



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

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

February 26, 1998

Dear State Medicaid Director:

This letter is to advise you of an extension in the date by which home health agencies (HHAs) must obtain surety bonds in order to participate in the Medicaid program. This extension is being provided because of the difficulty experienced by many HHAs in obtaining surety bonds by the previously set deadline.

As you know, the Balanced Budget Act of 1997 (BBA) requires each HHA to obtain a surety bond in order to participate in the Medicare and Medicaid programs. On January 5, 1998, we published a final rule with comment period ending on March 6, 1998. The requirements of that final rule were effective January 1, 1998 and HHAs were given until February 27, 1998 to obtain a surety bond. A rule that removes the February 27th deadline from the final rule published on January 5th is forthcoming.

Concurrent with the rule removing the February 27th deadline, HCFA will also publish a *Federal Register* notice describing technical revisions which we are considering to the surety bond rule. These technical revisions are in keeping with standard surety bond industry practice and should help smaller, reputable agencies obtain bonds at more affordable prices. After the comment period for the January 5th interim final rule closes on March 6th, HCFA will publish a final rule to implement those changes, and any other changes needed. Home health agencies will have 60 days following publication of that final rule to obtain surety bonds for Medicaid and Medicare. In sum, States should not take any action to initiate termination of an HHA's provider agreement at this time.

Thank you for your efforts thus far in implementing this provision under a very tight time constraint. We believe that this extension in the date by which bonds must be secured will provide adequate time for State Medicaid Agencies, surety bond companies, and HHAs to implement this new provision.

Sincerely,

/s/

Sally K. Richardson
Director
Center for Medicaid and State Operation

cc:

All HCFA Regional Administrators

All HCFA Associate Regional Administrators for Medicaid and State Operations

Lee Partridge - American Public Welfare Association

Jennifer Baxendell - National Governors' Association

Joy Wilson - National Conference of State Legislatures