

Section 2

THE BASICS: WHAT ARE MEDICAID AND CHIP?



Many children with special health care needs (CSHCN) are enrolled in one of two publicly funded health insurance programs: Medicaid, established under Title XIX of the Social Security Act, and 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 programs are administered separately, or both together and separately for different populations. This is described in more detail below.

Medicaid and CHIP are funded jointly by the states and the federal government and provide health care coverage to almost thirty-seven percent of all children in the United States.⁸ Forty-eight percent of CSHCN are covered by Medicaid or CHIP.⁹

To participate in Medicaid and CHIP, each state submits a "state plan" for each program to the federal agency that oversees Medicaid and CHIP, the Centers for Medicare and Medicaid Services (CMS). The state plan describes these programs in detail. The state plan, or any changes to an already approved plan, must be approved by CMS. If a state, for example, 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.¹⁰

Medicaid

Medicaid is a public insurance program that is financed by both state and federal funds. The Federal Medical Assistance Percentage (FMAP) is the name used to describe the federal share of Medicaid provided to a state. FMAP is also called the "federal match." FMAP rates range from 50% - 76%, 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. Unless the state has a waiver in place affecting a particular service or population (see Section 3), there is no cap on the federal dollars available.

⁸National Survey of Children's Health. NS-CH 2016. Data query from the Child and Adolescent Health Measurement Initiative, Data Resource Center for Child and Adolescent Health website. Retrieved September 13, 2017 <http://www.childhealthdata.org/browse/survey/results?q=4562&r=1&g=638>. A Catalyst Center calculation based on preliminary NS-CH data. The calculation was performed using the population estimate of CSHCN with public or public and private insurance (n=6,789,240) and the population estimate of non-CSHCN with public or public and private insurance (n=19,439,526), divided by the estimate of the total CSHCN and non-CSHCN population (n=71,689,077).

⁹National Survey of Children's Health. NS-CH 2016. Data query from the Child and Adolescent Health Measurement Initiative, Data Resource Center for Child and Adolescent Health website. Retrieved September 13th, 2017 <http://www.childhealthdata.org/browse/survey/results?q=4562&r=1&g=638>. A Catalyst Center calculation based on preliminary NS-CH data. The calculation was performed using the population estimate of CSHCN with public insurance (n=5,739,375) and the population estimate of CSHCN with public and private insurance (n=1,049,865), divided by the estimate of the total CSHCN population (n=13,901,999).

¹⁰State plan amendments can be found on the Centers for Medicare and Medicaid (CMS) website at <https://www.medicare.gov/medicaid/by-state/by-state.html>

What's in a Medicaid State Plan?

- How the Medicaid program is administered;
- Specific Medicaid eligibility criteria;
- Scope, duration and amount of covered services;
- Quality control;
- Provider payments.

THE BASICS: WHAT ARE MEDICAID AND CHIP?

As a result, if a state's Medicaid caseload rises or if health costs rise, the state is entitled to the corresponding federal matching dollars. This is different from the block grant funding mechanism in Title V. In Title V, services are paid from a fixed annual amount decided by Congress and matched by the state. Unlike Medicaid, state Title V programs cannot obtain additional federal funds even if their funds are insufficient to meet the demand for services.

Medicaid benefits are 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

people aged 65 and over.¹¹ In addition to falling within an eligibility group, an individual must have low income to receive Medicaid. Income guidelines vary by state and are usually expressed as a percent of the federal poverty level (FPL). Below are some charts of the 2017 FPL guidelines for your reference.

Medicaid is an entitlement program for both the individual and the state: if an individual is eligible, he or she must receive the coverage allowed for under the state's plan, and the state must receive corresponding federal matching dollars. Because of this entitlement, a state cannot put a limit on the number of people it will cover under the Medicaid program if the state experiences a

2017 Federal Poverty Guidelines (Annual Income)						
48 Contiguous States and D.C.						
Family size	100%	138%	185%	200%	300%	400%
1	\$12,060	\$16,643	\$22,311	\$24,120	\$36,090	\$48,240
2	\$16,240	\$22,411	\$30,044	\$32,480	\$48,720	\$64,960
3	\$20,420	\$28,180	\$37,777	\$40,840	\$61,260	\$81,680
4	\$24,600	\$33,948	\$45,510	\$49,200	\$73,800	\$98,400
5	\$28,780	\$39,716	\$53,240	\$57,560	\$86,340	\$115,120

