

## SECTION 2

# THE BASICS:

## What are Medicaid and CHIP?



Many children and youth with special health care needs (CYSHCN) are enrolled in one of two publicly funded health care coverage programs:

- Medicaid, established under Title XIX of the Social Security Act, or
- The state Children's Health Insurance Program (CHIP), established under Title XXI of the Social Security Act.

In some states, Medicaid and CHIP are administered together, and the programs are very similar in design. In other states, the two programs are administered separately, or both together and separately for different populations. This is described in more detail below.

Both Medicaid and CHIP are funded jointly by the states and the federal government. Together these two programs provide health care coverage to almost 35% of all children in the United States.<sup>1</sup> More than 45% of CYSHCN are covered by Medicaid or CHIP.<sup>2</sup>

To participate in Medicaid and CHIP, each state submits a "state plan" for each program to the Centers for Medicare and Medicaid Services (CMS), the federal agency that oversees Medicaid and CHIP. The state plan describes these programs in detail. CMS must approve the state plan or any changes to an already approved state plan. For example, if a state seeks to change how eligibility for Home- and Community-Based Services (HCBS) is determined, it must submit a state plan amendment (SPA) to CMS for approval.<sup>3</sup>

## MEDICAID

Medicaid is a public insurance program that is financed by both state and federal funds. It is an entitlement program for both the individual and the state. This means that, if an individual is eligible for Medicaid in the state in which they live, they must receive the



## WHAT'S IN A MEDICAID STATE PLAN?

By completing this tutorial, participants will learn about:

- How the Medicaid program is administered.
- Specific Medicaid eligibility criteria.
- Scope, duration and amount of covered services.
- Quality control.
- Provider payments.
- Programs in their own state.

1. Child and Adolescent Health Measurement Initiative. 2020–2021 National Survey of Children's Health (NSCH) data query. Data Resource Center for Child and Adolescent Health supported by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA), Maternal and Child Health Bureau (MCHB). Retrieved 1/31/22 from <https://www.childhealthdata.org/browse/survey/results?q=9314&r=1>

2. Child and Adolescent Health Measurement Initiative. 2020–2021 National Survey of Children's Health (NSCH) data query. Data Resource Center for Child and Adolescent Health supported by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA), Maternal and Child Health Bureau (MCHB). Retrieved 1/31/22 from <https://www.childhealthdata.org/browse/survey/results?q=9314&r=1>

3. State plan amendments can be found on the Centers for Medicare and Medicaid (CMS) website at <https://www.medicaid.gov/medicaid/medicaid-state-plan-amendments/index.html>

coverage allowed under the state's plan, and the state must receive corresponding federal matching dollars.

As a result, if a state's Medicaid enrollment rises or if health costs rise, the state is entitled to additional federal matching dollars that correspond to the increase in enrollment or costs. Moreover, a state cannot limit the number of people it will cover under its Medicaid program if the state experiences a budget shortfall.

**Note that this is different from the [block grant funding mechanism](#) in Title V.** Under Title V, services are paid for from a fixed annual sum decided by Congress and matched by the state. Individual state allocations from the federal government are determined by a formula based on the proportion of low-income children in the state compared with the number of low-income children in the U.S. as a whole. Thus, unlike Medicaid, state Title V programs cannot obtain additional federal funds even if their funds are insufficient to meet the demand for services.

Medicaid coverage is available to certain groups of low-income individuals who meet eligibility criteria that are determined by federal and state law. Broadly speaking, eligibility groups include low-income families with children, children served by the foster care system, adults and children with disabilities, and low-income people aged 65 and over.<sup>4</sup> Income guidelines vary by state and are usually expressed as a percent of the federal poverty level (FPL). Below are three charts of the 2022 FPL guidelines for your reference.



**If an individual is eligible for Medicaid in the state in which they live, they must receive the coverage allowed under the state's plan, and the state must receive corresponding federal matching dollars.**

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4. People ages 65 and over and people with disabilities who have very low income may be enrolled in Medicaid and Medicare at the same time. Medicare is the first payer, with Medicaid covering those services that Medicare does not. Those with both Medicaid and Medicare are usually referred to as "dually eligible."

2021 Federal Poverty Guidelines (Annual Income) 48 Contiguous States and D.C.						
Family size	100%	138%	185%	200%	300%	400%
1	\$13,590	\$18,754	\$25,142	\$27,180	\$40,770	\$54,360
2	\$18,310	\$25,268	\$33,874	\$36,620	\$54,930	\$73,240
3	\$23,030	\$31,781	\$42,606	\$46,060	\$69,090	\$92,120
4	\$27,750	\$38,295	\$51,338	\$55,500	\$83,250	\$111,000
5	\$32,470	\$44,809	\$60,070	\$64,940	\$97,410	\$129,880

2021 Federal Poverty Guidelines (Annual Income) Alaska						
Family size	100%	138%	185%	200%	300%	400%
1	\$16,090	\$22,204	\$29,767	\$32,180	\$48,270	\$64,360
2	\$21,770	\$30,043	\$40,275	\$43,540	\$65,310	\$87,080
3	\$27,450	\$37,881	\$50,783	\$54,900	\$82,350	\$109,800
4	\$33,130	\$45,719	\$61,291	\$66,260	\$99,390	\$132,520
5	\$38,810	\$53,558	\$71,799	\$77,620	\$116,430	\$155,240

