

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

Attachments

cc:

All HCFA Regional Offices

Ms. Lee Partridge
Director Health Policy Unit
American Public Welfare Association

Ms. Jennifer Baxendell
Senior Policy Analyst

Human Resources Group
National Governors' Association

Ms. Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Lloyd Bishop
Office of Legislative and Governmental Affairs

ATTACHMENT 1

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-- *
- 1. Eligibility workers
- 2. Providers
- 3. Outstationed eligibility workers and other individuals
- 4. 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. \$1,000,000 in expenditures for TANF activities to be applied towards the Base Allocation at 90 percent.
 2. \$3,000,000 in expenditures for TANF activities to be applied towards the Secondary Allocation at 90 percent.
 3. \$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 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:
 1. \$106,550 (\$100,000 + \$1,000 + \$3,000 + \$2,550) on line 14 column A.
 2. \$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."

ATTACHMENT 2

STATE ALLOCATIONS FOR ENHANCED MATCHING

STATE	BASE ALLOCATION	SECONDARY ALLOCATION	TOTAL ALLOCATION
ALABAMA	\$2,000,000	\$4,504,897	\$6,504,897
ALASKA	2,000,000	1,039,335	3,039,335
ARIZONA	2,000,000	5,961,603	7,961,603
ARKANSAS	2,000,000	3,095,513	5,095,513
CALIFORNIA	2,000,000	81,719,458	83,719,458
COLORADO	2,000,000	3,166,316	5,166,316
CONNECTICUT	2,000,000	3,756,737	5,756,737

DELAWARE	2,000,000	801,757	2,801,757
DIST. COLUMBIA	2,000,000	1,259,072	3,259,072
FLORIDA	2,000,000	20,262,239	22,262,239
GEORGIA	2,000,000	9,591,549	11,591,549
HAWAII	2,000,000	1,435,742	3,435,742
IDAHO	2,000,000	1,288,535	3,288,535
ILLINOIS	2,000,000	17,363,894	19,363,894
INDIANA	2,000,000	5,545,162	7,545,162
IOWA	2,000,000	2,782,362	4,782,362
KANSAS	2,000,000	2,496,386	4,496,386
KENTUCKY	2,000,000	5,269,014	7,269,014
LOUISIANA	2,000,000	7,029,185	9,029,185
MAINE	2,000,000	1,569,238	3,569,238
MARYLAND	2,000,000	5,595,943	7,595,943
MASSACHUSETT	2,000,000	7,463,490	9,463,490
MICHIGAN	2,000,000	13,975,445	15,975,445
MINNESOTA	2,000,000	5,708,769	7,708,769
MISSOURI	2,000,000	6,561,956	8,561,965
MISSISSIPPI	2,000,000	4,617,604	6,617,604
MONTANA	2,000,000	764,134	2,764,134
NEBRASKA	2,000,000	1,308,247	3,308,247
NEVADA	2,000,000	1,258,808	3,258,808
NEW	2,000,000	875,952	2,875,952
NEW JERSEY	2,000,000	9,012,253	11,012,253
NEW MEXICO	2,000,000	2,860,333	4,860,333
NEW YORK	2,000,000	35,034,556	37,034,556
NORTH	2,000,000	9,550,703	11,550,703
NORTH DAKOTA	2,000,000	537,922	2,537,922
OHIO	2,000,000	14,909,161	16,909,161
OKLAHOMA	2,000,000	3,938,082	5,938,082
OREGON	2,000,000	3,740,656	5,740,656
PENNSYLVANIA	2,000,000	15,553,339	17,553,339
RHODE ISLAND	2,000,000	1,459,771	3,459,771
SOUTH	2,000,000	4,221,783	6,221,783
SOUTH DAKOTA	2,000,000	642,597	2,642,597
TENNESSEE	2,000,000	7,250,889	9,250,889
TEXAS	2,000,000	25,523,806	27,523,806

UTAH	2,000,000	2,006,172	4,006,172
VERMONT	2,000,000	891,672	2,891,672
VIRGINIA	2,000,000	6,531,522	8,531,522
WASHINGTON	2,000,000	8,443,170	10,443,170
WEST VIRGINIA	2,000,000	3,420,593	5,420,593
WISCONSIN	2,000,000	5,023,766	7,023,766
WYOMING	2,000,000	475,344	2,475,344
GUAM	176,235	94,204	270,439
PUERTO RICO	2,000,000	6,325,084	8,325,084
VIRGIN ISLANDS	176,235	131,810	308,045
TOTAL	\$104,352,470	\$395,647,530	\$500,000,000

ATTACHMENT 3

(Note: The information below appeared in the Federal Register, Volume 62, Number 93 on May 14, 1997. We believe the information to be identical to the original. However, due to possible conversion differences, only the Federal Register version should be considered official.)

