



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
7500 Security Boulevard
Baltimore, MD 21244-1850

July 31, 1998

Dear State Medicaid Director:

The Balanced Budget Act of 1997 required each home health agency (HHA) to secure a surety bond in an amount of at least \$50,000 in order to participate in either the Medicare or Medicaid programs. On June 1, 1998, we published a final rule in the Federal Register that established the initial submission date of a surety bond for Medicaid by a date specified by each State Medicaid agency, but no later than September 29, 1998.

Because of significant concerns expressed by the Congress that some small agencies were having difficulty obtaining bonds, we have decided to suspend the submission compliance date until we can evaluate a General Accounting Office report that Congress has required. This suspension will be effectuated via a new Federal Register rule.

The effect of the July 31, 1998, Federal Register rule is to eliminate the September 29, 1998, date by which current and new HHAs must submit a surety bond in order to meet the requirements of the January 5, 1998 regulation. We anticipate, as our notice indicates, that the date to have current and new HHAs show compliance for submission of a surety bond to the State will be 60 days following publication of an additional final rule, but no earlier than February 15, 1999.

We will keep you informed of any new developments. If you have any other questions or concerns, please contact Mary Linda Morgan by phone at (410) 786-2011 or by e-mail at mmorgan1@hcfa.gov.

Sincerely,

/s/

Sally K. Richardson

Director

Center for Medicaid and State Operations

cc:

All HCFA Regional Administrators

All HCFA Associate Regional Administrators for Medicaid and State Operations

Lee Partridge - American Public Human Services Association

Jennifer Baxendell - National Governors' Association

Joy Wilson - National Conference of State Legislatures