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ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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MEMORANDUM

June 12, 2017

To: **Democratic Members of the Subcommittee on Health**

Fr: **Committee on Energy and Commerce Democratic Staff**

Re: **Hearing on "Examining the Extension of Safety Net Health Programs."**

On **Wednesday, June 14, 2017, at 10:15 a.m. in 2322 Rayburn House Office Building**, the Subcommittee on Health will hold a hearing titled "Examining the Extension of Safety Net Health Programs."

This hearing will consider the extensions of the Children's Health Insurance Program (CHIP) and the Community Health Center Fund (CHCF) both of which expire on September 30, 2017.

I. BACKGROUND

A. Overview of the Children's Health Insurance Program

The CHIP program was created to build on the Medicaid program, providing financing support for states to expand coverage to uninsured children in families that make too much to qualify for Medicaid, but not enough to afford the out of pocket costs associated with private coverage. As of FY 2016, there were 37.1 million children enrolled in Medicaid, 8.9 million children enrolled through CHIP, and 1.1 children with Marketplace coverage.[1] CHIP, in conjunction with Medicaid, have led to an all-time high in children's health coverage, with the

[1] Georgetown University Health Policy Institute, Center for Children and Families, *Senator Cassidy Tells Jimmy Kimmel He Wants to Protect Kids' Health but Misses Point on Need to Preserve Medicaid to Achieve Goal* (May 9, 2017) (https://ccf.georgetown.edu/2017/05/09/senator-cassidy-outlines-jimmy-kimmel-test-to-protect-kids-but-misses-point-on-need-to-preserve-medicaid-in-order-to-achieve-goal/).

children's health coverage rate currently at 95 percent.[2] State and Congressional district level data on coverage of children by Medicaid and CHIP can be found in the Georgetown University Health Policy Institute's Center for Children and Families.

States have considerable discretion in how they structure their CHIP programs. Under CHIP, states can operate their programs as an expansion of Medicaid, a program entirely separate from Medicaid, or a combination of both approaches. As of May 2017, ten states, including the District of Columbia, and five territories run CHIP entirely as part of their Medicaid programs; two states operate CHIP as a separate program; and 39 states operate a combination program.[3]

Benefits vary considerably from state to state. Because of how most states have chosen to structure their CHIP programs, more than half of children covered under CHIP (56 percent) are actually enrolled in expanded Medicaid coverage financed by CHIP.[4] If a state has elected to use its CHIP funds to expand Medicaid coverage for children, the Medicaid program rules on benefits and scope of coverage will apply to the group of children covered under the CHIP expansion in the same manner that they apply to children already eligible under the Medicaid program. However, if a state elects to use its CHIP funds to cover children in a separate state program, benefits vary considerably, although federal rules require coverage of dental services, well-child care and emergency services.

CHIP is administered through the states in a state-federal partnership, with matching funds provided by the federal government. CHIP's enhanced federal medical assistance percentage (E-FMAP) varies by state and ranges from 65 percent to 81 percent. In FY2016 through FY 2019, the CHIP matching rate was increased by 23 percentage points, shifting the range from 88 percent to 100 percent.[5] The CHIP program distributes funding through state specific allotments established by the statute using a formula that takes into account a state's actual use of CHIP funds, further adjusted for health care inflation and child population growth. States have two years to spend each allotment, with unspent funds made available for redistribution to other states that experience a shortfall. States facing funding shortfalls are eligible to receive redistribution funds and/or funding through the child enrollment contingency

[2] Georgetown University Health Policy Institute, Center for Children and Families, *Children's Health Coverage Rate Now at Historic High of 95 Percent* (Nov. 2016) (https://ccf.georgetown.edu/wp-content/uploads/2016/11/Kids-ACS-update-11-02-1.pdf).

[3] Medicaid and CHIP Payment and Access Commission (MACPAC), *State Children's Health Insurance Program (CHIP): Fact Sheet* (May 2017) (https://www.macpac.gov/wp-content/uploads/2015/03/State-Children%E2%80%99s-Health-Insurance-Program_CHIP-Fact-Sheet.pdf).

[4] Georgetown University Health Policy Institute, Center for Children and Families, *The Children's Health Insurance Program* (Feb. 6, 2017) (https://ccf.georgetown.edu/2017/02/06/about-chip/).

[5] MACPAC, *CHIP financing* (https://www.macpac.gov/subtopic/financing/).

fund depending on certain factors. Additionally, allotment increases are available for states with approved plans to expand eligibility or benefits.

B. Overview of the Health Center Program

The Health Center Program provides grant funding to health centers that serve medically underserved populations. These grants provided 21.7 percent of total revenue for health centers in FY 2016.[6] Health centers also rely on other federal funding sources including Medicaid and CHIP, which provided 42.2 percent and 1.1 percent of health center revenue respectively, in FY 2016.[7]

Today, more than 10,400 unique health center locations exist.[8] In 2015, health centers served 24.3 million patients or one in every thirteen people living in the U.S.[9] In rural areas, health centers serve an even great proportion of the population, providing care for about one in every six people living in rural areas.[10] While health centers serve people of all ages, it is important to note the critical role health centers play in providing health care services to children. In 2015, 31 percent of health center patients were children (ages 0-17).[11] Further, one in ten children nationwide received health services at health centers in 2015, and nearly four in ten of those children were living in poverty.[12]

C. Overview of the Community Health Center Fund

The Affordable Care Act (ACA) created the Community Health Center Fund (CHCF), which provided $11 billion in direct appropriations over the period FY 2011 through FY 2015 to the Health Center Program; $9.5 billion in operational support; and $1.5 billion for health center construction and renovation. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) reauthorized the CHCF by directly appropriating $3.6 billion for each of fiscal years 2016 and 2017.

