

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

May 1, 2008

SHO #08-002

Dear State Health Official:

The purpose of this letter is to provide you with information regarding the availability of additional grant funding related to High Risk Pool operations.

A funding level of \$49,127,000 has been made available pursuant to the Consolidated Appropriations Act of 2008 (Pub. L. 110-161) to support the operation of State high risk insurance pools.

Grant Opportunities Announcement:

The grant opportunity requirements and instructions were announced April 7, 2008, with applications due by June 9, 2008, at www.grants.gov. Grant awards will be announced on or about July 1, 2008.

Grants for Operational Losses and Bonus Grants - States that have established a qualified high risk pool that has incurred losses and meets certain programmatic and operational standards may apply for funding. The programmatic and operational standards are detailed in the official grant announcement.

Allocation of Grant Amounts for the Operational Losses Grants - The amount of dollars available for the operational grants is based on the following funding methodology. Two-thirds of the total appropriation for a specific year will be allotted to qualifying States for operational losses grants as follows: 40 percent of the allotted funds will be divided equally among those States; 30 percent will be distributed based on the ratio of uninsured residents in the State to total uninsured residents in all of the qualified States that apply; and 30 percent will be distributed based on the ratio number of people enrolled in a State's qualified high risk pool to people enrolled in the high risk pools of all of the States that apply.

Premiums charged under the pool must be no more than 200 percent of the premium of applicable standard risk rates. However, if a State's qualified high risk pool program charges premiums that exceed 150 percent of the premium for applicable standard risks, the State must use at least 50 percent of the amount of the grant award to reduce premiums for enrollees.

Bonus Grants for Supplemental Consumer Benefits - The remaining one-third of the total available funding is set aside for use for supplemental consumer benefits. If a State has an established qualified high risk pool and is receiving a grant for operational losses, it may apply for a grant to be used to provide supplemental consumer benefits to enrollees or potential enrollees. The benefits to be funded with this grant may include one or more of the following: (1) low-income premium subsidies; (2) reduction in premium trends, actual premium, or other cost-sharing requirements; (3) an expansion or broadening of the pool of individuals eligible for coverage, such as through eliminating waiting lists, increasing enrollment caps, or providing flexibility in enrolment rules; (4) less stringent rules, or additional waiver authority with respect to coverage of pre-existing conditions; (5) increased benefits; and (6) the establishment of disease management programs.

We encourage all States with qualified high risk pools to consider applying for these grant funds.

Sincerely,

/s/

Herb B. Kuhn
Deputy Administrator
Acting Director, Center for Medicaid and State Operations

Enclosure

cc:

CMS Regional Administrators

CMS Associate Regional Administrators,
Division of Medicaid and Children's Health

Barbara Edwards
NASMD Interim Director
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

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Debra Miller
Director for Health Policy
Council of State Governments

Christie Raniszewski Herrera
Director, Health and Human Services Task Force
American Legislative Exchange Council

Barbara Levine
Director of Policy and Programs
Association of State and Territorial Health Officials

Governors

State Health Insurance Commissioners