states have received for FY 2017 and the redistribution funding that is available from prior year allotments is projected to be adequate to cover projected spending in FY 2017. Two states (Arizona and Minnesota) are projected to have CHIP spending that exceeds their FY 2017 allotment, but these states are expected to receive redistribution funds in FY 2017 sufficient to cover their



projected CHIP funding shortfall. Approximately \$3 billion in redistribution funding is available in FY 2017 (CMS 2017).

CHIP funding in FY 2018

Under current law, in FY 2018, states may continue to spend unspent FY 2017 allotments and redistribution funds from prior years. These funds will cover some but not all expected state CHIP expenses in FY 2018. By the second quarter of FY 2018, more than half of states are projected to exhaust all available federal CHIP funding, including redistribution funds (Table 1).

TABLE 1. Projected Exhaustion of Federal CHIP Funds in Fiscal Year 2018

Quarter of fiscal year	Number of states	States
First quarter (October–December 2017)	4	Arizona, District of Columbia, Minnesota, and North Carolina
Second quarter (January–March 2018)	27	Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Kansas, Kentucky, Louisiana, Massachusetts, Mississippi, Missouri, Montana, Nevada, New York, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Utah, Vermont, Virginia, and Washington
Third quarter (April–June 2018)	19	Alabama, Georgia, Illinois, Indiana, Iowa, Maine, Michigan, Maryland, Nebraska, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, South Carolina, Tennessee, Texas, West Virginia, and Wisconsin
Fourth quarter (July–September 2018)	1	Wyoming

Note: CHIP is the State Children’s Health Insurance Program.

Source: MACPAC 2017 analysis using June 2017 Medicaid and CHIP Budget and Expenditure System data from the Centers for Medicare & Medicaid Services, including quarterly projections provided by states in May 2017.

An estimated \$4.2 billion in unspent FY 2017 allotments will be available for spending in FY 2018. Total projected FY 2018 federal CHIP spending for states and territories is \$17.4 billion. States will exhaust their federal CHIP funds at different points during FY 2018 depending on their rollover balances from prior year allotments and projected spending (Table 2).

TABLE 2. Projected Federal CHIP Funding and Spending in FY 2018, by State (millions)

State	Estimated unspent FY 2017 allotments	Unspent FY 2017 allotments available in FY 2018	FY 2018 projected redistribution funding from prior year allotments	Total FY 2018 projected CHIP funding	FY 2018 projected federal CHIP spending	Month projected to exhaust CHIP funding
	A	B = A × .67	C	D = B + C	E	F
Total	\$6,346.2	\$4,230.8	\$2,949.4	\$7,180.2	\$17,372.4	N/A
Alabama	176.9	118.0	37.4	155.3	284.4	April 2018
Alaska	17.8	11.8	5.4	17.2	35.7	March 2018
Arizona	0.0	0.0	60.1	60.1	267.9	December 2017
Arkansas	96.3	64.2	28.7	92.9	191.9	March 2018
California	192.2	128.1	710.0	838.1	3291.4	January 2018
Colorado	87.5	58.3	55.1	113.4	303.7	February 2018
Connecticut	24.3	16.2	14.3	30.5	79.9	February 2018
Delaware	10.6	7.1	6.3	13.4	35.2	February 2018
District of Columbia	1.6	1.1	10.9	11.9	49.4	December 2017
Florida	135.7	90.5	204.6	295.1	1002.2	January 2018
Georgia	220.6	147.1	56.6	203.6	399.1	April 2018
Hawaii	17.4	11.6	8.2	19.8	48.1	February 2018
Idaho	22.2	14.8	15.4	30.2	83.4	February 2018
Illinois	349.1	232.7	36.6	269.3	395.7	June 2018
Indiana	144.8	96.5	19.9	116.4	185.2	May 2018
Iowa	75.8	50.6	19.4	70.0	137.2	April 2018
Kansas	47.7	31.8	15.9	47.7	102.8	March 2018
Kentucky	87.7	58.4	40.7	99.2	240.0	February 2018
Louisiana	134.1	89.4	58.5	147.9	350.0	March 2018
Maine	29.3	19.5	3.3	22.8	34.1	June 2018
Maryland	187.6	125.1	35.0	160.1	281.0	April 2018
Massachusetts	168.4	112.3	117.0	229.3	633.7	February 2018
Michigan	264.8	176.5	31.3	207.9	316.2	May 2018
Minnesota	0.0	0.0	38.8	38.8	172.9	December 2017
Mississippi	147.7	98.5	41.3	139.8	282.5	March 2018
Missouri	118.6	79.1	32.8	111.8	225.0	March 2018
Montana	31.8	21.2	18.4	39.6	103.2	February 2018
Nebraska	61.1	40.7	6.8	47.5	70.9	June 2018
Nevada	16.5	11.0	15.2	26.2	78.6	January 2018
New Hampshire	19.9	13.3	4.5	17.8	33.4	April 2018
New Jersey	337.1	224.7	59.7	284.4	490.7	April 2018
New Mexico	95.7	63.8	10.8	74.6	112.0	May 2018
New York	527.3	351.6	197.1	548.6	1229.8	March 2018
North Carolina	12.2	8.2	182.9	191.1	823.2	December 2017



