

March 2005



CHIP and Medicaid

Introduction

The Medicaid and CHIP (Children's Health Insurance Program) programs are designed to provide health insurance coverage to children in families that are unable to afford private health coverage. Currently, there are more than 9 million children in the United States without health care coverage, and roughly 6 million are eligible for either CHIP or Medicaid.

Many of these eligible children have parents who do not have access to affordable health insurance through their employers. Of these eligible children, 9 out of 10 have at least one parent that works, but that does not have access to health coverage through her employer. The Medicaid and CHIP programs were designed to provide all low- and moderate-income children with the healthy start they deserve.

Medicaid

Established in 1965, Medicaid is a federal-state health insurance program that provides medical services to eligible, low-income individuals – both children and adults. Under Title XIX of the Social Security Act, Medicaid has become the largest source of funding for medical and health-related services for low-income people in the United States. Each state manages its own Medicaid program, within the framework established by federal law. States have the flexibility to determine who is eligible (subject to federal minimum coverage requirements), decide on the type, amount, length, and range of services a beneficiary receives, and set the payment rates for different services. Therefore, a person who is eligible for Medicaid in one state may not be eligible in another state, and the services provided in one state may differ from those provided in another state.

Children's Health Insurance Program (CHIP)

In 1997, CHIP was created to provide health coverage to a greater number of children across the country. Under Title XXI of the Social Security Act, CHIP is a federal-state partnership, specifically targeted to uninsured children from low- and moderate-income working families that do not qualify for Medicaid. Children have to be determined ineligible for Medicaid prior to enrollment in CHIP. Since each state administers its own program, eligibility requirements vary by state.

Administration

The Centers for Medicare and Medicaid Services (CMS) have federal oversight for both Medicaid and CHIP. However, applicants must apply within their county of residence, since

both programs are administered by the states and program rules vary by state. To learn more about Medicaid, go to www.cms.hhs.gov/medicaid/. To learn more about CHIP, go to www.cms.hhs.gov/schip/

Differences between CHIP and Medicaid

In some states there is no difference between the two programs in terms of benefits and eligibility requirements. CHIP funds are often used to expand the Medicaid program to children from families with higher incomes than allowed under Medicaid. In return for covering these higher-income children, the federal government pays states a larger share of the cost of covering these relatively higher-income children. In other states, CHIP is a separate program from Medicaid, covering children who are older or children from families with incomes above the state's Medicaid eligibility ceiling. These states could have a separate child health program distinct from Medicaid that uses specified public or private insurance plans offering at least a minimum benefit package. Medicaid and CHIP benefits are often provided through managed care plans that contract with the state.

BENEFITS

Medicaid

While health services vary from state to state, all states are required to provide the following minimum mandatory services under Medicaid:

- Children's immunizations
- Prenatal care
- Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services for children; under the comprehensive EPSDT services benefit, states are required to cover necessary treatment for problems identified during EPSDT screenings, even if the particular treatment is not usually covered through Medicaid
- Physician services
- Hospital care (inpatient and outpatient)

States can also provide approved optional services for which federal funding is available under Medicaid, such as prescription drugs; rehabilitation and physical therapy services; and optometrist exams and eyeglasses. States can provide as many or as few as they like. For more information about the Medicaid program and eligibility guidelines, visit:

<http://www.cms.gov/medicaid/consumer.asp>

CHIP

As with Medicaid, health services covered under CHIP vary from state to state. States must provide a package of services equivalent to at least a benchmark level (e.g., a benefit package provided to state employees). The benefit package offered under a separate CHIP program need not include all the services covered under the state's Medicaid program. Children enrolled in CHIP are eligible for services such as regular checkups, immunizations, doctor visits,

and hospital care. Many CHIP programs also cover additional services such as vision care and prescription drugs. All states with separate CHIP programs must cover supplemental services for children with special health needs based on medical necessity, as defined in the Americans with Disabilities Act.

For additional information about each state's CHIP program, visit:

<http://www.cms.hhs.gov/schip/>

Cost for health coverage through CHIP or Medicaid

For children in the Medicaid program, services are generally provided at no cost to the family. However, states may pass on a small co-payment for certain services. For children in their state's Children's Health Insurance Program, costs will vary depending on the state and family income level. Most state CHIP programs do not charge co-pays and premiums for families at or below 150 percent of the federal poverty level. This means that a family of four with an income at or below \$29,025 a year or about \$2,419 per month would not have to pay a premium. For families with higher incomes, premiums and co-pays are minimal and vary from state to state but are generally less than \$50 per month for the family.