2021 Federal Poverty Guidelines (Annual Income) Hawaii						
Family size	100%	138%	185%	200%	300%	400%
1	\$14,820	\$20,452	\$27,417	\$29,640	\$44,460	\$59,280
2	\$20,040	\$27,655	\$37,074	\$40,080	\$60,120	\$80,160
3	\$25,260	\$34,859	\$46,731	\$50,520	\$75,780	\$101,040
4	\$30,480	\$42,062	\$56,388	\$60,960	\$91,440	\$121,920
5	\$35,700	\$49,266	\$66,045	\$71,400	\$107,100	\$142,800

(The federal poverty guidelines are updated annually in January and are available here: <https://aspe.hhs.gov/poverty-guidelines>)

The Federal Medical Assistance Percentage (FMAP), also referred to as the “federal match,” is the share of Medicaid funding provided to a state by the federal government. The federal match rate ranges from 50% to 76%, and depends on states’ per capita incomes, with a higher federal match going to those states with lower per capita incomes. Thus, a state with a 75% FMAP rate receives three federal dollars for each state dollar it spends on a Medicaid service.

Medicaid covers a wide range of health care services, including physician services, home health care, hospital care, laboratory tests, and prescription drugs. Some of these services are required to be covered under federal law and are known as “mandatory” services. Other services are considered “optional” services because a state may choose to offer them or not. For a more complete description of mandatory and optional services, see Section 4.

While states receive federal dollars to help pay for Medicaid services, Medicaid is designed as a state-administered program, and each state historically has had some flexibility in setting its own eligibility standards, benefits packages, payment rates, and administrative policies, as long as it complies with federal Medicaid law. As a result, there are 56 different Medicaid programs—one for each state, territory, and the District of Columbia.<sup>5</sup> The Affordable Care Act (ACA) sets more uniform standards for eligibility, enrollment, and other aspects of the Medicaid program, although states still have a great deal of discretion in many areas.

While there is no overall cap on the federal dollars available for a state Medicaid program, matching funds available for waiver programs that specifically target a particular service or population may be capped (see Section 3). Only certain kinds of waiver programs are subject to an enrollment cap. (See Sections 4, 5, and 11 for more information about Medicaid waivers).

## THE CHILDREN'S HEALTH INSURANCE PROGRAM

The Children’s Health Insurance Program (CHIP) is a public insurance program exclusively for uninsured children (and, if a state chooses, pregnant women) in families whose income exceeds the Medicaid income-eligibility limit but is below the CHIP limit.

Like Medicaid, CHIP is a state-federal partnership that is state-administered, with each state setting its own eligibility rules within federal guidelines. The maximum eligibility level that states can set and still receive the higher federal matching rate that CHIP provides is 300% of the federal poverty level.<sup>6,7</sup>

CHIP is different from Medicaid in important ways. Unlike Medicaid, the federal dollars available to states for CHIP are capped. Also, states have greater flexibility in how they structure their CHIP programs than they do for Medicaid.

For example, states may implement CHIP programs as Medicaid expansion programs, which follow Medicaid rules; they can implement separate CHIP programs, which have more flexibility; or they can do both.

5. Medicaid and CHIP Payment and Access Commission (2020, March 17). Report to Congress on Medicaid and CHIP. Retrieved August 2, 2017 from <https://www.macpac.gov/wp-content/uploads/2017/03/March-2017-Report-to-Congress-on-Medicaid-and-CHIP.pdf>

6. Currently, 14 states (New York, Iowa, New Jersey, Washington, DC, Connecticut, New Hampshire, Maryland, Pennsylvania, Illinois, Alabama, Washington, Hawaii, and Wisconsin) have upper income eligibility levels above 305 percent of the FPL; five states have an upper income level at 305 percent of the FPL; 26 states have an upper income level between 206 and 288 percent of the FPL; five states have an upper income level at 205 percent of the FPL; and two states have an upper income eligibility level of less than 205 percent of the FPL. Kaiser Family Foundation. Medicaid and CHIP Income Eligibility Limits for Children as a Percent of the Federal Poverty Level, January 2022. Retrieved 1/13/22 from <http://www.kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level/>

7. January 2020 income limits reflect Modified Adjusted Gross Income (MAGI)-converted income standards and include a disregard equal to five percentage points of the federal poverty level (FPL) applied at the highest income level for Medicaid and separate CHIP coverage.



## TEST YOUR KNOWLEDGE

- 1. What portion of CYSHCN are enrolled in Medicaid or CHIP?**
  - a. About 20%
  - b. About 33%
  - c. About 45%
  - d. About 70%
- 2. True or False: Children in CHIP have household income that is lower than children enrolled in Medicaid.**
- 3. True or False: If a state Medicaid program is running short on funds, the state may put people who meet the state's eligibility criteria on a waiting list to receive benefits.**



## FIND OUT IN YOUR STATE

- 1. In your state, is CHIP operated as a Medicaid expansion, a separate program, or a combination of the two?** (See <https://www.medicaid.gov/chip/downloads/chip-map.pdf>)
- 2. In your state, what portion of CYSHCN are enrolled in Medicaid or CHIP? How does your state compare nationally?** (Visit <https://chartbook.ciswh.org/statedata>, select your state, and view the “Factors Influencing Health Insurance Coverage” for this data)

### ANSWER KEY

1. c 2. False 3. False, because Medicaid is an entitlement under federal law. See Program Structures: Pathways to Coverage Section for information on the limitations in waivers.

*This document is part of Medicaid and CHIP: A Tutorial on Coverage for Children and Youth with Special Health Care Needs (CYSHCN). The document is available in its entirety at <https://ciswh.org/resources/Medicaid-CHIP-tutorial>*

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