

December 17, 1999

Dear State Medicaid Director:

This letter transmits the enclosed State Plan Amendment (SPA) preprint which prescribes the terms and conditions under which Federal financial participation (FFP) will be available if you make Medicaid or State Children's Health Insurance Program (SCHIP) payments based upon projected provider claims because State Y2K claims processing problems preclude your processing bills in the normal manner. Our objective in providing this very limited exception to the normal program claiming requirements is to ensure the uninterrupted flow of Federal Medicaid and SCHIP Program funds and avoid disruption of services to beneficiaries, while also ensuring the ongoing fiscal integrity of the two programs. The Health Care Financing Administration (HCFA) understands that despite your concerted efforts to achieve Y2K compliance, there could be instances in which State Y2K claims processing problems prevent you from processing and paying Medicaid and SCHIP bills in accordance with normal program claiming requirements.

Under longstanding program requirements, FFP has been available only for documented expenditures made by States for actual covered services furnished by providers to eligible beneficiaries. The requirements further specify that claims developed through the use of sampling, projections, or other estimating techniques are considered estimates which are not allowable for FFP. However, because of the unique one-time nature of the Y2K situation and the need to avoid disruption to the beneficiaries of the Medicaid and SCHIP programs, HCFA will make a very limited exception to allow FFP for States' payments based on projected provider claims. The exception applies only to payments made during the period January 1, 2000 through March 31, 2000 because the State cannot process and pay claims in accordance with normal program claiming requirements. HCFA will not match payments made because of provider inability to submit claims to the State as a result of Y2K provider problems. In other words, a provider must have submitted a valid claim to the State in order for FFP to be available.

The enclosed SPA specifies the terms and conditions under which FFP will be available in State payments based on projected provider claims resulting from State Y2K claims processing problems. The State must agree to comply with all of the terms and conditions specified in the SPA to be able to implement this policy exception. If you choose to adopt this interim policy exception, you should submit the completed SPA preprint to your Regional Office.

Please note that you must submit the SPA without any changes or revisions. Upon approval of your SPA by the Regional Office, HCFA will allow FFP in State projected payments made in accordance with the SPA terms and conditions.

For additional information or questions, please contact your Regional Office representative or Miles McDermott of the Division of Financial Management on 410-786-3722.

Sincerely,

/s/

Timothy M. Westmoreland
Director

Enclosure

cc: All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge - Director, Health Policy Unit, American Public Human Services Association Joy Wilson - Director, Health Committee, National Conference of State Legislatures Matt Salo - Senior Health Policy Analyst, National Governors' Association

State Plan for Title XIX

Attachment 4.19 F

State _____

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FEDERAL MATCHING OF Y2K-RELATED STATE PROJECTED PAYMENTS TO
MEDICAID AND STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)
PROVIDERS

Given the uniqueness of the Y2K problem and the desire to avoid disruptions of services to beneficiaries, while also ensuring the ongoing fiscal integrity of the Medicaid and SCHIP programs, HCFA will provide FFP in States' payments based on projected provider claims made in accordance with all of the following terms and conditions during the period January 1, 2000 through March 31, 2000 that are a direct result of State Y2K claims processing problems.

1 FFP is available for payments made to Medicaid and SCHIP providers based on projected provider claims during the period January 1 through March 31, 2000 that are the direct result of State Y2K claims processing problems. If at any time before March 31, 2000 the States's claims processing system becomes Y2K compliant, FFP will no longer be available for any projected payments made after the date the State's claims processing system becomes Y2K compliant.

2 The projected provider claims for which FFP will be available will be computed by the State as the average of the last 12 months of payments to each provider, or of the period specified in the State's Y2K Contingency Plan. For Managed Care Organizations (MCOs) the State may use the previous month's payment (i.e. December 1999).

3 Once the State determines the average monthly payment to the provider, HCFA will allow the State to claim FFP for their projected payments up to 70 percent of the average monthly payment for institutional providers and capitated MCOs, and up to 50 percent of the average monthly payment for non-institutional providers.

4 The State must establish an accounts receivable for all payments made and for which FFP was claimed based on projected provider claims.

5 When the period for which FFP is available for payments based on projected provider claims ends, the State must incorporate into its claims processing system an edit check designed to preclude duplicate payments to providers where payments based on projected provider claims were made and have not yet been fully reconciled.

6 By no later than April 1, 2000, for each provider, the State must begin reconciling payment made based on projected provider claims accounts receivable balances for the January 1 - March 31, 2000 period against 100 percent of each provider's adjudicated claim amounts for that same period, and begin recouping any excessive payments that were made to a provider based on projected provider claims amounts. All overpayments that were made based on projected provider claims must be either recovered or returned as overpayments by September 30, 2000. No FFP will be available for extended repayment schedules for providers.

1 Before implementing this projected provider claims payment process, the State must purge its files of all excluded providers to preclude any payments to excluded providers.

2 Once the State has completed the final reconciliation of all accounts receivable balances, and it has been reviewed by the RO, the State must report the Federal share of any outstanding State overpayments to HCFA on the next Form HCFA-64. Any outstanding overpayments that have not been reported on the Form HCFA-64 for the quarter ended September 30, 2000 will be disallowed.

3 The State agrees that this policy applies only to payments based on projected provider claims made because State Y2K claims processing problems preclude the State from processing

and paying provider claims in accordance with normal program claiming requirements. It does not apply to payments made because of Y2K problems which preclude providers from billing the State, or because of problems not related to State Y2K claims processing problems. State payments based on projected provider claims that are not in accordance with all of the terms and conditions of this State plan amendment will be disallowed.

10. Before implementation, the State must submit to the Regional Office for approval, along with this state plan amendment, the State's plan for specifically implementing the terms and conditions of this State plan amendment.

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===== Effective Date _____

Approval Date _____