

October 10, 1997

Dear State Medicaid Director:

The purpose of this letter is to provide initial policy and State plan guidance on implementing the new health coverage provisions for children in the Balanced Budget Act of 1997 (P.L. 105-33, BBA 97) that apply under Medicaid.

The new law creates a new Children's Health Insurance Program (CHIP) in title XXI of the Social Security Act and permits the expansion of Medicaid eligibility for children. These changes allow a State to expand coverage for uninsured, low-income children through the Medicaid program, through a new or expanded separate child health insurance program, or through a combination of the Medicaid program and a separate child health insurance program. To allow States to cover these children under Medicaid, section 4911 of the BBA 97 establishes a new optional group of targeted low income children.

The new law also added three other options for States to expand coverage of children under Medicaid. Section 4912 amends title XIX to add an option for States to provide presumptive Medicaid eligibility to children for a limited period of time. Section 4731 amends title XIX to give States the option to provide continuous eligibility to children for up to a year. This section also gives States the option to accelerate the phase-in Medicaid coverage of children under the eligibility group for children under age 19 in families with income up to 100% of the Federal poverty level.

In order to expand coverage for children through the Medicaid program under these options, you must

amend your Medicaid State plan. Attached are draft [preprint](#) (PDF 76KB) pages for amending a Medicaid State plan to adopt any of the Medicaid options mentioned above. These draft pages, or other preprint pages which reflect the requirements of the law, can be used pending publication by HCFA of final State plan preprint pages for these options. These should be treated as standard State plan amendments, which you should submit to your HCFA regional office in accordance with the usual procedures for submitting State plan amendments. State plan amendments can be effective no earlier than the first day of the quarter in which they are submitted to the regional office.

States choosing to implement the Children's Health Insurance Program through Medicaid may receive an enhanced federal match for expenditures on optional targeted low-income and

accelerated poverty level children. To receive an enhanced match for targeted low-income children, States must submit and have approved a State child health plan under title XXI. (An abbreviated title XXI child health plan can be

submitted in such cases.) To facilitate the review and approval process, we encourage you to submit both the Medicaid State plan amendment and the title XXI State child health plan to the regional office at the same time. Your regional office is prepared to provide any assistance that you may need in preparing your State child health plan or Medicaid State plan amendments to implement the Medicaid options discussed in this letter.

We are working closely with the joint Federal/State Eligibility Technical Advisory Group to resolve policy issues identified during the implementation process. That process is continuing and will culminate in the publication of new State Medicaid Manual guidelines in the near future. In the meantime, we have attached [initial guidance](#) on some of the issues related to these provisions. The guidance includes the funding source for each option, the availability of an enhanced match rate, and an explanation of when title XIX payments will reduce the title XXI allotment. The attached guidance will be included in a broader series of questions and answers addressing issues related to implementation of CHIP in general. The broader series is available on the Internet at "www.hcfa.gov." (If you wish, your HCFA regional office will also provide you with a copy of all questions and answers as they are placed on the Internet.)

We will keep you informed as new policy guidance becomes available. In the meantime, if there are any questions, please contact your HCFA regional office staff.

Sincerely,

Sally K. Richardson Director Center for Medicaid and State Operations

[Attachments](#)

cc: All HRSA/HCFA Regional Administrators