

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

SMDL #02-017

November 8, 2002

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) 2002 by **November 30, 2002**. 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 2002, and to enable us to implement the redistribution process for the unexpended FY 2000 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 2000 SCHIP allotments ended at the end of FY 2002, that is, on September 30, 2002.

Also, under the current SCHIP statute, states' unexpended FY 1998 and FY 1999 redistributed and retained allotment amounts are only available to states through the end of FY 2002. Sometime after the end of FY 2002 pursuant to receipt of the FY 2002 fourth quarter expenditure reports, we will need to close the states' payment accounts related to the unexpended FY 1998 and 1999 SCHIP funds. Since, under current statute these funds are no longer available for matching states expenditures for periods after the end of FY 2002, it is very important that states report the full and correct amount of expenditures through the fourth quarter of FY 2002. Furthermore, Congress is currently considering legislation affecting SCHIP funds for FYs 1998, 1999, and 2000, potentially to extend their availability beyond FY 2002. Whether or not Congress acts to extend these funds, it is important for states to report the full amount of their SCHIP expenditures through the fourth quarter of FY 2002.

Under current statute, for the FY 2000 funds redistribution process the Centers for Medicare & Medicaid Services (CMS) must determine the amounts of states' unexpended FY 2000 SCHIP allotments remaining at the end of FY 2002 after application of the relevant states' expenditures through the end of FY 2002, as reported by states no later than **November 30, 2002**. Based on this determination, states that have fully expended their FY 2000 allotments by the end of FY 2002 will be eligible to receive a redistribution from the pool of the total unexpended FY 2000 allotments. We have established this FY 2002 fourth quarter expenditure report cutoff date for

states to submit their expenditures in order to implement a redistribution process as early as possible in FY 2003. This is because under the existing SCHIP statute states receiving redistribution funds have only until the end of the fiscal year of the redistribution to expend such funds.

As described above, in order for CMS to fully consider all states' applicable expenditures in determining states' FY 2000 redistributed allotment amounts, it is critical that your state submit and certify its FY 2002 fourth quarter Medicaid and SCHIP expenditure report(s) **no later than November 30, 2002**, through the Medicaid and State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES). Failure by a state to report these expenditures, could result in no or a lower amount of redistributed FY 2000 allotment funds for such state because the amount of that state's FY 2000 redistributed allotment amounts would be based only on the (lower) amounts reported through that date.

For a brief period of time **after November 30, 2002**, as CMS begins the FY 2000 redistribution 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 2002 or prior expenditure reports that affect SCHIP expenditures (this includes Medicaid SCHIP). However, the fourth quarter FY 2002 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

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

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