Policy Brief

WEST VIRGINIA CENTER ON BUDGET & POLICY

September 2020

A CHIP Buy-in Could Help West Virginia Achieve Universal Coverage for Kids

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Introduction

The Children's Health Insurance Program (CHIP) provides low-cost health coverage to children in families that earn too much money to qualify for Medicaid. CHIP is administered at the state level and is usually tied closely to state Medicaid programs. Each state program has its own rules about who qualifies for CHIP.

In West Virginia, uninsured children in families with incomes up to 305 percent of the federal poverty threshold (roughly $79,000 for a family of four), who are not otherwise eligible for Medicaid are eligible for the state's CHIP program.[1] In 2020, West Virginia extended CHIP coverage to maternity services for eligible pregnant women.[2] As of March 2020, there were 34,347 individuals enrolled in West Virginia CHIP.[3]

Private health insurance can still be too costly for those outside of Medicaid and CHIP eligibility, leaving thousands uninsured. In the past, several states have used their CHIP programs to fill in that coverage gap, allowing families whose incomes exceed the eligibility limit for Medicaid or CHIP to purchase public coverage for their children.

While only a small number of states have kept their CHIP buy-in programs after the passage of the Affordable Care Act (ACA), there are a number of compelling reasons to revisit the policy, including an increase in the number of uninsured children, rising private insurance costs, and new flexibility for state plans under the latest federal CHIP reauthorization.

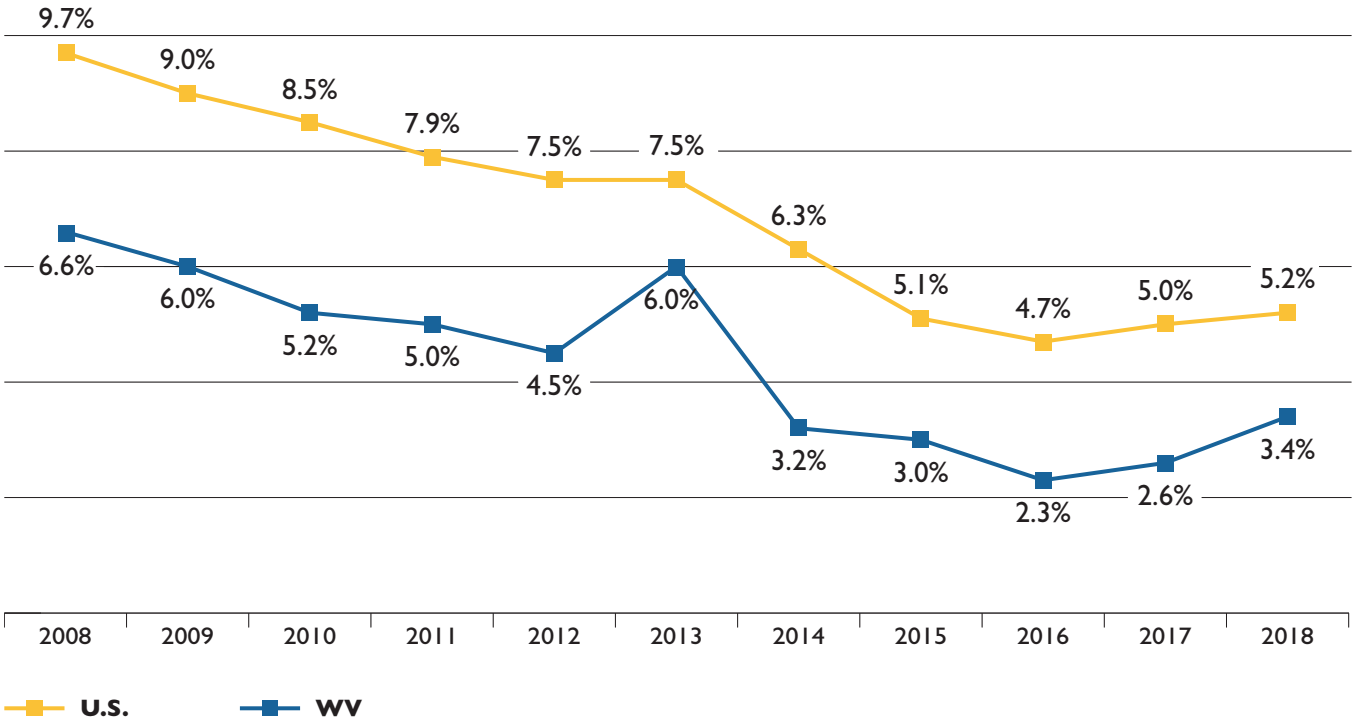
Stalled Progress

After the passage of the ACA, many states saw a dramatic reduction in the number of uninsured children, particularly in states that expanded Medicaid eligibility, like West Virginia. The rate of uninsured children in West Virginia fell from 6.6 percent in 2008 to 2.3 percent in 2016. Nationally, the rate of uninsured children fell from 9.7 to 2.3 percent during that time. However, in recent years, that progress has begun to reverse. The number of uninsured children across the country increased by more than 400,000 in recent years, with the uninsured rate rising to 5.2 percent nationally and 3.4 percent in West Virginia (Figure 1).