[Federal Register: May 14, 1997 (Volume 62, Number 93)]
 [Notices]
 [Page 26545-26550]
 From the Federal Register Online via GPO Access [wais.access.gpo.gov]
 [DOCID:fr14my97-106]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Care Financing Administration
 [MB-103-NC]
 RIN 0938-AH90

Medicaid Program; Allocation of Enhanced Federal Matching Funds
 for Increased Administrative Costs Resulting From Welfare Reform

AGENCY: Health Care Financing Administration (HCFA), HHS.

ACTION: Notice with comment period.

SUMMARY: This notice with comment period announces the methodology used to determine the allocation, among the States and certain Territories, of a \$500 million fund to assist them with the additional

expenses attributable to eligibility determinations incurred as a result of the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which decouples Medicaid eligibility from receipt of cash assistance for families and children. Also, it announces the actual allocation amount for each State and Territory. The special fund is available for matching a State's or Territory's allowable administrative expenditures incurred only during Federal fiscal years 1997 through 2000, and only during the first 12 calendar quarters in which the State's Temporary Assistance to Needy Families program, which replaced the Aid to Families with Dependent Children program, is in effect after August 21, 1996.

DATES: Effective Date: This notice is effective on May 14, 1997.

Comment Period: Written comments will be considered if we receive them at the appropriate address, as provided below, no later than 5 p.m. on June 13, 1997.

ADDRESSES: Mail comments (one original and three copies) to the following address: Health Care Financing Administration, Department of Health and Human Services, Attention: MB-103-NC, P.O. Box 7517, Baltimore, MD 21207-0517.

If you prefer, you may deliver your written comments (one original and three copies) to one of the following addresses:

Room 309-G, Hubert H. Humphrey Building, 200 Independence Avenue, SW.,
Washington, DC 20221, or
Room C5-09-26, 7500 Security Boulevard, Baltimore, MD 21244-1850.

Because of staffing and resource limitations, we cannot accept comments by facsimile (FAX) transmission. When you comment, please refer to file code MB-103-NC. Comments received timely will be available for public inspection as they are received, generally beginning approximately 3 weeks after publication of a document, in Room 309-G of the Department's offices at 200 Independence Avenue, SW., Washington, DC, on Monday through Friday of each week from 8:30 a.m. to 5 p.m. (phone: (202) 690-7890).

Copies: To order copies of the Federal Register containing this document, send your request to: New Orders, Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954. Specify the date of the issue requested and enclose a check or money order payable to the Superintendent of Documents, or enclose your Visa or MasterCard number and expiration date. Credit card orders can also be placed by calling the order desk at (202) 512-1800 or by faxing to (202) 512- 2250. The cost for each copy is \$8. As an alternative, you can view and photocopy the Federal Register document at most libraries designated as Federal Depository Libraries and at many other public and academic libraries throughout the country that receive the Federal Register.

FOR FURTHER INFORMATION CONTACT: Richard Strauss, (410) 786-2019.

SUPPLEMENTARY INFORMATION:

I. Background

Under title XIX of the Social Security Act (the Act), Federal funds are available at specified Federal matching rates for expenditures for medical assistance and administrative expenditures under the States' approved Medicaid plans. State Medicaid agencies are required to submit quarterly reports of expenditures (on Form HCFA-64) in order to claim Federal financial participation (FFP), that is, Federal matching funds for these expenditures.

II. Recent Legislation

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) amended title IV-A of the Act to repeal the Aid to Families with Dependent Children (AFDC) program. The AFDC program provided an entitlement to cash assistance for eligible families with dependent children and was funded by an opened, jointly funded Federal-State program. PRWORA replaced AFDC with a program of block grants for States for Temporary Assistance for Needy Families (TANF). The repeal of AFDC becomes effective not later than July 1, 1997, or for most purposes on the date that the Secretary receives a State's TANF plan. Under TANF, States have broad flexibility to provide assistance for the purpose of ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; preventing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. Prior to the passage of PRWORA, Medicaid eligibility for families with children receiving AFDC was automatic.

