

SMDL #01-030

October 23, 2001

Dear State Medicaid and State Children's Health Insurance Program Directors:

We are writing you to alert you of the critical need for your state to submit and certify its applicable Medicaid and State Children's Health Insurance Program (SCHIP) fourth quarter expenditure reports for federal fiscal year (FY) 2001 by November 30, 2001. As described below, this is necessary to ensure that the maximum amount of SCHIP funds are available for your state under the redistribution process for unexpended FY 1999 SCHIP allotments.

Under the SCHIP statute (title XXI of the Social Security Act (the Act)), states are provided federal funds through the mechanism of federal fiscal year specific and state specific allotments, for the purpose of enabling them to provide health insurance for uninsured low-income children. Generally, each state's fiscal year specific SCHIP allotment is available for expenditure by the state only for a 3-year "period of availability," the fiscal year in which the allotments were allotted and the two succeeding fiscal years, after which any unexpended amounts of such allotment are redistributed. The 3-year period of availability for states' FY 1999 SCHIP allotments ended at the end of FY 2001, that is, on September 30, 2001. However, section 801 of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) amended the SCHIP statute at section 2104(g) of the Act to establish a formula for redistributing and continuing the availability of states' unexpended allotments applicable only for the FY 1998 and FY 1999 allotments. Note, this letter is only with respect to the redistribution of states' unexpended FY 1999 allotments; the redistribution of states' unexpended FY 1998 allotments has already been completed.

Under the FY 1999 redistribution process, the Centers for Medicare & Medicaid Services (CMS), formerly the Health Care Financing Administration, must determine the amounts of states' unexpended FY 1999 SCHIP allotments using the amounts of applicable states' expenditures through the end of FY 2001, as reported by states no later than November 30, 2001. This date is specified in section 2104(g)(3) of the Act, as amended by BIPA. Based on these expenditures, states that have fully expended their FY 1999 allotments will receive a redistribution from the pool of the total unexpended FY 1999 allotments. The remaining states (states that did not expend their FY 1999 allotments) will retain a proportionate amount of their unexpended FY 1999 allotments, in accordance with a statutorily prescribed formula.

As described above, in order for CMS to fully consider all states' applicable expenditures in determining states' redistribution and retained FY 1999 allotment amounts, it is critical that your state submit and certify its FY 2001 fourth quarter Medicaid and SCHIP expenditure report(s) no later than November 30, 2001, over the Medicaid and State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES). Failure by a state to do so, in accordance with the statutorily prescribed formula, will likely result in a lower amount of redistributed or retained FY 1999 allotment funds for such state because the amount of that state's FY 1999 redistributed or retained allotment amounts would be based only on the (lower) amounts reported through that date.

After November 30, the MBES/CBES, with respect to expenditure forms only, will not be accessible to any state for a brief period of time as CMS begins its process for the FY 1999 redistribution. We will notify all users by e-mail once the MBES/CBES is accessible for expenditure reporting. When the MBES/CBES reopens, the state may not make any changes to its fourth quarter FY 2001 or prior expenditure reports that affect SCHIP expenditures (this includes Medicaid SCHIP). However, the fourth quarter FY 2001 expenditure reports will be accessible for a state to add or modify only its non-SCHIP Medicaid expenditures.

The CMS regional office responsible for your state will be working with you to ensure timely submission of these expenditure reports. If you have any questions regarding this issue, please contact your CMS regional office.

Sincerely,

/s/

Dennis G. Smith
Director, Center for Medicaid and State Operations

CC:

CMS Regional Administrators

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