



STATE OF NEW YORK DEPARTMENT OF HEALTH

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OFFICE OF MEDICAID MANAGEMENT
ADMINISTRATIVE DIRECTIVE

TRANSMITTAL: 98 OMM/ADM-5

TO: Commissioners of
Social Services

DIVISION: OFFICE OF MEDICAID
MANAGEMENT

DATE: October 15, 1998

SUBJECT: Enhanced Federal Funding for Implementation of Certain
Medicaid Welfare Reform Requirements

**SUGGESTED
DISTRIBUTION:**

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Policy Issues:
Sharon Burgess at (518) 473-5536 (User ID DMA026)
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Finance Unit, Office of Temporary & Disability
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ATTACHMENTS:

- A - Initial Administrative Cost Allotments to Local Districts (not available on-line)
- B - Total Administrative Cost Allotments to Local Districts (not available on-line)
- C - Medicaid Implementation of Welfare Reform Plan (Sample)(not available on-line)

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
OMM/ADM 97-2			PL 104-193		

I. PURPOSE

The purpose of this directive is to advise local social services districts how to claim reimbursement for certain administrative expenditures related to the implementation of the Welfare Reform requirements found in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). PRWORA established an enhanced matching fund to help states implement provisions to delink Medicaid from cash assistance provided under Temporary Assistance to Needy Families (TANF). This directive describes these provisions and the instructions for claiming allowable expenditures.

II. BACKGROUND

The Welfare Reform Act of 1997 (Chapter 436 of the Laws of 1997) signed by the Governor in August 1997, defined the new Public Assistance program and its relationship to Medicaid in New York. The new legislation implemented the requirements of PRWORA. PRWORA replaced the open-end funding of the Aid to Families with Dependent Children (ADC) program with the block grant funded TANF program. Under TANF, families who are in receipt of cash assistance are no longer automatically considered Medicaid eligible. As a result, federal law required states' Medicaid programs to cover a new eligibility group of low income families. New York State's new Medicaid eligibility group, Low Income Families (LIF), includes the federally mandated population.

To assist state Medicaid agencies with the additional administrative expenditures incurred as a result of Welfare Reform changes that required implementation of the new Medicaid eligibility group, a \$500 million enhanced matching fund was established in federal law. The Health Care Financing Administration (HCFA) allocated two amounts to each state agency from the \$500 million fund. The first allocation (base) is \$2 million which is generally the same for all states. Allowable expenditures are reimbursed at 90 percent federal financial participation. An additional amount, the secondary allocation, differs among the states. New York State's secondary allotment is \$35,034,556. This amount can be claimed at either 75 percent or 90 percent federal financial participation, depending on the activity. A 90 percent enhanced federal matching rate is allowed for those activities considered critical to protecting recipients; a 75 percent enhanced federal matching rate applies to other allowable activities. A description of allowable activities and their respective matching rates are outlined in this directive. Funds are available for the first 12 calendar quarters in which the

TANF program is in effect. In New York, this period began with the implementation of TANF on December 2, 1996 and continues through September 30, 1999.

The enhanced federal funding available will decrease the non-federal share of costs that are in excess of the State share administrative cost cap.

III. PROGRAM IMPLICATIONS

Local social services districts are expected to incur direct costs associated with the implementation of Welfare Reform as related to Medicaid for Low Income Families. A total of \$24.4 million of New York State's allocation has been set aside for local social services districts to meet the costs of the delinkage of Medicaid from cash assistance. Approximately \$5 million is available for the initial claiming period from December 1996 through June 1998. Because the initial funding is for expenses previously incurred, districts do not need to submit an expenditure plan. However, districts must retain documentation to support funds claimed. Claims must be submitted by December 31, 1998 for activities provided through June 30, 1998.

To access the remaining \$19.4 million allocated to districts, districts must submit a spending plan to the Office of Medicaid Management. The plan must describe activities for which the funding will be claimed. Allowable activities are described in part B of this section. Districts have the option to submit regional plans in cooperation with other districts.

A. Allocation Methodology

The enhanced additional federal funding is available to local social services districts to implement the new LIF Medicaid eligibility group. The available funding was divided according to factors that are relevant to the LIF population.

LIF households include those that could obtain Medicaid prior to Welfare Reform because they would be categorically and financially eligible for cash assistance. The methodology used to allocate available funding considers the number of ADC eligible individuals and the number of Medicaid eligible children in each district. The district totals are converted to a percentage of the statewide totals. Funding is allocated to each district generally in accord with these percentages. A minimum allocation amount (floor) of \$20,000 is also included in the calculation.

