

**Selected Findings from the Urban Institute
Assessing the New Federalism Project**

	Former Recipients	Families below 150% of poverty	Families below 200% of poverty
Employment rate	61%	50%*	54%*
Family employment rate	75	81	86*
Hours			
less than 20	6.1	11.6**	10.4**
20 to 35	24.5	26.8	25.3
more than 35	69.4	61.5	64.2
Work between 6am and 6pm	71.8	71.4	74.5
Two or more jobs	8.0	8.8	9.0
Health insurance through employer	23.2	31.8	35.8
Time at current job			
less than 6 months	31.2	22.5**	19.9**
6 months to 1 yr	42.8	26.3	24.7
1 to 2 years	16.2	12.2	13.4
more than 2 years	9.7	38.9	41.9
Wages			
25 th percentile	\$5.29	\$4.61*	\$4.66*
Median	\$6.61	\$5.83*	\$6.06*
75 th percentile	\$8.15	\$7.45*	\$7.90
Total monthly family income (median)	\$1149	\$1031*	\$1240
Receipt of food stamps	31%	18%*	13%*
Adult with Medicaid	34	17*	12*
Child with Medicaid	47	31*	24*
Had to cut size of meal or skip meals because there wasn't enough food	33.4	24.7*	22.7*
Not able to pay mortgage/rent/utilities sometime last year	38.7	28.9*	27.6*
Adult Uninsured	41	44	38
Child uninsured	25	29	25

* Indicates numbers are significantly different than former recipients



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

July 01, 1999

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is the Administration's draft bill, the "Medicaid and Children's Health Insurance Program Amendments of 1999". The bill amends the Medicaid and Children's Health Insurance Program (CHIP) statutes under titles XIX and XXI of the Social Security Act, and programs under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), to carry out proposals included in the President's Budget for FY 2000.

The bill includes amendments adding State options to expand eligibility for benefits, making program improvements, and closing loopholes in HIPAA's guarantee of extended insurance availability. Other amendments are designed to control costs, improve program administration, and address fraud and abuse. Highlights of the bill are described below; all provisions of the bill are detailed in the enclosed section-by-section summary.

The bill adds State options to extend Medicaid eligibility to youths under age 21 who have "aged out" of the Federal foster care program; to certain individuals receiving in community settings the level of care provided in inpatient institutions; and to immigrant children and pregnant women who are qualified aliens or in other designated groups of lawfully present aliens. States may also extend CHIP eligibility to these same groups of immigrants. Two other proposals in the President's FY 2000 Budget also complement this proposal by restoring important disability and nutrition benefits to additional categories of legal immigrants.

Various amendments adjust the relationship between the Medicaid program and the cash assistance programs under title IV-A of the Social Security Act (Temporary Assistance for Needy Families (TANF) and its predecessor program, Aid to Families with Dependent Children (AFDC)). The bill relaxes the rules for transitional Medicaid coverage of individuals in low-income families with children who have become ineligible based on employment. This provision will relieve State agencies and eligible families from burdensome administrative and reporting requirements, while ensuring that the safety net of Medicaid eligibility is maintained for these families. The bill provides enhanced Federal matching of costs of outreach to and eligibility determinations for children and families likely to be eligible for Medicaid and CHIP. It also adjusts Federal funding for Medicaid administrative costs to recapture the windfall given States by inclusion of amounts for these costs in TANF appropriations.

Amendments to the CHIP program include proposals to expand the cap on administrative expenditures by 3 percent, provided the increase is used for outreach, and to increase funding for territories.

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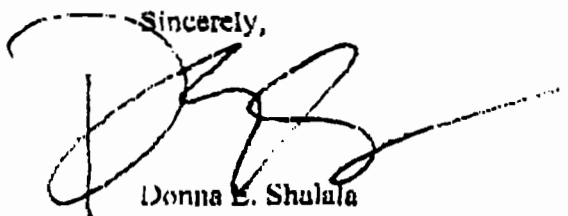
Amendments to the HIPAA statutes add loss of Medicaid coverage as an event requiring group plans to offer an individual a special enrollment period; and provide that the period before an individual receives written notice that an employer has ceased making insurance payments may not be counted in calculating the length of a break in health insurance coverage.

The Omnibus Budget Reconciliation Act (OBRA) requires that all revenue and direct spending legislation meet a pay-as-you-go (PAYGO) requirement. That is, no such bill should result in a net budget cost; and if it does, it could contribute to a sequester if it is not fully offset. This proposal would increase direct spending by \$61 million in FY 2000 and by a total of \$526 million during FYs 2000-2004; therefore, it is subject to the PAYGO requirement.

This proposal is fully offset in the President's Budget and should be considered in conjunction with all other PAYGO proposals in the Budget. The Administration will work closely with the Congress on this and other PAYGO legislation to avoid a sequester of mandatory programs.

We urge the Congress to give the draft bill its prompt and favorable consideration. The Office of Management and Budget has advised that there is no objection to the submission of this draft bill to the Congress and that its enactment would be in accord with the program of the President.

Sincerely,

A handwritten signature in black ink, appearing to be "D. Shalala", written over a horizontal line.

Donna E. Shalala

Enclosures

**"Medicaid and Children's Health Insurance
Program Amendments of 1999"**

Section-by-section Summary

(Except as otherwise indicated, this bill amends provisions of the Social Security Act.)

**TITLE II-MEDICAID AND CHILDREN'S
HEALTH INSURANCE PROGRAM (CHIP) AMENDMENTS**

PART A-MEDICAID AMENDMENTS

**SEC. 101. TO PERMIT STATES TO LIMIT, RESTRICT, OR SUSPEND THE
ELIGIBILITY OF A BENEFICIARY FOR CERTAIN
VIOLATIONS OF STATE LAW.**

Section 101 amends section 1128B(a) (which currently authorizes States to limit, restrict, or suspend the eligibility for benefits under a Federal health care program of individuals convicted of an enumerated Federal crime of fraud against such a program) to extend this same authority with respect to substantially identical State crimes.

**SEC. 102. STATE OPTIONS TO COVER CERTAIN ALIEN CHILDREN AND
PREGNANT WOMEN.**

Section 102(a) amends section 1902(a)(10)(A)(ii) (which specifies the optional categorically needy groups that a State plan may cover), 1902(a)(10)(C) (which specifies the medically needy groups that a State plan may cover), and 1903(v)(1) (which restricts Medicaid payments to aliens) to permit a State, at its option, to cover and pay for medical assistance to certain alien children and pregnant women who would be eligible for coverage but for title IV of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and who entered the United States after PRWORA became effective.

Subsection (b) amends section 2110(b) (which defines "targeted low-income child" for purposes of CHIP eligibility) to include certain alien children when a State has exercised its option to cover alien children under Medicaid under subsection (a).

Subsection (c) amends sections 1902(a)(25) (concerning the liabilities of third parties for medical assistance) and 2107 (concerning administrative requirements under CHIP) to require that, in the case of a woman or child covered at State option under this section, a State disregard the requirement of section

213A(b) of the Immigration and Nationality Act that it seek reimbursement from an alien's sponsor for a means-tested public benefit.

SEC. 103. STATE OPTION TO COVER INDIVIDUALS WHO WOULD OTHERWISE REQUIRE AN INSTITUTIONAL LEVEL OF CARE.

Section 103(a) amends section 1902(a)(10)(A)(ii) (which specified the "optional categorically needy" groups that may be covered under the State Medicaid plan) to permit coverage of individuals in community-based long-term care (LTC) who would require the level of care provided in a hospital, nursing facility, or intermediate care facility for the mentally retarded (ICF-MR) unless they were furnished services available under the plan, and whose income does not exceed 300 percent of the annual Supplemental Security Income (SSI) benefit. The State could limit coverage to individuals requiring specified types of LTC.

Subsection (b) amends the definitions of "institutionalized individual" and "institutionalized spouse" in sections 1917 (concerning liens and transfers of assets) and 1924 (concerning treatment of assets of institutionalized spouses) to treat individuals in this new eligibility group as institutionalized for purposes of those provisions.

SEC. 104. TO REQUIRE STATES TO PROHIBIT AFFILIATIONS WITH INDIVIDUALS DEBARRED BY FEDERAL AGENCIES.

Section 104 adds to section 1902(a) a new paragraph (66) providing that a State Medicaid plan must require that an entity furnishing items or services under the plan give assurances that it is neither owned or controlled by a person who has been debarred, suspended, or otherwise excluded from doing business with the Government under the Federal Acquisition Regulation, nor will it enter into an agreement under which such a person will furnish items or services material to the entity's obligations under the plan.

SEC. 105. STATE OPTION TO COVER FORMER TITLE IV-E FOSTER CARE CHILDREN AGED 18 OR OVER.

Section 105 amends section 1902(e) to permit a State plan to cover individuals aged 18 or over but under (at State option) age 19, 20, or 21, who were eligible for foster care maintenance payments under the State Title IV-E plan on the day before their eighteenth birthday.

**SEC. 106. ALLOCATION TO MEDICAID OF CERTAIN ADMINISTRATIVE COSTS
COMMON TO AFDC, MEDICAID AND FOOD STAMPS.**

Section 106(a) amends section 1903(a)(7) to reduce Medicaid administrative reimbursements to States by the amount of the payment for administrative costs attributable to Medicaid that the Secretary determines to be included in each State's Temporary Aid to Needy Families (TANF) block grant. This amendment would eliminate the windfall to States resulting from inclusion of these amounts for Medicaid costs in the TANF appropriations.

Subsection (b) amends section 16(k)(4)(E) of the Food Stamp Act of 1977 (which prohibits stays pending appeal of food stamp administrative reductions offsetting that portion of TANF appropriations based on food stamp administrative costs) to extend this prohibition also to the Medicaid administrative reductions proposed under subsection (a).

Subsection (c) amends section 404(d) to permit a State to use a portion of its TANF grant not exceeding the amount of the reduction of Medicaid administrative reimbursements under the Food Stamp Act to pay for Medicaid administrative costs.

**SEC. 107. ONE-YEAR INCREASE IN DISPROPORTIONATE SHARE HOSPITAL
ALLOTMENT FOR THE DISTRICT OF COLUMBIA.**

Section 107 amends section 1923(f)(2) to increase the disproportionate share hospital allotment for the District of Columbia for Fiscal Year 2000 from \$23 million to \$32 million.

SEC. 108. TRANSITIONAL MEDICAID SIMPLIFICATION.

Section 108(a) amends section 1925 (which requires States to provide continuing Medicaid coverage to families losing eligibility for Aid to Families with Dependent Children (AFDC) or TANF benefits under title IV-A) to permit a State to elect exemption from this requirement if the State uses the option available under section 1931 to cover individuals in families with gross incomes at or below a State-determined level that is not less than 185 percent of the poverty line. A State opting for that exemption would be deemed to comply with section 1902(a)(10)(A)(i)(I) (requiring Medicaid coverage of all beneficiaries of specified cash assistance programs) and 1902(e) (requiring continued coverage of certain families formerly eligible under IV-A).

Subsection (b) amends subsection (a)(2) of section 1925 to eliminate the requirement that a qualifying family report on its income and child-care costs as a condition of receiving extended Medicaid coverage.

**SEC. 109. ADDITIONAL MEDICAID REBATES FOR GENERIC DRUGS FOR
PRICE INCREASES IN EXCESS OF CPI.**

Section 109 amends section 1927(c) (which requires brand-name drug manufacturers to provide rebates when their prices increase at a higher rate than the consumer price index) to extend that requirement to generic drug manufacturers.

**SEC. 110. INCREASED FUNDING FOR ADMINISTRATIVE COSTS RELATED TO
OUTREACH AND ELIGIBILITY DETERMINATIONS FOR
CHILDREN AND FAMILIES.**

Section 110 amends section 1931(h) (which provides for increased Federal matching for administrative costs related to determinations of Medicaid eligibility based on AFDC eligibility) to extend the increased matching rate to CHIP and M-CHIP eligibility and outreach activities. In addition, this section removes the sunset on the additional funds, which is currently scheduled to end with fiscal year 2000.

**PART B-CHILDREN'S HEALTH INSURANCE
PROGRAM (CHIP) AMENDMENTS**

**SEC. 121. INCREASED ALLOTMENTS UNDER CHILDREN'S HEALTH INSURANCE
PROGRAM FOR TERRITORIES.**

Section 121 amends section 2104(c)(4)(B) (which currently appropriates \$32 million for additional CHIP allotments to the territories for FY 1999) to appropriate for that purpose \$34.2 million for each of FYs 2000-2001; \$25.2 million for each of FYs 2002-2004; \$32.4 million for each of FYs 2005-2006; and \$40 million for FY 2007.

**SEC. 122. AMENDMENT TO LIMITATION ON ADMINISTRATIVE
EXPENDITURES.**

Section 122(a) amends section 2105(a) (providing for CHIP payments to States) to clarify that a State's costs to prepare the evaluation and annual report required by section 2108 are within the 10 percent cap on expenditures for other than child health assistance.

Subsection (b) increases the section 2105(c) limitation on reimbursable administrative expenditures from 10 percent to 13 percent, with the additional 3 percent to be spent only on outreach services for fiscal years 2001 through 2003. The enhanced match applies to outreach expenditures included in both the 10 percent cap and the additional 3 percent limit.

**TITLE II-HEALTH INSURANCE PORTABILITY
AND ACCOUNTABILITY ACT (HIPAA) AMENDMENTS.**

**SEC. 201. HIPAA REQUIREMENT FOR SPECIAL GROUP PLAN ENROLLMENT
WHEN MEDICAID TERMINATES.**

Subsections (a) and (b) of section 201 amend section 2701(f)(1) of the Public Health Service Act (PHS Act) and section 701(f)(1) of the Employee Retirement Income Security Act (ERISA) (which both require group health plans and issuers to allow certain employees who have lost coverage to enroll in their plans) to include employees who have lost Medicaid coverage. Subsection (c) amends section 9801(f) of the Internal Revenue Code of 1986 (IRC) to add an identical requirement limited to group health plans.

**SEC. 202. HIPAA RULES CONCERNING BREAK IN COVERAGE RESULTING
FROM NONPAYMENT OF PREMIUMS.**

Section 202 amends section 2701 of the PHS Act, section 701 of ERISA, and 9801 of the IRC (concerning determinations of creditable coverage for purposes of limitations on pre-existing condition exclusions) to provide that when a group health plan fails to pay a premium, it must notify the participant before the non-payment can affect the participant's creditable coverage.

This section also amends section 2701 of the PHS Act and section 701 of ERISA (which both require group health plans and issuers to allow certain employees who have lost coverage to enroll in the plan within 30 days after the employer stops contributing to coverage) to toll the running of the 30-day period until the plan or issuer notifies the employee in writing that the employer has ceased contributing. Subsection (c)(2) similarly amends section 9801(f) of the IRC to add an identical requirement limited to group health plans.

A BILL

To expand the options available to the States under the Medicaid program, to improve the administration of the Children's Health Insurance Program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES IN ACT; TABLE OF CONTENTS.

(a) SHORT TITLE.-This Act may be cited as the "Medicaid and Children's Health Insurance Program Amendments of 1999".

(b) REFERENCES.-Except as otherwise specified, amendments made by this Act to a section or other provision of law are amendments to such section or other provision of the Social Security Act.

(c) TABLE OF CONTENTS.-The table of contents for this Act is as follows:

Sec. 1. Short title, references in act; table of contents.

TITLE I-MEDICAID AND CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) AMENDMENTS

PART A-MEDICAID AMENDMENTS

Sec. 101. To permit States to limit, restrict, or suspend the eligibility of a beneficiary for certain violations of State law.

Sec. 102. State options for coverage of certain alien children and pregnant women.

Sec. 103. State option to cover individuals who would otherwise require an institutional level of care.

Sec. 104. To require States to prohibit affiliations with individuals debarred by Federal agencies.

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- Sec. 105. State option to cover former title IV-E foster care children age 18 and over.
Sec. 106. Allocation to Medicaid of certain administrative costs common to AFDC, Medicaid, and Food Stamps.
Sec. 107. One-year increase in disproportionate share hospital allotment for the District of Columbia.
Sec. 108. Transitional Medicaid simplification.
Sec. 109. Additional Medicaid rebates for generic drugs for price increases in excess of CPI.
Sec. 110. Increased funding for administrative costs related to outreach and eligibility determinations for children and families.

PART B-CHIP AMENDMENTS

- Sec. 121. Increased allotments under CHIP for territories.
Sec. 122. Amendment to Limitation on Administrative Expenditures.

TITLE II-HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA) AMENDMENTS

- Sec. 201. HIPAA requirement for special group plan enrollment when Medicaid terminates.
Sec. 202. HIPAA rules concerning break in coverage resulting from nonpayment of premiums.

TITLE I-MEDICAID AND CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) AMENDMENTS

PART A-MEDICAID AMENDMENTS

- SEC. 101. TO PERMIT STATES TO LIMIT, RESTRICT, OR SUSPEND THE
ELIGIBILITY OF A BENEFICIARY FOR CERTAIN
VIOLATIONS OF STATE LAW.

Section 1128B(a) (42 U.S.C. 1320a-7b) is amended by adding at the end the following new sentence: "The provisions of the preceding sentence shall apply, at State option, in the case of an individual who is eligible for medical assistance under title XIX and who is convicted of an offense under State law that is substantially the same as an offense enumerated in this

1 subsection."

2 SEC. 102. STATE OPTIONS FOR COVERAGE OF CERTAIN ALIEN

3 CHILDREN AND PREGNANT WOMEN.

4 (a) MEDICAID ELIGIBILITY OF CHILDREN AND PREGNANT WOMEN.—

5 (1) STATE OPTION TO PROVIDE MEDICAID.—

6 (A) CHILDREN.—Section 1902(a)(10)(A)(ii) (42

7 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

8 (i) by striking "or" at the end of

9 subclause (XIII); and

10 (ii) by adding after subclause (XIV) the
11 following new subclause:

12 "(XV) who is an assistable alien child
13 (as defined in section 1905(v)(1)) who would
14 be eligible for medical assistance (or for a
15 greater amount of medical assistance) under
16 this subparagraph, but for one or more of the
17 provisions of title IV of P.L. 104-193; but
18 the State may not exercise such option with
19 respect to a subcategory of such
20 individuals."

21 (B) PREGNANT WOMEN.—Section 1902(a)(10)(A)(ii)

22 (42 U.S.C. 1396a(a)(10)(A)(ii)) is further

23 amended—

24 (1) by inserting "or" at the end of

25 subclause (XV); and

26 (ii) by adding after subclause (XV) the

1 following new subclause:

2 "(XVI) who is an assistable alien
3 pregnant woman (as defined in section
4 1905(v)(2)) who would be eligible for medical
5 assistance (or for a greater amount of
6 medical assistance) under this subparagraph,
7 but for one or more of the provisions of
8 title IV of P.L. 104-193; but medical
9 assistance for such an individual shall be
10 limited to the same amount, duration, and
11 scope as the medical assistance for any other
12 individual described in subsection (1)(1)(A)
13 or section 1905(n));".

