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Benefits and Cost Sharing in Separate CHIP Programs: Executive Summary

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Executive Summary

Since 1997, the Children's Health Insurance Program (CHIP) has provided substantial federal funds to states to develop and operate health coverage programs designed specifically to meet the care and developmental needs of children. Millions of children have gained coverage through CHIP, with more than 8 million children enrolled in 2012.[1] Together with its larger companion program, Medicaid, CHIP is credited with helping to reduce the uninsurance rate among children by approximately half from 1984 to 2012.[2]

CHIP provides states with options when designing their programs. States can choose to use CHIP funds to expand their Medicaid programs, establish separate CHIP programs, or offer a mix of both types. Within broad federal rules and guidelines, states have considerable flexibility in separate CHIP programs to determine benefit packages. States also can set premium and other cost-sharing requirements within federal rules.

This report examines covered benefits, limitations, and premium and cost-sharing provisions in 2013 for 42 separate CHIP programs in 38 states.[3] The report seeks to expand understanding of the extent of coverage these programs provide and examine the similarities and differences in coverage among them.

Highlights of Key Findings

The benefits in separate CHIP programs in 2013 ranged from comprehensive coverage based on Medicaid to somewhat more limited packages modeled on commercial plans. Coverage for basic medical services was robust and while limits were common for certain benefits, only a few services were frequently not covered at all. Additionally, while the cost of coverage for families varied across programs, separate CHIP programs generally provided strong financial protection for enrollees with minimal premiums and cost sharing. Key findings include:

- One-third (14) of separate CHIP programs provided benefits that were either the same or very similar to the comprehensive package provided to children in Medicaid. While this report focuses on separate CHIP programs, it is worth noting that when combined with Medicaid expansion programs, 38 states and the District of Columbia provided Medicaid or Medicaid-based benefits to some or all children whose coverage is financed by CHIP.[4]
- Basic medical benefits such as physician, hospital, and laboratory and radiological services were largely covered without significant limitations, while coverage limits were more common for services such as nursing care services and outpatient therapies.
- All programs covered prescription drugs and the majority of programs provided coverage of durable medical equipment and disposable medical supplies.
- While separate CHIP programs are not required to cover behavioral health services, the majority covered outpatient and inpatient mental health services with few limitations. Additionally, nearly all provided coverage for outpatient and inpatient substance abuse services.[5]
- All programs covered physical, occupational, and speech and language therapies, although 40 percent of programs limited the number of visits.
- Most programs covered dental services without notable limitations. The majority of programs also provided orthodontic services coverage, although approximately half had limits on these services.

- All programs provided coverage of corrective lenses; however, slightly more than one-third had dollar or quantity limits or both. Most covered hearing aids, although frequently with limits.
- While CHIP's flexibility does result in some variation across programs, separate programs generally provided substantial financial protection for enrollees' families by offering low or no premiums and limited or no cost sharing for covered benefits.

Implementation of the Affordable Care Act (ACA) requires close attention to its implications for children's coverage and how CHIP fits into the changing health insurance landscape. The ACA recognized the need to continue CHIP for at least the early years of implementation by extending its funding through federal fiscal year 2015 and requiring states to maintain eligibility standards for children's coverage through 2019.

At the same time, the ACA offers new coverage options through subsidies for qualified health plans (QHPs) in health insurance marketplaces. QHPs must offer the minimum benefits known as essential health benefits (EHBs) and the benchmark approach used in CHIP was adapted to help define state choices for the EHBs. The ACA directs the Secretary of the Department of Health and Human Services to determine whether coverage through QHPs is comparable to CHIP in terms of benefits and cost sharing. The benefits potentially could differ because, while both CHIP and QHP benefit models are based on a similar benchmark approach, the options and state selections were not the same. The most commonly selected EHB benchmark plan (small group market coverage) was not an option for CHIP; and the most frequently chosen CHIP coverage model (Secretary-approved coverage, most commonly for Medicaid-based benefits) was not an EHB choice.

This report is intended to inform state and national policymakers and stakeholders about benefits and cost sharing in separate CHIP programs in advance of the Secretary's comparability determination. We hope the report also will help inform deliberations about the future of CHIP, as well as review and revision of EHB requirements as they apply to children's coverage. The report finds that separate CHIP programs generally provide robust coverage of benefits needed by children. Additionally, while the cost of children's coverage varies across programs and states, CHIP offers substantial financial protection for families by offering minimal premiums and cost sharing. Thus, it is a strong model for ensuring comprehensive and affordable coverage for children. As other models are considered, they should be closely assessed against the existing strong benefits that CHIP provides for many families today.

Endnotes

1 This number reflects the number of children who were ever enrolled in CHIP during 2012. Centers for Medicare and Medicaid Services, *FY 2012 Number of Children Ever Enrolled in Medicaid and CHIP*. http://medicaid.gov/Federal-Policy-Guidance/Downloads/FY-2012-Childrens-Enrollment-04_09_13.pdf

2 Genevieve Kenney and Nathaniel Anderson, The Urban Institute. *Child Health Coverage: What Will the Future Hold?* Presentation at the National Child Health Policy Conference, February 5, 2013. http://www.academyhealth.org/files/nhpc/2014/Academy%20Health%20Coverage%20Trends%20feb%2018%202014%20for%20posting.pdf.

3 Four states, Florida, New Jersey, Oregon and Wisconsin, offered two separate CHIP programs for either different income or age groups. Additionally, Arkansas's Medicaid 1115 waiver is included as it operated similarly to a separate CHIP program. The report does not consider separate CHIP programs that offered only premium assistance or with limited eligibility criteria, such as those that only covered pregnant women, unborn children, children with disabilities, or children who were new lawful residents.

4 For purposes of this report, the term "Medicaid-based benefits" in separate CHIP programs refers to Secretary-approved coverage that was the same as Medicaid, coverage equivalent to Medicaid but with some exceptions, or modified Medicaid benefits under a waiver.

5 In 2013, Arkansas did not cover inpatient substance abuse services and Kentucky did not cover inpatient or outpatient substance abuse services. Beginning in 2014, Kentucky will offer these services.