NAMD
National Association of Medicaid Directors

September 13, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Greg Walden
Chairman
Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20510

The Honorable Frank Pallone
Ranking Member
Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20510

Dear Chairman Hatch, Ranking Member Wyden, Chairman Walden, and Ranking Member Pallone:

On behalf of the nation's Medicaid Directors, we are writing to strongly encourage your Committees to prioritize appropriating funds for the Children's Health Insurance Program (CHIP) before the end of FY 2017. Maintaining CHIP funding at its current match rate, with retention of the 23-percentage point enhancement, for at least two years, will provide states with the necessary stability to continue to serve the millions of children who rely on CHIP coverage while planning for the future of the program. It is critical that Congress take these steps prior to the expiration of current CHIP funding on September 30. Further delay in Congressional action on CHIP funding will introduce instability and uncertainty into state budgets and program operations, force states to make contingency plans and to notify those served about the potential for loss of coverage, and in the event that available funding runs out before a new appropriation is made, will negatively impact the children and families whom CHIP serves.

The National Association of Medicaid Directors (NAMD) is a bipartisan, nonprofit, professional organization representing leaders of state Medicaid agencies across the country. Our members drive major innovations in health care while overseeing Medicaid, which provides a vital health care safety net for more than 72 million Americans. In most states, the Medicaid agency is also responsible for administering CHIP, either in combination with the Medicaid program or as a stand-alone program.

We know that you are aware of the vital importance of CHIP coverage to children and families. In addition to providing access to affordable coverage, CHIP provides access to care for enrolled children. For example, children with CHIP coverage are more likely than children without insurance to have a usual source of care, including dental care, and more likely to have had a well-child visit in the past year.[1] Further, research has demonstrated that CHIP coverage contributes to financial stability, peace of mind for parents, school readiness and ultimately, long-term success of the children whom it serves.

State Legislatures Have Already Established CHIP Budgets for FY 2018, 2019

As we stated in our March 28, 2017 letter[2], CHIP's financing structure creates allotments for each state which are drawn down based on each state's applicable federal matching rate. State Medicaid agencies and stand-alone CHIP agencies base their budget requests to state legislatures on federal law and federal funding commitments to CHIP. These budget requests, which were in progress at the time of our previous letter, are now embedded in the budgets of all states, which operate on either an annual or biennial basis depending on the frequency of the state's legislative sessions. The majority of states assumed that current CHIP allotments and enhanced rate of federal match would continue after September 30.

Should Congress either reduce CHIP allotments or reduce or eliminate the 23-percentage point enhancement in federal match, states will be left with significant funding shortfalls. Most states will not be in a position to fill such a shortfall without either seeking to shift funds among line items or making supplementary budget requests to their legislatures, which may in turn lead to special sessions to address CHIP funding.

State legislatures will face a difficult task in finding additional funds in this scenario. States whose CHIP programs are fully funded by the federal government (due to the enhanced FMAP) have no mechanism for funding the program should federal funding commitments change on short notice. States that pay a state share of CHIP spending, would see a significant increase in unanticipated and unplanned-for state spending.

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[1] MACPAC, "Report to Congress on Medicaid and CHIP," March 2017. https://www.macpac.gov/wp-content/uploads/2017/03/March-2017-Report-to-Congress-on-Medicaid-and-CHIP.pdf

[2] http://medicaiddirectors.org/wp-content/uploads/2017/03/NAMD-Letter-CHIP-and-D-SNP-reauth-FINAL.pdf

In short, lowering CHIP federal funding levels in the middle of states' fiscal years leaves states without sufficient time or capacity to maintain their current level of effort in serving children. In light of this fact, we recommend that Congress maintain both existing CHIP funding levels and the enhanced match rate. Should Congress desire to reduce CHIP match rates, it must do so in a deliberative fashion and give states at least two years to plan for such a change.

Timing of CHIP Fund Exhaustion Masks Operational Realities States Must Address

In addition to the budgetary implications for states outlined above, federal policymakers should also consider the concrete operational issues states must navigate if there is uncertainty about CHIP funding beyond September 30th of this year.

States will have varying capacity to continue the program past that date. Any unspent portion of a state's CHIP allotment in a given year may be carried forward by the state into the next fiscal year. Additionally, federal law allows the Centers for Medicare and Medicaid Services (CMS) to redistribute unspent allotments among states. Analysis of these factors by the Medicaid and CHIP Payment and Access Commission (MACPAC) has shown that some states will exhaust CHIP funds as soon as the first quarter of FY 2018, and that the majority of states will exhaust funds in Q2 FY 2018.[3]

This analysis may give lawmakers the impression that there is additional time in the calendar year to address CHIP appropriations after the end of FY 2017. This is not the case.

First, note that the MACPAC analysis may differ from states' own analyses of their spending rates and funding levels, with states typically projecting exhausting their CHIP allotments sooner than MACPAC's projection.

Second, state laws, regulations, and policies require that states issue notice to beneficiaries of coverage changes or terminations well in advance of these changes occurring. At least one state has made public announcements regarding the potential impacts to CHIP coverage that may occur, if and when the state exhausts its CHIP funds. As more states come closer to exhausting CHIP funds, if they have a stand-alone program they will be forced to adhere to these notice requirements even if federal funding is eventually received.

Third, states must develop plans on how to direct children and families currently receiving CHIP coverage, should they need to freeze or close their program. Some may become eligible for Medicaid, others may be eligible for subsidies on the individual market, and still others may become uninsured. How long these individuals are permitted to be enrolled in alternative

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[3] MACPAC, "Federal CHIP Funding: When Will States Exhaust Allotments?" https://www.macpac.gov/wp-content/uploads/2017/03/Federal-CHIP-Funding_When-Will-States-Exhaust-Allotments.pdf

coverage sources, and how those coverage sources interact with a restarted CHIP program should Congress belatedly make appropriations, are further complexities states and beneficiaries must navigate.

Finally, states must take administrative and operational actions related to phasing out or restructuring their CHIP programs as federal dollars run out. These changes may pose significant financial costs to states, and also tax limited staff time. These changes include, but are not limited to:

- Eligibility system modifications;
- Retraining of contractors and amendment or termination of contracts;
- Drafting, submission, and CMS approval of state plan/waiver authorities; and
- Development of care plans to minimize disruption for CHIP beneficiaries receiving treatment for chronic conditions.
- Addressing eligibility changes, such as the Express Lane Eligibility option, which rely on CHIP funding and statutory authority.

Most states indicate that they would need at a minimum six months, and ideally a year, to properly plan and implement these activities.

In light of the significant budgetary and operational impacts on states, as well as the potential disruption to CHIP beneficiaries, NAMD respectfully requests that Congress prioritize CHIP appropriations in September of this year. Delays in funding will have negative effects for both states and families in the very near term. We look forward to continuing to work with policymakers on this vital issue.

Sincerely,

Judy Mohr Peterson

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Med-QUEST Division Administrator
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