As the number of uninsured children has slowly begun to rise, so have health care costs in the private marketplace. In West Virginia, the health insurance "cost burden," or the ratio of the average cost of employer-sponsored health insurance to median income, grew from 29.4 percent in 2010 to 34.1 percent in 2016.[4]

FIGURE 1

Progress Toward Universal Children's Health Insurance Coverage is Reversing Rate of Uninsured Children, United States and West Virginia, 2008-2018



Source: U.S. Census Bureau, American Community Survey

The CHIP Buy-in Landscape

With health care costs rising and progress toward universal coverage stalling, there has been a renewed interest in CHIP buy-in programs, even as the number of active programs has declined with the implementation of the ACA.

In 2011, 15 states[5] (Connecticut, Florida, Illinois, Maine, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, and Wisconsin) had a Medicaid or CHIP buy-in program available for families whose income exceeded their state's Medicaid or CHIP eligibility limits. Prior to the ACA, these programs were often used as a way to provide coverage for moderate-income families whose child had been turned down by commercial insurers due to a preexisting condition.[6]

Many of the buy-in programs had low take-up rates and enrollment. Connecticut, which ended its program in 2015, had only 191 enrollees,[7] and Ohio had only seven.[8] Low enrollment had various causes. In some states, buy-in options were not well-known or targeted only a small sliver of uninsured children.[9] In addition, while traditional Medicaid and CHIP are subsidized through a federal-state partnership and offer coverage at small or no premiums, families with buy-in coverage are typically responsible for the full cost of their monthly premium,[10] meaning that coverage remained unaffordable for many moderate-income families.

The Affordable Care Act and CHIP Buy-in Programs

The enactment of the ACA in 2010 affected CHIP buy-in programs in several ways. Children who were previously uninsurable were given new options due to the ACA's community rating and guaranteed issue provisions. The expansion of Medicaid in most states and subsidies for private plan premiums on the new state and federal marketplaces provided coverage options for low- and moderate-income families.

The ACA also presented complications for the administration of CHIP buy-in programs. The ACA required qualified private plans to provide "minimum essential coverage" and elimination of most annual and lifetime limits. The Centers for Medicare and Medicaid Services (CMS) recognized traditional Medicaid and CHIP plans as meeting these standards, even though some states had annual or lifetime limits on benefits such as behavioral health care. However, for CHIP buy-in plans, the CMS individually determined if each state's plan met the standards for private plans, holding them to a higher standard than traditional CHIP and Medicaid.[11]

As a result, several states ended their buy-in program rather than incur the costs of increasing benefits to meet the standards, while others faced rising premiums. As of 2020, only four states, Florida, Maine, New York, and Pennsylvania, have CHIP buy-in programs.

Current CHIP Buy-in Programs

Florida has one of the oldest and largest CHIP buy-in programs, with more than 25,000 enrollees. Eligibility starts with children whose family incomes are above 200 percent of poverty. Florida has two coverage options, Healthy Kids full-pay for children ages 5–18, and MediKids full-pay for children ages 1–4. Monthly premiums are $230 for Healthy Kids with dental coverage, or $215 without dental,[12] and are $157 for Medikids.[13]

Maine's Health Insurance Purchase Option offers transitional coverage to children who lose their eligibility for Medicaid or CHIP coverage due to a change in family income. Children are eligible when they were already enrolled in CHIP or Medicaid and their family income exceeds the state's CHIP limits by the end of their 12-month enrollment in CHIP, or their family income exceeds both Medicaid and CHIP limits when their eligibility is reviewed.[14] Enrollment is limited to 18 months, and monthly premiums are determined by averaging enrollees' monthly costs for the previous two years and adding 2 percent for administration. The current average monthly premium is $250.[15] Maine's program has very low enrollment, with only 16 enrolled during the 2019 plan year.[16]

New York has the second largest CHIP buy-in program in the country, with 22,600 enrollees. Children in families with incomes over 400 percent of poverty are eligible. Monthly premiums vary by region, averaging $224.[17]

Pennsylvania's CHIP buy-in program has 10,494 enrollees. Buy-in eligibility begins at family incomes above 314 percent of poverty, with monthly premiums varying by plan, averaging $233.