TABLE 2. (continued)

State	Estimated unspent FY 2017 allotments	Unspent FY 2017 allotments available in FY 2018	FY 2018 projected redistribution funding from prior year allotments	Total FY 2018 projected CHIP funding	FY 2018 projected federal CHIP spending	Month projected to exhaust CHIP funding
	A	B = A × .67	C	D = B + C	E	F
North Dakota	\$16.6	\$11.1	\$2.3	\$13.3	\$21.2	May 2018
Ohio	200.1	133.4	70.1	203.5	445.6	March 2018
Oklahoma	127.5	85.0	30.4	115.4	220.6	April 2018
Oregon	48.6	32.4	52.5	84.9	266.3	January 2018
Pennsylvania	193.6	129.1	114.1	243.2	637.6	February 2018
Rhode Island	11.1	7.4	15.4	22.8	76.1	January 2018
South Carolina	127.5	85.0	15.5	100.5	154.2	May 2018
South Dakota	16.2	10.8	4.5	15.3	30.9	March 2018
Tennessee	202.2	134.8	30.1	164.9	268.8	May 2018
Texas	1074.5	716.4	204.6	921.0	1628.0	April 2018
Utah	30.0	20.0	28.2	48.2	145.6	January 2018
Vermont	5.6	3.7	5.5	9.2	28.1	January 2018
Virginia	127.5	85.0	51.0	136.0	312.3	March 2018
Washington	42.1	28.0	49.0	77.1	246.6	January 2018
West Virginia	43.8	29.2	8.9	38.0	68.6	April 2018
Wisconsin	127.3	84.9	31.8	116.7	226.7	April 2018
Wyoming	12.2	8.1	0.8	8.9	11.5	July 2018

Notes: FY is fiscal year. CHIP is the State Children’s Health Insurance Program. Total dollars include territories. Under current law, available unspent FY 2017 CHIP allotments are reduced by one-third in FY 2018. Projected redistribution funding is distributed proportionally among states based on their projected CHIP funding shortfalls for FY 2018 and the amount of unspent CHIP funding available from prior years.

Source: MACPAC 2017 analysis as of June 2017 of Medicaid and CHIP Budget Expenditure System data from the Centers for Medicare & Medicaid Services, including quarterly projections provided by states in May 2017.

Implications

The exhaustion of CHIP funding in FY 2018 will affect state budgets and will require states to make decisions about children’s coverage depending on the type of CHIP program states had in place in March 2010.² Under the maintenance of effort requirement in the Patient Protection and Affordable Care Act (P.L. 111-148, as amended), states must maintain 2010 Medicaid and CHIP eligibility levels for children through FY 2019.

States with separate CHIP are permitted to terminate that coverage if federal CHIP funding runs out; states with Medicaid-expansion CHIP must continue that coverage for children at the lower federal Medicaid matching rate. As of January 2016, 10 states (including the District of Columbia) ran CHIP as a Medicaid expansion, 2 states had separate CHIP, and 39 states operated a combination of both approaches (Table 3, MACPAC 2017).



