



Introduction to the Children's Health Insurance Program (CHIP)

More than 6.6 million children in the United States receive health care coverage through the Children's Health Insurance Program or "CHIP"¹ For over 20 years, CHIP has provided health insurance to children in low-income families that make too much money to qualify for Medicaid. Established in 1997, the program has always enjoyed strong bipartisan support.

How CHIP Helps Children

CHIP covers a comprehensive range of preventive, diagnostics and treatment services for children. CHIP also provides much-needed services to many children with chronic conditions. Nearly one-quarter of children enrolled in CHIP have such conditions. For example, 11.4% of children under 17 have asthma, and almost one in ten have a learning disability.

Children enrolled in CHIP receive the medical care they need, with 90% having a medical visit in the past year and 87% having a preventive care visit during the same time frame.²

Covered Population

States can choose up to which income level they will cover children. In 2019, income limits range from 175 percent of the federal poverty level (FPL) in North Dakota to 405 percent of FPL in New York; the U.S average is 255 percent of FPL. But as of FY 2013, 89% of children enrolled in CHIP lived in families with incomes at or below 200% FPL.³

In some states, CHIP also provides coverage to pregnant women to ensure they receive the care they need to ensure their babies will be healthy.⁴ States choosing this option must cover women with incomes up to at least 185 percent of FPL, at a level equal to or greater than Medicaid.

Program Design

Each state designs its own CHIP program within federal guidelines to meet the needs of its residents, ensuring that children have access to appropriate pediatric benefits and provider networks.⁵ States can operate a program that combines Medicaid and CHIP, administer a separate CHIP program, or run CHIP entirely as an expansion of Medicaid.⁶

If a state opts for a separate CHIP program, it has three options for determining the level of benefits the program will cover. It may offer coverage that is equivalent to one of three plans:

- The standard Blue Cross/Blue Shield preferred provider plan for federal employees in that state;
- The state employee health benefits plan; or
- The HMO with the highest commercial enrollment in that state.

1 Centers for Medicare and Medicaid Services. [March 2019 Medicaid & CHIP Enrollment](#). March, 2019

2 https://www.macpac.gov/wp-content/uploads/2015/03/State-Children%E2%80%99s-Health-Insurance-Program_CHIP-Fact-Sheet.pdf

3 <https://www.macpac.gov/subtopic/eligibility-2/>

4 <https://www.medicaid.gov/medicaid/outreach-and-enrollment/lawfully-residing/index.html>

5 https://www.aap.org/en-us/Documents/ccs_factsheet_unitedstates.pdf

6 https://www.macpac.gov/wp-content/uploads/2015/03/State-Children%E2%80%99s-Health-Insurance-Program_CHIP-Fact-Sheet.pdf

A state also may use one of these three plans as a benchmark for an alternative package of benefits. Or, it may design an entirely separate alternative benefits package, with the approval of the Centers for Medicare and Medicaid Services (CMS).

Many states also use CHIP funds to provide premium assistance to help families pay for private insurance. While programs vary by state, CHIP generally requires families to pay modest cost sharing and premium contributions, limited to five percent of a family's income.⁷

CHIP Benefits

While there is some variation by state, CHIP programs typically cover a core set of benefits. Most states cover Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services, a comprehensive array of preventive, diagnostic, and treatment services for infants, children, and adolescents up to age 21. CHIP also covers inpatient and outpatient hospital services, surgical and medical physician services, laboratory services, X-rays, well-baby and well-child care, dental and behavioral health care, and vaccines.

Financing

States and the federal government share in the cost of providing CHIP coverage to kids. In 2018, Congress authorized federal funding for CHIP through FY2027. The federal government reimburses states for CHIP program expenses using a formula called the *enhanced federal medical assistance percentage (E-FMAP)*. It is based on the state's Medicaid FMAP, which is calculated according to the state's per capita income.

Historically, the E-FMAP has ranged from 65 to 81 percent, depending on the state's economic situation.⁸ The Affordable Care Act (ACA) increased the CHIP E-FMAP by 23 percentage points, to a range of from 88 to 100 percent for FY 2016-19. That increase will reduce by 11.5 percentage points in FY 2020, and then return to regular levels starting in FY 2021.

Federal CHIP funds are provided annually through a capped allotment. The amount is determined by applying a growth factor to the state's recent CHIP spending. States have two years to spend each annual allotment. Any funds remaining after two years may be given to other states if they run out of CHIP funds.

For more information on Medicaid, please refer to other briefs in AHIP's Medicaid 101 series

- [Medicaid 101 — Program Overview](#)
- [Medicaid Eligibility and Enrollment](#)
- [Medicaid Managed Care](#)
- [Medicaid Administration and Financing](#)
- [Medicaid Prescription Drug Coverage](#)
- [Long Term Services and Supports \(LTSS\) in Medicaid](#)

7 <http://www.kff.org/report-section/medicaid-and-chip-eligibility-enrollment-renewal-and-cost-sharing-policies-as-of-january-2017-premiums-and-cost-sharing/>

8 <https://www.macpac.gov/subtopic/financing/>