

# PUBLICATION

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## Federal Funding for CHIP Expires, Pending Congressional Reauthorization

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**Federal funding for the Children's Health Insurance Program (CHIP) – which covers nearly nine million children nationwide at a total cost of approximately \$14 billion per year – expired on September 30 as congressional action was sidelined by the focus on Republicans' ACA repeal-and-replace efforts. On October 4, the Senate Finance and House Energy and Commerce Committees held their respective markups and advanced legislation for a five-year CHIP reauthorization. Congress is seeking to quickly pass an extension of CHIP funding this fall before states run out of money and are forced to reduce coverage, but reaching agreement on fiscal offsets for the legislation is likely to prove contentious. CHIP reauthorization may also become a vehicle for certain Medicare provisions (referred to as Medicare "extenders") that have already expired or will expire later this year. Any package that includes these extenders will need to be paid for with corresponding savings, which will create further challenges in finding fiscal offsets.**

**Background and Analysis:** CHIP funding does not immediately run out as of October 1, as states have some leeway to exhaust previously appropriated federal funds. According to the Kaiser Family Foundation, 11 states anticipate running out of funding by the end of 2017, and a total of 32 states project they will exhaust federal funds by March 2018 without an extension from Congress. State officials are anxiously waiting for Congress to approve continued funding for the program. If Congress does not extend funding soon, some of these states would likely have to make hard decisions regarding whether to close or cap enrollment and/or discontinue coverage for children. For example, Utah has requested permission from the federal government to freeze current eligibility for CHIP, and the state plans to send out disenrollment notices next month if Congress has yet to appropriate funding by then.

In mid-September, Senate Finance Committee Chair Orrin Hatch (R-UT) and Ranking Member Ron Wyden (D-OR) announced a bipartisan agreement to extend CHIP with the goal of enacting it prior to the September 30 funding expiration date. However, these efforts were stalled as Congress' focus shifted abruptly to the Graham-Cassidy last attempt to repeal the ACA. With Graham-Cassidy out of the way, CHIP proponents are hoping they can quickly advance reauthorization legislation.

Both the Senate Finance and House Energy and Commerce Committee bills would fund CHIP for five years and preserve the ACA's 23 percent increase in the federal matching rate to states for 2018 – 2019 before gradually winding it down by 2021. However, the Senate Finance Committee's bill, which advanced on a bipartisan basis, does not yet outline fiscal offsets. In contrast, the House Energy and Commerce Committee proposed funding CHIP reauthorization by using the ACA's Public Health and Prevention Fund, including more means-testing Medicare premiums for seniors who earn more than \$500,000 and changing Medicaid's third-party liability policy. Because of these proposed fiscal offsets, the House Energy and Commerce Committee's bill advanced on a party-line vote, with all Democrats voting in opposition.

On October 10, House Republicans agreed to delay bringing CHIP reauthorization to the House floor until the week of October 23 to allow time for negotiations with Democrats in an attempt to seek bipartisan agreement on fiscal offsets for the legislation. Expect these debates to continue as stakeholders and policymakers pay significant attention to CHIP reauthorization this fall.

