



Proposed CHIP Rescissions in the Trump Administration's Rescission Request

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On Tuesday, May 8, 2018, the Trump Administration submitted to Congress a proposal for 38 rescissions of budget authority, totaling \$15.4 billion. In their transmission, the Office of Management and Budget stated that these rescissions were transmitted pursuant to Section 1012 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 683). The proposal includes \$7.0 billion in rescissions from the State Children's Health Insurance Program (CHIP), which is a means-tested program that provides health coverage to targeted low-income children and pregnant women in families that have annual income above Medicaid-eligibility levels but do not have health insurance. CHIP is jointly financed by the federal government and the states.

The federal appropriation for CHIP is provided in statute. From this federal appropriation, states receive CHIP allotments, which are the federal funds allocated to each state, the District of Columbia, and the territories for the federal share of their CHIP expenditures. In addition, if a state has a shortfall in federal CHIP funding, there are a few sources of shortfall funding, such as the Child Enrollment Contingency Fund, redistribution funds, and Medicaid funds.

Since FY2011, the appropriations laws enacted each fiscal year have consistently included provisions that rescind CHIP funding. From FY2011 through FY2018, a total of \$46.4 billion in CHIP funding has been rescinded from the performance bonus payment fund (\$30.1 billion), unobligated national allotments (\$14.6 billion), and the Child Enrollment Contingency Fund (\$1.7 billion).

There are two provisions in the Trump proposal that make up the \$7.0 billion in CHIP rescissions. The first provision would rescind \$5.1 billion from FY2017 federal CHIP funding, and the second provision would rescind \$1.9 billion from the Child Enrollment Contingency Fund. The Congressional Budget Office (CBO) provided an assessment of the proposed CHIP rescissions, and CBO estimates the rescissions would not affect CHIP expenditures or the number of individuals with insurance coverage.

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Rescission from FY2017 Federal CHIP Funding

The provision rescinding funds from FY2017 federal CHIP funding has two parts. Most of the rescission (\$3.1 billion) consists of unobligated national allotments, and the remaining \$2 billion consists of the recoveries as of May 7, 2018, from states due to a provision from the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA; P.L. 114-10).

Unobligated National Allotments

The federal appropriation for CHIP is provided in Section 2104(a) of the Social Security Act (SSA). This amount is the overall annual ceiling on federal CHIP spending to the states, the District of Columbia, and the territories. If the federal appropriation is not large enough to cover state allotments in any given year, the state allotments will be reduced proportionally. However, the federal appropriation has been more than sufficient to fund federal CHIP expenditures since FY2009.

As a result, in every year since FY2009, there have been unobligated national allotments, which are federal appropriation funds not allocated for state allotments. From FY2009 through FY2013, the unobligated national allotments were transferred into the performance bonus payment fund. However, since then, appropriations laws have rescinded \$14.6 billion of the unobligated national allotments.

The FY2017 appropriation of \$20.4 billion was the combination of two semiannual appropriations of \$2.85 billion from SSA Section 2104(a) plus a one-time appropriation of \$14.70 billion from MACRA Section 301(b)(3). The Trump proposal would rescind \$3.1 billion of unobligated national allotments from the FY2017 one-time appropriation.

MACRA Provision

State CHIP allotment funds are provided annually, and the funds are available to states for two years. After two years, any unused state CHIP allotment funds are redistributed to states with funding shortfalls. FY2018 began on October 1, 2017, without CHIP funding having been extended. States began FY2018 by funding the federal share of their CHIP programs with unspent funds from their FY2017 allotments, unspent allotments from FY2016, and unspent allotments from prior years redistributed to shortfall states.

The amount of the unspent FY2017 allotments available to states was reduced by a provision in MACRA; MACRA Section 301(b)(1)(B)(ii) reduced the amount of states' unspent funds from their FY2017 allotments available for expenditures in FY2018 by one-third. Earlier in FY2018, the Center for Medicare & Medicaid Services recovered the funding for the one-third reduction from states.

This proposal would rescind \$2.0 billion of the recoveries from states due to this MACRA reduction in FY2018 (i.e., the funding recovered from states for the one-third reduction to FY2017 allotment funds available in FY2018).

Rescission from Child Enrollment Contingency Fund

If a state's CHIP allotment for the current year, in addition to any allotment funds carried over from the prior year, is insufficient to cover the state's projected CHIP expenditures for the current year, a few different shortfall funding sources are available. These sources include the Child Enrollment Contingency Fund.

A state is eligible for Child Enrollment Contingency Fund payments if it has both a funding shortfall and CHIP enrollment (for children) that exceeds a target level. As a result, not all states with funding shortfalls are eligible for Child Enrollment Contingency Fund payments.

The Child Enrollment Contingency Fund was funded with an initial deposit equal to 20% of the appropriated amount for FY2009 (i.e., \$2.1 billion). In addition, such sums as were necessary for making Child Enrollment Contingency Fund payments to eligible states are to be deposited into the fund, but these deposits cannot exceed 20% of the federal appropriation for the fiscal year.

Iowa, Michigan, and Tennessee are the only states that have received Child Enrollment Contingency Fund payments over the period of FY2009 (when the funds were first available) through FY2017.

In FY2016, the appropriations laws rescinded \$1.7 billion from the Child Enrollment Contingency Fund. This proposal would rescind \$1.9 billion from the Child Enrollment Contingency Fund, which would leave roughly \$0.5 billion in the fund available for payments in FY2018.

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