

## CHIP: Status of Fiscal Year 2018 Funding

In December 2017, Congress took two steps affecting federal funding for the State Children's Health Insurance Program (CHIP):

- On December 8, the Further Continuing Appropriations Act, 2018 (P.L. 115-90) created a special rule for making CHIP redistribution payments to states.
- On December 22, the subsequent continuing resolution, (Department of Homeland Security Blue Campaign Authorization Act of 2017, P.L. 115-96), appropriated \$2.85 billion for CHIP allotments and extended the special rule for redistribution funds until March 31, 2018.

These actions were intended to provide relief to states that had begun experiencing CHIP funding shortfalls in fiscal year (FY) 2018 while Congress continued its work on a longer-term renewal of funding for the program.

This fact sheet updates projections for when states will exhaust available CHIP funding to reflect the recent changes to the CHIP statute and the state FY 2018 spending estimates submitted to the Centers for Medicare & Medicaid Services (CMS) in November 2018, the most recent estimates available. Our projections may differ from other estimates because of differences in the timing and limitations of state spending estimate data used and the inherent complexity in projecting redistribution funds available to states.

### Appropriation for FY 2018 Allotments

The December 22 continuing resolution appropriated \$2.85 billion to make CHIP allotments for the first half of FY 2018. CMS posted preliminary CHIP allotments for the first half of FY 2018 on its website in late December (CMS 2017).

### Special rule for redistribution funds

If a state's CHIP allotment is insufficient to cover projected spending, the state is eligible to receive redistribution funding from unspent CHIP allotments in prior years. At the start of FY 2018, about \$3 billion in redistribution funding was available.

Prior to the establishment of the special rule, redistribution funds were available to all states experiencing CHIP funding shortfalls in the fiscal year, and if available redistribution funds were insufficient to cover projected funding shortfalls, amounts available to all states were prorated (§ 2104(f)(2)(B) of the Social Security Act (the Act)). Redistribution funding was ultimately reconciled to states' actual spending amounts.



The special rule added by recent legislation directs the Secretary of the U.S. Department of Health and Human Services (HHS) to make redistribution payments to states in the first two quarters of FY 2018 based on the order in which they experience CHIP funding shortfalls. The statute defines states that are expected to exhaust CHIP funding in the first two quarters of FY 2018 as emergency shortfall states, and it directs HHS to provide these states with redistribution funds each month to cover the states' projected monthly shortfall. If available redistribution funds are insufficient to cover the total shortfall amount in those states, redistribution payments for the month are prorated. The special rule also requires HHS to recalculate redistribution payments that were made as of December 31 and withhold any redistribution funds that were not "obligated for amounts expended by a state" (§ 2104(f)(2)(B)(ii)(V) of the Act).

## Exhaustion of federal funding

Based on current law, including the special rule provisions described above, and FY 2018 spending estimates submitted to CMS in November 2017, MACPAC has projected when states will exhaust available federal funds. These include projections for when states will exhaust CHIP allotments and when states will exhaust redistribution funds. If state spending occurs faster than projected, exhaustion of funds could happen sooner.

**CHIP allotments.** We project that nine states, the District of Columbia, and four territories will exhaust their additional FY 2018 CHIP allotment by the end of January 2018.

**CHIP allotments and redistribution payments.** We project that 27 states and the District of Columbia will exhaust available redistribution funds before the end of March 2018, and that all states except Illinois will exhaust funds in FY 2018 (Table 1).

**TABLE 1.** Projected Exhaustion of Federal CHIP Funds (CHIP Allotments and Redistribution Funds)

Quarter of fiscal year	Number of states	States and territories
Second quarter, FY 2018 (January–March 2018)	28	Alabama, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Louisiana, Massachusetts, Minnesota, Missouri, Montana, Nevada, New Hampshire, New York, Ohio, Oregon, Pennsylvania, South Dakota, Utah, Virginia, and Washington
Third quarter, FY 2018 (April–June 2018)	18	Alaska, Arkansas, Iowa, Kentucky, Maryland, Michigan, Mississippi, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Carolina, Texas, Vermont, West Virginia, and Wisconsin
Fourth quarter, FY 2018 (July–September 2018)	4	Maine, New Mexico, Tennessee, and Wyoming
First quarter, FY 2019 (October–December 2018)	1	Illinois



**TABLE 1. (continued)**

**Notes:** CHIP is the State Children’s Health Insurance Program. U.S. territories also receive CHIP funding. Puerto Rico is projected to exhaust CHIP funding in June 2018 and the other U.S. territories are projected to exhaust CHIP funding in March 2018. Projections account for legislative changes made to FY 2018 CHIP funding by the Further Continuing Appropriations Act, 2018 (P.L. 115-90) and the Department of Homeland Security Blue Campaign Authorization Act of 2017 (P.L. 115-96).

