

Performance Bonus Funds for Children's Health Coverage

The Children's Health Insurance Program (CHIP) was designed to give states a fiscal incentive to expand eligibility levels for subsidized health insurance for uninsured children. It has accomplished that primarily by providing a higher federal share of the cost of the newly eligible groups of kids.

Although the CHIP program has been very successful, until recently it did not give states an incentive to make the enrollment process less cumbersome for Medicaid-eligible children. In addition, it did not help states that achieve the "welcome mat effect" that occurs when increases in income eligibility result indirectly in promoting enrollment among already-eligible children.

One of goals of the CHIP Reauthorization Act (CHIPRA), which passed early in 2009, is to encourage states to do a better job of enrolling children already eligible for Medicaid. It does so by creating a "performance bonus" fund to support states that have large increases in Medicaid enrollment of children. To be eligible, a state must surpass a baseline enrollment increase (relative to a 2007 level, adjusted for population growth and demand driven by the economy) and meet at least 5 of 8 policy standards for improving enrollment and retention of children. The bonus is an increased federal share of the cost of the children's enrollment growth. That share could be as much as 89 percent of Wisconsin's increased cost for growth over a second enrollment target.

The performance bonus fund is in effect for five years – federal fiscal years 2009 through 2013. Wisconsin didn't qualify for a bonus in 2009, but the state has made a number of changes in the past year to improve the renewal process and reduce red tape. The Wisconsin Department of Health Services (DHS) has initiated an online option for renewals, which is now connected to other state databases, thereby allowing automatic completion of parts of the renewal application. The online option is improving the efficiency of the renewal process, thereby lowering administrative costs and reducing churning among eligible low-income families.

The improvements to the renewal process appear to get Wisconsin to the level of meeting 5 of the 8 standards for eligibility for performance bonuses. In light of that progress, coupled with the tremendous increase in the enrollment of low-income children in Medicaid and BadgerCare Plus since 2007, Wisconsin is likely to be eligible for one of the larger performance bonuses, when they are announced on December 27, 2010.

Assuming the state maintains the improvements to processes for BadgerCare Plus enrollment and annual reviews, the state is likely to continue receiving performance bonus funding in each of the next three years. Getting that federal funding will help Wisconsin maintain its efforts to make quality affordable health insurance available for every child in the state.

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