With the implementation of each State's TANF program, there is no longer an automatic link between eligibility for cash assistance under the AFDC program and eligibility under the Medicaid program. Section 114(a) of PRWORA amended title XIX of the Act to add a new section 1931 that, in general, requires State agencies to provide Medicaid eligibility to low income families, if they had been eligible under the AFDC plan in effect on July 16, 1996. With the advent of the TANF program, State Medicaid agencies are expected to incur additional administrative costs related to the need to determine Medicaid eligibility for individuals in accordance with section 1931 of the Act. These expenditures include the costs of outreach to potential eligible individuals who will no longer receive automatic Medicaid eligibility through the cash assistance linkage. It is essential that State Medicaid agencies ensure and protect continued Medicaid eligibility for current Medicaid recipients who would have been eligible under the July 16, 1996 AFDC rules or who are otherwise eligible under section 1931 of the Act, and that the State agencies successfully implement new procedures for identifying potential new Medicaid recipients and determining their eligibility.

To assist State agencies with additional administrative costs involved in this transition, section 114(a) of PRWORA created a new section 1931(h) of the Act, which establishes a \$500 million fund that is available as Federal matching funds for the State Medicaid agencies' administrative costs of Medicaid eligibility determinations incurred as a result of the delinking of Medicaid eligibility from eligibility for cash assistance under title IV-A of the Act. The additional Federal funds will be provided to State agencies through an enhanced Federal matching rate for the applicable administrative expenditures. A State agency is eligible to claim the 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). The law requires the Secretary to increase the usual Federal matching percentage of 50 percent for States' claims for administrative expenditures from this fund and to ensure the equitable distribution of the increased matching funds.

Under section 1931(h) of the Act, the \$500 million fund is available only for the administrative costs of Medicaid eligibility determinations attributable to the application of the requirements of section 1931 of the Act, that is, the rules of the States' former AFDC programs. The fund is not available for the costs of determining Medicaid eligibility for individuals with respect to other provisions of PRWORA, such as those related to alien and immigration status or the Supplemental Security Income (SSI) program, unless those individuals are screened for Medicaid eligibility through provisions of section 1931 of the Act. HCFA estimates that \$500 million provide adequate funds to offset additional administrative costs that States will incur attributable to the requirements of section 1931 of the Act.

III. Provisions of the Notice

This notice with comment period announces the enhanced Federal matching rates, the allocation formula and the factors included in that formula, the dollar amounts allocated to each State, and the activities for which FFP will be available at enhanced matching rates, which are established under section 1931(h) of the Act. Specifically, sections 1931 (h)(1), (h)(2), and (h)(3) of the Act, respectively, authorize the Secretary to: specify the enhanced Federal matching rates; determine the allowable expenditures; and ensure the equitable distribution of the funds among States by establishing the allocation formula and factors included in the formula, and the dollar amounts allocated to each State.

We are allocating two amounts to each State agency from the \$500 million fund: A minimum (base) allocation, which is generally the same for all States; and an additional allocated amount (secondary allocation), which differs by State and is determined by a formula using factors discussed in detail in section VI. of this notice. State agencies may claim Federal funding for allowable activities against the base allocation at a 90-percent matching rate. State agencies may claim Federal funding against the secondary allocation at one of two Federal matching rates: A 90-percent enhanced matching rate for specified activities considered critical to protecting beneficiaries (for example outreach and beneficiary education); and a 75-percent enhanced rate for other allowable activities. In claiming Federal matching for expenditures for these activities, States must identify them separately on the form HCFA-64. States may draw down funds for their allocation as they incur allowable expenditures.

IV. Activities Subject to Enhanced Funding

Under section 1931(h) of the Act, the \$500 million fund may only be used for administrative expenditures shown by State agencies to be attributable to the administrative costs of Medicaid eligibility determinations required as a result of the TANF legislation and the delinking of Medicaid eligibility from AFDC status. The following activities are those for which Federal funding is already available and for which additional funding is available at one of the enhanced Federal matching rates, 90 percent or 75 percent. States can claim 90- percent matching for any of the allowable activities listed below, up to the basic allocation for the State. For the States' secondary allocation, items indicated by an asterisk may be claimed at a 90- percent matching rate and items not noted with an asterisk can be claimed at the 75-percent matching rate.