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Separate CHIP

Of the 8.4 million children enrolled in CHIP-funded coverage during FY 2015, 43.9 percent (3.7 million) were enrolled in separate CHIP. Once federal CHIP funding is exhausted, states are not obligated to continue covering these children. In the absence of separate CHIP coverage, some of these children would be eligible for employer-sponsored insurance or subsidized exchange coverage. MACPAC's prior estimates indicated that 1.1 million children would become uninsured (MACPAC 2015).³ States that elect to shut down CHIP in the absence of federal funding will bear little direct cost for children they formerly covered whether they move to employer-sponsored or subsidized exchange coverage, or become uninsured.

Medicaid-expansion CHIP

In FY 2015, 4.7 million children were enrolled in Medicaid-expansion CHIP. If CHIP funding is exhausted, the federal matching rate for these children falls back from the CHIP enhanced match to the regular Medicaid matching rate.⁴ Although states are generally prohibited from reducing eligibility levels in Medicaid-expansion CHIP through at least FY 2019, the budget consequences resulting from the higher state share of spending for those children could lead states to take other steps affecting access, such as lowering provider payment rates or increasing requirements for prior authorization.

TABLE 3. State CHIP Program Type and Enrollment

State	Program type ¹	CHIP-funded enrollment (FY 2015)					Month and year of projected CHIP funding exhaustion (as of June 2017)
		Medicaid-expansion CHIP	Separate CHIP			Total ²	
			Birth–18	Unborn	Total		
Total		4,702,185	3,362,642	327,175	3,689,817	8,397,651	
Alabama	Combination	45,697	87,346	–	87,346	133,043	April 2018
Alaska	Medicaid Expansion	10,182	–	–	–	10,182	March 2018
Arizona ³	Combination	37,412	1,399	–	1,399	38,811	December 2017
Arkansas	Combination	108,706	– ⁴	3,365	3,365	112,071	March 2018
California ^{5,6}	Combination	1,787,470	2,461	122,197	124,658	1,912,128	January 2018
Colorado	Combination	23,687	62,446	–	62,446	86,133	February 2018
Connecticut	Separate	–	24,884	–	24,884	24,884	January 2018



TABLE 3. (continued)

State	Program type ¹	CHIP-funded enrollment (FY 2015)					Month and year of projected CHIP funding exhaustion (as of June 2017)
		Medicaid-expansion CHIP	Separate CHIP			Total ²	
			Birth-18	Unborn	Total		
Delaware	Combination	238	16,141	–	16,141	16,379	February 2018
District of Columbia	Medicaid Expansion	10,676	–	–	–	10,676	December 2017
Florida	Combination	134,708	293,386	–	293,386	428,094	January 2018
Georgia	Combination	53,906	176,909	–	176,909	230,815	April 2018
Hawaii	Medicaid Expansion	27,239	–	–	–	27,239	March 2018
Idaho	Combination	8,937	25,576	–	25,576	34,513	February 2018
Illinois	Combination	113,105	191,328	26,138	217,466	330,571	May 2018
Indiana	Combination	69,462	31,098	–	31,098	100,560	May 2018
Iowa	Combination	21,777	60,880	–	60,880	82,657	April 2018
Kansas	Combination	54	77,085	–	77,085	77,139	March 2018
Kentucky	Combination	50,926	36,050	–	36,050	86,976	February 2018
Louisiana	Combination	122,878	3,498	9,238	12,736	135,614	March 2018
Maine	Combination	13,440	8,870	–	8,870	22,310	June 2018
Maryland	Medicaid Expansion	142,327	–	–	–	142,327	April 2018
Massachusetts ⁷	Combination	79,299	76,519	13,123	89,642	168,941	February 2018
Michigan ⁸	Combination	29,226	85,302	5,171	90,473	119,699	June 2018
Minnesota	Combination	474	–	3,361	3,361	3,835	December 2017
Mississippi	Combination	30,819	56,286	–	56,286	87,105	March 2018