14 (C) MEDICALLY NEEDY.—Section 1902(a)(10)(C)
15 (42 U.S.C. 1396a(a)(10)(C)) is amended by
16 inserting before the comma in clause (i)(I) "(and
17 such criteria may provide for eligibility of
18 individuals described in section 1905(v) who would
19 be eligible for medical assistance (or for a
20 greater amount of medical assistance) under the
21 provisions of the plan under this subparagraph,
22 but for one or more of the provisions of title IV
23 of P.L. 104-193)".

24 (2) DEFINITION OF ASSISTABLE ALIEN CHILDREN AND
25 PREGNANT WOMEN.—Section 1905 (42 U.S.C. 1396d) is amended
26 by adding at the end the following new subsection:

1 "(v)(1) The term 'assistable alien child' means an
2 individual who—

3 "(A) is described in subsection (a)(i); and

4 "(B) is described in paragraph (3).

5 "(2) The term 'assistable alien pregnant woman' means an
6 individual who—

7 "(A) is described in section 1902(1)(1)(A) or
8 subsection (n); and

9 "(B) is described in paragraph (3).

10 "(3) For purposes of paragraphs (1) and (2), an individual
11 is described in this paragraph if the individual is an alien who—

12 "(A) entered the United States on or after August
13 22, 1996; and

14 "(B)(i) is a qualified alien (as defined in
15 section 431 of Public Law 104-193 as amended); or

16 (ii) a member of any category of lawfully
17 present aliens specified in regulations
18 promulgated by the Secretary in consultation with
19 the Attorney General."

20 (3) ELIMINATION OF PAYMENT RESTRICTION WITH RESPECT TO
21 CERTAIN ALIEN CHILDREN AND PREGNANT WOMEN. --Section
22 1903(v)(1) (42 U.S.C. 1396b(v)(1)) is amended by inserting
23 "and except with respect to individuals described in section
24 1905(v) who receive medical assistance pursuant to section
25 1902(a)(10)(A)(ii)(XV), 1902(a)(10)(A)(ii)(XVI), or
26 1902(a)(10)(C)" after "paragraph (2)".

6

(b) CHIP ELIGIBILITY OF CERTAIN ALIEN CHILDREN.—Section 2110(b) (42 U.S.C. 1397jj(b)) is amended—

(1) in paragraph (1)(A), by inserting before the semicolon "(including, at the option of the State, a child described in paragraph (3)(B))"; and

(2) in paragraph (3)—

(A) by striking "SPECIAL RULE.—" and inserting "SPECIAL RULES.—"

(B) by designating the remainder of the text as subparagraph (A) and indenting accordingly below the paragraph heading;

(C) by adding the following after the subparagraph designation "(A)": "HEALTH INSURANCE COVERAGE.—"; and

(D) by adding at the end the following new subparagraph:

"(B) ELIGIBILITY FOR CERTAIN ALIEN CHILDREN.—For purposes of paragraph (1)(A), a child is described in this subparagraph if—

"(i) the child is an assistable alien child under section 1905(v)(1); and

"(ii) the State exercises the option to provide medical assistance to the category of individuals described in section 1902(a)(10)(A)(i)(XV)."

(c) PROHIBITION ON SEEKING REIMBURSEMENT FROM SPONSOR.—

(1) MEDICAL —

1 (A) CHILDREN.—Section 1902(a)(25) (42 U.S.C.
2 1396a(a)(25)) is amended—

3 (i) by striking "and" at the end of
4 subparagraph (G);

5 (ii) by adding "and" at the end of
6 subparagraph (H); and

7 (iii) by adding after subparagraph (H) the
8 following new subparagraph:

9 "(I) that the State will disregard the
10 requirements of section 213A(b) of the Immigration and
11 Nationality Act with respect to medical assistance
12 furnished on behalf of an individual who is eligible
13 for such assistance under the State plan because of the
14 provisions of clause (XV) of paragraph (10)(A)(ii) or
15 because of the reference to such clause in paragraph
16 (10)(C).".

17 (B) PREGNANT WOMEN.—Section 1902(a)(25)(1) (42
18 U.S.C. 1396a(a)(25)(1)) is amended by inserting "or
19 (XVI)" after "clause (XV)".

20 (2) CHHP.—Section 2107 (42 U.S.C. 1397gg) is amended
21 by adding after subsection (e) the following new subsection:

22 "(f) DISREGARD OF SPONSOR REIMBURSEMENT REQUIREMENT.—A

23 State child health plan shall provide that the State will
24 disregard the requirements of section 213A(b) of the Immigration
25 and Nationality Act with respect to benefits under this title
26 provided to a child who is eligible for such benefits because of

1 the provisions of section 2110(b)(3)(B)."

2 (d) EFFECTIVE DATES.—

3 (1) IN GENERAL.—Except as otherwise provided, the
4 amendments made by this section shall become effective with
5 respect to calendar quarters beginning on and after October
6 1, 1999.

7 (2) PREGNANT WOMEN.—The amendments made by subsections
8 (a)(2)(B) and (a)(2)(C), but only with respect to
9 assistable alien pregnant women described in section
10 1905(v)(2)) and (c)(1)(B) of this section shall become
11 effective with respect to calendar quarters beginning on and
12 after October 1, 2000.

13

14 SEC. 103. STATE OPTION TO COVER INDIVIDUALS WHO WOULD

15 OTHERWISE REQUIRE AN INSTITUTIONAL LEVEL OF CARE.

16 (a) STATE OPTION TO PROVIDE ELIGIBILITY.—Section
17 1902(a)(10)(A)(ii) (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—
18 (1) by striking "or" at the end of subclause (XIII);
19 (2) by adding "or" at the end of subclause (XIV); and
20 (3) by adding after subclause (XIV) the following new
21 subclause:

22 "(XV) who would be eligible under the
23 State plan under this title if they were in a
24 medical institution, whose income does not
25 exceed the limit specified in section
26 1903(f)(4)(C), and with respect to whom there

1 has been a determination that but for the
2 provision of one or more services available
3 under the plan they would require the level
4 of care provided in a hospital, nursing
5 facility or intermediate care facility for
6 the mentally retarded the cost of which could
7 be reimbursed under the State plan (or, at
8 State option, a subcategory of such
9 individuals who require such community-based
10 long term care services as may be specified
11 by the State);".

12 (b) TREATMENT AS INSTITUTIONALIZED INDIVIDUAL FOR PURPOSES
13 OF CERTAIN RULES RELATED TO ASSETS.—

14 (1) LIENS, ADJUSTMENTS AND RECOVERIES, AND TRANSFERS OF
15 ASSETS.—Section 1917(a) (3) (42 U.S.C. 1396p(e) (3)) is
16 amended by striking "section 1902(a) (10) (A) (ii) (VI)" and
17 inserting "subclause (VI) or (XV) of section
18 1902(a) (10) (A) (ii)"; and

19 (2) SPOUSAL IMPOVERISHMENT.—Section 1924(h) (1) (A) (42
20 U.S.C. 1396r-5(h)) is amended by striking "section
21 1902(a) (10) (A) (ii) (VI)" and inserting "subclause (VI) or
22 (XV) of section 1902(a) (10) (A) (ii) "

23 **SEC. 104. TO REQUIRE STATES TO PROHIBIT AFFILIATIONS WITH**
24 **INDIVIDUALS DEBARRED BY FEDERAL AGENCIES.**

25 Section 1902(a) (42 U.S.C. 1396a(a)) is amended—

26 (1) by striking "and" at the end of paragraph (64);

10

1 (2) by striking the period at the end of paragraph (65)
2 and adding "; and"; and

3 (3) by adding after paragraph (65) the following new
4 paragraph:

5 "(66) require that an entity that furnishes items or
6 services under the plan provide assurances that -

7 "(A) no person with an ownership or control
8 interest (as defined in section 1124(a)(3)) in such
9 entity shall be a person that is debarred, suspended,
10 or otherwise excluded from participating in
11 procurement or non-procurement activities under the
12 Federal Acquisition Regulation; and

13 "(B) such entity shall not enter into an
14 employment, consulting, or other agreement for the
15 provision of items or services that are material to
16 such entity's obligations under the plan with an
17 individual described in subparagraph (A).".

18 **SEC. 105. STATE OPTION TO COVER FORMER TITLE IV-E FOSTER CARE**

19 **CHILDREN AGE 18 AND OVER.**

20 Section 1902(a) (42 U.S.C. 1396a(a)) is amended by adding at
21 the end the following new paragraph:

22 "(13) The State plan may provide that an individual who—

23 "(A) has attained age 18 but is under age 21 (or, at
24 State option, age 20 or 19), and

25 "(B) on the day before the date the individual attained
26 age 18 was receiving foster care maintenance payments under

11

part E of title IV,
is eligible for medical assistance under the plan."

**SEC. 106. ALLOCATION TO MEDICAID OF CERTAIN ADMINISTRATIVE
COSTS COMMON TO AFDC, MEDICAID, AND FOOD STAMPS.**

(a) **REDUCTIONS IN MEDICAID PAYMENTS BASED ON COST ALLOCATION DETERMINATION.**—Section 1903(a)(7) (42 U.S.C. 1396b(a)(7)) is amended by inserting before the period ", reduced for each quarter of fiscal years 1999 and each succeeding fiscal year by 25 percent of the amount determined for the medicaid program under section 16(k)(2) of the Food Stamp Act of 1977."

(b) **REDUCED PAYMENTS PENDING APPEAL.**—Section 16(k)(4)(E) of the Food Stamp Act of 1977 (7 U.S.C. 2025(k)(4)(E)) is amended by adding before the period at the end: "or the requirement that the Secretary of Health and Human Services reduce payments in accordance with section 1903(a)(7) of the Social Security Act".

(c) **STATE OPTION TO USE PORTION OF TANF GRANT FOR MEDICAID ADMINISTRATIVE COSTS.**—Section 404(d) (42 U.S.C. 604(d)) is amended

(1) in paragraph (1), by striking "IN GENERAL" and inserting "SOCIAL SERVICES AND CHILD CARE"; and

(2) by adding at the end the following new paragraph:

"(4) **MEDICAID ADMINISTRATIVE COSTS.**—Subject to the limitation under subsection (b)(1), a State may use, for payment of costs of administration of the medical assistance program under title XIX, a portion of a grant made to the State under section 403(a) not exceeding the reduction for

12

such fiscal year under section 1903(a)(7) of the amount for
medicaid determined under section 16(k)(2) of the Food Stamp
Act of 1977."

**SEC. 107. ONE-YEAR INCREASE IN DISPROPORTIONATE SHARE HOSPITAL
ALLOTMENT FOR THE DISTRICT OF COLUMBIA.**

The table included in section 1923(f)(2) (42 U.S.C. 1396r
4(f)(2)) is amended at the line for the District of Columbia
under the column for FY 00 by striking "23" and inserting "32"

SEC. 108. TRANSITIONAL MEDICAID SIMPLIFICATION.

(a) EXEMPTION FOR STATES COVERING NEEDY FAMILIES UP TO 185
PERCENT OF POVERTY. Section 1925 (42 U.S.C. 1396r) is amended--

(1) in each of subsections (a)(1) and (b)(1), by
inserting "but subject to subsection (f)," after

"Notwithstanding any other provision of this title,"; and

(2) by adding at the end the following new subsection:

"(f) EXEMPTION FOR STATES COVERING NEEDY FAMILIES UP TO 185
PERCENT OF POVERTY.--

"(1) IN GENERAL.--At State option, the provisions of
this section shall not apply to a State that uses the
authority under section 1931(b)(2)(C) to make medical
assistance available under the State plan under this title,
at a minimum, to all individuals described in section
1931(b)(1) in families with gross incomes at or below 185
percent of the income official poverty line (as defined by
the Office of Management and Budget, and revised annually in

13

1 accordance with section 673(2) of the Omnibus Budget
2 Reconciliation Act of 1981) applicable to a family of the
3 size involved.

4 "(2) APPLICATION TO OTHER PROVISIONS OF THIS
5 TITLE.—The State plan of a State described in paragraph (1)
6 shall be deemed to meet the requirements of sections
7 1902(a)(10)(A)(i)(I) and 1902(e)(1).".

8 (b) ELIMINATION OF RECIPIENT REPORTING

9 REQUIREMENTS.—Section 1925 (42 U.S.C. 1396r-6) is amended—

10 (1) in subsection (a)(2)(A), by striking "of the
11 reporting requirement of subsection (b)(2)(B)(i) and";

12 (2) in subsection (b)—

13 (A) in paragraph (1)—

14 (i) by striking "and which meets the
15 requirement of paragraph (2)(B)(I)"; and

16 (ii) by striking "paragraph (3)" and
17 inserting "paragraph (2)";

18 (B) by striking paragraph (2), and redesignating
19 paragraph (3) as paragraph (2);

20 (C) in paragraph (2), as redesignated—

21 (i) in subparagraph (A)—

22 (I) by striking clause (iii)(I), and
23 redesignating subclauses (II) and (III) of
24 clause (iii) as subclauses (I) and (II); and

25 (II) by striking the matter after and
26 below clause (iii)(II), as redesignated; and

14

(ii) in subparagraph (B), by striking
"subparagraph (A)(ii)(ii)" and inserting
"subparagraph (A)(ii)(i)".

**SEC. 109. ADDITIONAL MEDICAID REBATES FOR GENERIC DRUGS FOR
PRICE INCREASES IN EXCESS OF CPI.**

(a) REQUIREMENT.—Section 1927(c) (42 U.S.C. 1396r-8(c)) is
amended—

(1) by redesignating paragraphs (2) and (3) as
paragraphs (3) and (2), respectively, and relocating
paragraph (3), as redesignated, after paragraph (2), as
redesignated; and

(2) in paragraph (3), as redesignated

(A) in the caption, by striking "FOR SINGLE SOURCE
AND INNOVATOR MULTIPLE SOURCE DRUGS";

(B) in subparagraph (A), in the matter preceding
clause (i), by striking "a single source drug or an
innovator multiple source drug" and inserting "a
covered outpatient drug";

(C) in subparagraph (A)(ii)(II)—

(i) by striking "July 1, 1990" and inserting
"the date specified in subparagraph (B)(i)"; and

(ii) by striking "September 1990" and
inserting "the month specified in subparagraph
(B)(ii)";

(D) by redesignating subparagraph (B) as
subparagraph (C) and inserting after subparagraph (A)

15

the following new subparagraph:

"(B) BASE PERIOD; INFLATION MEASURING PERIOD.—For purposes of subparagraph (A), dates specified in this subparagraph are as follows—

"(i) July 1, 1990, in the case of a single source or innovator multiple source drug, and July 1, 1998, in the case of any other covered outpatient drug.

"(ii) September 1990, in the case of a single source or innovator multiple source drug, and September 1998, in the case of any other covered outpatient drug; and

(E) in subparagraph (C), as redesignated—

(i) by striking "the calendar quarter beginning July 1, 1990" and inserting "the calendar quarter beginning with the date specified in subparagraph (B)(i)"; and

(ii) by striking "September 1990" and inserting "the month specified in subparagraph (B)(ii)".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to rebate periods beginning on and after October 1, 1999.

SEC. 110. INCREASED FEDERAL MATCH FOR ADMINISTRATIVE COSTS

**RELATED TO OUTREACH AND ELIGIBILITY DETERMINATIONS
FOR CHILDREN AND FAMILIES.**

16

1 Section 1931(h) of the Social Security Act (42 U.S.C. 1396u-
2 1(h)) is amended

3 (1) by striking the heading and inserting "INCREASED
4 FEDERAL MATCHING RATE FOR ADMINISTRATIVE COSTS RELATED TO
5 OUTREACH AND ELIGIBILITY DETERMINATIONS FOR CHILDREN AND
6 FAMILIES".

7 (2) in paragraph (2), by inserting before the period
8 "and determinations of the eligibility of children and
9 families for benefits under the State plan under this title
10 or title XXI, outreach to children and families likely to be
11 eligible for such benefits, and such other outreach- and
12 eligibility-related activities as the Secretary may
13 approve.";

14 (3) in paragraph (3), by striking "and ending with
15 fiscal year ²⁰⁰⁰ ~~1997~~"; and

16 (4) by striking paragraph (4).

17 PART B-CHILDREN'S HEALTH INSURANCE

18 PROGRAM (CHIP) AMENDMENTS

19 SEC. 121. INCREASED ALLOTMENTS UNDER CHILDREN'S HEALTH

20 INSURANCE PROGRAM FOR TERRITORIES.

21 Section 2104(c)(4)(B) (42 U.S.C. 1397dd(c)(4)(B)) as added
22 by section 706(a) of the Department of Labor, Health and Human
23 Services, and Education, and Related Agencies Appropriations Act,
24 1999 (as contained in section 101(f) of division A of Public Law
25 105-277), is amended by striking "not otherwise appropriated

17

1 \$32,000,000 for fiscal year 1999." and inserting "not otherwise
2 appropriated—

3 " (i) \$32,000,000 for fiscal year 1999;

4 " (ii) \$34,200,000 for each of fiscal years
5 2000 and 2001;

6 " (iii) \$25,200,000 for each of fiscal years
7 2002 through 2004;

8 " (iv) \$32,400,000 for each of fiscal years
9 2005 and 2006; and

10 " (v) \$40,000,000 for fiscal year 2007.".

11 **SEC. 122. AMENDMENT TO LIMITATION ON ADMINISTRATIVE**

12 **EXPENDITURES.**

13 (a) CLARIFICATION CONCERNING INCLUSION OF DATA COLLECTION
14 AND REPORTING COSTS IN 10% LIMIT ON ADMINISTRATIVE
15 EXPENDITURES.—Section 2105(a)(2) (42 U.S.C. 1397cw(a)(2)) is
16 amended—

17 (1) by striking "and" at the end of subparagraph (C);

18 (2) by redesignating subparagraph (D) as subparagraph
19 (E); and

20 (3) by adding after subparagraph (C) the following new
21 subparagraph:

22 " (D) for expenditures to carry out activities
23 related to data collection and reporting in connection
24 with the report described in section 2108(a) and the
25 evaluation described in section 2108(b)(1); and".

26 (b) INCREASE IN 10% LIMIT ON ADMINISTRATIVE

18

1 EXPENDITURES.—Section 2105(o)(2) (42 U.S.C. 1397ec(c)(2)) is
2 amended—

3 (1) in subparagraph (A), in the matter preceding clause
4 (i), by inserting "(or, for each of fiscal years 2001
5 through 2003, the percentage specified in subparagraph (C))"
6 after "10 percent"; and

7 (2) by adding at the end the following new
8 subparagraph:

9 "(C) INCREASE IN 10% LIMIT FOR EXPENDITURES FOR
10 OUTREACH SERVICES.—For purposes of subparagraph (A),
11 the percentage specified in this subparagraph for each
12 of fiscal years 2001 through 2003 is 13 percent,
13 including—

14 "(i) 3 percent for expenditures for
15 activities described in subsection (a)(2)(C); and

16 "(ii) 10 percent for any expenditures
17 described in subsection (a)(2)."

