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THE STATE CHILDREN'S HEALTH Insurance Program (CHIP) was enacted as part of the Balanced Budget Act of 1997.[1] CHIP holds the promise of extending insurance to a significant proportion of the nation's uninsured children. At the same time, the ambiguities of the law, as well as the sometimes conflicting policy and political undercurrents that run through the legislation, create numerous challenges for state policymakers, organizations, and individuals concerned with child health policy.

The New Legislation

Codified as Title XXI of the Social Security Act, CHIP is a federal grant-in-aid program that entitles states that elect to participate to federal allotments to provide "child health assistance" to "targeted low-income children" who are ineligible for other insurance coverage, including Medicaid. The law is authorized for ten years; the total federal allotment available to participating states amounts to $20.3 billion between fiscal years 1998 and 2002 and nearly $40 billion over the life of the legislation.[2] The Health Care Financing Administration (HCFA) is responsible for administering CHIP, with joint oversight by the Health Resources and Services Administration (HRSA). The Congressional Budget Office (CBO) projects that CHIP will cover 2.8 million previously uninsured children assisted with CHIP funds and another 660,000 enrolled in Medicaid through CHIP outreach and eligibility screening efforts.[3]

CHIP is a reflection of numerous political and policy themes: health policymakers' concerns about the continued problem of uninsured children (an estimated 10.1 million children in 1996); belief on the part of the Clinton administration (whose own 1997 child health proposals were far more modest) and Congress that there should be at least some federal response to the problem of health coverage affordability; states' strong desire for flexibility in the coverage of children; child advocates' demands for minimum legislative protections; and observers' concerns about the "crowd-out" effects of government insurance on private coverage.[4]

The final legislation is an attempt to blend all of these issues and concerns into one program; the result is an unusual statute that is far more complex than it first appears to be. To reduce the number of children without coverage while providing states with maximum flexibility, the legislation provides billions of dollars in new funding, which can be used in several different ways. To respond to the governors' concerns about the potential for uncontrolled spending and congressional opposition to new entitlements, the legislation entitles states, not children, to assistance and sets lower state financial obligation levels than Medicaid imposes. To respond to advocates' and policymakers' concerns that states will use the new funds to supplant previous state efforts as well as Medicaid coverage, the law requires aggressive Medicaid screening, precludes coverage of Medicaid-eligible children, and includes maintenance-of-effort requirements. Finally, to respond to policymakers' concerns about the crowding out of private insurance and uncontrolled federal spending on new government assistance, the law limits CHIP coverage to children without other forms of "creditable coverage," as defined in the Health Insurance Portability and Accountability Act of 1996, and caps federal financial contributions to state programs.[5]

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