TABLE 3. (continued)

State	Program type ¹	CHIP-funded enrollment (FY 2015)					Month and year of projected CHIP funding exhaustion (as of June 2017)
		Medicaid-expansion CHIP	Separate CHIP			Total ²	
			Birth–18	Unborn	Total		
Missouri	Combination	38,600	39,744	– ⁹	39,744	78,344	March 2018
Montana	Combination	16,008	29,253	–	29,253	45,261	February 2018
Nebraska	Combination	55,515	4,613 ¹⁰	2,090	6,703	62,218	May 2018
Nevada	Combination	17,763	44,145	–	44,145	61,908	January 2018
New Hampshire	Medicaid Expansion	16,651	–	–	–	16,651	April 2018
New Jersey	Combination	100,826	114,365	–	114,365	215,191	April 2018
New Mexico	Medicaid Expansion	17,155	40 ¹⁰	–	40	17,195	May 2018
New York	Combination	235,945	394,787	–	394,787	630,732	March 2018
North Carolina	Combination	134,413	100,237	4 ¹¹	100,241	234,654	December 2017
North Dakota	Combination	–	4,955	–	4,955	4,955	May 2018
Ohio	Medicaid Expansion	181,100	–	–	–	181,100	March 2018
Oklahoma	Combination	174,167	208 ¹²	16,483	16,691	190,858	April 2018
Oregon ¹³	Combination	–	115,726	6,143	121,869	121,869	February 2018
Pennsylvania	Combination	64,638	229,704	–	229,704	294,342	February 2018
Rhode Island	Combination	29,948	1,376 ¹⁰	– ¹⁴	1,376	31,324	February 2018
South Carolina	Medicaid Expansion	98,336	–	–	–	98,336	June 2018
South Dakota	Combination	12,441	3,775	–	3,775	16,216	March 2018
Tennessee ¹⁵	Combination	17,971	78,731	9,513	88,244	106,215	May 2018



TABLE 3. (continued)

State	Program type ¹	CHIP-funded enrollment (FY 2015)				Month and year of projected CHIP funding exhaustion (as of June 2017)	
		Medicaid-expansion CHIP	Separate CHIP		Total ²		
			Birth–18	Unborn			Total
Texas	Combination	336,769	614,417	98,437	712,854	1,049,623	April 2018
Utah	Combination	27,762	27,523	–	27,523	55,285	January 2018
Vermont	Medicaid Expansion	4,766	–	–	–	4,766	January 2018
Virginia	Combination	86,551	102,815	–	102,815	189,366	February 2018
Washington	Separate	–	37,883	8,154	46,037	46,037	January 2018
West Virginia ¹⁶	Combination	15,242	33,036	–	33,036	48,278	April 2018
Wisconsin	Combination	96,973	67,845	3,758	71,603	168,576	April 2018
Wyoming ¹⁷	Combination	¹⁸	¹⁸	–	¹⁸	5,649	July 2018

Notes: FPL is federal poverty level. FY is fiscal year. Enrollment numbers generally include individuals ever enrolled during the year, even if for a single month; however, in the event individuals were in multiple categories during the year (for example, in Medicaid for the first half of the year but a separate CHIP program for the second half) the individual would only be counted in the most recent category. Enrollment data shown in the table are as of July 2016, the most current enrollment data available; states may subsequently revise their current or historical data.

– Dash indicates zero. State does not use eligibility pathway.

¹ Under CHIP, states have the option to use an expansion of Medicaid, separate CHIP, or a combination of both approaches. Eleven states consider their programs to be separate but technically have combination programs due to the transition of children below 133 percent FPL from separate CHIP to Medicaid (Alabama, Arizona, Georgia, Kansas, Mississippi, Oregon, Pennsylvania, Texas, Utah, West Virginia, and Wyoming).

² Total exceeds the sum of Medicaid expansion and separate CHIP columns due to Wyoming reporting total CHIP enrollment only.

³ Arizona closed its separate CHIP (KidsCare) to new enrollment in January 2010. The state reinstated the program on September 1, 2016.