18 **TITLE II-HEALTH INSURANCE PORTABILITY AND**

19 **ACCOUNTABILITY ACT (HIPAA) AMENDMENTS**

20 **SEC. 201. HIPAA REQUIREMENT FOR SPECIAL GROUP PLAN ENROLLMENT**
21 **WHEN MEDICAID TERMINATES.**

22 (a) AMENDMENT TO PUBLIC HEALTH SERVICE ACT.—Section
23 2901(2)(1) of the Public Health Service Act (42 U.S.C.
24 300gg(f)(1)) is amended—

25 (1) in subparagraph (A), by inserting "or was receiving

19

1 medical assistance under title XIX of the Social Security
2 Act" after "or had health insurance coverage";

3 (2) in subparagraph (B), by inserting "or eligibility
4 for such medical assistance" after "or health insurance
5 coverage";

6 (3) in subparagraph (C)—

7 (A) in the matter preceding clause (i), by
8 inserting "or medical assistance" after "coverage";

9 (B) in clause (ii), by striking the period at the
10 end and inserting "; or"; and

11 (C) by adding after clause (ii) the following new
12 clause:

13 "(iii) was terminated as a result of loss of
14 eligibility for such medical assistance"; and

15 (4) in subparagraph (D), by inserting "or termination
16 of medical assistance" before the period at the end.

17 (b) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF
18 1974.—Section 701(f) (1) of the Employee Retirement Income
19 Security Act of 1974 (29 U.S.C. 1181(f) (1)) is amended—

20 (1) in subparagraph (A), by inserting "or was receiving
21 medical assistance under title XIX of the Social Security
22 Act" after "or had health insurance coverage";

23 (2) in subparagraph (B), by inserting "or eligibility
24 for such medical assistance" after "or health insurance
25 coverage";

26 (3) in subparagraph (C)—

20

(A) in the matter preceding clause (i), by inserting "or medical assistance" after "coverage";

(B) in clause (ii), by striking the period at the end and inserting "; or"; and

(C) by adding after clause (ii) the following new clause:

"(iii) was terminated as a result of loss of eligibility for such medical assistance"; and

(4) in subparagraph (D), by inserting "or termination of medical assistance" before the period at the end.

(c) AMENDMENT TO INTERNAL REVENUE CODE OF 1984.—Section 9801(f)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 9801(f)(1)) is amended—

(1) in subparagraph (A), by inserting "or was receiving medical assistance under title XIX of the Social Security Act" after "or had health insurance coverage";

(2) in subparagraph (B), by inserting "or eligibility for such medical assistance" after "or health insurance coverage";

(3) in subparagraph (C)—

(A) in the matter preceding clause (i), by inserting "or medical assistance" after "coverage";

(B) in clause (ii), by striking the period at the end and inserting "; or"; and

(C) by adding after clause (ii) the following new clause:

21

1 " (11) was terminated as a result of loss of
2 eligibility for such medical assistance"; and
3 (4) in subparagraph (D), by inserting "or termination
4 of medical assistance" before the period at the end.

5 **SEC. 202. HIPAA RULES CONCERNING BREAK IN COVERAGE RESULTING**
6 **FROM NONPAYMENT OF PREMIUMS.**

7 (a) AMENDMENTS TO PUBLIC HEALTH SERVICE ACT.—

8 (1) GROUP MARKET.—

9 (A) DISREGARD IN DETERMINING LENGTH OF BREAK IN
10 COVERAGE.—Section 2701(c)(2) of the Public Health
11 Service Act (42 U.S.C. 300qq(c)(2)) is amended by
12 adding at the end the following new subparagraph:

13 "(C) SPECIAL RULE FOR NONPAYMENT FOR COVERAGE BY
14 GROUP PLAN.—For purposes of subparagraph (A) and
15 subsection (d)(4), if the coverage of an individual as
16 a participant or beneficiary under a group health plan
17 has lapsed or terminated because of the plan's failure
18 to make premium or other required payments, the period
19 between the date of such lapse or termination and the
20 date on which the individual (or the participant under
21 whose coverage the individual is a beneficiary) is
22 notified in writing by the plan, or by the health
23 insurance issuer providing health insurance coverage in
24 connection with the plan, that the participant's or
25 beneficiary's coverage has been terminated shall not be
26 taken into account in determining the continuous period

22

under subparagraph (A) and subsection (d)(4).".

(B) SPECIAL ENROLLMENT PERIODS.—Section

2701(f)(1)(D) of that Act (42 U.S.C. 300gg(f)(1)(D)),

as amended by section 201, is amended by striking "30

days after" and all that follows and inserting "30 days

after—

"(i) the date of exhaustion of coverage or
medical assistance described in subparagraph

(C)(ii); or

"(ii) the date the employee is notified in
writing by the plan or health insurance issuer of
the termination of employer contributions
described in subparagraph (C)(ii).".

(2) INDIVIDUAL MARKET.—Section 2741(b)(3) of that Act
(42 U.S.C. 300gg-41(b)(3)) is amended by striking all that
follows "was not terminated" and inserting "based on the
individual's nonpayment of employee contributions to the
premium or on fraud committed by the individual or, with
respect to the coverage of a dependent, on fraud committed
by the dependent.".

(b) AMENDMENTS TO EMPLOYEE RETIREMENT INCOME SECURITY ACT
OF 1974.—

(1) DISREGARD IN DETERMINING LENGTH OF BREAK IN
COVERAGE.—Section 701(c)(2) of the Employee Retirement
Income Security Act of 1974 (29 U.S.C. 1101(c)(2)) is
amended by adding at the end the following new subparagraph:

1 "(C) SPECIAL RULE FOR NONPAYMENT FOR COVERAGE BY
2 GROUP PLAN.—For purposes of subparagraph (A) and
3 subsection (d) (4), if the coverage of an individual as
4 a participant or beneficiary under a group health plan
5 has lapsed or terminated because of the plan's failure
6 to make premium or other required payments, the period
7 between the date of such lapse or termination and the
8 date on which the individual (or the participant under
9 whose coverage the individual is a beneficiary) is
10 notified in writing by the plan, or by the health
11 insurance issuer providing health insurance coverage in
12 connection with the plan, that the participant's or
13 beneficiary's coverage has been terminated shall not be
14 taken into account in determining the continuous period
15 under subparagraph (A) and subsection (d) (4).".

16 (2) SPECIAL ENROLLMENT PERIODS.—Section 701(f) (1) (D)
17 of that Act (29 U.S.C. 1181(f) (1) (D)), as amended by section
18 201, is amended by striking "30 days after" and all that
19 follows and inserting "30 days after—

20 "(i) the date of exhaustion of coverage or
21 medical assistance described in subparagraph
22 (C) (ii); or

23 "(ii) the date the employee is notified in
24 writing by the plan or health insurance issuer of
25 the termination of employer contributions
26 described in subparagraph (C) (ii).".

1 (c) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

2 (1) DISREGARD IN DETERMINING LENGTH OF BREAK IN
3 COVERAGE.—Section 9801(c)(2) of the Internal Revenue Code
4 of 1986 (26 U.S.C. 9801(c)(2)) is amended by adding at
5 the end the following new subparagraph:

6 " (C) SPECIAL RULE FOR NONPAYMENT FOR COVERAGE BY
7 GROUP PLAN.—For purposes of subparagraph (A) and
8 subsection (d)(4), if the coverage of an individual as
9 a participant or beneficiary under a group health plan
10 has lapsed or terminated because of the plan's failure
11 to make premium or other required payments, the period
12 between the date of such lapse or termination and the
13 date on which the individual (or the participant under
14 whose coverage the individual is a beneficiary) is
15 notified in writing by the plan, or by the health
16 insurance issuer providing health insurance coverage in
17 connection with the plan, that the participant's or benef
18 iciary's coverage has been terminated shall not be taken into
19 account in determining the continuous period under
20 subparagraph (A) and subsection (d)(4)."

21 (2) SPECIAL ENROLLMENT PERIODS.—Section 9801(f)(1)(D)
22 of that Act (26 U.S.C. 9801(f)(1)(D)), as amended by section
23 201, is amended by striking "30 days after" and all that
24 follows and inserting "30 days after—

25 "(i) the date of exhaustion of coverage or
26 medical assistance described in subparagraph

25

1 (C)(ii); or

2 " (ii) the date the employee is notified in
3 writing by the plan or health insurance issuer of
4 the termination of employer contributions
described in subparagraph (C)(ii).".

From Andrea

On and Off Medicaid: Enrollment Patterns for California and Florida in 1995

Marilyn R. Ellwood
Kimball Lewis
*Mathematica Policy
Research, Inc.*

Occasional Paper Number 27

Assessing
the New
Federalism
*An Urban Institute
Program to Assess
Changing Social Policies*

Executive Summary

Background

The recent decline in Medicaid caseloads reported by many states implies that a large proportion of families leaving welfare are not continuing to qualify for Medicaid. This is not what policymakers expected, since Medicaid has several means by which a family can maintain eligibility after welfare, including transitional coverage for persons going to work, poverty-related coverage for children, and medically needy programs. In addition, the continued phase-in of poverty-related expansions for children was expected to help offset welfare declines.

There has long been concern, however, that these nonwelfare routes to Medicaid eligibility do not work well. Several researchers have reported low participation rates among persons qualifying for Medicaid through the various eligibility provisions not tied to welfare.

Study Objectives

This study used Medicaid administrative data to see how declines in welfare enrollment in California and Florida during 1995 affected Medicaid. During that time, both states used waivers to reform their welfare programs, and both experienced declines in their welfare caseloads. We followed persons leaving Aid to Families with Dependent Children (AFDC) to see if they stayed on Medicaid and what eligibility provisions they used to maintain coverage. We also analyzed the overall Medicaid enrollment patterns of these states in 1995 to better understand how enrollment changed, with particular attention to what happened with the poverty-related child coverage. Finally, we examined the level of turnover in each state's Medicaid caseload during 1995. Medicaid managed care program administrators have complained about turnover among the Medicaid population.

Thus, the study was designed to fill several gaps in our understanding of Medicaid enrollment patterns. Even though the study period predates the federal welfare reform initiative, both states, at least through 1998, continued to operate their Medicaid eligibility systems in much the same manner as in 1995.

Data Source and Study Design

The study uses data from the Health Care Financing Administration's (HCFA) State Medicaid Research Files (SMRF) for 1995. The person-based SMRF files include detailed monthly data on the eligibility status of all Medicaid enrollees, enabling us to track when individuals were on and off Medicaid. The files also include information on the use of specific eligibility groups, such as transitional assistance and child poverty-related coverage. We did a special cohort analysis of persons leaving AFDC, tracking their Medicaid status for six months after AFDC exit.

Findings

In both California and Florida in 1995, about half the children leaving AFDC left Medicaid as well. We found this same pattern with adults in California, while in Florida two-thirds of the adults exiting AFDC lost their Medicaid eligibility. Transitional assistance, which covers up to 12 months of Medicaid for persons leaving welfare because of increased earnings, was used by only 6 percent of the adults in California six months after AFDC exit, compared with 9 percent in Florida. However, California made greater use of its medically needy provisions to provide continued Medicaid coverage to both children and adults than did Florida. This is not surprising, because California's medically needy income level was one-third higher than its AFDC level, while Florida's medically needy income level was set at the same level as AFDC. Florida made greater use of the poverty-related provisions for children exiting AFDC than did California. To some extent, the eligibility groups used were arbitrary, since individual family members often qualified for continued Medicaid under multiple provisions. More importantly, at least half the children and adults leaving AFDC in both states did not stay on Medicaid.

From one-quarter to one-third of the Medicaid caseloads in each state turned over during the year, and 7 to 10 percent of the enrollees had interruptions in their Medicaid enrollment during the year (usually referred to as churning). Caseload turnover and churning are appropriate when children and their parents leave Medicaid because they no longer qualify. However, they are not appropriate if families who remain eligible become uninsured. Between the two states, 1.1 million children were enrolled in Medicaid at some point during 1995 but were not enrolled at year end. Given the persistence in the rates of uninsured children in both states, it seems plausible that many of these children did not move to private insurance coverage.

Finally, the 1995 growth in the number of children covered under the poverty-related provision was due to the transfer of enrollees from AFDC cash and other eligibility groups. Contrary to expectations, the poverty-related groups were not bringing lots of "new" children into Medicaid.

By the end of 1995, the number of AFDC recipients had dropped by 2 percent in California and 11 percent in Florida. These losses in AFDC contributed to year-end Medicaid enrollment declines of 2 percent and 4 percent, respectively.

Conclusions

The study results suggest that declines in welfare caseloads lead to declines in Medicaid enrollment. Indeed, in both states, Medicaid declines continue to go hand-in-hand with drops in the welfare caseload. From January 1996 to January 1998, California's average monthly Medicaid enrollment was down 11 percent, while Florida's was down 12 percent. Outreach efforts related to the Children's Health Insurance Program may eventually help stimulate greater use of Medicaid's poverty-related provisions for children, but states should consider other actions as well. Medicaid programs need to examine their administrative practices to ensure that qualified persons leaving AFDC remain enrolled in Medicaid. Among families leaving welfare for work, many more should remain enrolled in Medicaid under the transitional coverage provisions. These results also suggest that the level of turnover in Medicaid caseloads is a problem and that states should improve their efforts to keep eligibles enrolled. Some of the current emphasis on outreach may need to be refocused to ensure that children (and their parents) remain in the program as long as they are eligible. States should also seriously consider guaranteeing child enrollment for 12 months. Without steps like these, state Medicaid programs may be inadvertently contributing to the lack of insurance among low-income children and adults.

(C) Children born into families receiving welfare assistance are 3 times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

(D) Mothers under 20 years of age are at the greatest risk of bearing low birth weight babies.

(E) The younger the single-parent mother, the less likely she is to finish high school.

(F) Young women who have children before finishing high school are more likely to receive welfare assistance for a longer period of time.

(G) Between 1985 and 1990, the public cost of births to teenage mothers under the aid to families with dependent children program, the food stamp program, and the medicaid program has been estimated at \$120,000,000,000.

(H) The absence of a father in the life of a child has a negative effect on school performance and peer adjustment.

(I) Children of teenage single parents have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(J) Children of single-parent homes are 3 times more likely to fail and repeat a year in grade school than are children from intact 2-parent families.

(K) Children from single-parent homes are almost 4 times more likely to be expelled or suspended from school.

(L) Neighborhoods with larger percentages of youth aged 12 through 20 and areas with higher percentages of single-parent households have higher rates of violent crime.

(M) Of those youth held for criminal offenses within the State juvenile justice system, only 29.8 percent lived primarily in a home with both parents. In contrast to these incarcerated youth, 73.9 percent of the 62,800,000 children in the Nation's resident population were living with both parents.

(10) Therefore, in light of this demonstration of the crisis in our Nation, it is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by section 103(a) of this Act) is intended to address the crisis.

SEC. 102. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

SEC. 103. BLOCK GRANTS TO STATES.

(a) IN GENERAL.—Part A of title IV (42 U.S.C. 601 et seq.) is amended—

(1) by striking all that precedes section 418 (as added by section 603(b)(2) of this Act) and inserting the following:

“PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

“SEC. 401. PURPOSE.

42 USC 601.

“(a) IN GENERAL.—The purpose of this part is to increase the flexibility of States in operating a program designed to—

“(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

“(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

“(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

“(4) encourage the formation and maintenance of two-parent families.

“(b) NO INDIVIDUAL ENTITLEMENT.—This part shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part.

“SEC. 402. ELIGIBLE STATES; STATE PLAN.

42 USC 602.

“(a) IN GENERAL.—As used in this part, the term ‘eligible State’ means, with respect to a fiscal year, a State that, during the 2-year period immediately preceding the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

“(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—

“(A) GENERAL PROVISIONS.—A written document that outlines how the State intends to do the following:

“(i) Conduct a program, designed to serve all political subdivisions in the State (not necessarily in a uniform manner), that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.

“(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.

“(iii) Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407.

“(iv) Take such reasonable steps as the State deems necessary to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the Federal Government.

“(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy

Proposal for Welfare High Performance Bonus Measures on Food Stamps and Medicaid Enrollment

FOOD STAMPS

The proposal would measure the improvement in the proportion of low-income working families obtaining food stamps. Specifically, the formula would be:

*# of families with children under 18 with income < 130% poverty line and
earnings equal to at least half-time, full-year minimum wage
receiving food stamps*

divided by

*# of families with children under 18 with income < 130% poverty line and
earnings equal to at least half-time, full-year minimum wage*

Data: Census Bureau American Community Survey, for which the Administration is seeking funding.

MEDICAID/CHIP

To be considered eligible for the Medicaid/CHIP bonus, states must first meet the following:

All four of the following mandatory process measures:

- State has issued policy instructions or regulations specifying that, at first contact with the TANF agency, individuals must be given the opportunity to apply for Medicaid.
- When welfare-related (section 1931) eligibility is lost, a state must issue the family written notice and a card or other evidence of their entitlement to assistance.
- State has issued policy instructions or regulations specifying that members may not be terminated until determined that they are not eligible under any other Medicaid group.
- All data requirements under the law are fulfilled, including being up to date on all Medicaid and CHIP data submissions as well as the MSIS system on line and working.

Two of the seven following optional process measures:

- State accepts mail or phone applications for family and children, without requiring a face-to-face interview.
- State Medicaid workers have been outstationed at locations in addition to those required.
- Medicaid eligibility has been expanded through the use of more liberal 1931 mechanisms.
- The determination of whether a parent is unemployed has been broadened to include parents who are employed more than 100 hours per month.
- State provides continuous eligibility for children for a period of time without regard to changes in circumstances.
- State provides a period of presumptive eligibility for children who are likely to be eligible.
- State has simplified enrollment and reenrollment process for children and low-income families.

Once a state is eligible, the bonus would be awarded according to the following formula:

of non-disabled, non-elderly individuals enrolled in Medicaid/CHIP as determined by state MSIS data

divided by

of individuals in families with children under 18 with incomes < 200% FPL as determined by ACS data

ALLOCATION OF BONUS AWARD FUNDS

For FY 2002 and beyond, the proposal would allocate the \$200 million available under the High Performance Bonus as follows:

- \$140 million, or 70 percent of total funds, would be allocated for the four work measures – see table below.
- \$60 million, or 30 percent of total funds, would be allocated for the non-work measures (\$15 million for each): (1) Medicaid enrollment, (2) Food Stamps enrollment, (3) family formation and family stability – defined as year-to-year increase in percent of children below 200% of poverty living in married couple families, and (4) child and family well-being – defined as year-to-year reduction in state child poverty rate.

Prior to FY 2002, the bonuses would be awarded on the basis of the four work measures only.

States would be ranked for each category and bonuses would be awarded to the ten states with the best performance.

Measure	FY 1999 and FY 2000*		FY 2002 -- Proposal		
	Amount	% of total	Amount	% of work bonus	% of total
Job Entry	\$80 M	40%	\$60 M	43%	30%
Success in Workforce	\$50 M	25%	\$40M	28%	20%
Improvement in Job Entry	\$40 M	20%	\$25M	18%	13%
Improvement in Success in Workforce	\$30 M	15%	\$15M	11%	7%
Medicaid			\$15 M		7.5%
Food Stamps			\$15 M		7.5%
Family Formation			\$15 M		7.5%
Child Well-Being			\$15 M		7.5%
TOTAL	\$200 M	100%	\$200 M		100%

* Currently, we plan to issue guidance extending the FY 2000 approach through FY 2001.



