Voices For Virginia's Children

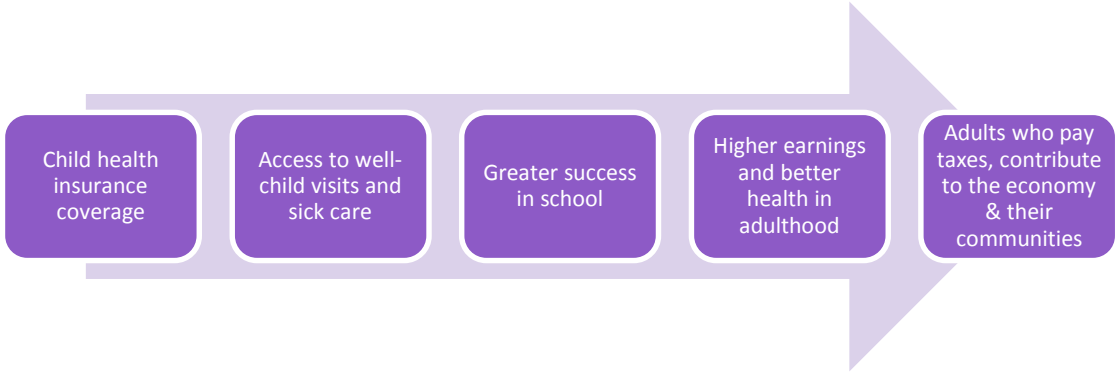
Federal Choices Threaten Health Insurance for Kids in Virginia

Looming Changes to Affordable Care Act, CHIP, and Medicaid Create Perfect Storm for Children

Virginia is on the right path: 95% of children in Virginia now have health insurance.[i]

- Nearly 600,000 Virginia children have health insurance through Medicaid and FAMIS.[ii]
- An estimated 50,000 Virginia children are enrolled in insurance plans through the Marketplace created by the Affordable Care Act (ACA).[iii]
- If no changes are made to the ACA, CHIP, or Medicaid, Virginia's uninsured child rate will be down to 4% by 2019; leaving only 76,000 children uninsured.[iv]

Research shows that investing in children's health insurance pays long-term dividends.[v]



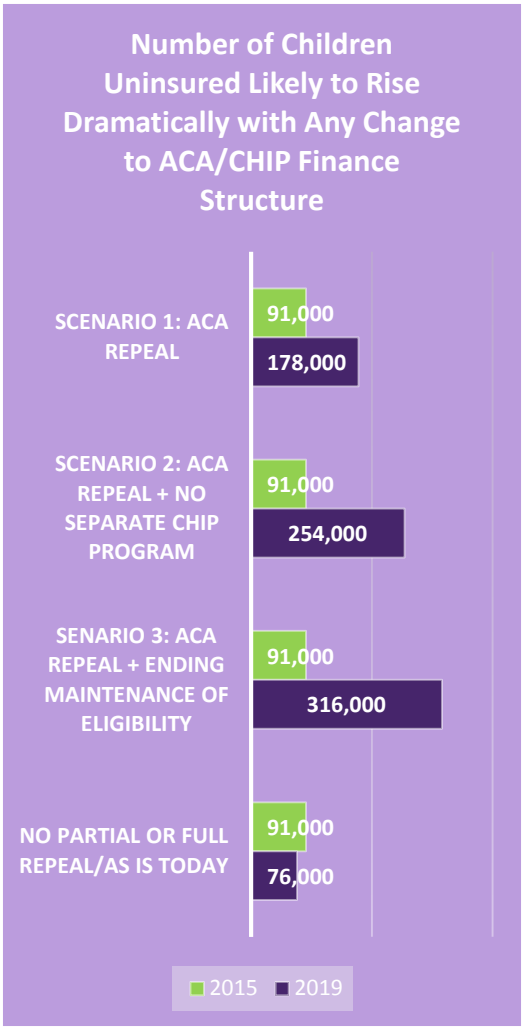
The federal government is discussing policies that would move Virginia backward.

Near-simultaneous changes to the ACA, Children's Health Insurance Program (CHIP, called FAMIS in Virginia), and Medicaid create a "perfect storm," threatening 50 years of progress in child well-being. Discussions about ACA repeal and converting Medicaid to a block grant are underway, and Congress must allocate funding for CHIP by September 30.

