

# PUBLICATION

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## CHIP Reauthorization Stalls in Congress, Increasing Fiscal Pressure on States

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November 17, 2017

Reauthorization of federal funding for the Children's Health Insurance Program (CHIP) has stalled in Congress due to partisan disagreements over fiscal offsets. The delay in the extension of federal funding has put significant strain on states as they risk running out of money and being forced to reduce coverage. The Centers for Medicare and Medicaid Services (CMS) has reallocated approximately \$600 million in unspent funds from prior years to help states keep their CHIP programs afloat in the interim. However, absent additional appropriations from Congress, CMS projects that the first state will exhaust all available federal CHIP funding later this month, and the majority of states will exhaust funding by March 2018. Congress is increasingly unlikely to reauthorize CHIP until December, most likely as part of a year-end federal spending package.

**Background and Analysis:** Federal funding for CHIP – which covers nearly nine million children nationwide at a total cost of approximately \$14 billion per year – expired on September 30. Funding did not immediately run out as of October 1, as states have some leeway to exhaust previously appropriated federal funds. State officials are anxiously awaiting congressional approval for continued funding of the program. If Congress does not extend funding soon, states will be increasingly pressed to make hard decisions regarding whether to close or cap enrollment and/or discontinue coverage for children. On Friday, November 9, CMS issued [Programmatic and Financial Information Regarding CHIP in a Federal Funding Shortfall](#), outlining guidance for states on weathering the federal funding shortfall and on state options for transitioning children from CHIP to other sources of coverage.

On November 3, the House passed CHIP reauthorization legislation (H.R. 3922) on a largely party line vote of 242-174, with only 15 Democrats voting in favor. The House bill mirrors the bipartisan agreement reached by the Senate Finance Committee to fund CHIP for five years and preserve the ACA's 23 percent increase in the federal matching rate to states for 2018 – 2019 before gradually winding it down by 2021. The House bill also includes certain Medicare "extenders" provisions. However, Democrats objected to Republicans paying for CHIP reauthorization by using the ACA's Public Health and Prevention Fund, including an increase in means-testing Medicare premiums for wealthy beneficiaries and narrowing the grace period for payment of premiums for ACA health plans.

The Senate has yet to consider its own version of CHIP reauthorization legislation that was approved by the Senate Finance Committee in October. However, unlike the House, the Senate version did not specify fiscal offsets. The House legislation is unlikely to advance in the Senate, as the fiscal offsets are expected to draw Democratic opposition, and the package would need at least 60 votes to overcome a filibuster. The most likely path for advancement remains the year-end spending bills in December, though challenges on finding agreement on fiscal offsets are expected to continue.