**Executive Office of the President of the United States
Office of Management and Budget**

*Office of Information and Regulatory Affairs
Human Resources and Housing Branch
New Executive Office Building
Room 10235
Washington, DC 20503*

FAX TRANSMITTAL

FAX: 202-395-6974

DATE: 8/5

TO: ANIL K - CYNTHIA - ANDREA

FROM: DAN CITRONE

Total number of pages (Including Transmittal Sheet):

18

Recipient's Fax Number:

55730

Recipient's Telephone Number:

Comments:

HEB CHANGES RE -- MEDICATION & FOOD STAMPS



ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of Legislative Affairs and Budget (OLAB)

Madeline Mocko, Director
370 L'Enfant Promenade SW
7th Floor West - Aerospace Building
Washington DC 20447
Tel: (202)401-9223
Fax: (202)401-4562

TO: Heidi Glaze DATE: 8/3/99
FAX: () 395 - 6974
SUBJECT: High Performance Bonus Regs

☐ AS REQUESTED

☒ COMMENT

☐ CLEARANCE

☐ FYI

Attached are change pages
addressing the Ford Stamps
and Medicaid performance
measures. We are very
interested in getting your
reaction/comments on this
proposed approach.

Thank you -

Madely

Please let me know when you'd
like to reschedule our meeting.

Preamble Language

child is generally tied to the amount and quality of human and economic resources available to that child. Children who live in a household with one parent are five times more likely to have family incomes below the poverty line than are children who grow up in a household with two parents.

We also know that children who live with only one parent suffer more emotional, behavioral, and intellectual problems. They are at greater risk of dropping out of school, alcohol and drug use, adolescent pregnancy and childbearing, juvenile delinquency, mental illness, and suicide.

Using this measure would entail no new data collection responsibilities on the part of States, assuming the new ACS data are available.

MEASURES RELATED TO PARTICIPATION IN THE MEDICAID/CHIP AND THE
FOOD STAMP PROGRAMS

One of the key goals of welfare reform is to support and sustain working families. Food Stamps and Medicaid are potentially essential supports during the period when families are working but are not yet earning at the level that will enable them to achieve full self-sufficiency. The Administration has expressed concern at the falling levels of coverage in these programs and has sought out a variety of strategies to prompt states to reach

working families who are eligible.

o MEDICAID/CHIP

Medicaid enrollment dropped by about 1 million from 1996 to 1997. Though there are many potential reasons for the decline, we do not have any definitive answers about why it has occurred. Improvements in earnings and employment resulting from the strong national economy have probably played an important role in this decline, making it possible for some low-income Medicaid families to find jobs that offer health insurance. It is also important to note that while Medicaid enrollment has declined, the number of people under the poverty level who are uninsured has not increased from 1996 to 1997. Changes in attitudes toward public assistance may also be playing a role in falling TANF, Food Stamp, and Medicaid caseloads.

To help States navigate the opportunities and challenges inherent in providing Medicaid to all eligible families, DHHS developed and issued "Supporting Families in Transition; A Guide to Expanding Health Coverage in the Post-Welfare Reform World." This publication was sent to all State Medicaid Directors and other interested parties. We have a follow-up strategy that includes an educational component, aggressive outreach, and a proactive enforcement process. For example, in New York, the State has agreed to provide Medicaid applications without delay

at all TANF offices and in Maryland we have worked with the State to identify and correct a problem that existed when TANF cases closed. We are also undertaking research activities to promote increased participation of eligible individuals in these programs.

o FOOD STAMPS

Like child care, the Earned Income Tax Credit, and Medicaid, receipt of food stamps is an important support for working families. Our colleagues at USDA are committed to ensuring eligible families obtain food stamps. Families with incomes up to 130 percent of the poverty line, or \$17,748 for a family of three, can be eligible for food stamps. A typical family of three with a full time worker earning the minimum wage can get \$220 a month in food stamps. The President recently announced a series of actions to help ensure working families access to food stamps, including: (1) allowing States to make it easier for working families to own a car and still be eligible for food stamps; (2) simplifying food stamp reporting rules to reduce bureaucracy and encourage work; and (3) launching a nationwide public education campaign and a toll-free hotline to help working families know whether they're eligible for food stamps.

As part of this effort, USDA has published a companion piece to the HHS Medicaid guide, "The Nutrition Safety Net at Work for

Families: A Primer for Enhancing the Nutrition Safety Net for Workers and Their Children" that will assist State, local and community leaders in understanding Food Stamp Program access requirements and include best practices for serving working families already implemented in some communities. As it pursues these public education efforts, USDA is committed to vigorous enforcement of the food stamp law and will investigate complaints about State and local practices and pursue administrative and legal action as required.

It is in this context that we are proposing performance measures related to these two programs that will focus on the proportions of low-income families served (using a reasonable proxy for eligible families) and reward States for year to year improvements. We believe that including high performance bonus measures relating to receipt of food stamps and Medicaid/CHIP by eligible working families in the NPRM will provide another valuable strategy in the Administrations's efforts, advance the goals of welfare reform, focus attention on these critical supports, assist working families, improve outcomes for children, and encourage States to take action to increase the likelihood that low-income families not receiving cash assistance will participate.

A. Measure of participation in the Food Stamp Program

In paragraph (e), we propose that, beginning in FY 2002, we will

measure the improvement in the number of low-income working families (i.e., families with children under the age of 18 who have an income of less than 130 percent of poverty and earnings equal to at least half-time, full-year minimum wage) receiving food stamps as a percentage of the number of low-income families working in the State. For any given year, we will compare a State's performance on this measure to its performance in the previous year, beginning with a comparison of CY 2000 to CY 2001, based on ACS data. We will rank all States and will award bonuses to the 10 States with the greatest improvement in this measure.

We are proposing this measure in order to encourage States to provide food stamps to eligible, low-income working families. In recent years, States have taken remarkable action to revolutionize the welfare system. A strong economy combined with innovative State policies and an unyielding commitment to helping families become self-sufficient as they move from welfare to work has resulted in a dramatic decline in the number of families receiving cash assistance. Many more individuals are now working to support themselves and their families than ever before. Critical to their continued success, however, is their ability to feed their families adequately. Parents working full-time at minimum wage who are taking advantage of the maximum Earned Income Tax Credit can only reach the poverty line if they also receive food stamps. These individuals may only be able to keep

their jobs and feed their families because food stamps help make ends meet.

Participation in the Food Stamp Program, however, has decreased dramatically in recent years. Since March 1996, participation has fallen by over 7 million people. One group for which participation is especially low is the working poor; only 39 percent of individuals with earnings who are eligible for food stamps benefits participate in the Food Stamp Program, compared to a participation rate of 71 percent overall.

Food stamps can make the difference between living in poverty and moving beyond it. It is imperative to the success of welfare reform, and more fundamentally to the well-being of all Americans, that States devote attention to making sure that needed supportive services, in particular food stamps, are available to those families that have left welfare but remain poor.

B. Measure of participation in the Medicaid/CHIP Program

In paragraph (f), we propose to require that States meet the following mandatory process measures in order to be considered for a high performance bonus related to Medicaid and CHIP participation:

(1) The State has issued policy instructions or regulations clearly specifying that, at first contact with the TANF agency, an individual must be given the opportunity to apply for Medicaid in accordance with 42 CFR 435.906;

(2) When eligibility under section 1931 of the Act is lost due to hours of, or earnings from, employment or loss of the time-limited earnings disregards, a written notice which meets the requirements of section 1925(2)(A) of the Act and a card or other evidence of the family's entitlement to assistance as required under section 1925(2)(B) of the Act are issued to the family;

(3) The state has issued policy instructions or regulations clearly specifying that family members may not be terminated from Medicaid until it has been determined that they are not eligible under any other Medicaid group;

(4) All data requirements under the law are fulfilled, including being up to date on all Medicaid and CHIP data submissions as well as having the MSIS system on line and working properly.

These mandatory process measures reflect Medicaid policies that are required by statute or regulation. We do not believe that a State which is out of compliance with these requirements should

be eligible for a bonus. HCFA will determine whether a State is meeting these mandatory process measures through its ~~outgoing~~ oversight of the Medicaid program.

In addition, we propose to require that a State meet at least two of the following optional process measures in order to be considered for a high performance bonus related to Medicaid and CHIP participation:

(1) Mail-in or phone-in applications for Medicaid for a family and for children are accepted and can be completed without a face-to-face interview;

(2) State Medicaid workers have been outstationed at locations in addition to the locations required under 42 CFR 435.904 (c) (1) and (c) (2);

(3) Medicaid eligibility for recipient and applicant families has been expanded through the use of more liberal methodologies authorized by section 1931 of the Act;

(4) The determination of whether a parent is unemployed has been liberalized to include parents who are employed more than 100 hours per month as authorized under 45 CFR 233.101 or section 1931(d) of the Act;

(5) The State provides continuous Medicaid eligibility for children for a period of time without regard to changes in circumstances as authorized by section 1902(e)(12) of the Act;

(6) The State provides a period of presumptive Medicaid eligibility for children, determined by qualified entities to be likely to be eligible as authorized by section 1920(A) of the Act; or

(7) Enrollment and reenrollment process for children and low income families have been simplified as evidenced by such actions as shortened application forms, and reduced documentation and verification requirements for the eligibility application and redetermination process in quantity and/or frequency.

We have proposed that a state must have implemented at least two of these optional process measures because we believe that only States which have taken extra steps to assure that all eligible families and children are enrolled in Medicaid should be eligible for a bonus. HCFA will determine whether a State has implemented two of these optional process measures through its ^{on} ~~out~~going review of the Medicaid program.

Beginning in FY 2002, we propose to measure the improvement in the ratio of the number of non-disabled, non-elderly individuals enrolled in Medicaid or a State-only CHIP program as determined

by State MSIS data, to the number of individuals in families with children under age 18 with incomes less than 200 percent of poverty in the State, as determined by ACS data. Because reporting of State-only CHIP program data through MSIS is voluntary, we will use quarterly State-only CHIP enrollment reports provided on the HCFA-21E when a State has chosen not to report this information through MSIS. We specifically invite comments about using families with income below 200 percent of poverty in the measure.

Data for CY 2000 will be compared with data for CY 2001 and States will be ranked according to the percentage improvement. We will award bonuses to the top ten States which have met the mandatory and optional process measures as explained above.

CONSIDERATION OF OTHER MEASURES

We considered a number of other measures related to non-work goals in the law. These included:

- o Child support: The average monthly number of TANF families that have both earned income and child support paid within the same month.

Regulatory Laguage

million in bonus funds annually, subject to Congressional authorization and the availability of the appropriation.

(b) The amount payable to a State in a bonus year may not exceed five percent of a State's family assistance grant.

\$270.4 On what measures will we base the bonus awards?

(a) Performance measures: general

We will base the high performance bonus awards on four work measures; one measure of child and family well-being; one measure of family formation and family stability; and two measures that support work and self-sufficiency, i.e., participation in the Medicaid/CHIP program and participation by low-income working families in the Food Stamp program.

(b) Work Measures

(1) Beginning in FY 2002, we will measure State performance on the following work measures:

- (i) Job entry rate;
- (ii) Success in the work force rate;
- (iii) Increase in the job entry rate; and
- (iv) Increase in success in the work force rate.

(2) For any given year, we will score and rank competing States and award bonuses to the ten States with the highest scores in each work measure.

(3) Each State has the option to compete on one, any number of, or none of the work measures specified in this paragraph.

(c) Measure of child and family well-being

(1) Beginning in FY 2002, we will measure the reduction in the rate of child poverty in each State, based on a comparison of data between calendar year (CY) 2000 and CY 2001 from the American Community Survey (ACS). For any given subsequent year, we will compare a State's performance on this measure to its performance in the previous year.

(2) We will rank all States and will award bonuses to the ten States with the greatest percentage improvement in reducing the child poverty rate.

(d) Measure of family formation and stability

(1) Beginning in FY 2002, we will measure the increase in the percent of children below 200 percent of poverty in each State who reside in married couple families, based on a comparison of data between CY 2000 and CY 2001 from the ACS. For any given subsequent year, we will compare a State's performance on this measure to its performance in the previous year.

(2) We will rank all States and will award bonuses to the ten States with the greatest percentage improvement in this measure.

(e) Measure of participation by low-income working families in the Food Stamp Program

(1) Beginning in FY 2002, we will measure the improvement in the number of low-income working families (i.e., families with children under age 18 who have an income less than 130 percent of

poverty and earnings equal to at least half-time, full-year minimum wage) receiving Food Stamps as a percentage of the number of low-income working families (as defined in this paragraph) in the State.

(2) For any given year, we will compare a State's performance on this measure to its performance in the previous year, beginning with a comparison of CY 2000 to CY 2001, based on ACS data.

(3) We will rank all States and will award bonuses to the 10 States with the greatest percentage improvement in this measure.

(f) Measure of participation in the Medicaid/CHIP Program

(1) Conditions

In order to compete on the Medicaid/CHIP outcome measure in paragraph (f)(4) of this section, States must meet all mandatory process measures and have implemented two optional measures.

(2) Mandatory Process Measures

(i) The State has issued policy instructions or regulations clearly specifying that, at first contact with the TANF agency, an individual must be given the opportunity to apply for Medicaid in accordance with 42 CFR 435.906;

(ii) When eligibility under section 1931 of the Act is lost

due to hours of, or earnings from, employment or loss of the time-limited earnings disregards, a written notice which meets the requirements of section 1925(2)(A) of the Act, and a card or other evidence of the family's entitlement to assistance, as required under section 1925(2)(B) of the Act, are issued to the family;

(iii) The State has issued policy instructions or regulations clearly specifying that family members may not be terminated from Medicaid until it has been determined that they are not eligible under any other Medicaid group; and,

(iv) All data requirements under the law are fulfilled, including being up to date on all Medicaid and CHIP data submissions as well as having the MSIS system on line and working properly.

(3) Optional Process Measures

(i) Mail-in or phone-in applications for Medicaid for a family and for children are accepted and can be completed without a face-to-face interview;

(ii) State Medicaid workers have been outstationed at locations in addition to the locations required under 42 CFR 435.904 (c)(1) and (c)(2);

(iii) Medicaid eligibility for recipient and applicant

families has been expanded through the use of more liberal methodologies authorized by section 1931 of the Act;

(iv) The determination of whether a parent is unemployed has been liberalized to include parents who are employed more than 100 hours per month as provided under 45 CFR 233.101 or section 1931(d) of the Act;

(v) The State provides continuous Medicaid eligibility for children for a period of time without regard to changes in circumstances as authorized by section 1902(e)(12) of the Act;

(vi) The State provides a period of presumptive Medicaid eligibility for children, determined by qualified entities to be likely to be eligible as authorized by section 1920(A) of the Act; or

(vii) Enrollment and reenrollment processes for children and low income families have been simplified as evidenced by such actions as shortened application forms, and reduced documentation and verification requirements for the eligibility application and redetermination process in quantity and/or frequency.) An application for Medicaid for a family and for children can be completed without a face-to-face interview.

(4) Outcome measure

(i) Beginning in FY 2002, we will measure the improvement in

the ratio of the number of non-disabled, non-elderly individuals enrolled in Medicaid or a State-only CHIP program as determined by State MSIS data, to the number of individuals in families with children under age 18 with incomes less than 200 percent of poverty in the State, as determined by ACS data. Because reporting of State-only CHIP program data through MSIS is voluntary, we will use quarterly State-only CHIP enrollment reports provided on the HCFA-21E when a State has chosen not to report this information through MSIS.

(ii) In FY 2002, we will base this measure on a comparison of data between CY 2000 and CY 2001, in part, from State data submitted to HCFA through the MSIS system (and the quarterly reports made on the HCFA-21E if State-only CHIP program data is reported through MSIS) and, in part, from data from the ACS. For any given subsequent year, we will compare a State's performance on this measure to its performance in the previous year.

(iii) We will rank all States that meet the conditions in paragraph (F)(1) of this section and will award bonuses to the 10 States with the greatest percentage improvement in this measure.

\$270.5 What factors will we use to determine a State's score on the work measures?

(a) Definitions

The work measures are defined as follows:

(1) The Job Entry Rate means the unduplicated number of adult recipients who entered not fully subsidized employment for the first time in the performance year (job entries) as a percent

Table 1: State Allocations and Expenditures from \$500 Million Fund, of 3-99

STATE	Total (Base and Secondary) State Allocation from \$500 million TANF fund	Expenditures from \$500 million TANF fund, as of 3-99	%Spent of Total Allocation	Amount Remaining of Allocation, as of 3-99	Date by which funds must be used (no later than 9/30/00)
ALABAMA	\$ 6,504,897	\$ 0	0%	\$ 6,504,897	11/15/99
ALASKA	\$ 3,039,335	\$ 7,500	0%	\$ 3,031,835	07/01/00
ARIZONA	\$ 7,891,803	\$ 17,801	0%	\$ 7,873,702	10/01/99
ARKANSAS	\$ 5,095,513	\$ 1,117,803	22%	\$ 3,977,710	07/01/00
CALIFORNIA	\$ 83,719,458	\$ 4,453,488	5%	\$ 79,265,980	11/28/99
COLORADO	\$ 5,188,316	\$ 0	0%	\$ 5,188,316	07/01/00
CONNECTICUT	\$ 5,756,737	\$ 0	0%	\$ 5,756,737	10/01/99
DELAWARE	\$ 2,801,757	\$ 233	0%	\$ 2,801,524	03/10/00
DISTRICT OF COLUMBIA	\$ 3,259,072	\$ 0	0%	\$ 3,259,072	03/01/00
FLORIDA	\$ 22,282,239	\$ 950,856	4%	\$ 21,311,383	10/01/99
GEORGIA	\$ 11,591,549	\$ 0	0%	\$ 11,591,549	01/01/00
HAWAII	\$ 3,435,742	\$ 0	0%	\$ 3,435,742	07/01/00
IDAHO	\$ 3,288,535	\$ 541,328	16%	\$ 2,747,207	07/01/00
ILLINOIS	\$ 19,363,894	\$ 15,018	0%	\$ 19,348,878	07/01/00
INDIANA	\$ 7,545,182	\$ 452,521	6%	\$ 7,092,641	10/01/99
IOWA	\$ 4,782,362	\$ 2,405,247	50%	\$ 2,377,115	01/01/00
KANSAS	\$ 4,498,388	\$ 389,409	9%	\$ 4,108,977	10/01/99
KENTUCKY	\$ 7,289,014	\$ 0	0%	\$ 7,289,014	10/18/99
LOUISIANA	\$ 9,029,185	\$ 0	0%	\$ 9,029,185	01/01/00
MAINE	\$ 3,589,238	\$ 0	0%	\$ 3,589,238	11/01/99
MARYLAND	\$ 7,595,943	\$ 0	0%	\$ 7,595,943	12/09/99
MASSACHUSETTS	\$ 9,463,480	\$ 1,896,987	18%	\$ 7,787,503	09/30/99
MICHIGAN	\$ 15,975,445	\$ 2,808,516	18%	\$ 13,366,929	09/30/99
MINNESOTA	\$ 7,709,789	\$ 3,798,870	49%	\$ 3,910,999	07/01/00
MISSISSIPPI	\$ 6,617,604	\$ 197,878	3%	\$ 6,419,926	10/01/99
MISSOURI	\$ 8,561,885	\$ 3,298,443	39%	\$ 5,283,522	12/01/99
MONTANA	\$ 2,764,134	\$ 7,653	0%	\$ 2,756,481	02/01/00
NEBRASKA	\$ 3,308,247	\$ 0	0%	\$ 3,308,247	12/01/99
NEVADA	\$ 3,258,808	\$ 3,258,808	100%	\$ 0	12/03/99
NEW HAMPSHIRE	\$ 2,875,952	\$ 302,916	11%	\$ 2,573,036	10/01/99
NEW JERSEY	\$ 11,012,253	\$ 3,078,591	28%	\$ 7,933,662	02/01/00
NEW MEXICO	\$ 4,860,333	\$ 0	0%	\$ 4,860,333	07/01/00
NEW YORK	\$ 37,034,556	\$ 387,892	1%	\$ 36,646,664	12/02/99
NORTH CAROLINA	\$ 11,550,703	\$ 0	0%	\$ 11,550,703	01/01/00
NORTH DAKOTA	\$ 2,537,922	\$ 47,094	2%	\$ 2,490,828	07/01/00
OHIO	\$ 16,909,161	\$ 2,915,724	17%	\$ 13,993,437	10/01/99
OKLAHOMA	\$ 5,938,082	\$ 291,222	5%	\$ 5,646,860	10/01/99
OREGON	\$ 5,740,856	\$ 1,497,655	26%	\$ 4,243,001	10/01/99
PENNSYLVANIA	\$ 17,553,339	\$ 2,854	0%	\$ 17,550,485	03/03/00
RHODE ISLAND	\$ 3,459,771	\$ 3,002	0%	\$ 3,456,769	05/01/00
SOUTH CAROLINA	\$ 6,221,783	\$ 0	0%	\$ 6,221,783	10/12/99
SOUTH DAKOTA	\$ 2,842,597	\$ 824,458	31%	\$ 1,818,139	12/01/99
TENNESSEE	\$ 9,250,889	\$ 0	0%	\$ 9,250,889	10/01/99
TEXAS	\$ 27,523,806	\$ 0	0%	\$ 27,523,806	11/05/99
UTAH	\$ 4,006,172	\$ 0	0%	\$ 4,006,172	10/01/99
VERMONT	\$ 2,891,672	\$ 0	0%	\$ 2,891,672	09/20/99
VIRGINIA	\$ 8,531,522	\$ 2,020,109	24%	\$ 6,511,413	02/01/00
WASHINGTON	\$ 10,443,170	\$ 2,364,205	23%	\$ 8,078,965	01/10/00
WEST VIRGINIA	\$ 5,420,593	\$ 121,629	2%	\$ 5,298,964	01/11/00
WISCONSIN	\$ 7,023,766	\$ 49,362	1%	\$ 6,974,404	08/30/99
WYOMING	\$ 2,475,344	\$ 212,029	9%	\$ 2,263,315	01/01/00
TOTAL	\$ 490,826,441	\$ 39,333,778	8%	\$ 451,492,663	