**Source:** MACPAC 2017 analysis of CHIP redistribution payments made as of December 31, 2017 and January 2018 CMS Medicaid and CHIP Budget and Expenditure System data, including quarterly projections provided by states in November 2017.

Similar to our previous projections, these projections take into account redistribution funding that is available from states’ unspent allotments from prior years. We also account for actual redistribution funding that states received as of December 31, 2017.

Overall, we project that all redistribution funds will be distributed to states by March 2018. As a result, there will be no redistribution funds remaining for the 23 states projected to exhaust their CHIP allotments after March 2018 (Table 2).

Exhaustion of CHIP funding will require states to make many decisions about the design and funding of children’s coverage as well as time to implement changes. Additional information about the implication for states and state actions needed to address CHIP funding shortfalls can be found in MACPAC’s October 2017 fact sheet on CHIP funding exhaustion (MACPAC 2017).

## Data Notes

Several factors make it difficult to project the amount and timing of availability of redistribution funds and thus our projections for when states will exhaust all available funds may differ from those published by others.

Factors and data limitations affecting projections include:

- The redistribution funds available to each state are dependent on other states’ CHIP spending.
- Actual spending may differ from projected spending. Redistribution payments made in the first quarter of FY 2018 suggests that states’ actual CHIP spending was greater than the November spending projections submitted to CMS. If states experiencing funding shortfalls continue to spend CHIP funds faster than projected, this would accelerate the date at which all states exhaust their available CHIP funding.
- The special rule requires CMS to calculate redistribution payments monthly. Such payment calculations use more recent data than the November 2017 budget submissions available to MACPAC for analysis.
- At this time, we are unable to estimate the amount of redistribution payments that will be subject to withholding (see above), and that could become available to other states. States have not yet certified expenditures for the first quarter of FY 2018.



**TABLE 2.** Projected Federal CHIP Funding and Spending in FY 2018 as of November 2017, by State (millions)

State	Projected federal CHIP spending in FY 2018	Total CHIP allotments available in FY 2018	Month projected to exhaust CHIP allotment <sup>1</sup>	FY 2018 projected redistribution funding from prior year allotments	Month projected to exhaust CHIP allotment and redistribution funding <sup>1</sup>
<b>Total</b>	<b>\$17,780.6</b>	<b>\$7,274.2</b>	<b>NA</b>	<b>\$3,050.9</b>	<b>NA</b>
Alabama	413.6	199.1	March 2018	6.1	March 2018
Alaska	30.4	18.3	May 2018	—	May 2018
Arizona	302.4	42.8	November 2017	127.9	March 2018
Arkansas	170.3	109.8	June 2018	—	June 2018
California	3,225.1	596.5	December 2017	1244.2	March 2018
Colorado	307.4	107.2	February 2018	67.4	March 2018
Connecticut	81.1	28.1	February 2018	16.4	March 2018
Delaware	35.1	13.1	February 2018	7.5	March 2018
District of Columbia	55.1	12.3	December 2017	22.3	March 2018
Florida	968.1	288.3	January 2018	322.7	March 2018
Georgia	466.0	225.7	March 2018	0.8	March 2018
Hawaii	57.6	15.4	January 2018	19.8	March 2018
Idaho	83.7	31.4	February 2018	14.7	March 2018
Illinois	413.8	422.6	October 2018	—	October 2018
Indiana	226.1	105.4	March 2018	7.4	March 2018
Iowa	134.7	75.9	April 2018	—	April 2018
Kansas	114.2	52.9	March 2018	0.6	March 2018
Kentucky	240.0	122.5	April 2018	—	April 2018
Louisiana	364.0	128.3	February 2018	68.0	March 2018
Maine	33.9	25.5	July 2018	—	July 2018
Maryland	281.8	177.0	May 2018	—	May 2018
Massachusetts	715.1	191.4	January 2018	273.1	March 2018
Michigan	328.0	223.7	June 2018	—	June 2018
Minnesota	196.2	20.6	November 2017	77.1	March 2018
Mississippi	263.9	165.4	May 2018	—	May 2018
Missouri	249.3	107.1	March 2018	11.6	March 2018
Montana	107.7	40.4	February 2018	16.9	March 2018
Nebraska	77.5	51.1	June 2018	—	June 2018
Nevada	76.0	25.5	February 2018	17.5	March 2018
New Hampshire	32.5	13.1	February 2018	2.9	March 2018
New Jersey	496.2	301.1	May 2018	—	May 2018