2017 Federal Poverty Guidelines (Annual Income)						
Alaska						
Family size	100%	138%	185%	200%	300%	400%
1	\$15,060	\$20,782	\$27,861	\$30,120	\$45,180	\$60,240
2	\$20,290	\$28,000	\$37,537	\$40,580	\$60,870	\$81,160
3	\$25,520	\$35,218	\$47,212	\$51,040	\$76,560	\$102,080
4	\$30,750	\$42,435	\$56,888	\$61,500	\$92,250	\$123,000
5	\$35,980	\$49,652	\$66,563	\$71,960	\$107,940	\$143,920

2017 Federal Poverty Guidelines (Annual Income)						
Hawaii						
Family size	100%	138%	185%	200%	300%	400%
1	\$13,860	\$19,127	\$25,641	\$27,720	\$41,580	\$55,440
2	\$18,670	\$25,765	\$34,540	\$37,340	\$56,010	\$74,680
3	\$23,480	\$32,402	\$43,438	\$46,960	\$70,440	\$93,920
4	\$28,290	\$39,040	\$52,337	\$56,580	\$84,870	\$113,160
5	\$33,100	\$45,678	\$61,235	\$66,200	\$99,300	\$132,400

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

¹¹People 65 and over and people with disabilities who have very low income may receive Medicaid and Medicare at the same time. Medicaid covers those services that Medicare does not cover. Those with both Medicaid and Medicare are usually referred to as "dually eligible."

THE BASICS: WHAT ARE MEDICAID AND CHIP?

budget shortfall unless the state receives a waiver.

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 administration 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.¹² The Affordable Care Act (also known as the ACA) sets more uniform standards for eligibility, enrollment, and other aspects of the Medicaid program although, states will still have a great deal of discretion in many areas.

The Children’s Health Insurance Program (CHIP)

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.

Like Medicaid, CHIP is a state-federal partnership that is state-administered, and each state sets 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 percent of the federal poverty level. Currently, nine states (New York, New Jersey, Connecticut, Pennsylvania, Illinois, Alabama, Washington, Iowa, 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; 17 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.^{13,14}

CHIP is different from Medicaid in important ways. Unlike Medicaid, the federal dollars available to the states for CHIP are capped. States have greater flexibility in how they structure their CHIP programs than in Medicaid. For example, they can implement CHIP programs as Medicaid expansion programs, which then follow Medicaid rules; they can implement separate CHIP programs, which have more flexibility; or they can do a combination of both.

¹² Medicaid and CHIP Payment and Access Commission Report to Congress on Medicaid and CHIP, March 2017. Retrieved August 2, 2017 from <https://www.macpac.gov/wp-content/uploads/2017/03/March-2017-Report-to-Congress-on-Medicaid-and-CHIP.pdf>

¹³ Kaiser Family Foundation. Medicaid and CHIP Income Eligibility Limits for Children as a Percent of the Federal Poverty Level, January 2017. Retrieved August 2, 2017 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/>

¹⁴ January 2017 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.

This document is part of *Public Insurance Programs and Children with Special Health Care Needs: A Tutorial on the Basics of Medicaid and the Children’s Health Insurance Program (CHIP)*, available in its entirety at <http://cahpp.org/resources/Medicaid-CHIP-tutorial>

Is this tutorial helpful to you? Please take our survey at <http://bit.ly/2gXLYuy-catalyst-survey>

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THE BASICS: WHAT ARE MEDICAID AND CHIP? _____

Test your knowledge

1. What portion of CSHCN are enrolled in Medicaid or CHIP?
 - a. About one-tenth
 - b. Almost one-fourth
 - c. Almost half
 - d. About three-fourths
2. True or False: Children in CHIP have household income that is lower than children in Medicaid.
3. True or False: If a state Medicaid program is running short on funds (and the state has no “waivers” from the federal government), 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?
2. In your state, what portion of CSHCN are enrolled in CHIP or Medicaid? How does your state compare nationally? (See <http://chartbook.cahpp.org/>)

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. 4. c