Source: Health Care Financing Administration, financial information; Agency for Children and Families, dates of fund expiration.

18 by
10/31/99
28 by
12/31/99

Administration for Children and Families
U.S. Department of Health and Human Services

STATUS OF TANF PLANS
as of 9/29/97 10:00AM

Source: U.S. Dept. of Health & Human Services/Administration for Children & Families



States/D.C./Territories submitted: 51

Tribes submitted: 11

States/D.C./Territories certified: 51

Tribes certified: 10*

States/D.C. pending: 0

Tribes pending: 1

*NOTE: Tribal plans are approved, unlike state and territory plans which are certified.

*In effect
Latest*

	<i>Submit Date</i>	<i>Certified Approval</i>	<i>Effective</i>	<i>Later of A</i>
Wisconsin	8/22/96	9/30/96	09/30/96	
Michigan	8/27/96	9/30/96	09/30/96	
Ohio	9/19/96	11/1/96	10/01/96	✓
Florida	9/20/96	10/8/96	10/01/96	✓
Vermont	9/20/96	11/18/96	09/20/96	
Massachusetts	9/23/96	1/28/97	09/30/96	✓
Maryland	9/27/96	1/10/97	12/09/96	✓
Oregon	9/27/96	11/1/96	10/01/96	
Arizona	9/30/96	11/1/96	10/01/96	
Kentucky	9/30/96	11/18/96	10/18/96	
Maine	9/30/96	12/27/96	11/01/96	
Oklahoma	9/30/96	11/1/96	10/01/96	
Tennessee	9/30/96	12/20/96	10/01/96	
Utah	9/30/96	12/13/96	10/01/96	
Alabama	10/1/96	12/7/96	11/15/96	
Connecticut	10/1/96	1/22/97	10/01/96	✓
Indiana	10/1/96	11/1/96	10/01/96	

Kansas	10/1/96	11/27/96	10/01/96
Louisiana	10/1/96	1/10/97	01/01/97
Mississippi	10/1/96	11/27/96	10/01/96
Missouri	10/1/96	12/23/96	12/01/96
Nebraska	10/1/96	12/7/96	12/01/96
New Hampshire	10/1/96	11/12/96	10/01/96
South Dakota	10/1/96	12/7/96	12/01/96
Texas	10/1/96	11/26/96	11/05/96
Red Cliff Band of Lake Superior Chippewas (WI)	10/2/96	9/29/97	10/1/97
California	10/9/96	12/7/96	11/26/96
New Jersey	10/15/96	1/29/97	02/01/97
South Carolina	10/12/96	1/3/97	10/12/96
New York	10/17/96	12/13/96	12/02/96
Wyoming	10/17/96	12/23/96	01/01/97
Nevada	10/18/96	12/24/96	12/03/96
North Carolina	10/18/96	1/10/97	01/01/97
Montana	11/1/96	2/13/97	2/1/97
Georgia	11/15/96	1/21/97	01/01/97
Iowa	11/15/96	1/21/97	01/01/97
West Virginia	11/26/96	2/13/97	01/11/97
District of Columbia	12/4/96	4/2/97	03/01/97
Virginia	12/6/96	2/21/97	02/01/97
Washington	12/12/96	1/14/97	01/10/97
Guam	1/9/97	6/27/97	07/01/97
Delaware	1/22/97	4/11/97	03/10/97
Pennsylvania	1/22/97	4/23/97	03/03/97
Osage Tribe (OK)	2/21/98		
Forest County Potawatomi (WI)	3/4/97	6/30/97	7/1/97
Rhode Island	3/13/97	6/9/97	05/01/97
Klamath Tribe (OR)	3/20/97	5/15/97	7/1/97

New Mexico	4/4/97	6/5/97	07/01/97
Hawaii	4/7/97	6/27/97	07/01/97
Minnesota	5/1/97	7/1/97	07/01/97
North Dakota	5/1/97	6/26/97	07/01/97
Colorado	5/13/97	6/27/97	07/01/97
Sokaogon Chippewa (WI)	5/14/97	9/29/97	10/1/97
Idaho	5/15/97	6/27/97	07/01/97
Illinois	5/19/97	7/1/97	07/01/97
Arkansas	5/21/97	6/26/97	07/01/97
Stockbridge-Munsee (WI)	5/22/97	9/29/97	10/1/97
Virgin Islands	5/22/97	6/30/97	07/01/97
Alaska	5/30/97	6/27/97	07/01/97
Sisseton-Wahpeton (SD)	6/3/97	9/29/97	10/1/97
Puerto Rico	6/12/97	6/30/97	07/01/97
Confederated Tribes of Siletz Indians	6/26/97	9/29/97	10/1/97
Pascua Yaqui (AZ)	6/27/97	10/21/97	11/1/97
White Mountain Apache	6/30/97	10/24/97	11/1/97
Southern Callifornia Tribal Chairman's Association	1/30/98	2/25/98	3/1/98

Department of Health and Human Services

Welfare Reform

Administration for Children and Families

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Questions? Contact: ACF Public Affairs: 202-401-9215 or [e-mail us](#).

**OPTIONS TO EXTEND THE LIFE OF THE \$500 MILLION FUND FOR
TANF-MEDICAID OUTREACH**

BACKGROUND

(h) TRANSITIONAL INCREASED FEDERAL MATCHING RATE FOR INCREASED ADMINISTRATIVE COSTS.--

(1) IN GENERAL.--Subject to the succeeding provisions of this subsection, the Secretary shall

provide that with respect to administrative expenditures described in paragraph (2) the percentum specified in section 1903(a)(7) shall be increased to such percentage as the Secretary specifies.

(2) ADMINISTRATIVE EXPENDITURES DESCRIBED.--The administrative expenditures described

in this paragraph are expenditures described in section 1903(a)(7) that a State demonstrates to the satisfaction of the Secretary are attributable to administrative costs of eligibility determinations that (but for the enactment of this section) would not be incurred.

(3) LIMITATION.--The total amount of additional Federal funds that are expended as a result of the application of this subsection for the period beginning with fiscal year 1997 and ending with fiscal year 2000 shall not exceed \$500,000,000. In applying this paragraph, the Secretary shall ensure the equitable distribution of additional funds among the States.

(4) TIME LIMITATION.--This subsection shall only apply with respect to a State for expenditures incurred during the first 12 calendar quarters in which the State program funded under part A of title IV (as in effect on and after the welfare reform effective date) is in effect.

(i) WELFARE REFORM EFFECTIVE DATE.--In this section, the term "welfare reform date" means the

effective date, with respect to a State, of title I of the Personal Responsibility and Work Opportunity

Reconciliation Act of 1996 (as specified in section 116 of such Act)[328].

Availability and use of 1931(h) outreach funds

Background:

- Section 1931(h) of the Personal Responsibility and Work Opportunity Act provided for a \$500 million fund available to States at enhanced Federal matching rates for certain administrative expenditures. This provision was implemented in a Federal Register notice (MB-110-NC) and an All-State Medicaid Director Letter from the Medicaid Bureau, both dated May 14, 1997. Section 1931(h)(3) of the Act established a \$500 million fund and provided the authority for DHHS to establish a basis for allocating the fund among States.
- Section 1931(h)(3) of the Act further stipulates that these funds must be used within "the period beginning with fiscal year 1997 and ending with fiscal year 2000."
- Section 1931(h)(4) of the Act stipulates that States' allocations of the \$500 million fund are available for expenditures "incurred during the first 12 calendar quarters in which the State program funded under part A of title IV (as in effect on and after the welfare reform effective date) is in effect." [Part A of title IV refers to pre-reform provisions-- the regulations state that these outreach funds are "available ... only during the first 12 calendar quarters in which the State's Temporary Assistance to Needy Families program ... is in effect after August 21, 1996."]

California's timeline for TANF implementation:

- The "effective date" for California's TANF program was 11/26/96. This is the date when ACF "certified as complete" California's TANF program, notifying the State that their TANF program met statutory requirements. The approval was not retroactive. HCFA has interpreted this to mean that the TANF program was in effect during the first quarter of FY 1997. Hence, the 12 quarter period for California was established as 10/1/96 through 9/30/99.
- California began expending TANF funds in December 1996.
- California later changed their TANF program by enacting CalWORKS. AB 1542, the bill that enacted CalWORKS, was signed on August 11, 1997.
- The effective date for CalWORKS was January 1998. The 58 counties began enrolling eligible recipients into CalWORKS throughout 1998.
- California implemented its 1931 group under its Medi-Cal program in January 1998.

California's allocation of funds:

- California's allotment of the Federal outreach funds is \$83,719,458. To date, they have allocated \$17.9 million of these funds through contracts with counties. Many counties have in turn subcontracted with community organizations to carry out outreach activities. California began claiming the enhanced administrative funds in the quarter ending 9/30/98. Through the quarter ending 3/31/99, California has claimed \$13.1 million. The State and advocates are concerned that the September 1999 end date for use of the State's outreach allocation will occur around the same time that TANF benefits will be discontinued for many recipient, and when outreach efforts would be particularly useful. Further, some of the community organizations that have contracted with the State for use of a portion of these outreach funds have remaining funds available for outreach, should the State's end date for use of the funds be extended.

May 14, 1997

Dear State Medicaid Director:

This letter and attachments provides guidance on how State Medicaid Agencies must report, and the Health Care Financing Administration (HCFA) will track, certain Medicaid administrative expenditures and budget projections relating to the provision of the Welfare Reform legislation (Public Law 104-193, enacted August 22, 1996), the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which established a special \$500 million fund available to States for enhanced Federal matching for such expenditures.

In consultation with State intergovernmental groups, HCFA allocated two amounts from the \$500 million fund to each State Agency, to be used for allowable expenditures. The first allocation is a minimum amount and is generally the same for all States (\$2 million). States may make claims for any allowable expenditures against this allocation at the enhanced Federal matching rate of 90 percent. The second amount differs among States and was based on State specific factors such as caseload and Medicaid administrative expenditures. States may make claims for allowable expenditures against this allocation at two rates, 90 or 75 percent, relating to the category of expenditure.

The allocated funds are available to each State for certain administrative expenditures attributable to the costs of Medicaid eligibility determinations related to this Welfare Reform provision and incurred during the first three years the State's Temporary Assistance for Needy Families (TANF) program is in effect, but no earlier than October 1, 1996 and no later than September 30, 2000.

There are 3 attachments to this letter. The first attachment contains more detailed guidance describing this provision and the reporting requirements that States must follow in order to claim for allowable expenditures at the enhanced Federal matching rates. The second attachment is a chart showing the States' allocations from the \$500 million enhanced Federal matching Fund. The third attachment is the Federal Register notice (MB-103-NC) implementing this provision.

If you have any questions or require further information, please contact your HCFA Regional Office.

Sincerely,

/s/

Judith D. Moore
Acting Director
Medicaid Bureau

ATTACHMENT

STATE REPORTING OF EXPENDITURES AND BUDGET PROJECTIONS RELATING TO \$500 MILLION ENHANCED FEDERAL MATCHING FUND

Background - Repeal of the AFDC Program. Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the open-end funded Aid to Families with Dependent Children (AFDC) cash assistance program with the block grant funded Temporary Assistance for Needy Families (TANF) program. Previously, receipt by a family of cash assistance under the AFDC program conferred automatic Medicaid eligibility. Under section 1931 of the Social Security Act (the Act), as amended by section 114(a) of PRWORA, in general State agencies must provide Medicaid eligibility to those low-income families meeting the eligibility requirements for AFDC under the States' AFDC State plans in effect as of July 16, 1996.

\$500 Million Fund Established. To assist State Medicaid agencies with the additional Medicaid administrative expenditures that they will incur as a result of determining AFDC-related Medicaid eligibility, section 1931(h) of the Act, established a \$500 million enhanced Federal matching fund and directed the Secretary of the Department of Health and Human Services to ensure the equitable distribution of the fund among the States and territories.

Two Allocations Of The Fund For Each State. In consultation with State intergovernmental groups, the Health Care Financing Administration (HCFA) allocated two amounts to each State agency from the \$500 million fund: a minimum (Base) Allocation which is generally the same for all States (\$2,000,000); and an additional amount (Secondary Allocation), which differs among States and was allocated in accordance with a formula based on State specific factors such as caseload and Medicaid administrative expenditures. State agencies may claim Federal funding for allowable activities against the Base Allocation at a 90-percent enhanced Federal matching rate. States may claim Federal funding for allowable activities against the Secondary Allocation at two rates: a 90-percent enhanced Federal matching rate for specified activities considered critical to protecting recipients; and a 75-percent enhanced Federal matching rate for other allowable activities.

Period for Which Enhanced Funds Are Available. A State agency may claim enhanced Federal matching funds for allowable expenditures incurred during the first 12 calendar quarters (3 years) in which the State's TANF program is in effect. Furthermore, the enhanced Federal matching funds are only available for allowable expenditures for the period beginning with Federal fiscal year 1997 (that is October 1, 1996) and ending with Federal fiscal year 2000 (that is, September 30, 2000).

One Enhanced Federal Matching Rate for the Base Allocation. We established the higher 90-percent enhanced Federal matching rate associated with the Base Allocation to recognize the pressing startup and other common costs among States related to the transition from AFDC to the TANF program. The higher Federal matching rate for the Base Allocation will help expedite funds to States for such costs.

Two Enhanced Federal Matching Rates for the Secondary Allocation. We established the two enhanced Federal matching rates associated with the Secondary Allocation to recognize two priorities of activities related to this provision. Items of the highest priority are indicated in the Allowable Activities section below by an asterisk (*) and are claimed at the higher 90-percent Federal matching rate. These items are associated with beneficiary oriented activities such as outreach, public service announcements, and education. The higher 90 percent enhanced rate encourages such activities and recognizes the importance of ensuring that individuals do not lose their eligibility inappropriately, are correctly determined (or redetermined) eligible, and understand program requirements during the critical period of transition to TANF. The lower 75-percent enhanced Federal matching rate addresses the other activities performed during the transition period.

Allowable Activities. Expenditures for activities allowable for enhanced Federal matching funds under this provision include only those that would otherwise be Federally matched as Medicaid administrative expenditures at a 50 percent rate under section 1903(a)(7) of the Act. These are expenditures attributable to the increased administrative costs of Medicaid eligibility determinations and directly related activities incurred because of the transition from AFDC to TANF, and resulting from the enactment of section 1931 of the Act. For example, expenditures related to new Medicaid eligibility workers (including outstationed eligibility workers) hired by a State to implement the provisions of section 1931 of the Act would be allowable at the enhanced Federal matching rates. In addition, PRWORA activities performed by current eligibility workers would be allowable at the enhanced Federal matching rates. On the other hand, expenditures related to activities of outstationed eligibility workers who determine Medicaid eligibility for Supplemental Security Income (SSI) related individuals, such as the aged and disabled, or other non-PRWORA activities would not be allowable at the enhanced Federal matching rates.

With respect to the Base Allocation all of the allowable activities on the following list would be claimable at the 90 percent enhanced Federal matching. With respect to the Secondary Allocation, those allowable activities indicated with an asterisk (*) would be claimable at the 90 percent enhanced Federal matching rate. The other allowable activities with no asterisk would be claimable against the Secondary Allocation at the 75 percent enhanced Federal matching rate.

- Educational activities (relating to current or potential beneficiaries).*
- Public service announcements (PSAs).*
- Outstationing of eligibility workers (more workers or new locations, for example, churches, day care centers, WIC offices, health care providers).*
- Training related to the section 1931 provisions--*
 - Eligibility workers
 - Providers
 - Outstationed eligibility workers and other individuals
 - Community

- Outreach activities (for example, general or targeted mailing campaigns, contracts to assist beneficiaries with the redetermination process).*
- Developing and disseminating new publications (targeted to at-risk populations).*
- Local community activities (for example, meetings with community leaders and speeches to community groups).*
- Hiring new Medicaid eligibility workers (related to section 1931 determinations).
- Designing new eligibility forms, for example, a single application for TANF and Medicaid whether eligibility is linked or not.
- Identification of "at-risk" TANF recipients (in this context, at-risk refers to vulnerability to losing Medicaid eligibility as a result of the TANF provisions).
- State and local government organizational changes related to the section 1931 provisions.
- Intergovernmental activities.
- Eligibility systems related changes.
- Other activities identified by States and approved by the Secretary as applicable to the enhanced matching fund provisions.

