

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations

SHOL #03-002

November 13, 2003

Dear State Health Official:

We are writing 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) 2003 by **November 30, 2003**. As described below, this is necessary to ensure that the full and correct amount of SCHIP funds are available for your state through the end of FY 2003, and to enable us to implement the reallocation process for the unexpended FY 2001 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 assistance 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 first fiscal year in which the allotment is allotted to the state 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 2001 SCHIP allotments ended at the end of FY 2003, that is, on September 30, 2003.

Under the current SCHIP statute, for the FY 2001 funds reallocation process the Centers for Medicare & Medicaid Services (CMS) must determine the amounts of states' unexpended FY 2001 SCHIP allotments remaining at the end of FY 2003 after application of the relevant expenditures through the end of FY 2003, as reported by states no later than **November 30, 2003**. Based on this determination, states that have fully expended their FY 2001 allotment by the end of FY 2003 will be eligible to receive a redistribution from the unexpended FY 2001 allotments. The remaining states (states that did **not** expend their FY 2001 allotments by the end of FY 2003) will retain a portion of their unexpended FY 2001 allotments, in accordance with a statutorily prescribed formula. The November 30, 2003, report cut off date for states to submit their FY 2003 fourth quarter expenditure report is specified at section 2104(g)(3) of the Act, as amended by P.L. 108-74, which was signed into law on August 15, 2003. Under P. L. 108-74, the amounts that will be reallocated as redistribution or retained amounts in FY 2004 will be available through the end of FY 2005 (that is, September 30, 2005).

As described above, in order for CMS to fully consider all states' applicable expenditures in determining states' FY 2001 redistributed or retained allotment amounts, it is critical that your state submit and certify its FY 2003 fourth quarter Medicaid and SCHIP expenditure report(s) **no later than November 30, 2003**, through the Medicaid and State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES). Failure by a state to report these expenditures by that date, could result in a lower amount of redistributed or retained FY 2001 allotment funds for such state, because the amount of that state's FY 2001 redistributed or retained allotment amounts would be based only on the (lower) expenditure amounts that were reported through that date.

For a brief period of time after November 30, 2003, as CMS begins the FY 2001 reallocation process, the MBES/CBES will not be accessible to any state with respect to expenditure forms only. We will notify all users by e-mail once the MBES/CBES is again accessible for expenditure reporting. When the MBES/CBES reopens, the state may not make any changes to its fourth quarter FY 2003 or prior expenditure reports that affect SCHIP expenditures (this includes Medicaid SCHIP). However, the fourth quarter FY 2003 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/

Bill Lasowski
Financial Advisor

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

Kathryn Kotula
Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
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