The increased funding provided to CHCF has increased the number of health center locations in the Health Center Program from 8,156 locations in FY 2010 to more than 10,400

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[6] Congressional Research Service (CRS), *Federal Health Centers: An Overview* (R43937) (May 2017).

[7] *Id*.

[8] Department of Health and Human Services, *Fiscal Year 2018 Health Resources and Services Administration Justification of Estimates for Appropriations Committees* (https://www.hrsa.gov/about/budget/budgetjustification2018.pdf).

[9] *Id*.

[10] *Id.*

[11] *Id.*

[12] *Id.*

locations today.[13] CHCF also increased the number of patients served by health centers. Between FY 2010 through FY 2015, health centers grew from serving 19.5 million patients and providing almost 77 million patient visits to serving 24.3 million patients and providing approximately 97 million patient visits.[14]

II. REAUTHORIZATION OF CHIP AND CHCF

Both CHIP and CHCF will expire without Congressional action and were last extended for two additional years in MACRA.[15] Without an extension of CHCF funding, the Health Center Program would be decimated. CHCF accounts for 70 percent of the Health Center Program funding.[16] A cut of this magnitude is estimated to result in approximately 2,800 health center locations closing, more than 50,000 current clinicians and other staff losing their jobs, and 9 million patients losing access to care.[17]

In MACRA, the CHIP extension included a Maintenance of Effort (MOE) provision, a 23 percentage point bump in payments to states, Express Lane Eligibility option for states, outreach and enrollment grants and the Qualifying State Option among other provisions. Multiple stakeholders have recommended to Congress that any CHIP reauthorization must include a full additional five year extension of all of these policies, through fiscal year 2022, to ensure a consistent, stable source of coverage for children.[18]

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[13] Congressional Research Service, *Federal Health Centers: An Overview* (May 2017) (R43937); Department of Health and Human Services, *Fiscal Year 2018 Health Resources and Services Administration Justification of Estimates for Appropriations Committees* (https://www.hrsa.gov/about/budget/budgetjustification2018.pdf).

[14] Department of Health and Human Services, *Fiscal Year 2013 Health Resources and Services Administration Justification of Estimates for Appropriations Committees*, (https://www.hrsa.gov/about/budget/budgetjustification2013.pdf); Department of Health and Human Services, *Fiscal Year 2018 Health Resources and Services Administration Justification of Estimates for Appropriations Committees* (https://www.hrsa.gov/about/budget/budgetjustification2018.pdf).

[15] Pub. L. 114-1.0.

[16] Pub. L. 115-31; Congressional Research Service, *The Community Health Center Fund: In Brief* (R43911) (Jan. 2017).

[17] National Association of Community Health Centers, *Strengthening the Safety Net: Community Health Centers on the Front Lines of American Health Centers* (Mar. 2017) (http://www.nachc.org/wp-content/uploads/2017/03/Strengthening-the-Safety-Net_NACHC_2017.pdf).

[18] MACPAC, *Recommendations for the Future of CHIP and Children's Coverage* (Jan. 2017) (https://www.macpac.gov/wp-content/uploads/2017/01/Recommendations-for-the-Future-of-CHIP-and-Childrens-Coverage.pdf). *See also* Georgetown University Health Policy Institute, Center for Children and Families, *What Should Congress Do to Extend Chip* (Apr. 6, 2017) (https://ccf.georgetown.edu/2017/04/06/what-should-congress-do-to-extend-chip/).

The MOE provision works with the 23 percentage point bump in payments to states for CHIP to ensure stability of coverage for children. The MOE requires states to maintain the eligibility levels for children in Medicaid and CHIP as of March 23, 2010 through September 30, 2019. The MOE also prevents states from setting new enrollment caps or freezes in CHIP or implementing other methodologies that would reduce enrollment. The 23 percentage point bump ensures states have the funding they need to cover all children.

Medicaid expansion CHIP programs are required through the MOE provision to maintain eligibility levels for children through 2019, even if federal CHIP funding ends. In this scenario, they would receive the regular Medicaid match rate for enrollees in these programs rather than CHIP's enhanced match. However, the 41 states with separate CHIP or combination programs can limit enrollment if federal funds are not available.[19]

Without an extension of funding, all states are expected to exhaust their federal CHIP funds during FY 2018. Four states and the District of Columbia will exhaust their funds by December 2017, while the remaining 46 states will exhaust their federal funds by September 2018.[20] However, states will be forced to take action and begin the process of closing separate CHIP programs several months before funds are actually exhausted, making disruptions in coverage a very real and near term possibility if Congress does not act expediently.[21]

III. WITNESSES

Michael Holmes
Chief Executive Officer
Scenic Rivers Health Services

Jami Snyder
Associate Commissioner for Medicaid/SCHIP Services
Health and Human Services Commission, State of Texas

Cindy Mann
Partner, Manatt Health
Former Deputy Administrator of the Centers for Medicare & Medicaid Services, and
Former Director of the Center for Medicaid and CHIP Services

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[19] Congressional Research Service, *CHIP and the ACA Maintenance of Effort Requirement: In Brief* (Sep. 19, 2016).

[20] MACPAC, *Federal CHIP Funding: When Will States Exhaust Allotments?* (Mar. 2017) (https://www.macpac.gov/publication/federal-chip-funding-when-will-states-exhaust-allotments/).

[21] National Academy for State Health Policy, *Looking Ahead: A Timeline of State Policy & Operational Considerations if Federal CHIP Funding Ends For States* (http://nashp.org/wp-content/uploads/2016/06/CHIPTimeline-FINAL.pdf).