

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



Center for Medicaid and State Operations

SHO # 10-005
CHIPRA # 16

March 1, 2010

RE: Applicability of Federal Matching Rates in CHIP and Medicaid

Dear State Health Official:

This letter is one of a series that provides guidance on the implementation of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Public Law 111-3. The purpose of this letter is to provide guidance on sections 114 and 115 of CHIPRA, which are related to the Federal Medical Assistance Percentage (FMAP) rate that a State may claim for Children's Health Insurance Program (CHIP) expenditures. Section 114 specifies that the regular FMAP rate under title XIX will apply for expenditures for children in families with incomes in excess of 300 percent of the federal poverty level (FPL). Section 115 gives States the option to claim expenditures for Medicaid expansion program populations under section 1905(u) of the Social Security Act (the Act), either at the enhanced FMAP rate using title XXI funds or at the regular FMAP rate using title XIX funds. The effective date for sections 114 and 115 was April 1, 2009.

Section 114: Regular FMAP Rate for Child Populations Above 300 Percent FPL

CHIPRA section 114 changed the applicable federal matching rate for expenditures for child health assistance or health benefits coverage for a targeted low-income child whose effective family income would exceed 300 percent of the FPL if not for the application of a general exclusion of a block of income that is not determined by type of expense or type of income. Instead of using the enhanced FMAP rate that would otherwise apply for CHIP expenditures, the regular Medicaid FMAP rate as determined under section 1905(b) of the Act would apply. (Please note that, currently, the "regular" Medicaid matching rate is the increased FMAP as provided for in the American Recovery and Reinvestment Act (ARRA).)

Section 114 provides an exception for States that had existing authority to cover children above 300 percent of the FPL as of the date of enactment of CHIPRA (February 4, 2009). Existing authority could consist of an approved CHIP or Medicaid State plan amendment (SPA), an approved CHIP or Medicaid section 1115 demonstration, or an existing State law requiring the State to submit such a SPA. States qualifying for an exception may receive the enhanced FMAP rate to provide coverage to children with family incomes above 300 percent of the FPL.

(Please note that any SPA submitted in response to a State law enacted on or before February 4, 2009 should include a copy of the corresponding legislation.)

The changed federal matching rate would not apply to the extent that a State disregards income based on specific types of expenses or types of income. For example, a State that sets eligibility at 300 percent of the FPL that takes into account expenses for child care, or that disregards student income, would not be affected, even if some children might have gross family income above 300 percent of the FPL. When a State applies a disregard of a “block of income,” however, the State will need to determine the appropriate FMAP for claimed expenditures. For example, a State with a net income eligibility level of 100 percent of the FPL that disregarded all income between 100 and 350 percent of the FPL would not receive the enhanced FMAP for the children whose family incomes would have been above 300 percent of the FPL absent the block of income disregard. These children may still be covered in CHIP, but the State would only receive federal matching funds at the regular FMAP rate.

The change in the applicable federal matching rate applies for both separate CHIP programs and for Medicaid expansion programs. However, for Medicaid expansion expenditures for children with effective family income levels above 300 percent of the FPL, the State will receive Medicaid matching funds at the regular FMAP. Section 2105(a) of the Act authorizes payments for Medicaid expansions only at the enhanced FMAP level, and since the enhanced FMAP level will not be available, these payments will not reduce the State’s CHIP allotment. Payments for separate CHIP programs at the regular FMAP level, however, will reduce the State’s CHIP allotment.

Section 115: Match Rate Option for CHIP Expenditures

Prior to the enactment of CHIPRA, States were required to claim the enhanced FMAP from their title XXI CHIP allotments for expenditures for uninsured children enrolled in the Medicaid program who met the definition of optional targeted low-income children (i.e., uninsured children who would not have been eligible under the Medicaid State plan as of March 31, 1997) to the extent that there was available CHIP allotment funding. States could not choose to rely on Medicaid funds for these children unless all available title XXI funds had been exhausted.

Section 115 of CHIPRA allows States the option either to claim the enhanced FMAP under title XXI or to claim the regular FMAP under title XIX for such children, even if title XXI funds have not been exhausted. Only those claims submitted at the enhanced FMAP rate will be paid by the Secretary from the State’s CHIP allotment. The provision helps States that may be concerned that their CHIP allotment may not be sufficient to pay for all CHIP-eligible children and pregnant women by giving States the option to preserve title XXI funding for populations only eligible under a separate CHIP program.

Since the match rate option allows States to choose Medicaid funds, it is only available for children enrolled in Medicaid expansion programs. As always, States have the option to modify their CHIP programs from a separate child health program to a Medicaid expansion program at any time. States would need to submit both a CHIP SPA and a Medicaid SPA to indicate their desire to make a program change.

In order to provide States the maximum flexibility in utilizing the FMAP option under this provision, but remaining consistent with the current quarterly grant accounting system, CMS will accept changes in the Medicaid expansion program FMAP designation on a quarterly basis. If a State wishes to change the FMAP rate for its Medicaid expansion program expenditures, States will need to notify CMS through the budget projections made on the Medicaid Budget and Expenditure System/CHIP Budget and Expenditure System at least 45 days prior to the start of a certifying quarter. For example, a State wishing to claim regular FMAP for its Medicaid expansion program population beginning July 1, 2010, would need to notify CMS of this change by May 15, 2010. (For the quarter beginning April 1, 2010, States should notify CMS of any change no later than March 15, 2010.) CMS requests that the notification be entered both on Form CMS-37.12 and Form CMS-21B Narrative. This notification will ensure that CMS has adequate time for processing any necessary system changes so that States may submit claims for the Medicaid expansion program expenditures affected by the FMAP change.

If you have questions regarding this guidance please send an e-mail to CMSOCHIPRAQuestions@cms.hhs.gov or contact Ms. Victoria Wachino, Director, Family and Children's Health Programs Group, who may be reached at (410) 786-5647.

Sincerely,

/s/

Cindy Mann
Director

cc:

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