



Congressional Budget Office

July 14, 2014

Children's Health Insurance Program: Financing Issues

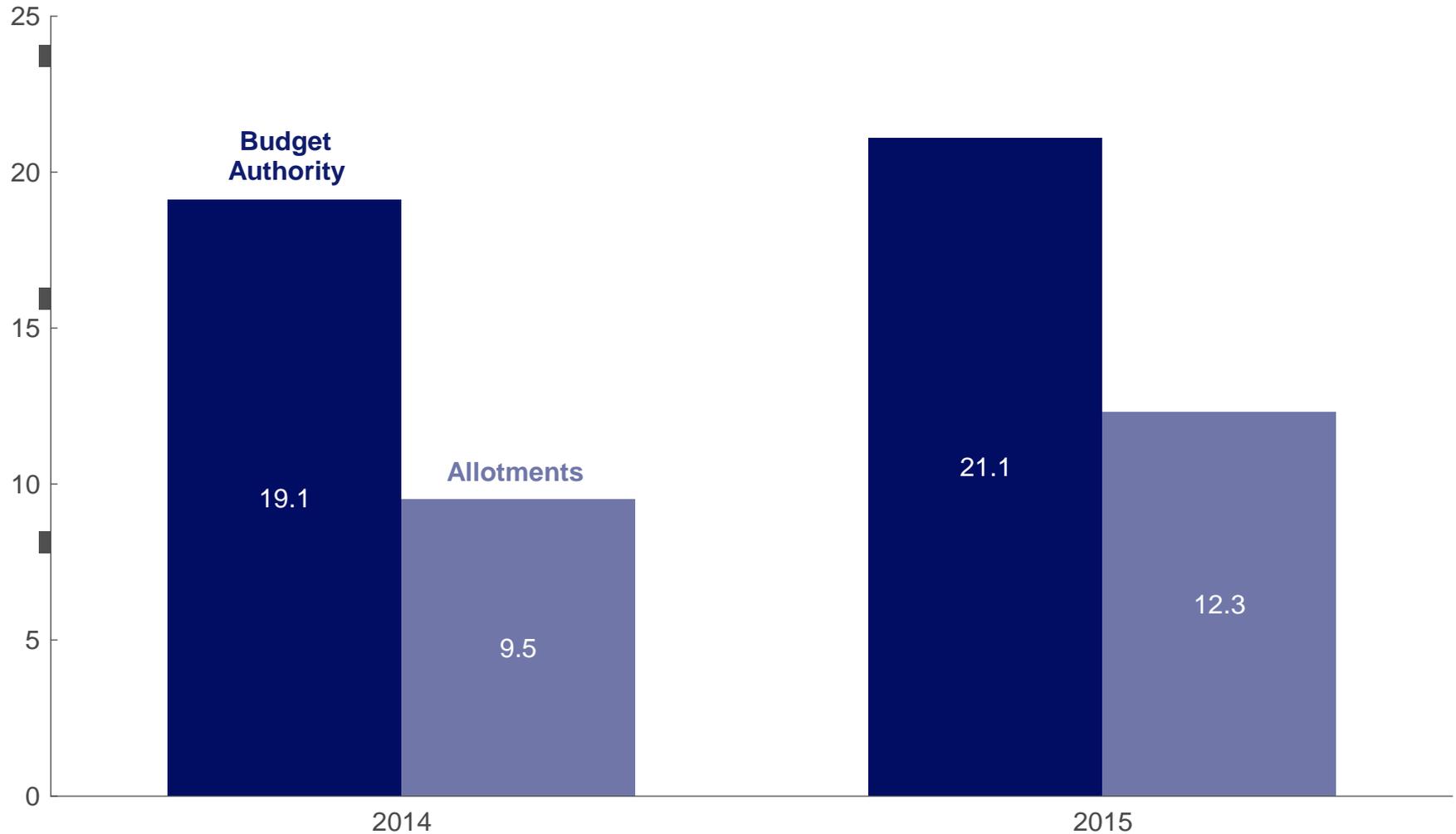
Presentation to the Alliance for Health Reform

Rob Stewart,
Budget Analysis Division

CHIP Financing Essentials

- For every fiscal year since the program's inception and through 2015, the statute has provided a total federal appropriation. That funding is known as “budget authority.”
- The law also specifies a formula for annual allotments to states.
 - In even-numbered years, the allotment is based on the prior year's **allotment** to each state and increases that amount by growth in two factors: national health expenditures and the number of children in the state.
 - In odd-numbered years, the allotment is based on the prior year's **spending** by each state and grows that amount by the same two factors.
- States have two years to spend a given year's allotment.

Budget Authority vs. Allotments



Budget Authority vs. Allotments – Key Questions

The allotments in 2014 are less than the total budget authority provided for the year, and the same is expected to be true in 2015. If the Congress rescinds (cancels) some or all of the excess budget authority (the amount of budget authority that exceeds total allotments to states), would CBO estimate reductions in the deficit?

No. *Because that budget authority is not expected to be spent under current law, rescinding it would not be estimated to affect spending or the deficit.*

Budget Authority vs. Allotments – Key Questions (Continued)

Current law includes annual caps on budget authority provided in appropriation acts. If the Congress rescinds some or all of the excess budget authority, would that create room for an increase in appropriations for other programs under the caps?

Yes—if the rescission was done in an appropriation bill.

Budget Authority vs. Allotments – Key Questions (Continued)

Could the Congress provide a new purpose for the excess budget authority resulting in outlays without having CBO estimate that federal spending would increase?

***No.** If such budget authority was made available for a new purpose resulting in outlays, CBO would estimate an increase in spending relative to that under current law.*

Spending on the Children's Health Insurance Program in CBO's April 2014 Baseline

(Billions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Budget Authority	19.1	21.1	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
State Allotments	9.5	12.3	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Estimated Outlays	11.0	12.5	9.1	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7

Why Does CBO's Baseline Project \$5.7 Billion in Budget Authority for CHIP after 2015?

- Current law provides no new budget authority for CHIP after 2015.
- Following the rule established in law for developing baseline projections of programs with such expiring funding authority, CBO's projections reflect the assumption that CHIP will continue to be funded so as to operate as it will under the law in effect immediately before the date after which no new budget authority is provided.

Why Does CBO's Baseline Project \$5.7 Billion in Budget Authority for CHIP after 2015? (Continued)

- The Congress divided the 2015 appropriation into 3 parts:
 - A “one-time appropriation” of \$15.4 billion made in the first half of 2015,
 - An appropriation of \$2.85 billion in the first half of 2015, and
 - An appropriation of \$2.85 billion in the second half of 2015.
- CBO therefore assumes that semi-annual payments of \$2.85 billion will be made after 2015 because that is how the program will be operating immediately before its funding is scheduled to end.

Why Doesn't the Increased Matching Rate Affect CBO's Spending Projection?

- The Affordable Care Act included a provision to increase the matching rate for CHIP by 23 percentage points from 2016 through 2019. The average federal share of CHIP payments will rise from 70 percent to 93 percent.
- This provision has no effect on CBO's projection of federal spending because, for its baseline projections, the agency assumes that all available federal funding will be spent after 2015 regardless of whether the matching rate is 70 percent or 93 percent.
- However, if sufficient budget authority was provided for CHIP annually after 2015 to cover every eligible applicant and the higher matching rate was retained, federal spending on the CHIP program would be one-third higher for any given amount of state spending.