

September 17, 1997

Dear State Medicaid Director:

This letter is the first of several providing policy guidance and clarification for the recent legislative changes under the Balanced Budget Act of 1997. It is critical for Federal and State Governments to work cooperatively to implement these recent legislative changes. I am looking forward to working with States and doing our part in realizing these Congressional health care goals.

The purpose of this letter is to inform you of the elimination of Obstetrical and Pediatric (Ob/Ped) payment rate requirements. Section 4713 of the Balanced Budget Act of 1997 repeals section 1926 of the Social Security Act (Assuring Adequate Payment Levels for Obstetrical and Pediatric Services) and applies to services furnished on or after October 1, 1997.

States will no longer be required to submit a State Plan Amendment (SPA) by April 1 of each year documenting access to Ob/Ped services, but the Health Care Financing Administration (HCFA) is still committed to improving access to care for pregnant women and children. Therefore, we remind you that under Section 1902(A)(30)(a) States' payments must be consistent with efficiency, economy, and quality of care and sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area.

We realize the difficulties that were encountered in obtaining data needed for the Ob/Ped SPAs and appreciate your past efforts. If your staff have questions about this letter, please have them contact your HCFA Regional Office.

Sincerely,

Sally K. Richardson
Director
Center for Medicaid and State Operations

cc:

All HCFA Regional Administrators
All HCFA Associate Regional Administrators for Medicaid and State Operations
Lee Partridge - American Public Welfare Association
Joy Wilson - National Conference of State Legislatures
Jennifer Baxendell - National Governors' Association