for a grant for losses incurred in State fiscal year 2003 will be funded with Federal fiscal year 2003 funds.

(3) *Initial grant allocations.* Initial grant allocations will be determined by taking all grant applications described in paragraphs (d)(1) and (2) of this section, and allocating in accordance with § 148.312.

(4) *Other applications.* All other grants will be funded in the first instance with Federal fiscal year 2004 funds.

(e) *Reallocation of funds.* The initial grants to the 02 States and the 03 States will come from the Federal fiscal year 2003 funds. After the deadline for 02 grants, the Department will determine how many States have submitted applications for grants. The Department will then estimate, based on contacts with other States, how many requests are likely to be received from 03 States. The Department will make an initial allotment for 02 States based on these estimates. The Department will reserve some of the Federal fiscal year 2003 funds after the 02 States grant requests have been received in anticipation of requests being made by 03 States. The Department will hold in reserves adequate funds to provide full allotments to these States. If there are excess reserves (that is, the Department withholds more money than was necessary to provide grants to the 03 States), the excess funds will be proportionally redistributed to the 02 States and the 03 States, but not to exceed 50 percent of losses incurred by the States. The size of the first year grants will be increased retroactively for these States. Similarly, the Department will reserve some of the Federal fiscal year 2004 money to fund the second year grants for 02 and 03 States and the first year grants for the 04 States (that is, States that initially qualify based upon losses incurred in their fiscal year 2004).

§ 148.316 Grant application instructions.

(a) *Application package.* The individual States must compile an application package that documents that it has met the requirements for a grant. At a minimum, the package must include a completed standard form application kit (see paragraph (b) of this section) along with the following information:

(1) *History and description of the qualified high risk pool.* Provide a detailed description of the qualified high risk pool that includes the following:

(i) Brief history, including date of inception.

(ii) Enrollment criteria (including provisions for the admission of eligible individuals as defined in § 148.103) and number of enrollees.

(iii) Description of how coverage is provided administratively in the qualified high risk pool (that is, self-insured, through a private carrier, etc.).

(iv) Benefits options and packages offered in the qualified high risk pool to both eligible individual (as defined in § 148.103) and other applicants.

(v) Outline of plan benefits and coverage offered in the pool and the plan benefits and coverage of the two most popular policies in the State's private individual market.

(vi) Premiums charged (in terms of dollars and in percentage of standard risk rate) and other cost-sharing mechanisms, such as co-pays and deductibles, imposed on enrollees (both eligible individuals (as defined in § 148.103) and non-eligible individuals if a distinction is made).

(vii) How the standard risk rate for the State is calculated and when it was last calculated.

(viii) Revenue sources for the qualified high risk pool, including current funding mechanisms and, if different, future funding mechanisms. Provide current projections of future income.

(ix) Copies of all governing authorities of the pool, including statutes, regulations and plan of operation.

(2) *Accounting of risk pool losses.* Provide a detailed accounting of claims paid, administrative expenses, and premiums collected for the fiscal year for which the grant is being requested. Indicate the timing of the fiscal year upon which the accounting is based. Provide the methodology of projecting losses and expenses, and include current projections of future operating losses (this information is needed to judge compliance with the requirements in § 148.310(d)).

(3) *Contact person.* Identify the name, position title, address, e-mail address, and telephone number of the person to contact for further information and questions.

(b) *Standard form application kit*—(1) *Forms.* (i) The following standard forms must be completed with an original signature and enclosed as part of the application package:

SF–424 Application for Federal Assistance
SF–424A Budget Information
SF–424B Assurances ''Non-Construction Program
SF–LLL Disclosure of Lobbying Activities Biographical Sketch
Additional Assurances

(ii) These forms can be downloaded from the following Web site:

http://www.cms.hhs.gov/researchers/priorities/grants.asp.

(2) *Other narrative.* All other narrative in the application must be submitted on 8½ x 11″ white paper.

(c) *Submission of application package.* (1) Applicants are required to submit an original and two copies of the application. Submissions by facsimile (fax) transmissions will not be accepted.

(2) Applications mailed through the U.S. Postal Service or a commercial delivery service will be considered ''on time'' if received by the close of business on the closing date, or postmarked (first class mail) by the date specified in the paragraph (d) of this section. If express, certified, or registered mail is used, the applicant should obtain a legible dated mailing receipt from the U.S. Postal Service. Private metered postmarks are not acceptable as proof of timely mailings.

(d) *Application deadlines*—(1) *Deadline for States to submit an application for losses incurred in their fiscal year 2002.* States must submit an application to us by no later than September 30, 2003.

(2) *Deadline for States to submit an application for losses incurred in their fiscal year 2003.* States must submit an application to us by no later than June 30, 2004.

(3) *Deadline for States to submit an application for losses incurred in their fiscal year 2004.* States must submit an application to us by no later than June 30, 2005.

(e) *Where to submit an application.* All initial applications and supplemental applications must be submitted to:

Centers for Medicare & Medicaid Services, Acquisition and Grants Group, Mail Stop C2–21–15, 7500 Security Boulevard, Baltimore, MD 21244–1850, Attn: Nicole Nicholson.

§ 148.318 Grant application review.

(a) *Executive Order 12372.* This grant program is not listed by the Secretary under § 100.3 of this title, and therefore the grant program is not subject to review by States under part 100 of this title, which implements Executive Order 12372, ''Intergovernmental Review of Federal Programs'' (see part 100 of this title).

(b) *Review team.* A team consisting of staff from CMS and the Department of Health and Human Services will review all applications. The team will meet as necessary on an ongoing basis as applications are received.

(c) *Eligibility criteria.* To be eligible for a grant, a State must submit sufficient documentation that its high risk pool meets the eligibility requirements described in § 148.310. A State must include sufficient documentation of the losses incurred in the operation of the qualified high risk pool in the period for when it is applying.

(d) *Review criteria.* If the review team determines that a State meets the eligibility requirements described in § 148.310, the review team will use the following additional criteria in reviewing the applications:

(1) *Documentation of expenses incurred during operation of the qualified high risk pool.* The losses and expenses incurred in the operation of a State's pool are sufficiently documented.

(2) *Funding mechanism.* The State has outlined funding sources, such as assessments and State general revenues, which can cover the projected costs and are reasonably designed to ensure continued funding of losses a State incurs in connection with the operation of the qualified high risk pool after fiscal year 2004.

§ 148.320 Grant awards.

(a) *Notification and award letter.* (1) Each State applicant will be notified in