



**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Health Care Financing Administration**

**Center for Medicaid and State Operations**  
**7500 Security Boulevard**  
**Baltimore, MD 21244-1850**

December 15, 1997

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act.

The purpose of this letter is to provide you information on section 4732 of the Balanced Budget Act of 1997, which establishes a capped allocation to States, for each of five years beginning January 1998, for payment of Medicare Part B premiums for two new mandatory eligibility groups of low-income Medicare beneficiaries, called Qualifying Individuals or QIs. This important provision has the potential to provide needed assistance to a very vulnerable group of beneficiaries.

QIs are individuals who would be Qualified Medicare Beneficiaries (QMBs) but for the fact that their income exceeds the income levels established for QMBs and Specified Low-income Medicare Beneficiaries (SLMBs). Income eligibility for the first group of QIs, who will have their full Part B premiums paid by Medicaid, is from at least 120 percent, but less than 135 percent, of the official poverty line. Income eligibility for the second group of QIs, who will receive a portion of their Part B premiums, is from at least 135 percent, but less than 175 percent, of the official poverty line.

A more complete explanation of the provisions of section 4732 is provided as Enclosure 1 to this letter. Enclosure 2 provides a list and definitions of the various categories of dual eligibles (individuals entitled to Medicare and eligible for some type of medical assistance). The two new groups of QIs are included on the list as items 5 and 6. Enclosure 3 contains State plan preprint pages for implementation of this provision. In order for a State to be eligible for its allotment, the preprint pages must be submitted as a Medicaid State Plan amendment to the HCFA Regional Office.

If you require legislation (other than appropriating funds) in order to amend your State plan, request a delayed effective date through the regional office. Provide sufficient documentation, including an Attorney General's opinion, to demonstrate that State legislation is required in accordance with section 4759 of the Balanced Budget Act.

We are revising the HCFA 37 and HCFA 64.9 for States to estimate and claim Federal financial participation (FFP) at the Federal Medical Assistance Percentage (FMAP) rate of 100 percent for the amount of premiums paid, as long as the State does not exceed its allocation for the fiscal year. The allocation available to each State that has executed a State plan amendment will be published in the Federal Register in the near future. We are developing instructions for the State Medicaid Manual to cover the two mandatory QI groups.

We recognize that this provision may be difficult to administer. Therefore, we will be working with States and representatives of the beneficiary community to help assure the most effective implementation possible. Any questions about this provision or the contents of this letter should be directed to Robert Nakielny of my staff at (410) 786-4466.

Sincerely,

/s/

Sally K. Richardson

Director

Center for Medicaid and State Operations

Enclosures (3)

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