- ACA partial repeal and potential changes to CHIP could triple the number of uninsured kids in Virginia by 2019.
- A Medicaid block grant or per capita cap would threaten health insurance for children in the lowest income families in Virginia.
- Changes to all three programs could wreak havoc on Virginia's budget, squeezing spending on health insurance programs as well as non-health-related funding, such as K-12 education.

Threats to ACA and CHIP

The Urban Institute has conducted an analysis[vi] of the effect of several possible policy changes on access to insurance for children (<18) based on the policy changes that were part of a reconciliation bill passed by Congress and vetoed by President Obama in January 2016.



Scenario 1: ACA Partial Repeal. Repeal without replacement would mean a great deal of uncertainty in the private insurance market, and would reduce access to affordable plans. Those children enrolled in marketplace plans who are not eligible for FAMIS and whose parents cannot afford or do not have access to employer-sponsored insurance plans would lose coverage.

A partial repeal would increase Virginia's child uninsured rate from 3.7% to 8.7% in 2019, leaving an estimated 178,000 children uninsured.

Scenario 2: ACA Partial Repeal + No Separate CHIP Program. The cost of CHIP is shared between the state and federal governments, with the federal government paying 88% of the costs. (Originally, the federal government paid 65% of the costs, but a provision of the ACA bumped up the federal match for each state by 23 percentage points.)

If Congress does not extend CHIP funding by September 30, states would be left to pay for the entire cost of insuring children in families with incomes between 144% and 200% of the federal poverty level (*The federal poverty level, or FPL, in 2017 for a family of four is an income of $24,300 per year.*)

Most states cannot afford to pick up those costs, meaning that they will likely roll back eligibility for children.

The combination of ACA partial repeal and the end of federal CHIP funding would increase Virginia's child uninsured rate to 12.3% in 2019, leaving an estimated 254,000 children uninsured.

Scenario 3: ACA Repeal + Ending Maintenance of Eligibility. The ACA included a provision that required states to maintain the levels of income eligibility for children in Medicaid and CHIP that existed when the ACA was enacted until 2019.

This provision means states cannot cut children from insurance by lowering the eligibility levels. In Virginia, children are covered under Medicaid or FAMIS if their combined family income falls below 200% FPL. The 2016 bill President Obama vetoed would have allowed the "maintenance of eligibility" provision to expire in 2017, leaving states with the ability to lower eligibility levels to 133% FPL for children under age 6 and 100% FPL for children ages 6 to 18.

While there is no guarantee that states would reduce eligibility, states already face significant budget pressures due to growing expenses in the Medicaid and CHIP programs, and cutting CHIP eligibility levels would provide cost savings.

The combination of ACA partial repeal and the end of the maintenance of eligibility requirement would increase Virginia's child uninsured rate to 15.4% in 2019, leaving an estimated 316,000 children uninsured.

Threats to Medicaid

President Trump and Congressional Republicans are planning to convert Medicaid from an entitlement to a block grant or per capita cap for each state. While this change is promoted as allowing states more flexibility in designing their own Medicaid program, in reality, these changes represent cost-saving measures for the federal government.

After receiving a fixed amount from the federal government to serve their most vulnerable populations, states would have to cover any additional costs such as increased enrollment due to downturns in the economy, public health needs such as responding to the opioid crisis, or expensive new lifesaving drugs.

What is the difference between a block grant and a per capita cap?[vii]

Block Grant	Per Capita Cap
Federal government pays a lump sum annual payment to the state.	Federal government pays a fixed amount per beneficiary to the state, Likely to be separate fixed amounts for each category of beneficiaries (children, seniors, people with disabilities, etc.).
Adjusted annually for population growth and general inflation (not health care inflation, which runs much higher)	Adjusted annually for population growth and general inflation (not health care inflation, which runs much higher)
Not adjusted based on enrollment growth or other factors affecting cost	Might be adjusted based on enrollment growth, but could also be subject to an overall cap

It is unclear how the federal government would benchmark the amount each state would receive, though it would likely be based on past expenditures. Virginia stands to be penalized as our state ranks 47th in per capita spending on Medicaid.[viii] This means that Virginia will already be starting at a disadvantage compared to other states, regardless of the scenario.

How does Virginia's Medicaid program work now?

