

March 13, 2001

Dear State Medicaid Director:

The purpose of this letter is to address continuing questions regarding the implementation of the January 12, 2001, final rule on the Revision to Medicaid Upper Payment Limit (UPL) Requirements.

There have been questions as to whether the effective date of the UPL regulation has been delayed. The rule, in fact, became effective today, March 13, 2001. All state plan amendments submitted on or after March 13, 2001, are immediately subject to this rule, and therefore there is no transition period for such amendments. Any state plan amendment that is submitted on or after March 13, 2001, including modifications to existing state plans, that proposes to use federal funds under the Upper Payment Limitation authority that does not conform with the new upper payment limitations will be disapproved and Federal financial participation will not be available. Any federal funds that a state draws down for a state plan amendment submitted after March 13 that is pending federal review will be disallowed if the amendment does not meet the requirements of the new rule.

While the new rule is an important step in limiting the practice of using these funds to gain extra federal matching payments, the Administration remains concerned about excessive payments that are not associated with the efficient delivery of health care to Medicaid beneficiaries.

I hope this information provides the necessary clarification on this issue.

Sincerely,

/s/

Penny R. Thompson
Acting Director

cc:

HCFA Regional Administrators

HCFA Associate Regional Administrators for Medicaid and State Operations

Lee Partridge, Director, Health Policy Unit - American Public Human Services Association

Joy Wilson, Director, Health Committee - National Conference of State Legislatures

Matt Salo, Director of Health Legislation - National Governors' Association

Brent Ewig - Association of State and Territorial Health Officials