TABLE 2. (continued)

State	Projected federal CHIP spending in FY 2018	Total CHIP allotments available in FY 2018	Month projected to exhaust CHIP allotment <sup>1</sup>	FY 2018 projected redistribution funding from prior year allotments	Month projected to exhaust CHIP allotment and redistribution funding <sup>1</sup>
New Mexico	\$112.9	\$91.9	July 2018	—	July 2018
New York	1,359.5	497.4	February 2018	\$167.9	March 2018
North Carolina	455.0	300.2	May 2018	—	May 2018
North Dakota	22.2	11.9	April 2018	—	April 2018
Ohio	555.3	192.2	February 2018	85.1	March 2018
Oklahoma	239.4	127.1	April 2018	—	April 2018
Oregon	312.7	56.6	December 2017	118.9	March 2018
Pennsylvania	703.6	211.5	January 2018	183.3	March 2018
Rhode Island	63.0	39.5	June 2018	—	June 2018
South Carolina	171.9	104.4	May 2018	—	May 2018
South Dakota	32.3	15.5	March 2018	1.2	March 2018
Tennessee	256.7	254.0	September 2018	—	September 2018
Texas	1,524.8	818.4	April 2018	—	April 2018
Utah	138.7	45.2	January 2018	38.8	March 2018
Vermont	27.0	10.5	May 2018	—	May 2018
Virginia	338.9	135.4	February 2018	28.9	March 2018
Washington	381.0	129.9	February 2018	78.1	March 2018
West Virginia	72.6	37.2	April 2018	—	April 2018
Wisconsin	228.8	124.1	April 2018	—	April 2018
Wyoming	11.8	10.5	August 2018	—	August 2018
<b>U.S. territories</b>					
American Samoa	3.8	0.5	November 2017	2.0	March 2018
Guam	32.7	4.7	December 2017	13.8	March 2018
N. Mariana Islands	7.9	1.2	December 2017	2.7	March 2018
Puerto Rico	165.2	115.4	June 2018	—	June 2018
Virgin Islands	16.0	1.2	January 2018	5.7	March 2018

**Notes:** FY is fiscal year. CHIP is State Children's Health Insurance Program. NA is not applicable. Total dollars include territories. Total CHIP allotments available in FY 2018 include unspent FY 2017 CHIP allotments reduced by one-third and the FY 2018 semi-annual allotment for the first half of FY 2018. Projected redistribution funding for the first half of FY 2018 is distributed among states based on their monthly projected shortfall amounts, which are estimated based on states' November 2017 budget submissions. Adjustments to projected spending and redistribution payment amounts were made based on actual redistribution payments made as of December 31, 2017. These projections do not account for the required withholding of unobligated redistribution funding that has not been spent by states as December 31, 2017, which may affect the distribution of redistribution funding among states and the timing that redistribution funding is available for spending.

**TABLE 2. (continued)**

— dash indicates zero.

<sup>1</sup> States are projected to exhaust funding at some point before the end of the month listed.

**Source:** MACPAC 2018 analysis of CHIP redistribution payments made as of December 31, 2017 and January 2018 CMS Medicaid and CHIP Budget Expenditure System data, including quarterly projections provided by states in August 2017.

**References**

Centers for Medicare and Medicaid Services (CMS), U.S. Department of Health and Human Services. 2017. *Preliminary first half of FY 2018 (October 1, 2017 – March 31, 2018) CHIP allotments*.

<https://www.medicaid.gov/chip/downloads/financing/preliminary-allotments.pdf>.

Medicaid and CHIP Payment and Access Commission (MACPAC). 2017. *CHIP: Exhaustion of federal funds*.

<https://www.macpac.gov/publication/updated-when-will-states-exhaust-federal-chip-allotments/>.

