The ACA Quandary: To CHIP or not to CHIP?

Population Health Sciences

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A major unresolved quandary of the Affordable Care Act (ACA) is whether both the popular Child Health Insurance Program (CHIP) and the health insurance marketplace (or "exchange") plans will continue as separate insurance choices for income-eligible children.

Not surprisingly, the inaugural AcademyHealth National Child Health Policy Conference made the question the subject of a session entitled "Child Health Coverage: What Will The Future Hold?"

Moderator Sara Rosenbaum of the George Washington University School of Public Health and Health Services, and panelists Genevieve Kenney of the Urban Institute, Len Nichols of George Mason University, Reed Tuckson of Tuckson Health Connections, and Gail Wilensky of Project HOPE grappled with the complexities of the subject but found no definitive answer.

Policy options
They did, however, identify a number of policy options -- and realities -- that demand serious consideration but require a bit of background to fully understand.

Since 1997, over eight million children from low and moderate-income families that do not qualify for Medicaid have obtained coverage through CHIP. Some states offer CHIP through an expansion of Medicaid eligibility (known as MCHIP). Other states offer separate insurance coverage through private insurance companies (known as SCHIP), and a majority of states offer a combination of both SCHIP and MCHIP.

The ACA preserves CHIP for children above 138% of the federal poverty level, who otherwise would qualify for 100% federally funded premium tax credits in the exchanges.

Essential health benefits
The ACA creates and regulates those state and federal health insurance marketplaces with the goal of increasing the number of insured Americans. Anticipating the potential for ending CHIP in the future, the ACA focuses on pediatric health care in a number of respects. First, the Act requires qualified health plans sold through the marketplace or "exchange" to cover "Essential Health Benefits" including comprehensive maternity and newborn care, pediatric benefits (as yet undefined by HHS), and pediatric dental benefits. Second, the Act requires coverage of comprehensive preventive services without patient cost sharing and defines, as one of these comprehensive services, a broad range of preventive benefits for children and adolescents.

CHIP funding is set to expire in 2015. Although the ACA includes a CHIP "maintenance of effort" provision that preserves state CHIP coverage at current levels through 2019, the lack of funding after 2015 shortens the maintenance of effort time period as a practical matter.

A critical question in pediatric health care access and quality thus becomes whether to preserve the CHIP/marketplace configuration by continuing separate CHIP financing or allow marketplace coverage to succeed CHIP. If CHIP is reauthorized, the ACA provides for increasing the federal contribution rate to state CHIP programs to 93% effective October 2015.

The unresolved question

AcademyHealth panel members pointed out that policymakers agree that the health insurance gains for children under CHIP should be maintained. The unresolved question is how to do this, given the known (and still unknown) gaps between CHIP and marketplace plans. During the negotiation around passage of the ACA, child health experts and advocates had different opinions about maintaining CHIP. Some thought that CHIP should go away through the creation of universal coverage. Others though Medicaid should be expanded to more low- and moderate-income children and families with families being eligible for marketplace coverage if their income went above a Medicaid ceiling.

One panelist noted that, in the end, we held onto CHIP because of a fear of what would happen if it went away but that this fear should not get in the way of our innovating. Innovation would include thinking about merging CHIP and marketplace plans for children or returning to the idea of an expanded or alternate Medicaid program or allowing all workers and their families to obtain coverage through an exchange marketplace. What is not likely to produce the best result is experts and advocates choosing a camp and sticking to it before weighing the options.

Another option to expand or maintain coverage for children would require an ACA modification to allow employees offered "affordable" employer-based coverage to instead obtain premium tax credits on marketplace plans. As passed, the ACA considers an employee's plan "affordable" if the employee's share of the annual premium for self-only coverage is no greater than 9.5% of annual household income. This provision is referred to as the "family glitch" because the cost of family coverage is not the benchmark of affordability for employees.

Patchwork of coverage

Finally, another option is to accept that our current patchwork of coverage is, in fact, our best scenario. Fifteen years into the CHIP program has shown us that parents are willing and able to obtain separate insurance for themselves and their children. Thus, despite worries about multiple plans for families, families themselves have proven that this is a minimal barrier to coverage.

Perhaps as our employer markets focus more and more on employees-only, it makes sense to maintain a separate program for children. In other words, in the end, the worst option for children may not be differentfor different coverage family members.

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