In order for State agencies to claim Federal funds for these allowable activities at the appropriate enhanced Federal matching rates associated with the two allocations, and for HCFA to properly track State expenditures against the allocations, States will need to report the expenditures on the Form HCFA-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance program) and Form HCFA-37 (Medicaid Program Budget Report), as described in the sections below.

REPORTING EXPENDITURES FOR STATE AND LOCAL ADMINISTRATION - FORM HCFA-64.10 AND 64.10P

Waiver Schedules of the Forms HCFA-64.10/10p). In order for State agencies to claim Federal funds for allowable administrative activities at the correct enhanced Federal matching rates associated with the Base and Secondary Allocations, and for HCFA to track State expenditures against the two allocations, States must create two separate waiver schedules for the Form HCFA-64.10, one for each of the two allocations. Note, line 14 of the Form HCFA-64.10 has previously allowed Federal share entries to be reported only in column (d) at the 50 percent rate. In order to allow the reporting of expenditures at the enhanced Federal matching rates of 90 and 75 percent, the Medicaid Budget and Expenditure System (MBES) has been modified to

allow entries to be reported on the Form HCFA-64.10 in columns (b) at 90 percent, and (c) at 75 percent.

Base Allocation. In order to report and claim expenditures against the Base Allocation at the associated 90 percent Federal matching rate, the State must create a waiver schedule of the Form HCFA-64.10, indicating "TANF" in the "TYPE OF WAIVER" block and "BASE ALLOC" in the "WAIVER NUMBER" block. All allowable expenditures for which States are claiming against the Base allocation must be reported on line 14 (OTHER FINANCIAL PARTICIPATION) of this waiver schedule of the Form HCFA-64.10. The total computable amounts must be reported in column (a) and the (90 percent) Federal share amounts must be reported in columns (b) and (f).

Secondary Allocation. In order to report and claim expenditures against the Secondary Allocation at the associated 90 and 75 percent Federal matching rates, the State must create a waiver schedule of the Form HCFA-64.10, indicating "TANF" in the "TYPE OF WAIVER" block and "SECONDARY ALLOC" in the "WAIVER NUMBER" block. All allowable expenditures for which States are claiming against the Secondary allocation must be reported on line 14 (OTHER FINANCIAL PARTICIPATION) of this waiver schedule of the Form HCFA-64.10. The sum of all the total computable amounts for both the 75 percent and the 90 percent activities must be reported in column (a). The 90 percent Federal share amounts must be reported in column (b) and the 75 percent Federal share amounts must be reported in column (c). The sum of the Federal share amounts reported in columns (b) and (c) must be reported in column (f).

Base Form of the Form HCFA-64.10. Line 14 of the base form of the Form HCFA-64.10 must include the combined totals in each of the columns from all the "TANF" waiver forms, as well as the usual current administrative expenditures reported by the States on this form. Note, any entries on the base form of the Form HCFA-64.10 in columns (b) at 90 percent and (c) at 75 percent must reflect only the TANF expenditures related to the Base and Secondary Allocations.

The following example illustrates how to complete the Form HCFA-64.10/10p.

Example. For the third quarter of FY 1999 the State has the following current quarter total computable "Other Financial Participation" administrative expenditures:

- \$100,000,000 in regular Medicaid administrative expenditures
- \$6,500,000 in total administrative expenditures for allowable TANF related activities:
 - \$1,000,000 in expenditures for TANF activities to be applied towards the Base Allocation at 90 percent.
 - \$3,000,000 in expenditures for TANF activities to be applied towards the Secondary Allocation at 90 percent.
 - \$2,500,000 in expenditures for TANF activities to be applied towards the

Secondary Allocation at 75 percent.

- \$50,000 in prior period expenses. In addition to the above current quarter expenditures, in the third quarter of FY 1999 the State has \$50,000 of total computable allowable TANF related expenditures related to a prior period, FY 1998, to be reported against the Secondary Allocation at 75 percent.

In order to report the above regular and TANF related administrative expenditures, the State will need to do the following:

- For the Base Allocation current quarter expenditures, create a Form HCFA-64.10 waiver schedule for the third quarter of FY 1999, indicating on line 14 \$1,000,000 in Column (a) and \$1,000,000 in column (b). The system will calculate the federal share of \$900,000 (90 percent of \$1,000,000) for column (b) and report \$900,000 in column (f). Indicate "TANF" as the Type of Waiver and "BASE ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block.
- For the Secondary Allocation current quarter expenditures, create a Form HCFA-64.10 waiver schedule for the third quarter of FY 1999, indicating on line 14 \$5,500,000 (\$3,000,000 plus \$2,500,000) in column (a), \$ 3,000,000 in column (b), and \$2,500,000 in column (c). The system will compute \$2,700,000 in column (b) (90 percent of \$3,000,000), \$1,875,000 in column (c) (75 percent of \$2,500,000), and \$4,575,000 in column (f) (\$2,700,000 plus \$1875,000). Indicate "TANF" as the Type of Waiver and "SECONDARY ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block.
- Base Form HCFA-64.10. For line 14 of the third quarter FY 1999 current quarter expenditures base Form HCFA-64.10, indicate \$106,500,000 total computable in column (a), \$4,000,000 in column (b), \$2,500,000 in column (c), and \$100,000,000 in column(d). The system will compute \$3,600,000 (Federal share at 90 percent) in column (b), \$1,875,000 (Federal share at 75 percent) in column (c), \$50,000,000 (Federal share at 50 percent) in column (d), and \$55,475,000 total Federal share in column f). Indicate June 30, 1999 in the Quarter Ended block.
- For the FY 1998 prior period expenditures applicable to the Secondary Allocation, create a Form HCFA-64.10p waiver schedule for FY 1998, indicating on line 14 \$50,000 in columns (a) and (c). The system will compute \$37,300 (75 percent of \$50,000) in columns (c) and (f). Indicate "TANF" as the Type of Waiver and "SECONDARY ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block. Indicate 1998 in the Fiscal Year block.
- Summary Form HCFA-64. Finally, the total computable amounts of \$106,500,000, and the associated Federal shares of \$55,475,000, for the current third quarter of FY 1999 (which were reported on the base Form HCFA-64.10),

will be included on line 6 in columns (c) and (d) of the summary Form HCFA-64.

The total computable amount of \$50,000, and the associated Federal shares of \$37,300 for the prior period FY 1998, will be included on line 7 in columns (c) and (d) of the summary Form HCFA-64.

TRACKING ALLOWABLE EXPENDITURES AGAINST THE STATE ALLOCATIONS

Section 1931(h) of the Act provides for enhanced Federal matching for States' claims against the Base and Secondary Allocations. These enhanced Federal matching rates are in addition to Federal funds that would ordinarily be available for such expenditures at the 50 percent matching rate available under section 1903(a)(7) of the Act. Therefore States' claims for allowable administrative activities will reduce their Base and Secondary Allocations only by the amounts that are in excess of the usual 50 percent Federal matching rate, and not by the entire Federal matching amount. Specifically, States' allocations will be reduced by the amount of the claim multiplied by the difference between the enhanced Federal matching rate percentage and the (usual) 50 percent rate.

Using the example above, the State's allocations would be reduced by the following:

- The Base Allocation would be reduced by \$400,000 (900,000 - \$500,000) with respect to the total computable expenditure of \$1,000,000, which received 90 percent Federal matching.
- The Secondary Allocation would be reduced by \$1,200,000 (\$2,700,000 - \$1,500,000) with respect to the total computable expenditure of \$3,000,000, which received 90 percent Federal matching.
- The Secondary Allocation would be reduced by \$625,000 (\$1,875,000 - \$1,250,000) with respect to the total computable expenditure of \$2,500,000, which received 75 percent Federal matching.
- The Secondary Allocation would be reduced by \$12,500 (\$37,500 - \$25,000) with respect to the prior period total computable expenditure of \$50,000, which received 75 percent Federal matching.

The above amounts will be tracked against the States' respective Base and Secondary Allocations by the grants analysts in the HCFA's Medicaid Bureau and reflected in the quarterly grant awards for each State.

POSSIBLE REALLOCATION OF FUNDS: TRACKING ALLOWABLE EXPENDITURES AFTER THE ALLOCATIONS ARE MET

Once a State's has claimed up to its Base and Secondary allocations (that is, the State's

allocations have been reduced to \$0) Federal funds will only be available for allowable expenditures at the usual 50 percent matching rate. However, it is possible that certain States may never reach their allocations; that is, they may not incur sufficient expenditures during the applicable period to use up their entire allocations. If there are such unused funds, HCFA would reallocate the unused Federal funds to those other States that may have incurred allowable expenditures in excess of their allocations during the applicable period, if the excess allowable expenditures have been reported appropriately.

In order for HCFA to reallocate any potential unused amounts from the \$500 million fund to those States that may be able to use them, and for such States to claim the reallocated fund at the enhanced Federal matching rates, the States will need to continue to report and HCFA will need to continue to track the amounts of allowable expenditures incurred by such States during the applicable period under these provisions. This would need to be done even after the States have reached their allocations in order for HCFA at the time of reallocation to identify and match the expenditures at the appropriate enhanced Federal matching rate. Therefore, States that want to be eligible for any potential reallocation will need to continue to report allowable expenditures, even after they have reached their allocations.

However, after a State has claimed up to its allocations, but prior to the availability of any reallocation, HCFA would have to defer or disallow claims for allowable expenditures at the enhanced Federal matching rates, if the State were to continue to report and claim the expenditures at the 90/75 percent enhanced Federal matching rate on line 14 columns (b) and (c) of the waiver schedule of Form HCFA-64.10/10p. That is, prior to the availability of any reallocated amounts, Federal funds would not yet be available for States' claims which are in excess of their State allocations at other than the 50 percent rate and amounts of claims in excess of 50 percent would have to be deferred or disallowed.

In order to avoid the need for deferral or disallowance actions yet still provide information that would be used by HCFA to pay claims against potential reallocated funds, States should continue to report the allowable expenditures in excess of its allocations, but only at the 50 percent rate, on line 14 in column (d) of the Secondary Allocation waiver schedule of Form HCFA-64.10/10p. Since these amounts will only be reported in the 50 percent column (d) on line 14, the State will also need to distinguish between amounts of the allowable expenditure that would be claimed at 90 or 75 percent. In order to properly distinguish these expenditures, States should use the narrative sheet of the Form HCFA-64 to indicate and separately identify the amounts of the expenditures that would have been claimed at 90 percent and at 75 percent.

Example. A State has claimed up to its Base Allocation and Secondary Allocation by the end of FY 1998 (September 30, 1998). In the first quarter of FY 1999 the State has allowable TANF related expenditures which otherwise could have been claimed at the enhanced Federal Matching rates of 90 percent and 75 percent in the total computable amounts of \$1 million and \$2 million, respectively. On line 14 of the Secondary Allocation waiver schedule of the Form HCFA-64.10, the State should report \$3 million (\$1 million plus \$2 million) in the total computable column (a) and \$1.5 million (50 percent of \$3 million) in the 50 percent Federal matching rate column (d). On the

narrative sheet of the HCFA-64, the State should indicate to the effect: "The \$3 million total computable TANF related expenditures reported on line 14 in column (a) of the Secondary Allocation waiver schedule of the Form 64.10, represents \$1 million in allowable expenditures for activities that could otherwise have been claimed at an enhanced Federal matching rate of 90 percent, and \$2 million at 75 percent, except that the State has already claimed up to its TANF allocation."

MEDICAID PROGRAM BUDGET REPORT FORM HCFA-37.10

States must include and report all allowable TANF expenditures on line 14, Other Financial Services, of the Form HCFA-37.10. Include and enter the total computable portion in column A and the Federal share in column B. This line will no longer automatically calculate the Federal share in column B. After entering the total computable amount you must calculate the Federal share in order to receive reimbursement since line 14 will now reflect the multiple Federal matching rates. In order for HCFA to relate the amounts indicated on line 14 to the TANF provisions, the State must indicate in the narrative section of the Form HCFA-37.12 the amount of TANF expenditures they are requesting for both the Base and Secondary allocation. The example below illustrates the completion of the Form HCFA-37.

Example. For FY 1999 the State projects the following (dollars are in thousands):

- \$100,000 in total computable regular line 14 Other Financial Participation administrative expenditures, to be Federally matched at 50 percent. The projected Federal share of this amount would be \$50,000.
- \$1,000 in total computable expenditures to be applied against the base allocation at the 90 percent Federal matching rate. The projected Federal share of this amount would be \$900.
- \$3,000 in total computable expenditures to be applied against the secondary allocation at the 90 percent Federal matching rate. The projected Federal Share of this amount would be \$2,700.
- \$2,550 in total computable expenditures to be applied against the secondary allocation at the 75 percent Federal matching rate. The projected Federal share of this amount would be \$1,913.

In accordance with this information the State must complete the Form HCFA-37 as follows:

- On the Form HCFA-37.10, the State must report the following for budget year FY 1999:
 - \$106,550 (\$100,000 + \$1,000 + \$3,000 + \$2,550) on line 14 column A.

\$55,513 (\$50,000 + \$900 + \$2,700 + \$1,913) on line 14 in column B.

- In the narrative section of the Form HCFA-37.12 the State must indicate language to the effect for FY 1999:

"Explanation of Line 14 of the Form HCFA-37.10. The \$106,550 Other Financial Participation total computable expenditure amounts includes \$100,000 in regular expenditures Federally matchable at 50 percent, and "Section 1931 related TANF expenditures" as follows: \$1,000 applicable towards the Base Allocation and Federally matchable at 90 percent, \$3,000 applicable to the Secondary Allocation and Federally matchable at 90 percent, and \$2,550 applicable to the Secondary Allocation and Federally matchable at 75 percent. The \$55,513 Other Financial Participation Federal Share expenditure amounts reflects the above total computable expenditures at the respective Federal Matching rates: \$50,000, \$900, \$2,700, and \$1913."

\$500 MILLION ENHANCED MATCH ALLOCATION PERIOD

ALABAMA	11/18/96	10/1/96 - 9/30/99
ALASKA	7/1/97	7/1/97 - 6/30/2000
ARIZONA	10/1/96	10/1/96 - 9/30/99
ARKANSAS	7/1/97	7/1/97 - 6/30/2000
CALIFORNIA	11/28/96	10/1/96 - 9/30/99
COLORADO	7/1/97	7/1/97 - 6/30/2000
CONNECTICUT	10/1/96	10/1/96 - 9/30/99
DELAWARE	3/10/97	1/1/97 - 12/31/99
DISTRICT OF COLUMBIA	3/1/97	1/1/97 - 12/31/99
FLORIDA	10/1/96	10/1/96 - 9/30/99
GEORGIA	1/1/97	1/1/97 - 12/31/99
GUAM	7/1/97	7/1/97 - 6/30/2000
HAWAII	7/1/97	7/1/97 - 6/30/2000
IDAHO	7/1/97	7/1/97 - 6/30/2000
ILLINOIS	7/1/97	7/1/97 - 6/30/2000
INDIANA	10/1/96	10/1/96 - 9/30/99
IOWA	1/1/97	1/1/97 - 12/31/99
KANSAS	10/1/96	10/1/96 - 9/30/99
KENTUCKY	10/18/96	10/1/96 - 9/30/99
LOUISIANA	1/1/97	1/1/97 - 12/31/99
MAINE	11/1/96	10/1/96 - 9/30/99
MARYLAND	12/8/96	10/1/96 - 9/30/99
MASSACHUSETTS	9/30/96	10/1/96 - 9/30/99
MICHIGAN	8/30/96	10/1/96 - 9/30/99
MINNESOTA	7/1/97	7/1/97 - 6/30/2000
MISSISSIPPI	10/1/96	10/1/96 - 9/30/99
MISSOURI	12/1/96	10/1/96 - 9/30/99
MONTANA	12/16/96	10/1/96 - 9/30/99
NEBRASKA	12/1/96	10/1/96 - 9/30/99
NEVADA	12/3/96	10/1/96 - 9/30/99
NEW HAMPSHIRE	10/1/96	10/1/96 - 9/30/99
NEW JERSEY	2/1/97	1/1/97 - 12/31/99
NEW MEXICO	7/1/97	7/1/97 - 6/30/2000
NEW YORK	12/2/96	10/1/96 - 9/30/99
NORTH CAROLINA	1/1/97	1/1/97 - 12/31/99
NORTH DAKOTA	7/1/97	7/1/97 - 6/30/2000
OHIO	10/1/96	10/1/96 - 9/30/99
OKLAHOMA	10/1/96	10/1/96 - 9/30/99
OREGON	10/1/96	10/1/96 - 9/30/99
PENNSYLVANIA	3/3/97	1/1/97 - 12/31/99
PUERTO RICO	7/1/97	7/1/97 - 6/30/2000
RHODE ISLAND	6/1/97	4/1/97 - 3/31/2000
SOUTH CAROLINA	10/12/96	10/1/96 - 9/30/99
SOUTH DAKOTA	12/1/96	10/1/96 - 9/30/99
TENNESSEE	10/1/96	10/1/96 - 9/30/99
TEXAS	11/6/96	10/1/96 - 9/30/99
UTAH	10/1/96	10/1/96 - 9/30/99
VERMONT	8/20/96	10/1/96 - 9/30/99
VIRGINIA	2/1/97	1/1/97 - 12/31/99
VIRGIN ISLANDS	7/1/97	7/1/97 - 6/30/2000
WASHINGTON	1/10/97	1/1/97 - 12/31/99
WEST VIRGINIA	1/11/97	1/1/97 - 12/31/99
WISCONSIN	9/30/96	10/1/96 - 9/30/99

