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FISCAL IMPACT STATEMENT

LS 6944
BILL NUMBER: SB 537

NOTE PREPARED: Jan 17, 2009
BILL AMENDED:

SUBJECT: Eligibility for Children's Health Insurance Program.

FIRST AUTHOR: Sen. Simpson
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___ GENERAL
 X DEDICATED
 X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to apply to the federal government to increase income eligibility in the Children's Health Insurance Program (CHIP) to 300% of the federal poverty level. (Current eligibility in the program is 250% of the Federal Poverty Level (FPL).)

Effective Date: Upon passage.

Explanation of State Expenditures: The bill requires OMPP to apply for a State Plan amendment to increase CHIP eligibility from 250% to 300% of FPL. OMPP is required to implement the State Plan amendment not more than 60 days after filing an affidavit with the Governor attesting that the amendment is in effect.

Access to federal reimbursement through the CHIP program will depend on federal approval of the State Plan amendment and the funding level of any federal reauthorization of the CHIP program. Federal approval and reauthorization may be influenced by the change in administration.

CHIP State Plan amendments are administrative functions that may be performed within the current level of resources available to OMPP.

If this bill would result in federal approval to increase the eligibility level to 300% FPL, it is estimated that an additional 5,000 children might enroll in the CHIP program for the biennium. Expenditures would be anticipated to increase by approximately \$8.4 M, requiring an additional \$2.2 M in state funds.

CHIP Background: Indiana residents under the age of 19 from families with incomes between 150% and 250% of FPL, who are not eligible for Medicaid unless subject to a Medicaid spend-down, and who have no other health benefit coverage subject to certain limitations, are eligible for coverage under the CHIP program. (Effective October 1, 2008, CHIP eligibility in Indiana was expanded from 200% to 250% of the FPL.) CHIP services are provided within the managed care environment of Hoosier Healthwise. Participation is subject to cost-sharing requirements, which include monthly premium payments based on family income, as well as copayments for ambulance transportation and pharmaceuticals. The annual aggregate cost-sharing obligation for a family is limited to 5% of the family's annual income. Federal income poverty level guidelines for 2008 are included in the table below.

Persons in the Household	150%	250%	300%
1	\$ 15,750	\$ 26,250	\$ 31,200
2	\$ 21,000	\$ 35,000	\$ 42,000
3	\$ 26,400	\$ 44,200	\$ 52,800
4	\$ 31,800	\$ 53,000	\$ 63,600

The CHIP II forecast prepared December 5, 2008, projects an enrollment growth of 9,430 children over the FY 2010-FY 2011 biennium. This 59.4% increase in the CHIP II program that requires the payment of a premium, is reflective of the recent increase in eligibility from 200% to 250% of FPL. CHIP expenditures are forecast to grow by \$35.4 M over the same time period reflecting the increase in enrollment and some increase in cost. This total increase is reflective of the need for \$9.4 M in additional state funds over the biennium.

In 2007, FSSA estimated the size of the additional eligible group of children falling within the 200% to 300% of the FPL to be 39,000. With the increase in eligibility set at 250% of FPL, FSSA estimated that approximately 10,000 additional children would enroll. If this bill would result in an additional 5,000 children enrolling in the CHIP program for the biennium, expenditures would be anticipated to increase by approximately \$8.4 M, requiring an additional \$2.2 M in state funds. This estimate does not include any offsetting premium revenue that would be collected as a condition of participation. The estimate also assumes that the state would not hit its CHIP expenditure cap with this increased enrollment.

Explanation of State Revenues: See *Explanation of State Expenditures*. CHIP is jointly funded by the state and federal governments. The state share of medical expenditures is approximately 26%. CHIP medical services are matched by the federal match rate (FMAP) in Indiana at approximately 74%. Administrative expenditures are generally matched at 50%. The state share of CHIP has been appropriated from the Tobacco Master Settlement Agreement Fund since the program's inception. Unlike the open-ended Medicaid program, CHIP aggregate federal reimbursement is provided through an annual block grant allocation. The federal program authorization expires March 2009; the reauthorization funding level is currently unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: “Expenditure Forecast: SFY 2007 - SFY 2011, Medicaid and CHIP Programs”, December 5, 2008, “OMPP Quarterly Financial Review”, October 2008, State Health Official Letter, August 17, 2007, Centers for Medicare and Medicaid Services, at:

<http://www.cms.hhs.gov/smdl/downloads/SHO081707.pdf>, and State Health Official Letter, May 7, 2008,

Centers for Medicare and Medicaid Services, at:

<http://www.ncsl.org/print/health/CMSUpdateSCHIPLetter.pdf>.

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