ELIGIBILITY

| Income

Eligibility criteria for both CHIP and Medicaid vary from state to state. Most states have set the maximum CHIP eligibility level at 200 percent of the federal poverty level or higher. This would mean that a child under the age of 19 in a family of four with income up to \$38,700 a year or \$3,225 a month may qualify for coverage. All states must provide Medicaid coverage to children under age 6 and pregnant women in families with incomes up to 133 percent of the federal poverty level -- \$25,736 a year or about \$2,145 a month for a family of four. In addition, children ages 6 through 18 in families with incomes up to 100 percent of the federal poverty level of \$19,350 a year or about \$1,613 a month for a family of four -- must also be covered.

Children who presently have private health insurance coverage, and some immigrant children, are not eligible for Medicaid and/or CHIP coverage.

Immigration Status

Generally, legal immigrant children who were already in the United States before August 22, 1996 can be eligible for Medicaid and CHIP. Immigrant children who entered the United States on or after August 22, 1996 must have been continuous residents for 5 years to be eligible for CHIP or Medicaid (the earliest date of eligibility for this group was August 22, 2001). Under Federal law, undocumented children are completely excluded from coverage under CHIP, just as they are from Medicaid (except emergency Medicaid).

However, some states may use their own (i.e., state-only) funds to provide health care to immigrant children, and many do. Thus, it is important to check the rules in your state regarding immigrant eligibility.

Public charge issues

“Public charge” is a term used in immigration law to describe individuals who are not able to fully support themselves and their families financially and who consequently must rely to some extent on public benefits to supplement their income. A public charge determination can affect an immigrant’s entry, status adjustment, and in some cases, likelihood of deportation.

The Clinton administration clarified the public charge rules for immigrants. This Public charge guidance and proposed regulations issued in 1999 clarify that children can be enrolled in Medicaid and the CHIP without fear that they or their families will have their immigration status jeopardized. For more information, please consult the National Immigration Law Center website at <http://www.nilc.org/immspbs/index.htm>.

Native Americans

Native American children are eligible for CHIP or Medicaid even if they have Indian Health Services (IHS) coverage. The federal statute is very specific about the inclusion of Native American children. However, the state can use 100% federal funds to purchase health care services from the IHS under the Medicaid option.

APPLICATION

To find out if a child qualifies in a particular state, call 1-877-KIDS-NOW (1-877-543-7669). This connects callers automatically to their state’s CHIP and Medicaid information hotline. In most states, an individual can request that an application be mailed to them. They can then fill out the application and send the completed version back to the state for review. For help applying for CHIP or Medicaid in a particular state, please visit the following website: <http://www.childrensdefense.org/childhealth/chip/signthemup/default.asp>

Selecting a Managed Care Plan

A significant development in Medicaid (and CHIP) is the growth in managed care, as opposed to the traditional fee-for-service system. Under managed care systems, HMOs (Health Maintenance Organizations) and PPOs (Preferred Provider Organizations) provide a specific set of services to Medicaid and CHIP enrollees and receive compensation from the federal-state program funds. Waivers may provide states with greater flexibility in the design and implementation of their Medicaid managed care programs. The number of Medicaid beneficiaries enrolled in some form of managed care program is growing rapidly, from 14 percent of enrollees in 1993 to 57 percent in 2001.

In most states, a parent will have the ability to chose from several HMOs or other managed care plans participating in that state’s CHIP and/or Medicaid program. Constituents selecting a plan

for the first time should be referred to an organization that can provide them advice on choosing the best plan for their family.

LOOKING FORWARD

Eligibility Changes

Each year the income guidelines are changed based on the federal poverty level. The guidelines for the current and previous years can be found at <http://www.cms.hhs.gov/medicaid/eligibility>

ADVOCACY

MAKE THE MOST OF BENEFITS FOR WHICH PEOPLE ARE ALREADY ELIGIBLE

The CDF Tax and Benefit Outreach Project is a national initiative to ensure children and poor working families receive tax, income, health insurance and other benefits for which they are eligible. The initiative connects low- to moderate-income families with existing federal and state programs, like the Earned Income Tax Credit, the Child Tax Credit, Food Stamps, and public health insurance, to help lift them and their children out of poverty.

The more than 20 million American children in families struggling on incomes below \$30,000 a year (12.9 million below the poverty line) lack this help and are unaware of or unable to obtain available tax credits, food stamps, health care, child care and other assistance they urgently need.

OTHER ADVOCACY GROUPS

Center on Budget and Policy Priorities (www.cbpp.org)

Families USA (www.familiesusa.org)

National Immigration Law Center (www.nilc.org)

National Health Law Program (www.nhelp.org)

American Academy of Pediatrics (www.aap.org)

For further assistance, please e-mail the Health Division at cdfhealth@childrensdefense.org, call Malissa Ortiz at (202) 662-3575, or write to Children's Defense Fund, Attn: Health Division, 25 E Street NW, Washington, DC 20001.

For information on applying for benefits, health benefit outreach strategies (including ways for students to get involved), state and local contacts, free state outreach flyers, articles and reports, and helpful links to other resources, please visit the Health Division's website at:
<http://www.childrensdefense.org/childhealth>