We established the higher 90-percent enhanced Federal matching rate associated with the base allocation in recognition that there are 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 serves to expedite funds to States for such costs.

We established the two enhanced Federal matching rates associated with the secondary allocation to recognize two priorities of activities related to this provision. The first priority, with the higher 90- percent Federal matching rate, is associated with beneficiary oriented activities such as outreach, public service announcements, and education. The higher 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. Each of these higher rate (90 percent) activities is indicated below by an asterisk. The lower 75-percent enhanced Federal matching rate addresses the other activities performed during the transition period.

Allowable Activities

- 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 others.
- 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 at the appropriate enhanced rates associated with the two allocated amounts for allowable activities, they will need to identify and report the administrative expenditures for such activities to HCFA on specified lines on the States' quarterly medical assistance expenditure report (Form HCFA-64), in accordance with HCFA guidance and instructions related to the form HCFA-64.

V. Special Issues

We conducted a series of consultations with advocacy, provider, and intergovernmental groups to gather suggestions and recommendations on how to equitably distribute the enhanced matching funds. These groups included the National Governors' Association, the American Public Welfare Association, and the National Conference of State Legislatures. The criteria and requirements included in this notice reflect consideration of their suggestions and recommendations.

A. Federal Matching Rate To Be Increased

Under section 1931(h)(2) of the Act, the Federal matching rate, which will be used for State claims related to the \$500 million fund, applies only to those administrative expenditures of a State agency's Medicaid program described in section 1903(a)(7) of the Act (administrative expenditures that are Federally matched at a 50-percent rate). These administrative expenditures include the costs associated with eligibility determination activities.

Because of the specific reference to section 1903(a)(7) of the Act, section 1931(a) of the Act precludes the \$500 million fund from being available for matching expenditures referenced in other sections of section 1903(a) of the Act. For example, section 1903(a)(3) of the Act refers to administrative activities related to

electronic claims processing systems and the associated Federal matching rates of 90 and 75 percent. Section 1903(a)(4) refers to the costs of systems for verifying immigration status and the associated Federal matching rate of 100 percent. The \$500 million fund is not available for these categories of administrative expenditures or others referenced in sections 1903 (a)(1) through (a)(6) of the Act.

We note that, under existing Medicaid regulations published in 1989, the administrative costs associated with automated eligibility systems are not considered part of the mechanized claims process and information retrieval systems, and therefore are not eligible for the 75-percent or 90-percent Federal matching rate referred to in section 1903(a)(3) of the Act. Therefore, these costs are matched at the 50 percent rate under section 1903(a)(7) of the Act, and may be claimed against the State's allocation from the \$500 million fund at the higher matching rate if they meet the other requirements.

B. Retroactive Claims

Under sections 1931 (h)(3) and (h)(4) of the Act, the \$500 million dollar fund is only available for claims for administrative costs incurred during Federal fiscal years 1997 through 2000 (that is, October 1, 1996 through September 30, 2000), and with respect to any specific State, only during the first 12 calendar quarters that the TANF program is in effect in that State beginning no earlier than October 1, 1996. As long as claims of that State are for expenditures incurred during this period and meet timely filing and other relevant requirements, they would not be precluded from being submitted and allowed retroactively.

C. Equitable Distribution of Funds Among All States

Section 1931(h)(3) of the Act requires the Secretary to "ensure the equitable distribution" of the \$500 million dollar fund among the States. We interpret this to mean that all States should receive an equitable share of the fund unless the State does not incur any cost associated with the implementation of section 1931 of the Act. Through the consultative process, discussed earlier in this section, States and other groups have expressed the position that every State agency should be able to receive at least some portion of the fund. We agree that the requirement for an equitable distribution must result in each State receiving a portion of the fund against which qualifying expenditures would be claimed. For purposes of the Medicaid program, the definition of "State" includes the District of Columbia and the five Territories of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands. However, we have not provided an allocation for the Northern Mariana Islands or American Samoa because they do not have an AFDC program and did not have an AFDC program at the time of the enactment of PRWORA. Therefore, only three Territories, Guam, Puerto Rico and the Virgin Islands, will incur administrative expenditures as a result of the transition from AFDC to TANF.