As Table 1 shows, in general, CHIP buy-in premiums were less expensive than unsubsidized, child-only premiums on state health insurance marketplaces. For Florida, Maine, and Pennsylvania, which use the federal Healthcare.gov exchange, the lowest-cost silver plan was between $30–$60 more expensive per month than CHIP buy-in coverage, while the lowest-cost gold plan was between $60–$100 more expensive. Equivalent plans on New York's state-run exchange had slightly lower premiums than the state's CHIP buy-in program.

TABLE 1

State CHIP Buy-in Programs (2019)

State	Year Enacted	Program Name	Household Income Eligibility (Percent of Federal Poverty Level)	Enrollment	Monthly Premium	Lowest Marketplace Gold/Silver Premium
Florida (ages 1-4)	1992	MediKids	Above 200% FPL	8,850	$157	$285/$274
Florida (ages 5-18)	1992	Healthy Kids	Above 200% FPL	15,540	$230 with dental, $215 without dental	$285/$274
Maine	1997	Health Insurance Purchase Option	Above 157% FPL for transitioning off Medicaid; Above 208% FPL for transitioning off CHIP	Less than 20	$250	$348/$280
New York	1991	Child Health Plus	Above 400% FPL	22,600	Varies by region $144-$320, average $244	$236/$197
Pennsylvania	1992	Full Cost CHIP	Above 314% FPL	10,500	Varies by plan, average $233	$309/$278

Source: WVCBP analysis of Florida, Maine, New York, and Pennsylvania CHIP program data, 2019 plan premiums for Healthcare.gov states, and the Robert Wood Johnson Foundation HIX Compare Database

Time to Revisit CHIP Buy-in Programs

The Healthy Kids Act of 2018 reauthorized the CHIP program and provided federal funding through FY 2023. The law also created new flexibility for states to enact CHIP buy-in programs. Under the act, CHIP buy-in programs that offer benefits that are at least identical to the state CHIP plan are considered as meeting essential coverage benefits rules. The act also clarifies that states can develop CHIP buy-in rates based on a combined risk pool with their subsidized CHIP population.[18] This change allows costs to be spread across a larger pool, stabilizing premiums.

These changes open the door for states like West Virginia to enact a CHIP buy-in program of their own, building on existing successful models. A CHIP buy-in program can fill the gap for families who do not have access to affordable employer-sponsored insurance and are not eligible for public coverage, but are still priced out of marketplace coverage.

During the 2020 legislative session, HB 3165 was introduced, which would have created a CHIP buy-in program in West Virginia. The program would have been open to children in families with incomes above 300 percent of the poverty line, and would have been self-financed, with premiums set to cover program costs, and with administrative costs of only $67,000 annually after implementation.[19]

According to the fiscal note for HB 3165, West Virginia has the option of including a buy-in program as a component of a managed care contract without legislation as part of the state's CHIP program transition to managed care which began in 2020.

Recommendations

There are several factors to consider when designing a CHIP buy-in program to ensure its success. First, we must remember that families eligible for CHIP buy-in programs are very sensitive to price. Other states closed their programs or saw large drops in enrollment as premiums increased. The Healthy Kids Act allows states to combine their CHIP buy-in and subsidized CHIP risk pools, broadening the risk pool and lowering costs.

Expanding subsidized CHIP eligibility is another way to both close the coverage gap and help a CHIP buy-in program succeed. West Virginia limits CHIP eligibility to 305 percent of poverty.[20] Experiences in other states shows that buy-in programs are not likely to be affordable for lower income families. New York and Pennsylvania both saw increases in CHIP buy-in program enrollment after increasing eligibility for subsidized CHIP. Pennsylvania's CHIP eligibility is up to 319 percent of poverty and New York's is 405 percent.[21] This gives lower income families more affordable options with CHIP, while the cost of a buy-in premium is less of an obstacle for those with incomes above CHIP eligibility.

Finally, states must ensure that buy-in programs are marketed well. Successful programs have robust marketing and consumer outreach strategies so that people are aware of the program and of their eligibility.[22] It is also important to target the right population to be successful. For example, Maine's narrow eligibility of families previously in Medicaid or CHIP targets families whose incomes are rising, and who may be newly eligible for employer-sponsored coverage, while missing families who have recently experienced lost jobs or income.

Conclusion

Much progress has been made in recent years to achieve the goal of universal health care coverage for children. But challenges remain, and there is still a need for affordable, comprehensive insurance options. A CHIP buy-in program can act as one of those options, particularly in light of recent changes to federal law that make it easier for states to pursue their own program. A well-designed CHIP buy-in program could be a cost-effective way of moving toward universal coverage for children.

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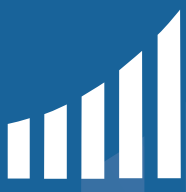

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