

SMDL #01-021

July 5, 2001

Dear State Medicaid and SCHIP Director:

This letter provides guidance on recently enacted legislation that provides additional flexibility for States to fund outreach activities under the State Children's Health Insurance Program (SCHIP). This new provision of law affects states that have retained a portion of their fiscal year (FY) 1998 SCHIP allotments.

Background

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), which was signed into law on December 21, 2000, establishes new provisions for the redistribution and retention of unspent FY 1998 and 1999 SCHIP funds. The FY 1998 redistributed and retained funds are available in FY 2001 and 2002. Funds unspent at the end of FY 2002 will revert to the Treasury.

BIPA also provides an exception to the SCHIP statute's existing 10 percent fiscal year limit for outreach, administration, health services initiatives and other child health assistance, referred to as the "BIPA outreach allowance." Without this BIPA exception, such expenditures (particularly outreach) would normally be subject to the 10 percent fiscal year limit. The BIPA exception allows states that did not fully spend their FY 1998 allotment in the three-year period of availability (FY 1998 through FY 2000), to use up to 10 percent of their FY 1998 retained allotment amounts for outreach activities approved by the Secretary without those expenditures being applied against the state's 10 percent fiscal year limit. This exception applies only while the state's retained allotment amounts remain available. Once a state fully expends its retained allotment amounts, the exception is no longer in effect.

Outreach Policy Under BIPA

BIPA did not revise the existing definition of outreach activities under the SCHIP statute. As indicated above, under the BIPA outreach allowance the amount of a State's outreach expenditures up to 10 percent of the State's retained allotment will not be applicable to the State's 10 percent fiscal year limit. Accordingly, states may use funds under the BIPA outreach allowance provision to conduct outreach activities that are targeted at identifying and enrolling children eligible for SCHIP. In addition, states may choose to use these funds for outreach efforts that are aimed at enrolling children who are likely to be eligible for Medicaid and low-income families who may be eligible for SCHIP or Medicaid. This policy will allow states to take full advantage of these time-limited outreach funds to reach uninsured children and their families. States often conduct combined (SCHIP and Medicaid) outreach activities, and CMS generally has encouraged joint program outreach efforts to promote coverage among all eligible uninsured children. In addition, some states have very modest SCHIP programs due to significant coverage expansions prior to its enactment. These states will be able to use the funds to target a broader population of low-income uninsured children. We believe that states will be able to continue the many innovative and

diverse outreach strategies that they have implemented to date or are planning for the future.

Process for Spending the BIPA Outreach Allowance

States will not be required to submit a State Plan Amendment for approval of outreach activities under the BIPA outreach allowance, but should ensure that the claims under this allowance are consistent with this policy. CMS has modified Form CMS-21L in order to track the Federal share amounts of outreach expenditures applied against the new BIPA outreach allowance.

CMS will request that states specify in their annual SCHIP reports the types of outreach activities they are conducting under the BIPA outreach allowance for FY 1998 retained SCHIP funds in addition to the current requirements to describe outreach initiatives in the annual report. We believe this policy allows states the opportunity to spend these time-limited funds without delay. It also encourages states to be responsive to lessons learned and to adapt outreach strategies in a timely manner to local needs.

Please do not hesitate to contact your Regional Office if you have further questions about this policy.

Sincerely,

/s/

Penny R. Thompson
Acting Director

cc:

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