The three Territories affected by section 1931 of the Act are still subject to the existing cap on Federal Medicaid expenditures for the Territories at section 1108(c) of the Act. This cap will not increase with the availability of a portion of the \$500 million fund. However, these Territories could still receive benefits under the \$500 million fund provisions because, with an enhanced Federal matching rate, less total territorial matching funds would be required for a given level of administrative costs unless the Territory exceeded its cap. Since these Territories, like the other States, will likely incur additional Medicaid expenditures due to the transition to TANF, a portion of the \$500 million enhanced Federal matching fund should be available to them.

D. Reduction of States' Allocations as Claims Are Made

Section 1931(h) of the Act provides for enhanced Federal matching for States' claims against the additional \$500 million fund. The enhanced rates and additional Federal funds are in addition to those that would

otherwise be Federally matched at the usual 50-percent rate. 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 FFP 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 50 percent.

To illustrate how State claims against the allocations would work, we provide the following example: The State claim for allowable outreach expenditures is \$500,000. This claim would usually be Federally matched at 50 percent, and the usual FFP amount for this claim would be \$250,000 (50 percent of \$500,000). Assuming the State is claiming these expenditures against the \$2 million base allocation, the enhanced Federal matching rate would be 90 percent. Thus, the enhanced FFP amount would be \$450,000 (90 percent of 500,000). However, the base allocation would not be reduced by the entire \$450,000. Rather, for this claim the base allocation would be reduced by \$200,000, which is 40 percent of \$500,000. Forty percent represents the excess of the enhanced Federal matching rate amount (90 percent) above the usual Federal matching rate amount (50 percent). If the amount of the State's base allocation was at \$2 million prior to this claim, there would be \$1.8 million remaining after the claim (\$2 million-\$200,000).

VI. Factors for Determining State Allotments

We have established several factors that will be considered in determining the allotment for each State from the \$500 million fund. We have divided the fund into two parts, an allocation of minimum State amounts and an allocation of the remainder of the fund. These two parts are discussed below.

A. Base Allocation Amount

The first part of the distribution will consist of a minimum allocation amount of \$2 million set aside for each State, the District of Columbia and Puerto Rico. Guam and the Virgin Islands will receive a lesser amount proportionate to the level of their administrative expenditures. This base allocation recognizes that States will incur certain costs that will not vary by the size of their Medicaid programs. The total of the base allocations for all States and Territories is \$104,352,470.

B. Secondary Allocation Amount

The amount of the \$500 million fund remaining after distribution of the base allocations to each State will be allocated among the States according to a formula designed to ensure equity. As indicated in the previous section, the total base allocations for all States and Territories is \$104,352,470. Therefore the total amount to be distributed to the States and Territories as secondary allocations is \$395,647,530. This secondary allocation will be allocated based on the following four factors and weights.

Factor	Weight (percent)
State AFDC-Related Caseload	60
State Medicaid Administrative Expenditures	20
SSI Childhood Disability Case Revaluations	10
SSI Immigrant Caseload	10

With respect to Factor 1, State AFDC-related caseload, each State was credited with the higher of their caseloads for FY 1995 and FY 1994, or the arithmetic average of their caseloads for FY 1992, FY 1993, and FY 1994. This served as the basis for allocating \$237,388,518, which represents 60 percent of the States' total secondary allocations.

With respect to Factor 2, State Medicaid administrative Expenditures, each State was credited with the higher of certain of its administrative expenditures related to these provisions for FY 1995, FY 1994, or the arithmetic average of its expenditures for FYs 1992, 1993, and 1994. Specifically, we are using a State's Medicaid administrative expenditures reported on its expenditure report (Form HCFA-64) in categories related to operation of systems, third party liability and assignment of rights activities, systems for verification of immigration status, outstationed eligibility workers, and other administrative costs Federally matched at 50 percent. This served as a basis for allocating \$79,129,506, which represents 20 percent of the States' total secondary allocations.