As it is currently structured, Medicaid protects low-income children, certain very low-income parents, low-income pregnant women, the elderly, and those with disabilities by providing them health care coverage.

The federal government pays a percentage of the costs (50% in Virginia) even if enrollment increases or care becomes more expensive because of new medications or an epidemic, so the program can scale up to meet the need.

Currently, children are eligible for Medicaid in Virginia if their families have an income below 144% of the federal poverty level (FPL). A key component of Medicaid is Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit, ensuring that children and youth receive the full array of preventive care and treatment needed to address physical, mental, and dental health as well as developmental and specialty services.

Children currently comprise 49% of the enrollees in Medicaid, but account for only 20% of expenditures in Virginia. One in three births in Virginia is covered by Medicaid.[ix] Health insurance is an efficient investment that allows these children to get off to a healthier start in life.

All states will be left to fund any cost differences to maintain the current program – difficult to do given that states must balance their budgets and many are having budget shortfalls already – or make changes to the state Medicaid program to cut costs.

Virginia has already identified tens of millions in potential losses in federal dollars to the state's budget due to potential ACA repeal, which will create more pressure on the existing Medicaid program.

If the federal government then creates a block grant – limiting its contribution – Virginia could experience a 23% reduction in federal dollars for Medicaid, according to some estimates.[x]

How would Virginia go about cutting state spending on Medicaid to balance the budget?

Reduce reimbursement rates to providers. Some providers would likely choose not to serve Medicaid patients, meaning children and others could be left without access to care, even with insurance to cover the cost.

Reduce the level/type of services covered. The state could limit the array of physical and behavioral health services that are reimbursable by Medicaid. This would be particularly harmful to children, who benefit greatly from Medicaid's robust array of preventive and treatment services. Additionally, at a time when Virginia is struggling to improve its already-lagging behavioral health system, cuts to Medicaid services would greatly undermine the ability of public and private behavioral health providers to serve children and adults.

Cut eligibility requirements so that fewer individuals are covered. This measure would force policymakers to prioritize among low-income children and their parents, pregnant women, the elderly, and those with disabilities – all of whom are extremely vulnerable populations. Entire categories of eligible populations could be eliminated, or enrollment caps by population could create waiting lists for health insurance.

Bottom Line for Children

Federal policymakers are poised to dismantle the children's health insurance system for the most vulnerable children in the United States through the combined reform efforts they are currently discussing. Each of the three critical components of the system – ACA, CHIP, and Medicaid – are interrelated, and changes to any of these will have an impact on state budgets and enrollment. Changes to all three programs have the potential to decimate children's health insurance coverage in Virginia.

Endnotes

[i] Georgetown University Health Policy Institute, Center for Children and Families, http://ccf.georgetown.edu/wp-content/uploads/2016/11/Kids-ACS-update-11-02-1.pdf
[ii] CHIPAC Dashboard, https://www.coverva.org/mat/CHIPAC%20Dashboard%20090816.pdf
[iii] Center for Medicare & Medicaid Services, https://downloads.cms.gov/files/addendum-final-marketplace-mid-year-2017-enrollment-report-1-10-2017.pdf
[iv] The Urban Institute, http://www.urban.org/research/publication/partial-repeal-aca-through-reconciliation-coverage-implications-parents-and-children
[v] Georgetown University Health Policy Institute, Center for Children and Families, http://ccf.georgetown.edu/2016/08/03/medicaid-research-rapidly-growing-number-studies-show-positive-effects-coverage-childrens-lives-parents-safety-net-providers/
[vi] The Urban Institute, http://www.urban.org/research/publication/partial-repeal-aca-through-reconciliation-coverage-implications-parents-and-children
[vii] Center on Budget and Policy Priorities http://www.cbpp.org/research/health/per-capita-caps-or-block-grants-would-lead-to-large-and-growing-cuts-in-state
[viii] Joint Legislative Audit and Review Commission, http://jlarc.virginia.gov/pdfs/reports/Rpt481.pdf
[ix] Cindi Jones, Department of Medical Assistance Services, presentation to Virginia Senate Finance Committee, http://sfc.virginia.gov/pdf/health/2017/010917_Jones_DMAS.pdf
[x] Kaiser Family Foundation, https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8185-02.pdf

Visit our website to sign up and receive emails and action alerts, including opportunities to take action to support children's health insurance coverage.

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