Table 1: State Allocations and Expenditures from \$500 Million Fund, as of 3-99

STATE	Total (Base and Secondary) State Allocation from \$500 million TANF fund	Expenditures from \$500 million TANF fund, as of 3-99	% Spent of Total Allocation	Amount Remaining of Allocation, as of 3-99	Date by which funds must be used (no later than 9/30/00)
ALABAMA	\$ 6,504,897	\$ 0	0%	\$ 6,504,897	11/15/99 *
ALASKA	\$ 3,039,335	\$ 7,500	0%	\$ 3,031,835	07/01/00
ARIZONA	\$ 7,891,803	\$ 17,801	0%	\$ 7,873,702	10/01/99 *
ARKANSAS	\$ 5,095,513	\$ 1,117,803	22%	\$ 3,977,710	07/01/00
CALIFORNIA	\$ 83,719,458	\$ 4,453,468	5%	\$ 79,265,990	11/26/99 *
COLORADO	\$ 5,186,316	\$ 0	0%	\$ 5,186,316	07/01/00
CONNECTICUT	\$ 5,756,737	\$ 0	0%	\$ 5,756,737	10/01/99 *
DELAWARE	\$ 2,801,757	\$ 233	0%	\$ 2,801,524	03/10/00
DISTRICT OF COLUMBIA	\$ 3,259,072	\$ 0	0%	\$ 3,259,072	03/01/00
FLORIDA	\$ 22,282,239	\$ 950,856	4%	\$ 21,311,383	10/01/99 *
GEORGIA	\$ 11,591,549	\$ 0	0%	\$ 11,591,549	01/01/00 *
HAWAII	\$ 3,435,742	\$ 0	0%	\$ 3,435,742	07/01/00
IDAHO	\$ 3,288,535	\$ 541,328	16%	\$ 2,747,207	07/01/00
ILLINOIS	\$ 19,363,894	\$ 15,016	0%	\$ 19,348,878	07/01/00
INDIANA	\$ 7,545,182	\$ 452,521	6%	\$ 7,092,641	10/01/99 *
IOWA	\$ 4,782,362	\$ 2,405,247	50%	\$ 2,377,115	01/01/00
KANSAS	\$ 4,496,386	\$ 389,409	9%	\$ 4,106,977	10/01/99 *
KENTUCKY	\$ 7,269,014	\$ 0	0%	\$ 7,269,014	10/18/99 *
LOUISIANA	\$ 9,029,185	\$ 0	0%	\$ 9,029,185	01/01/00
MAINE	\$ 3,569,238	\$ 0	0%	\$ 3,569,238	11/01/99 *
MARYLAND	\$ 7,595,943	\$ 0	0%	\$ 7,595,943	12/09/99 *
MASSACHUSETTS	\$ 9,463,480	\$ 1,695,987	18%	\$ 7,767,503	09/30/99 *
MICHIGAN	\$ 15,975,445	\$ 2,606,516	16%	\$ 13,368,929	09/30/99 *
MINNESOTA	\$ 7,708,788	\$ 3,798,670	49%	\$ 3,910,099	07/01/00
MISSISSIPPI	\$ 6,617,604	\$ 197,678	3%	\$ 6,419,926	10/01/99 *
MISSOURI	\$ 8,561,965	\$ 3,288,443	39%	\$ 5,283,522	12/01/99 *
MONTANA	\$ 2,764,134	\$ 7,653	0%	\$ 2,756,481	02/01/00
NEBRASKA	\$ 3,308,247	\$ 0	0%	\$ 3,308,247	12/01/99 *
NEVADA	\$ 3,258,808	\$ 3,258,808	100%	\$ 0	12/03/99 *
NEW HAMPSHIRE	\$ 2,875,952	\$ 302,916	11%	\$ 2,573,036	10/01/99 *
NEW JERSEY	\$ 11,012,253	\$ 3,078,591	28%	\$ 7,933,662	02/01/00
NEW MEXICO	\$ 4,880,333	\$ 0	0%	\$ 4,880,333	07/01/00
NEW YORK	\$ 37,034,556	\$ 387,892	1%	\$ 36,646,664	12/02/99 *
NORTH CAROLINA	\$ 11,550,703	\$ 0	0%	\$ 11,550,703	01/01/00
NORTH DAKOTA	\$ 2,537,922	\$ 47,094	2%	\$ 2,490,828	07/01/00
OHIO	\$ 16,909,161	\$ 2,915,724	17%	\$ 13,993,437	10/01/99 *
OKLAHOMA	\$ 5,938,082	\$ 291,222	5%	\$ 5,646,860	10/01/99 *
OREGON	\$ 5,740,856	\$ 1,497,655	26%	\$ 4,243,001	10/01/99 *
PENNSYLVANIA	\$ 17,553,339	\$ 2,854	0%	\$ 17,550,485	03/03/00
RHODE ISLAND	\$ 3,459,771	\$ 3,002	0%	\$ 3,456,769	05/01/00
SOUTH CAROLINA	\$ 6,221,783	\$ 0	0%	\$ 6,221,783	10/12/99 *
SOUTH DAKOTA	\$ 2,842,597	\$ 824,458	31%	\$ 1,818,139	12/01/99 *
TENNESSEE	\$ 9,250,889	\$ 0	0%	\$ 9,250,889	10/01/99 *
TEXAS	\$ 27,523,806	\$ 0	0%	\$ 27,523,806	11/05/99 *
UTAH	\$ 4,006,172	\$ 0	0%	\$ 4,006,172	10/01/99 *
VERMONT	\$ 2,891,672	\$ 0	0%	\$ 2,891,672	09/20/99 *
VIRGINIA	\$ 8,531,522	\$ 2,020,109	24%	\$ 6,511,413	02/01/00
WASHINGTON	\$ 10,443,170	\$ 2,364,205	23%	\$ 8,078,965	01/10/00
WEST VIRGINIA	\$ 5,420,593	\$ 121,629	2%	\$ 5,298,964	01/11/00
WISCONSIN	\$ 7,023,786	\$ 49,382	1%	\$ 6,974,404	09/30/99 *
WYOMING	\$ 2,475,344	\$ 212,028	8%	\$ 2,263,316	01/01/00
TOTAL	\$ 490,828,441	\$ 39,333,778	8%	\$ 451,492,663	

Source: Health Care Financing Administration, financial information; Agency for Children and Families, dates of fund expiration.

18 by
10/31/9
28 by
12/31/9

Administration for Children and Families
U.S. Department of Health and Human Services

STATUS OF TANF PLANS
as of 9/29/97 10:00AM

Source: U.S. Dept. of Health & Human Services/Administration for Children & Families



States/D.C./Territories submitted: 51 Tribes submitted: 11

States/D.C./Territories certified: 51 Tribes certified: 10*

States/D.C. pending: 0 Tribes pending: 1

*NOTE: Tribal plans are approved, unlike state and territory plans which are certified.

*In effect
Latest*

	<i>Subm Date</i>	<i>Certified Approval</i>	<i>Effective</i>	<i>Later of A</i>
Wisconsin	8/22/96	9/30/96	09/30/96	
Michigan	8/27/96	9/30/96	09/30/96	
Ohio	9/19/96	11/1/96	10/01/96	✓
Florida	9/20/96	10/8/96	10/01/96	✓
Vermont	9/20/96	11/18/96	09/20/96	
Massachusetts	9/23/96	1/28/97	09/30/96	✓
Maryland	9/27/96	1/10/97	12/09/96	✓
Oregon	9/27/96	11/1/96	10/01/96	
Arizona	9/30/96	11/1/96	10/01/96	
Kentucky	9/30/96	11/18/96	10/18/96	
Maine	9/30/96	12/27/96	11/01/96	
Oklahoma	9/30/96	11/1/96	10/01/96	
Tennessee	9/30/96	12/20/96	10/01/96	
Utah	9/30/96	12/13/96	10/01/96	
Alabama	10/1/96	12/7/96	11/15/96	
Connecticut	10/1/96	1/22/97	10/01/96	✓
Indiana	10/1/96	11/1/96	10/01/96	

Kansas	10/1/96	11/27/96	10/01/96
Louisiana	10/1/96	1/10/97	01/01/97
Mississippi	10/1/96	11/27/96	10/01/96
Missouri	10/1/96	12/23/96	12/01/96
Nebraska	10/1/96	12/7/96	12/01/96
New Hampshire	10/1/96	11/12/96	10/01/96
South Dakota	10/1/96	12/7/96	12/01/96
Texas	10/1/96	11/26/96	11/05/96
Red Cliff Band of Lake Superior Chippewas (WI)	10/2/96	9/29/97	10/1/97
California	10/9/96	12/7/96	11/26/96
New Jersey	10/15/96	1/29/97	02/01/97
South Carolina	10/12/96	1/3/97	10/12/96
New York	10/17/96	12/13/96	12/02/96
Wyoming	10/17/96	12/23/96	01/01/97
Nevada	10/18/96	12/24/96	12/03/96
North Carolina	10/18/96	1/10/97	01/01/97
Montana	11/1/96	2/13/97	2/1/97
Georgia	11/15/96	1/21/97	01/01/97
Iowa	11/15/96	1/21/97	01/01/97
West Virginia	11/26/96	2/13/97	01/11/97
District of Columbia	12/4/96	4/2/97	03/01/97
Virginia	12/6/96	2/21/97	02/01/97
Washington	12/12/96	1/14/97	01/10/97
Guam	1/9/97	6/27/97	07/01/97
Delaware	1/22/97	4/11/97	03/10/97
Pennsylvania	1/22/97	4/23/97	03/03/97
Osage Tribe (OK)	2/21/98		
Forest County Potawatomi (WI)	3/4/97	6/30/97	7/1/97
Rhode Island	3/13/97	6/9/97	05/01/97
Klamath Tribe (OR)	3/20/97	5/15/97	7/1/97

New Mexico	4/4/97	6/5/97	07/01/97
Hawaii	4/7/97	6/27/97	07/01/97
Minnesota	5/1/97	7/1/97	07/01/97
North Dakota	5/1/97	6/26/97	07/01/97
Colorado	5/13/97	6/27/97	07/01/97
Sokaogon Chippewa (WI)	5/14/97	9/29/97	10/1/97
Idaho	5/15/97	6/27/97	07/01/97
Illinois	5/19/97	7/1/97	07/01/97
Arkansas	5/21/97	6/26/97	07/01/97
Stockbridge-Munsee (WI)	5/22/97	9/29/97	10/1/97
Virgin Islands	5/22/97	6/30/97	07/01/97
Alaska	5/30/97	6/27/97	07/01/97
Sisseton-Wahpeton (SD)	6/3/97	9/29/97	10/1/97
Puerto Rico	6/12/97	6/30/97	07/01/97
Confederated Tribes of Siletz Indians	6/26/97	9/29/97	10/1/97
Pascua Yaqui (AZ)	6/27/97	10/21/97	11/1/97
White Mountain Apache	6/30/97	10/24/97	11/1/97
Southern California Tribal Chairman's Association	1/30/98	2/25/98	3/1/98

Department of Health and Human Services

Welfare Reform
Administration for Children and Families[Return to the ACF Welfare Reform Information Main Page](#)

This page was last updated on 3/11/98 9:39:22 AMAM

Questions? Contact: ACF Public Affairs: 202-401-9215 or [e-mail us](#).

**OPTIONS TO EXTEND THE LIFE OF THE \$500 MILLION FUND FOR
TANF-MEDICAID OUTREACH**

BACKGROUND

(h) TRANSITIONAL INCREASED FEDERAL MATCHING RATE FOR INCREASED ADMINISTRATIVE COSTS.--

(1) IN GENERAL.--Subject to the succeeding provisions of this subsection, the Secretary shall

provide that with respect to administrative expenditures described in paragraph (2) the per centum specified in section 1903(a)(7) shall be increased to such percentage as the Secretary specifies.

(2) ADMINISTRATIVE EXPENDITURES DESCRIBED.--The administrative expenditures described

in this paragraph are expenditures described in section 1903(a)(7) that a State demonstrates to the satisfaction of the Secretary are attributable to administrative costs of eligibility determinations that (but for the enactment of this section) would not be incurred.

(3) LIMITATION.--The total amount of additional Federal funds that are expended as a result of the application of this subsection for the period beginning with fiscal year 1997 and ending with fiscal year 2000 shall not exceed \$500,000,000. In applying this paragraph, the Secretary shall ensure the equitable distribution of additional funds among the States.

(4) TIME LIMITATION.--This subsection shall only apply with respect to a State for expenditures incurred during the first 12 calendar quarters in which the State program funded under part A of title IV (as in effect on and after the welfare reform effective date) is in effect.

(i) WELFARE REFORM EFFECTIVE DATE.--In this section, the term "welfare reform date" means the

effective date, with respect to a State, of title I of the Personal Responsibility and Work Opportunity

Reconciliation Act of 1996 (as specified in section 116 of such Act)[328].

Availability and use of 1931(b) outreach funds

Background:

- Section 1931(h) of the Personal Responsibility and Work Opportunity Act provided for a \$500 million fund available to States at enhanced Federal matching rates for certain administrative expenditures. This provision was implemented in a Federal Register notice (MB-110-NC) and an All-State Medicaid Director Letter from the Medicaid Bureau, both dated May 14, 1997. Section 1931(h)(3) of the Act established a \$500 million fund and provided the authority for DHHS to establish a basis for allocating the fund among States.
- Section 1931(h)(3) of the Act further stipulates that these funds must be used within "the period beginning with fiscal year 1997 and ending with fiscal year 2000."
- Section 1931(h)(4) of the Act stipulates that States' allocations of the \$500 million fund are available for expenditures "incurred during the first 12 calendar quarters in which the State program funded under part A of title IV (as in effect on and after the welfare reform effective date) is in effect." [Part A of title IV refers to pre-reform provisions-- the regulations state that these outreach funds are "available ... only during the first 12 calendar quarters in which the State's Temporary Assistance to Needy Families program ... is in effect after August 21, 1996."]

California's timeline for TANF implementation:

- The "effective date" for California's TANF program was 11/26/96. This is the date when ACF "certified as complete" California's TANF program, notifying the State that their TANF program met statutory requirements. The approval was not retroactive. HCFA has interpreted this to mean that the TANF program was in effect during the first quarter of FY 1997. Hence, the 12 quarter period for California was established as 10/1/96 through 9/30/99.
- California began expending TANF funds in December 1996.
- California later changed their TANF program by enacting CalWORKS. AB 1542, the bill that enacted CalWORKS, was signed on August 11, 1997.
- The effective date for CalWORKS was January 1998. The 58 counties began enrolling eligible recipients into CalWORKS throughout 1998.
- California implemented its 1931 program under its Medi-Cal program in January 1998.

California's allocation of funds:

- California's allotment of the Federal outreach funds is \$83,719,458. To date, they have allocated \$17.9 million of these funds through contracts with counties. Many counties have in turn subcontracted with community organizations to carry out outreach activities.
- California began claiming the enhanced administrative funds in the quarter ending 9/30/98. Through the quarter ending 3/31/99, California has claimed \$13.1 million.
- The State and advocates are concerned that the September 1999 end date for use of the State's outreach allocation will occur around the same time that TANF benefits will be discontinued for many recipient, and when outreach efforts would be particularly useful. Further, some of the community organizations that have contracted with the State for use of a portion of these outreach funds have remaining funds available for outreach, should the State's end date for use of the funds be extended.

May 14, 1997

Dear State Medicaid Director:

This letter and attachments provides guidance on how State Medicaid Agencies must report, and the Health Care Financing Administration (HCFA) will track, certain Medicaid administrative expenditures and budget projections relating to the provision of the Welfare Reform legislation (Public Law 104-193, enacted August 22, 1996), the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which established a special \$500 million fund available to States for enhanced Federal matching for such expenditures.

In consultation with State intergovernmental groups, HCFA allocated two amounts from the \$500 million fund to each State Agency, to be used for allowable expenditures. The first allocation is a minimum amount and is generally the same for all States (\$2 million). States may make claims for any allowable expenditures against this allocation at the enhanced Federal matching rate of 90 percent. The second amount differs among States and was based on State specific factors such as caseload and Medicaid administrative expenditures. States may make claims for allowable expenditures against this allocation at two rates, 90 or 75 percent, relating to the category of expenditure.

The allocated funds are available to each State for certain administrative expenditures attributable to the costs of Medicaid eligibility determinations related to this Welfare Reform provision and incurred during the first three years the State's Temporary Assistance for Needy Families (TANF) program is in effect, but no earlier than October 1, 1996 and no later than September 30, 2000.

There are 3 attachments to this letter. The first attachment contains more detailed guidance describing this provision and the reporting requirements that States must follow in order to claim for allowable expenditures at the enhanced Federal matching rates. The second attachment is a chart showing the States' allocations from the \$500 million enhanced Federal matching Fund. The third attachment is the Federal Register notice (MB-103-NC) implementing this provision.

If you have any questions or require further information, please contact your HCFA Regional Office.

Sincerely,

/s/

Judith D. Moore
Acting Director
Medicaid Bureau

ATTACHMENT

STATE REPORTING OF EXPENDITURES AND BUDGET PROJECTIONS RELATING TO \$500 MILLION ENHANCED FEDERAL MATCHING FUND

Background - Repeal of the AFDC Program. Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the open-end funded Aid to Families with Dependent Children (AFDC) cash assistance program with the block grant funded Temporary Assistance for Needy Families (TANF) program. Previously, receipt by a family of cash assistance under the AFDC program conferred automatic Medicaid eligibility. Under section 1931 of the Social Security Act (the Act), as amended by section 114(a) of PRWORA, in general State agencies must provide Medicaid eligibility to those low-income families meeting the eligibility requirements for AFDC under the States' AFDC State plans in effect as of July 16, 1996.

\$500 Million Fund Established. To assist State Medicaid agencies with the additional Medicaid administrative expenditures that they will incur as a result of determining AFDC-related Medicaid eligibility, section 1931(h) of the Act, established a \$500 million enhanced Federal matching fund and directed the Secretary of the Department of Health and Human Services to ensure the equitable distribution of the fund among the States and territories.

Two Allocations Of The Fund For Each State. In consultation with State intergovernmental groups, the Health Care Financing Administration (HCFA) allocated two amounts to each State agency from the \$500 million fund: a minimum (Base) Allocation which is generally the same for all States (\$2,000,000); and an additional amount (Secondary Allocation), which differs among States and was allocated in accordance with a formula based on State specific factors such as caseload and Medicaid administrative expenditures. State agencies may claim Federal funding for allowable activities against the Base Allocation at a 90-percent enhanced Federal matching rate. States may claim Federal funding for allowable activities against the Secondary Allocation at two rates: a 90-percent enhanced Federal matching rate for specified activities considered critical to protecting recipients; and a 75-percent enhanced Federal matching rate for other allowable activities.

Period for Which Enhanced Funds Are Available. A State agency may claim enhanced Federal matching funds for allowable expenditures incurred during the first 12 calendar quarters (3 years) in which the State's TANF program is in effect. Furthermore, the enhanced Federal matching funds are only available for allowable expenditures for the period beginning with Federal fiscal year 1997 (that is October 1, 1996) and ending with Federal fiscal year 2000 (that is, September 30, 2000).

One Enhanced Federal Matching Rate for the Base Allocation. We established the higher 90-percent enhanced Federal matching rate associated with the Base Allocation to recognize the pressing startup and other common costs among States related to the transition from AFDC to the TANF program. The higher Federal matching rate for the Base Allocation will help expedite funds to States for such costs.

1999 1943 NORTH 104 202 030 6262 P.05/12

Two Enhanced Federal Matching Rates for the Secondary Allocation. We established the two enhanced Federal matching rates associated with the Secondary Allocation to recognize two priorities of activities related to this provision. Items of the highest priority are indicated in the Allowable Activities section below by an asterisk (*) and are claimed at the higher 90-percent Federal matching rate. These items are associated with beneficiary oriented activities such as outreach, public service announcements, and education. The higher 90 percent enhanced rate encourages such activities and recognizes the importance of ensuring that individuals do not lose their eligibility inappropriately, are correctly determined (or redetermined) eligible, and understand program requirements during the critical period of transition to TANF. The lower 75-percent enhanced Federal matching rate addresses the other activities performed during the transition period.

Allowable Activities. Expenditures for activities allowable for enhanced Federal matching funds under this provision include only those that would otherwise be Federally matched as Medicaid administrative expenditures at a 50 percent rate under section 1903(a)(7) of the Act. These are expenditures attributable to the increased administrative costs of Medicaid eligibility determinations and directly related activities incurred because of the transition from AFDC to TANF, and resulting from the enactment of section 1931 of the Act. For example, expenditures related to new Medicaid eligibility workers (including outstationed eligibility workers) hired by a State to implement the provisions of section 1931 of the Act would be allowable at the enhanced Federal matching rates. In addition, PRWORA activities performed by current eligibility workers would be allowable at the enhanced Federal matching rates. On the other hand, expenditures related to activities of outstationed eligibility workers who determine Medicaid eligibility for Supplemental Security Income (SSI) related individuals, such as the aged and disabled, or other non-PRWORA activities would not be allowable at the enhanced Federal matching rates.