With respect to Factors 3 and 4, SSI childhood disability case reevaluations (in States requiring reevaluation under PWRORA) and SSI immigrant caseload, respectively, each State was credited with appropriate caseloads, as provided by the Social Security Administration for FY 1996. The caseload estimates are proxy estimates intended to show the relative administrative burden that each State agency faces under welfare reform. This served as the basis for allocating \$39,564,753, which represents 10 percent of the State's total secondary allocations for each of Factors 3 and 4.

The allocations for each State agency are as follows:

State Allocations for Enhanced Matching

STATE	Base allocation	Secondary allocation	Total allocation
Alabama.....	\$2,000,000	\$4,504,897	\$6,504,897
Alaska.....	2,000,000	1,039,335	3,039,335
Arizona.....	2,000,000	5,961,603	7,961,603
Arkansas.....	2,000,000	3,095,513	5,095,513
California.....	2,000,000	81,719,458	83,719,458
Colorado.....	2,000,000	3,166,316	5,166,316
Connecticut.....	2,000,000	3,756,737	5,756,737
Delaware.....	2,000,000	801,757	2,801,757
Dis. Columbia.....	2,000,000	1,259,072	3,259,072
Florida.....	2,000,000	20,262,23	22,262,239
Georgia.....	2,000,000	9,591,549	11,591,549
Hawaii.....	2,000,000	1,435,742	3,435,742
Idaho.....	2,000,000	1,288,535	3,288,535
Illinois.....	2,000,000	17,363,894	19,363,894
Indiana.....	2,000,000	5,545,162	7,545,162
Iowa.....	2,000,000	2,782,362	4,782,362
Kansas.....	2,000,000	2,496,386	4,496,386
Kentucky.....	2,000,000	5,269,014	7,269,014
Louisiana.....	2,000,000	7,029,185	9,029,185
Maine.....	2,000,000	1,569,238	3,569,238
Maryland.....	2,000,000	5,595,943	7,595,943
Massachusetts.....	2,000,000	7,463,490	9,463,490
Michigan.....	2,000,000	13,975,445	15,975,445
Minnesota.....	2,000,000	5,708,769	7,708,769
Missouri.....	2,000,000	6,561,956	8,561,956

Mississippi.....	2,000,000	4,617,604	6,617,604
Montana.....	2,000,000	764,134	2,764,134
Nebraska.....	2,000,000	1,308,247	3,308,247
Nevada.....	2,000,000	1,258,808	3,258,808
New Hampshire.....	2,000,000	875,952	2,875,952
New Jersey.....	2,000,000	9,012,253	11,012,253
New Mexico.....	2,000,000	2,860,333	4,860,333
New York.....	2,000,000	35,034,556	37,034,556
North Carolina.....	2,000,000	9,550,703	11,550,703
North Dakota.....	2,000,000	537,922	2,537,922
Ohio.....	2,000,000	14,909,161	16,909,161
Oklahoma.....	2,000,000	3,938,082	5,938,082
Oregon.....	2,000,000	3,740,656	5,740,656
Pennsylvania.....	2,000,000	15,553,339	17,553,339
Rhode Island.....	2,000,000	1,459,771	3,459,771
South Carolina.....	2,000,000	4,221,783	6,221,783
South Dakota.....	2,000,000	642,597	2,642,597
Tennessee.....	2,000,000	7,250,889	9,250,889
Texas.....	2,000,000	25,523,806	27,523,806
Utah.....	2,000,000	2,006,172	4,006,172
Vermont.....	2,000,000	891,672	2,891,672
Virginia.....	2,000,000	6,531,522	8,531,522
Washington.....	2,000,000	8,443,170	10,443,170
West Virginia.....	2,000,000	3,420,593	5,420,593
Wisconsin.....	2,000,000	5,023,766	7,023,766
Wyoming.....	2,000,000	475,344	2,475,344
Guam.....	176,235	94,204	270,439
Puerto Rico.....	2,000,000	6,325,084	8,325,084
Virgin Islands.....	176,235	131,810	308,045
Total.....	\$104,352,470	\$395,647,530	\$500,000,000

VII. Alternative Approaches

We considered an alternative approach to set aside a portion of the variable amount of each State agency's allocation (for example, 20 percent) and earmark the funds for specified activities. States and intergovernmental groups did not support this approach because it restricted their flexibility to respond to their different circumstances across States. We also considered tying receipt of some or all of each State's allocation to successful performance in transitioning their determination of eligibility processes in response to their eligibility for cash assistance and TANF. States and intergovernmental groups also did not support this approach because it would restrict State flexibility. Furthermore, HCFA and the States and intergovernmental groups were not able to arrive at an appropriate measure which accurately correlated successful performance with receipt of allocation funds.

