
Medicaid and CHIP FAQs: CHIP Financing

December 2013

Q1: How did the Affordable Care Act (ACA) revise funding for the Children's Health Insurance Program (CHIP) under title XXI of the Social Security Act?

A1: Section 2101(a) of the Affordable Care Act amended section 2104(a) of the Social Security Act to extend title XXI funding for states' CHIP fiscal year allotments through September 30, 2015, the end of federal fiscal year (FY) 2015. The new law also amended section 2105(b) of the Social Security Act to increase the enhanced Federal Medical Assistance Percentage (Enhanced FMAP) rate by 23 percent applicable for certain expenditures for the period FY 2016 through FY 2019, but in no case will the enhanced FMAP exceed 100 percent. In the absence of additional legislation, the FY 2015 allotments would continue to be available through September 30, 2016. The Secretary also has the authority to redistribute prior unexpended allotments to states experiencing shortfalls.

Q2: Will states have an opportunity to expand CHIP eligibility coverage levels above 200 percent of the Federal Poverty Level (FPL) not to exceed 300 percent of the FPL using block disregards before December 31, 2013, the date for which Modified Adjusted Gross Income (MAGI) applies?

A2: Yes. States have a limited opportunity to expand CHIP eligibility without a section 1115 demonstration (through the use of a block of income disregard) that will then get incorporated into a MAGI converted eligibility level. Any state interested in expanding CHIP eligibility above 200 percent of the FPL must submit a state plan amendment (SPA) before December 31, 2013. After such time, states could expand eligibility through a demonstration. (Of course, if a state has not already expanded eligibility to 50 percentage points above the MAGI-converted Medicaid income level that was in effect in 1997, that option for expansion without demonstration authority will remain available after December 31, 2013.)

Q3: Will the expenditures for children currently enrolled in a separate CHIP whose income is up to 133 percent of the FPL, who are transitioned to the Medicaid program beginning January 1, 2014 under the mandatory eligibility group for poverty-level related children required under section 1902(a)(10)(A)(i)(VII) of the Act, be eligible for the CHIP enhanced FMAP after such transition?

A3: Yes. The CHIP enhanced FMAP will continue to be available for the expenditures for children shifted from CHIP to Medicaid, as long as their income is greater than the state's March 31, 1997 Medicaid income standard for children. In other words, if CHIP funding was available for this group of children when they were covered in a separate CHIP, it will continue to be available when the children are covered under Medicaid. The CHIP enhanced FMAP is available for uninsured children whose income exceeds that income standard, whether the children previously qualified for or were enrolled in a separate CHIP program or not.

Q4: Are states required to cover new applicants who have insurance under the mandatory coverage level for children ages 6-18 in Medicaid up to 133 percent FPL?

A4: Yes, consistent with Medicaid coverage rules. States must cover children ages 6-18 in the new mandatory Medicaid group and Medicaid is the secondary payer to other insurance. All children must be covered without regard to their insurance status but title XIX funds must be used to cover such children who have creditable health insurance.

Q5: Will states be eligible to receive the enhanced CHIP FMAP for children who were previously eligible for CHIP but will now be enrolled in Medicaid as a result of the 5 percent disregard (applied to the Medicaid upper income threshold for children)?

A5: Yes. As with children who move from a separate CHIP to Medicaid because of the change in Medicaid eligibility to 133 percent FPL, children moving from CHIP to Medicaid because of the application of the 5 percent disregard may also be funded through title XXI.

Q6: Will states be eligible to receive the enhanced CHIP FMAP for children who lose Medicaid eligibility due to the elimination of income disregards as a result of the conversion to MAGI under 2101(f)?

A6: Yes. As stated in the Frequently Asked Questions pertaining to this provision posted on April 25, 2013, states may claim the enhanced match available under title XXI for children who lose Medicaid eligibility due to the elimination of income disregards as a result of the conversion to MAGI. These children now meet the definition of a targeted low-income child and will be enrolled in a separate CHIP in accordance with section 2101(f) of the ACA. If states choose the option to maintain Medicaid eligibility for such children, as described in Frequently Asked Questions posted on August 9, 2013, title XIX funds and regular FMAP must be used to provide coverage.

Q7: Are states allowed to claim enhanced FMAP for enrollees whose family income is above 300 percent of the FPL?

A7: Generally, no. Section 2105(c) (8) of the Social Security Act limits enhanced FMAP to the expenditures associated with children whose effective family income is at or below 300 percent FPL. Expenditures for children whose effective family income exceeds 300% of the FPL are matched at the regular Medicaid FMAP rate rather than the enhanced FMAP. However, the enhanced matching rate continues to be available for expenditures on populations whose income exceeds 300% FPL in states in which the income standard exceeds 300 percent as a result of MAGI conversion, as well as for states with approved income limits for CHIP above 300% of the FPL prior to the passage of the Children's Health Insurance Program Reauthorization Act (CHIPRA).

Q8: At state option, are states allowed to claim title XIX funding instead of title XXI for services provided under a Medicaid expansion program?

A8: Yes. Section 115 of CHIPRA gives states the option to claim expenditures for Medicaid expansion program populations under section 1905(u)(2)(B) of the Act, either at the enhanced FMAP rate using title XXI funds or at the regular FMAP rate using title XIX funds. States that elect to claim expenditures under title XXI will receive the enhanced FMAP rate. However, states that elect to claim expenditures under title XIX will receive the regular Medicaid FMAP rate. Claims submitted at the enhanced FMAP rate will be paid from the state's CHIP allotment.

Q9: Will states be allowed to continue to cover parents and receive the enhanced CHIP FMAP for those expenditures?

A9: States are no longer allowed to cover parents in CHIP after September 30, 2013 and therefore, are no longer eligible to receive the enhanced CHIP FMAP for expenditures for parents.