**CHIP BACKGROUND**

The Children’s Health Insurance Program (CHIP) supplements existing federal Medicaid funds that provide health care coverage for low-income Minnesota families. States can use CHIP funds to either expand their Medicaid program, create a separate CHIP program, or take a combination approach. In Minnesota, we have used CHIP funds to expand our state’s Medicaid program, also known as Medical Assistance.

Today, Minnesota uses its federal CHIP funds to cover the populations in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Coverage** | **Income** | **Enrollment** | **CHIP funding in 2018** |
| Infants under age 2 | Income above 275 percent up to 283 percent Federal Poverty Level (FPL) | 200 | CHIP enhanced match at 88 percent; state funds at 12 percent |
| Pregnant women ineligible for Medicaid | Income up to 278 percent FPL | 1,700 | CHIP enhanced match at 88 percent; state funds at 12 percent |
| Children on Medicaid | Income above 133 percent and below 275 percent FPL | 125,000 | Medicaid match at 50 percent; CHIP additional match at 38 percent; state funds at 12 percent |

Each state receives a portion of available CHIP funds based on a formula established in federal law. The state’s federal portion of CHIP funding is called an allotment. Minnesota’s CHIP allotment was approximately $115 million in 2017. Unlike the Medicaid program, the federal government does not match every dollar that a state spends on CHIP coverage.

Medicaid generally provides Minnesota with a 50 percent federal matching rate. The federal share of costs for the CHIP program is higher than the Medicaid matching rate but the total dollars available for CHIP are more limited than Medicaid. For Minnesota, the CHIP base matching rate is 65 percent, however, the Affordable Care Act temporarily increased the base rate by 23 percentage points from 2016 through 2019 such that Minnesota draws down federal funds against the CHIP allotment at a rate of 88 percent until Sept. 30, 2019. This funding effectively covers 88 percent of the cost of care for the three population groups covered by CHIP in Minnesota.

Congress allowed the federal CHIP funding to expire on September 30, 2017. Since then, Minnesota and other states used remaining funding from previous years and temporary federal funding to keep operating the program. The November 2017 Forecast projected that Minnesota would lose $178 million in federal funding in State Fiscal Years (SFY) 2018-19 due to the loss of CHIP funding.

**FY 2018 CHIP ALLOTMENT**

On January 22, 2018, Congress passed a six-year extension of CHIP funding as part of a broader continuing resolution (CR) to fund the federal government. A subsequent CR extended the program for another four years. Minnesota’s CHIP allotment for FFY 2018 and FFY 2019 is estimated to be $122 million. Under the CR, the enhanced federal matching rate decreases to 76.5 percent in Federal Fiscal Year (FFY) 2020 and returns to the regular CHIP matching rate of 65 percent in FFY 2021. The impact of the restoration of the CHIP program is reflected in the February 2018 Forecast. The net impact of restoring the CHIP funding is $225 million.