VIII. Waiver of Proposed Notice and Delay in Effective Date

While the Administrative Procedure Act generally requires a 30-day delayed effective date for all rules and also requires an opportunity for public comment prior to the effective date of a rule, it also provides that we may waive those procedures if we find good cause that notice and comment are impracticable, unnecessary, or contrary to the public interest. Similarly, title 5 U.S.C. 801 provides for a 60 day delayed effective date for a major rule until the later of the receipt by Congress of a report on the rule or publication of the rule in the Federal Register. This delay provides Congress with an opportunity to review a major rule prior to its implementation. However, title 5 U.S.C. 808 also provides that the rule may take effect without regard to

the delay period if the agency finds good cause that notice and public procedure on the rule are impracticable, unnecessary, or contrary to the public interest.

We are making the terms of this notice effective without publication of a proposed notice because we believe it would be impractical and contrary to public interest to delay its effective date in order to consider public comments. States have been implementing their TANF programs since the enactment of PRWORA and more States continue to do so each day. We believe that it is imperative that these States be able to receive the enhanced Federal matching funds as soon as possible so that they are able to make an effective transition to the post-AFDC environment at the time they incur the additional administrative expenses resulting from the decoupling of Medicaid eligibility from receipt of cash assistance under title IV-A of the Act. Further delays in furnishing States with this funding could result in delays in making the determination that individuals are entitled to necessary medical services, with the attendant severe consequences for individuals who need them. It is also similarly important and in the public interest that States are able to conduct outreach efforts to prevent eligible needy individuals losing contact with the Medicaid program which they would otherwise have established because of its previous connection to cash assistance. Moreover, in developing the terms of this notice we have actively worked with intergovernmental and other interested groups to obtain their counsel. Accordingly, we find that good cause exists to waive prior notice and comment, the 30 day delay, and the 60 day delay for advance Congressional review.

IX. Impact Statement

Consistent with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 through 612), we prepare a regulatory flexibility analysis unless we certify that a notice such as this will not have a significant economic impact on a substantial number of small entities. For purposes of the RFA, individuals and States are not included in the definition of a small entity.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a notice such as this may have a significant impact on the operations of a substantial number of small rural hospitals. Such an analysis must conform to the provisions of section 604 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a Metropolitan Statistical Area and has fewer than 50 beds.

The fund distribution announced by this notice is required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. In addition, the amount of money involved, \$500 million divided among 50 States, the District of Columbia, and 3 Territories over a period of 3 years will not have a significant effect on any State or Territory, or the Medicare program.

For these reasons, we are not preparing analyses for either the RFA or section 1102(b) of the Act because we have determined, and we certify, that this notice will not have a significant economic impact on a substantial number of small entities or a significant impact on the operations of a substantial number of small rural hospitals. In accordance with the provisions of Executive Order 12866, this notice was reviewed by the Office of Management and Budget. Costs attributable to State activities covered by this notice will be paid for by Federal funds according to the matching rates outlined in the allocation formula analysis described earlier. Further, States will incur some additional costs based on the State share associated with these matching rates.

X. Information Collection Requirements

This document does not impose new information collection requirements that are subject to review by the Office of Management and Budget under the provisions of the Paperwork Reduction Act of 1995. States

will be required to claim FFP for administrative expenditures attributable to the eligibility determination activities resulting from enactment of PRWORA. The only information that is required will be reported on existing Form HCFA-64. This form has been approved by the Office of Management and Budget under approval number 0938-0067, which expires on March 30, 1998.

Authority: Secs. 1102 and 1931(h) of the Social Security Act (42 U.S.C. 1302 and 1396uu).

(Catalog of Federal Domestic Assistance Program No. 93.778, Medical Assistance Program)

Dated: March 24, 1997.

Bruce C. Vladeck,
Administrator, Health Care Financing Administration.

Dated: April 11, 1997.

Donna E. Shalala,
Secretary.
[FR Doc. 97-12429 Filed 5-13-97; 8:45 am]
BILLING CODE 4120-01-P