

November 24, 2000

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

We are writing to alert you of the need to submit your Medicaid and State Children's Health Insurance Program (SCHIP) fourth quarter expenditure reports for Federal Fiscal Year (FFY) 2000 as soon as possible, but no later than December 15, 2000.

### **The Reallocation Process**

Under the SCHIP statute (title XXI of the Social Security Act), States are provided Federal funds through the mechanism of FFY specific and State specific allotments, for the purpose of enabling them to provide health insurance for uninsured low-income children. Under the current SCHIP statute, each State's fiscal year specific SCHIP allotment is only available for expenditure by the State for a 3-year period of availability, the fiscal year in which allotments were distributed and the two succeeding fiscal years. With respect to States' FFY 1998 SCHIP allotments, the 3-year period of availability ended at the end of FFY 2000, that is, on September 30, 2000.

Following the end of the 3-year period for each fiscal year, the Secretary of the Department of Health and Human Services is required by law to redistribute the amounts of any States' unexpended SCHIP allotments to those States that have fully expended their SCHIP allotments. Furthermore, under current statute, the redistributed allotments for a fiscal year are available only through the end of the fiscal year in which the redistribution occurs. Therefore, under current statute the redistributed FFY 1998 allotments would be available only through the end of FFY 2001, that is, through September 30, 2001. States' expenditures made in FFY 2001 prior to the redistribution of FFY 1998 allotments, however, can be re-characterized as expenditures to be applied against the redistributed amount.

In order for HCFA to distribute the unexpended FY 1998 funds in a timely manner, we need to determine the amounts of the unexpended FFY 1998 SCHIP allotments, and which States have fully expended their FFY 1998 SCHIP allotments by the end of the 3-year period of availability. For this purpose, we must have State FFY 2000 fourth quarter SCHIP and Medicaid expenditure reports as soon as possible.

States should also be aware that Congress is currently considering proposed legislation that would revise the way the FFY 1998 and FFY 1999 unexpended allotments would be redistributed. Under this proposal, expenditures that have been reported as of November 30, 2000 will be considered with respect

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to the reallocation. There is no way of knowing at this time whether the proposed legislation will be enacted and, if so, whether the November 30th date will continue to be the operative date for the purpose of calculation of the FFY 1998 expenditures.

### **Reports Must Be Submitted in a Timely Manner**

Under Federal Medicaid and SCHIP regulations (42 CFR 430.30(c) and 42 CFR 457.630(c)(1), respectively), States are required to submit their quarterly expenditure reports for Medicaid and SCHIP no later than 30 days after the end of each quarter. For the fourth quarter of FFY 2000,

which ended on September 30, 2000, the relevant expenditure reports should have been submitted by October 30, 2000. This is the standard requirement for submission of these expenditure reports.

If you have any questions regarding this issue, please contact Richard Strauss at (410) 786-2019.

Sincerely,

/s/

Timothy M.  
Westmoreland  
Director

cc: All HHS Regional Directors All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Brett Ewig, Association of State and Territorial Health Officials Lee Partridge, American Public Human Services Association Matt Salo, National Governors' Association Joy Wilson, National Conference of State Legislatures

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