

# The Children’s Health Insurance Program in Minnesota

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## Background and history

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.

When the program was created in 1997, Minnesota already covered most of the children Congress intended to cover through CHIP. Therefore, the Minnesota Legislature chose to use CHIP funds to extend benefits to a small group of children who did not have coverage at the time: those under age 2 with family incomes between 275 percent and 283 percent of the federal poverty line (FPL).

In 2001, Minnesota obtained a federal §1115 waiver to allow the state to use CHIP funds to add coverage for parents of some children on Medicaid. Over time, Congress also revised the CHIP law (Title XXI of the Social Security Act) to allow states to extend coverage to pregnant women who were ineligible for Medicaid and to use CHIP funding for Medicaid-enrolled children with incomes above 133 percent of the FPL.

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

Coverage	Income	Enrollment	CHIP funding in 2017 <sup>1</sup>
Infants under age 2	Income above 275 percent up to 283 percent 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 <sup>2</sup>

## Allotments to states and federal matching funds

Each state receives a portion of available CHIP funds based on a formula that has changed over time. 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. Since the federal funding is limited, states can limit enrollment to ensure spending

does not exceed the dollars available.

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.

## **Recent legislation funds CHIP for 10 years**

CHIP funding expired on Oct. 1, 2017. The program's funding remained uncertain for almost four months until Congress passed a six-year extension in January 2018. Congress then passed and the President signed into law a second [continuing resolution](#) on Feb. 9 which authorized an additional four years of funding. CHIP funding is authorized through fiscal year 2027.