With respect to the Base Allocation all of the allowable activities on the following list would be claimable at the 90 percent enhanced Federal matching. With respect to the Secondary Allocation, those allowable activities indicated with an asterisk (*) would be claimable at the 90 percent enhanced Federal matching rate. The other allowable activities with no asterisk would be claimable against the Secondary Allocation at the 75 percent enhanced Federal matching rate.

- Educational activities (relating to current or potential beneficiaries).*
- Public service announcements (PSAs).*
- Outstationing of eligibility workers (more workers or new locations, for example, churches, day care centers, WIC offices, health care providers).*
- Training related to the section 1931 provisions—*
 - Eligibility workers
 - Providers
 - Outstationed eligibility workers and other individuals
 - Community

- Outreach activities (for example, general or targeted mailing campaigns, contracts to assist beneficiaries with the redetermination process).*
- Developing and disseminating new publications (targeted to at-risk populations).*
- Local community activities (for example, meetings with community leaders and speeches to community groups).*
- Hiring new Medicaid eligibility workers (related to section 1931 determinations).
- Designing new eligibility forms, for example, a single application for TANF and Medicaid whether eligibility is linked or not.
- Identification of "at-risk" TANF recipients (in this context, at-risk refers to vulnerability to losing Medicaid eligibility as a result of the TANF provisions).
- State and local government organizational changes related to the section 1931 provisions.
- Intergovernmental activities.
- Eligibility systems related changes.
- Other activities identified by States and approved by the Secretary as applicable to the enhanced matching fund provisions.

In order for State agencies to claim Federal funds for these allowable activities at the appropriate enhanced Federal matching rates associated with the two allocations, and for HCFA to properly track State expenditures against the allocations, States will need to report the expenditures on the Form HCFA-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance program) and Form HCFA-37 (Medicaid Program Budget Report), as described in the sections below.

REPORTING EXPENDITURES FOR STATE AND LOCAL ADMINISTRATION - FORM HCFA-64.10 AND 64.10P

Waiver Schedules of the Forms HCFA-64.10/10p. In order for State agencies to claim Federal funds for allowable administrative activities at the correct enhanced Federal matching rates associated with the Base and Secondary Allocations, and for HCFA to track State expenditures against the two allocations, States must create two separate waiver schedules for the Form HCFA-64.10, one for each of the two allocations. Note, line 14 of the Form HCFA-64.10 has previously allowed Federal share entries to be reported only in column (d) at the 50 percent rate. In order to allow the reporting of expenditures at the enhanced Federal matching rates of 90 and 75 percent, the Medicaid Budget and Expenditure System (MBES) has been modified to

allow entries to be reported on the Form HCFA-64.10 in columns (b) at 90 percent, and (c) at 75 percent.

Base Allocation. In order to report and claim expenditures against the Base Allocation at the associated 90 percent Federal matching rate, the State must create a waiver schedule of the Form HCFA-64.10, indicating "TANF" in the "TYPE OF WAIVER" block and "BASE ALLOC" in the "WAIVER NUMBER" block. All allowable expenditures for which States are claiming against the Base allocation must be reported on line 14 (OTHER FINANCIAL PARTICIPATION) of this waiver schedule of the Form HCFA-64.10. The total computable amounts must be reported in column (a) and the (90 percent) Federal share amounts must be reported in columns (b) and (f).

Secondary Allocation. In order to report and claim expenditures against the Secondary Allocation at the associated 90 and 75 percent Federal matching rates, the State must create a waiver schedule of the Form HCFA-64.10, indicating "TANF" in the "TYPE OF WAIVER" block and "SECONDARY ALLOC" in the "WAIVER NUMBER" block. All allowable expenditures for which States are claiming against the Secondary allocation must be reported on line 14 (OTHER FINANCIAL PARTICIPATION) of this waiver schedule of the Form HCFA-64.10. The sum of all the total computable amounts for both the 75 percent and the 90 percent activities must be reported in column (a). The 90 percent Federal share amounts must be reported in column (b) and the 75 percent Federal share amounts must be reported in column (c). The sum of the Federal share amounts reported in columns (b) and (c) must be reported in column (f).

Base Form of the Form HCFA-64.10. Line 14 of the base form of the Form HCFA-64.10 must include the combined totals in each of the columns from all the "TANF" waiver forms, as well as the usual current administrative expenditures reported by the States on this form. Note, any entries on the base form of the Form HCFA-64.10 in columns (b) at 90 percent and (c) at 75 percent must reflect only the TANF expenditures related to the Base and Secondary Allocations.

The following example illustrates how to complete the Form HCFA-64.10/10p.

Example. For the third quarter of FY 1999 the State has the following current quarter total computable "Other Financial Participation" administrative expenditures:

- \$100,000,000 in regular Medicaid administrative expenditures
- \$6,500,000 in total administrative expenditures for allowable TANF related activities:
 - \$1,000,000 in expenditures for TANF activities to be applied towards the Base Allocation at 90 percent.
 - \$3,000,000 in expenditures for TANF activities to be applied towards the Secondary Allocation at 90 percent.
 - \$2,500,000 in expenditures for TANF activities to be applied towards the

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Secondary Allocation at 75 percent.

- \$50,000 in prior period expenses. In addition to the above current quarter expenditures, in the third quarter of FY 1999 the State has \$50,000 of total computable allowable TANF related expenditures related to a prior period, FY 1998, to be reported against the Secondary Allocation at 75 percent.

In order to report the above regular and TANF related administrative expenditures, the State will need to do the following:

- For the Base Allocation current quarter expenditures, create a Form HCFA-64.10 waiver schedule for the third quarter of FY 1999, indicating on line 14 \$1,000,000 in Column (a) and \$1,000,000 in column (b). The system will calculate the federal share of \$900,000 (90 percent of \$1,000,000) for column (b) and report \$900,000 in column (f). Indicate "TANF" as the Type of Waiver and "BASE ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block.
- For the Secondary Allocation current quarter expenditures, create a Form HCFA-64.10 waiver schedule for the third quarter of FY 1999, indicating on line 14 \$5,500,000 (\$3,000,000 plus \$2,500,000) in column (a), \$ 3,000,000 in column (b), and \$2,500,000 in column (c). The system will compute \$2,700,000 in column (b) (90 percent of \$3,000,000), \$1,875,000 in column (c) (75 percent of \$2,500,000) , and \$4,575,000 in column (f) (\$2,700,000 plus \$1875,000). Indicate "TANF" as the Type of Waiver and "SECONDARY ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block.
- Base Form HCFA-64.10. For line 14 of the third quarter FY 1999 current quarter expenditures base Form HCFA-64.10, indicate \$106,500,000 total computable in column (a), \$4,000,000 in column (b), \$2,500,000 in column (c), and \$100,000,000 in column(d). The system will compute \$3,600,000 (Federal share at 90 percent) in column (b), \$1,875,000 (Federal share at 75 percent) in column (c), \$50,000,000 (Federal share at 50 percent) in column (d), and \$55,475,000 total Federal share in column f). Indicate June 30, 1999 in the Quarter Ended block.
- For the FY 1998 prior period expenditures applicable to the Secondary Allocation, create a Form HCFA-64.10p waiver schedule for FY 1998, indicating on line 14 \$50,000 in columns (a) and (c). The system will compute \$37,300 (75 percent of \$50,000) in columns (c) and (f). Indicate "TANF" as the Type of Waiver and "SECONDARY ALLOC" as the Waiver Number. Indicate June 30, 1999 in the Quarter Ended block. Indicate 1998 in the Fiscal Year block.
- Summary Form HCFA-64. Finally, the total computable amounts of \$106,500,000, and the associated Federal shares of \$55,475,000, for the current third quarter of FY 1999 (which were reported on the base Form HCFA-64.10),

will be included on line 6 in columns (c) and (d) of the summary Form HCFA-64.

The total computable amount of \$50,000, and the associated Federal shares of \$37,300 for the prior period FY 1998, will be included on line 7 in columns (c) and (d) of the summary Form HCFA-64.

TRACKING ALLOWABLE EXPENDITURES AGAINST THE STATE ALLOCATIONS

Section 1931(h) of the Act provides for enhanced Federal matching for States' claims against the Base and Secondary Allocations. These enhanced Federal matching rates are in addition to Federal funds that would ordinarily be available for such expenditures at the 50 percent matching rate available under section 1903(a)(7) of the Act. Therefore States' claims for allowable administrative activities will reduce their Base and Secondary Allocations only by the amounts that are in excess of the usual 50 percent Federal matching rate, and not by the entire Federal matching amount. Specifically, States' allocations will be reduced by the amount of the claim multiplied by the difference between the enhanced Federal matching rate percentage and the (usual) 50 percent rate.

Using the example above, the State's allocations would be reduced by the following:

- The Base Allocation would be reduced by \$400,000 (900,000 - \$500,000) with respect to the total computable expenditure of \$1,000,000, which received 90 percent Federal matching.
- The Secondary Allocation would be reduced by \$1,200,000 (\$2,700,000 - \$1,500,000) with respect to the total computable expenditure of \$3,000,000, which received 90 percent Federal matching.
- The Secondary Allocation would be reduced by \$625,000 (\$1,875,000 - \$1,250,000) with respect to the total computable expenditure of \$2,500,000, which received 75 percent Federal matching.
- The Secondary Allocation would be reduced by \$12,500 (\$37,500 - \$25,000) with respect to the prior period total computable expenditure of \$50,000, which received 75 percent Federal matching.

The above amounts will be tracked against the States' respective Base and Secondary Allocations by the grants analysts in the HCFA's Medicaid Bureau and reflected in the quarterly grant awards for each State.

POSSIBLE REALLOCATION OF FUNDS: TRACKING ALLOWABLE EXPENDITURES AFTER THE ALLOCATIONS ARE MET

Once a State's has claimed up to its Base and Secondary allocations (that is, the State's

allocations have been reduced to \$0) Federal funds will only be available for allowable expenditures at the usual 50 percent matching rate. However, it is possible that certain States may never reach their allocations; that is, they may not incur sufficient expenditures during the applicable period to use up their entire allocations. If there are such unused funds, HCFA would reallocate the unused Federal funds to those other States that may have incurred allowable expenditures in excess of their allocations during the applicable period, if the excess allowable expenditures have been reported appropriately.

In order for HCFA to reallocate any potential unused amounts from the \$500 million fund to those States that may be able to use them, and for such States to claim the reallocated fund at the enhanced Federal matching rates, the States will need to continue to report and HCFA will need to continue to track the amounts of allowable expenditures incurred by such States during the applicable period under these provisions. This would need to be done even after the States have reached their allocations in order for HCFA at the time of reallocation to identify and match the expenditures at the appropriate enhanced Federal matching rate. Therefore, States that want to be eligible for any potential reallocation will need to continue to report allowable expenditures, even after they have reached their allocations.

However, after a State has claimed up to its allocations, but prior to the availability of any reallocation, HCFA would have to defer or disallow claims for allowable expenditures at the enhanced Federal matching rates, if the State were to continue to report and claim the expenditures at the 90/75 percent enhanced Federal matching rate on line 14 columns (b) and (c) of the waiver schedule of Form HCFA-64.10/10p. That is, prior to the availability of any reallocated amounts, Federal funds would not yet be available for States' claims which are in excess of their State allocations at other than the 50 percent rate and amounts of claims in excess of 50 percent would have to be deferred or disallowed.

In order to avoid the need for deferral or disallowance actions yet still provide information that would be used by HCFA to pay claims against potential reallocated funds, States should continue to report the allowable expenditures in excess of its allocations, but only at the 50 percent rate, on line 14 in column (d) of the Secondary Allocation waiver schedule of Form HCFA-64.10/10p. Since these amounts will only be reported in the 50 percent column (d) on line 14, the State will also need to distinguish between amounts of the allowable expenditure that would be claimed at 90 or 75 percent. In order to properly distinguish these expenditures, States should use the narrative sheet of the Form HCFA-64 to indicate and separately identify the amounts of the expenditures that would have been claimed at 90 percent and at 75 percent.

Example. A State has claimed up to its Base Allocation and Secondary Allocation by the end of FY 1998 (September 30, 1998). In the first quarter of FY 1999 the State has allowable TANF related expenditures which otherwise could have been claimed at the enhanced Federal Matching rates of 90 percent and 75 percent in the total computable amounts of \$1 million and \$2 million, respectively. On line 14 of the Secondary Allocation waiver schedule of the Form HCFA-64.10, the State should report \$3 million (\$1 million plus \$2 million) in the total computable column (a) and \$1.5 million (50 percent of \$3 million) in the 50 percent Federal matching rate column (d). On the

narrative sheet of the HCFA-64, the State should indicate to the effect: "The \$3 million total computable TANF related expenditures reported on line 14 in column (a) of the Secondary Allocation waiver schedule of the Form 64.10, represents \$1 million in allowable expenditures for activities that could otherwise have been claimed at an enhanced Federal matching rate of 90 percent, and \$2 million at 75 percent, except that the State has already claimed up to its TANF allocation."

MEDICAID PROGRAM BUDGET REPORT FORM HCFA-37.10

States must include and report all allowable TANF expenditures on line 14, Other Financial Services, of the Form HCFA-37.10. Include and enter the total computable portion in column A and the Federal share in column B. This line will no longer automatically calculate the Federal share in column B. After entering the total computable amount you must calculate the Federal share in order to receive reimbursement since line 14 will now reflect the multiple Federal matching rates. In order for HCFA to relate the amounts indicated on line 14 to the TANF provisions, the State must indicate in the narrative section of the Form HCFA-37.12 the amount of TANF expenditures they are requesting for both the Base and Secondary allocation. The example below illustrates the completion of the Form HCFA-37.

Example. For FY 1999 the State projects the following (dollars are in thousands):

- \$100,000 in total computable regular line 14 Other Financial Participation administrative expenditures, to be Federally matched at 50 percent. The projected Federal share of this amount would be \$50,000.
- \$1,000 in total computable expenditures to be applied against the base allocation at the 90 percent Federal matching rate. The projected Federal share of this amount would be \$900.
- \$3,000 in total computable expenditures to be applied against the secondary allocation at the 90 percent Federal matching rate. The projected Federal Share of this amount would be \$2,700.
- \$2,550 in total computable expenditures to be applied against the secondary allocation at the 75 percent Federal matching rate. The projected Federal share of this amount would be \$1,913.

In accordance with this information the State must complete the Form HCFA-37 as follows:

- On the Form HCFA-37.10, the State must report the following for budget year FY 1999:
 - \$106,550 (\$100,000 + \$1,000 + \$3,000 + \$2,550) on line 14 column A.

\$55,513 (\$50,000 + \$900 + \$2,700 + \$1,913) on line 14 in column B.

- In the narrative section of the Form HCFA-37.12 the State must indicate language to the effect for FY 1999:

"Explanation of Line 14 of the Form HCFA-37.10. The \$106,550 Other Financial Participation total computable expenditure amounts includes \$100,000 in regular expenditures Federally matchable at 50 percent, and "Section 1931 related TANF expenditures" as follows: \$1,000 applicable towards the Base Allocation and Federally matchable at 90 percent, \$3,000 applicable to the Secondary Allocation and Federally matchable at 90 percent, and \$2,550 applicable to the Secondary Allocation and Federally matchable at 75 percent. The \$55,513 Other Financial Participation Federal Share expenditure amounts reflects the above total computable expenditures at the respective Federal Matching rates: \$50,000, \$900, \$2,700, and \$1913."

\$500 MILLION ENHANCED MATCH ALLOCATION PERIOD

ALABAMA	11/18/96	10/1/96 - 9/30/99
ALASKA	7/1/97	7/1/97 - 6/30/2000
ARIZONA	10/1/96	10/1/96 - 9/30/99
ARKANSAS	7/1/97	7/1/97 - 6/30/2000
CALIFORNIA	11/28/96	10/1/96 - 9/30/99
COLORADO	7/1/97	7/1/97 - 6/30/2000
CONNECTICUT	10/1/96	10/1/96 - 9/30/99
DELAWARE	3/10/97	1/1/97 - 12/31/99
DISTRICT OF COLUMBIA	3/1/97	1/1/97 - 12/31/99
FLORIDA	10/1/96	10/1/96 - 9/30/99
GEORGIA	1/1/97	1/1/97 - 12/31/99
GUAM	7/1/97	7/1/97 - 6/30/2000
HAWAII	7/1/97	7/1/97 - 6/30/2000
IDAHO	7/1/97	7/1/97 - 6/30/2000
ILLINOIS	7/1/97	7/1/97 - 6/30/2000
INDIANA	10/1/96	10/1/96 - 9/30/99
IOWA	1/1/97	1/1/97 - 12/31/99
KANSAS	10/1/96	10/1/96 - 9/30/99
KENTUCKY	10/18/96	10/1/96 - 9/30/99
LOUISIANA	1/1/97	1/1/97 - 12/31/99
MAINE	11/1/96	10/1/96 - 9/30/99
MARYLAND	12/9/96	10/1/96 - 9/30/99
MASSACHUSETTS	9/30/96	10/1/96 - 9/30/99
MICHIGAN	9/30/96	10/1/96 - 9/30/99
MINNESOTA	7/1/97	7/1/97 - 6/30/2000
MISSISSIPPI	10/1/96	10/1/96 - 9/30/99
MISSOURI	12/1/96	10/1/96 - 9/30/99
MONTANA	12/16/96	10/1/96 - 9/30/99
NEBRASKA	12/1/96	10/1/96 - 9/30/99
NEVADA	12/3/96	10/1/96 - 9/30/99
NEW HAMPSHIRE	10/1/96	10/1/96 - 9/30/99
NEW JERSEY	2/1/97	1/1/97 - 12/31/99
NEW MEXICO	7/1/97	7/1/97 - 6/30/2000
NEW YORK	12/2/96	10/1/96 - 9/30/99
NORTH CAROLINA	1/1/97	1/1/97 - 12/31/99
NORTH DAKOTA	7/1/97	7/1/97 - 6/30/2000
OHIO	10/1/96	10/1/96 - 9/30/99
OKLAHOMA	10/1/96	10/1/96 - 9/30/99
OREGON	10/1/96	10/1/96 - 9/30/99
PENNSYLVANIA	3/3/97	1/1/97 - 12/31/99
PUERTO RICO	7/1/97	7/1/97 - 6/30/2000
RHODE ISLAND	6/1/97	4/1/97 - 3/31/2000
SOUTH CAROLINA	10/12/96	10/1/96 - 9/30/99
SOUTH DAKOTA	12/1/96	10/1/96 - 9/30/99
TENNESSEE	10/1/96	10/1/96 - 9/30/99
TEXAS	11/6/96	10/1/96 - 9/30/99
UTAH	10/1/96	10/1/96 - 9/30/99
VERMONT	8/20/96	10/1/96 - 9/30/99
VIRGINIA	2/1/97	1/1/97 - 12/31/99
VIRGIN ISLANDS	7/1/97	7/1/97 - 6/30/2000
WASHINGTON	1/10/97	1/1/97 - 12/31/99
WEST VIRGINIA	1/11/97	1/1/97 - 12/31/99
WISCONSIN	9/30/96	10/1/96 - 9/30/99