⁴ Although Arkansas transitioned its Medicaid-expansion CHIP to separate CHIP effective January 1, 2015, the state continued to report enrollment for children age 0–18 years under Medicaid-expansion CHIP.

⁵ California has separate CHIP in three counties only that covers children up to 317 percent FPL.

⁶ Due to reporting system updates, California CHIP enrollment totals are estimates as a result of the exclusion of certain unborn CHIP enrollees in reporting.



TABLE 3. (continued)

⁷ Certain enrollees who should have been assigned to CHIP were assigned to Medicaid beginning in the second quarter of 2014, making FY 2015 totals artificially low.

⁸ In Michigan, CHIP-funded Medicaid enrollees are included in Medicaid enrollment counts, rather than in CHIP for FY 2015. Therefore, the CHIP enrollment totals are artificially low. Michigan transitioned from separate CHIP to Medicaid-expansion CHIP effective January 1, 2016.

⁹ Missouri began covering unborn children effective January 1, 2016. However, the state has not reported enrollment for this coverage group.

¹⁰ Separate CHIP enrollment in Nebraska, New Mexico, and Rhode Island are for the states' section 2101(f) coverage group under the Patient Protection and Affordable Care Act. Section 2101(f) required that states provide separate CHIP coverage to children to who lost Medicaid eligibility (including through Medicaid-expansion CHIP) due to the elimination of income disregards under the modified adjusted gross income-based methodologies. Children covered under section 2101(f) remained eligible for such coverage until their next scheduled renewal, their 19th birthday, they moved out of state, they requested removal from the program, or were deceased. Coverage under section 2101(f) has now been phased out.

¹¹ North Carolina does not provide unborn children with separate CHIP coverage. Errors in enrollment data reported are likely due to data quality issues.

¹² Separate CHIP enrollment in Oklahoma is for children enrolled in the state's premium assistance program.

¹³ Certain Oregon enrollees who should have been assigned to CHIP were assigned to Medicaid-funded coverage for FYs 2014 and 2015.

¹⁴ Lack of enrollment for separate CHIP unborn children coverage in Rhode Island is likely due to data quality issues.

¹⁵ While Tennessee covers children with CHIP-funded Medicaid, enrollment is currently capped, except for children who roll over from traditional Medicaid.

¹⁶ West Virginia's enrollment totals are artificially high because children who transitioned between CHIP and Medicaid are reported in both programs, rather than the program they were last enrolled.

¹⁷ The Centers for Medicare & Medicaid Services (CMS) FY 2015 children's enrollment report considers these values to be estimates.

¹⁸ Due to inconsistencies between the Statistical Enrollment Data System (SEDS) data and CMS's FY 2015 children's enrollment report, we do not report enrollment for Medicaid expansion and separate CHIP. We only report total CHIP enrollment as provided in CMS's FY 2015 children's enrollment report.

Sources: For numbers of children: MACPAC analysis of CMS SEDS data from as of July 1, 2016; *MACStats: Medicaid and CHIP Data Book, December 2016*; personal communication with CMS staff on December 2, 2016; and December 9, 2016. For projected exhaustion of CHIP funds: MACPAC 2017 analysis using March June 2017 Medicaid and CHIP Budget and Expenditure System data from CMS, including quarterly projections provided by states in February May 2017.



Endnotes

¹ States report their anticipated expenditures for both Medicaid and CHIP to the Centers for Medicare & Medicaid Services on a quarterly basis. The data used for this issue brief reflect quarterly projections provided by states in May 2017. MACPAC previously issued this data in March 2017 using states' budget projections submitted in February 2017.

² States have the flexibility to structure CHIP as an expansion of Medicaid, as a program entirely separate from Medicaid, or as a combination of both approaches.

³ If CHIP funding were exhausted, unborn children enrolled through separate CHIP in 15 states could not be moved into Medicaid under current law and regulations.

⁴ In FY 2017, the median CHIP matching rate is 94.0 percent and the median Medicaid matching rate is 58.5 percent (MACPAC 2016).

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