The basic formula used to determine district allocation amounts follows:

County Allocation = Baseline expenditures (based on number of ADC eligible individuals) **times** Index (based on number of

Medicaid eligible children) **times** Scalar (mathematical factor that requires that the total equals the amount allocated).

Baseline expenditures use the higher number of ADC eligible individuals from federal fiscal years 1995 or 1996 for each county. Once determined, the baseline expenditures of each county were adjusted to conform the formula to the Index, the number of Medicaid eligible children in each county. These figures were indexed to statewide totals. The allocation methodology ensures that all counties secure proper funds needed to implement the delinkage of Medicaid from Public Assistance.

B. Allowable Activities

Expenditures for activities allowable for enhanced federal matching funds under this provision include only those that would otherwise be federally matched as Medicaid administrative expenditures at a 50 percent federal financial participation rate under Title XIX of the Social Security Act. These are expenditures attributable to the increased administrative costs of Medicaid eligibility determinations and directly related activities incurred because of the transition from ADC, under which Medicaid was an entitlement, to the provision of Welfare Reform, under which Medicaid eligibility is not automatic. For example, expenditures related to new Medicaid eligibility workers (including outstationed eligibility workers) hired by a local social services district to implement this provision would be allowable at the enhanced federal matching rate. On the other hand, expenditures related to activities of outstationed eligibility workers who determine Medicaid eligibility for single adults living in a homeless shelter, and other non-PRWORA activities, would not be allowable at the enhanced federal matching rates.

The following list of allowable activities are claimable at the **90 percent** enhanced federal matching rate:

- o Educational activities relating to current or potential beneficiaries of Medicaid as Low Income Families (LIF);
- o Public Service announcements (PSAs);
- o Outstationing of eligibility workers to reach potential eligibles under LIF;
- o Training related to implementation of Medicaid provisions of Welfare Reform
 - eligibility workers
 - providers
 - outstationed eligibility workers & other individuals
 - community;

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- o Outreach activities (e.g., general or targeted mailing campaigns);
 - o Developing and disseminating new local publications (targeted to populations "at risk" of losing Medicaid due to delinkage); and
 - o Local community activities (e.g., meetings with local leaders and speeches to community groups related to Medicaid eligibility under LIF and delinkage from Public Assistance).

The following allowable activities are claimed at **75 percent** of the enhanced federal matching rate:

- o Hiring new Medicaid eligibility workers for making separate determinations of Medicaid eligibility for families due to delinkage from Public Assistance;
- o Identification of "at risk" TANF recipients, for example, family cases referred to Medicaid from Public Assistance as a result of TANF work requirements;
- o Local government organizational changes related to implementation of provisions related to delinkage of Medicaid from cash assistance;
- o Intergovernmental activities (e.g., communication between government agencies such as the Department of Labor, the Office of Alcoholism and Substance Abuse Services, the Office of Temporary and Disability Assistance, etc.) and
- o Eligibility systems related changes implemented at the local level.

C. Reallocations

Unclaimed funds may be redistributed to districts at later dates. The Department will evaluate the availability of additional funds after December 31, 1998. All plans for the expenditure of districts' total allotment and all claims for the initial allotments to districts will have been submitted by this time. If significant unspent funds remain, the Department may redistribute the remaining funds to districts. Similar redistribution of any funds remaining after final claims are submitted will be considered after December 31, 1999.

Funding reallocated must be applied to allowable activities that were provided during the period of December 2, 1996 and September 30, 1999. For allowable claims submitted before a district is notified that additional enhanced funding is available, claiming will be adjusted to allow reimbursement at the enhanced rate.

IV. REQUIRED ACTION

The federal enhanced funding is available to districts in two allotments. The initial allotment of \$5 million is allocated among districts as indicated on Attachment A and is intended to apply to expenses incurred for allowable

implementation activities between December 2, 1996 and June 30, 1998. There is no plan submission requirement for the initial claiming period. However, districts must retain documentation to support expenses claimed. Claims for the initial period must be submitted by December 31, 1998.

The total allotment of \$24.4 million is allocated to districts as indicated on Attachment B. This funding may be applied to allowable activities performed between December 2, 1996 and September 30, 1999. Allowable activities for which claims are submitted for the initial allotment may not be claimed a second time from the additional allotment that applies to the entire period. The amount of additional funding that the district may claim by submitting a plan equals the difference between the total allotment and the initial allotment. Districts must submit an expenditure plan by November 1, 1998 to the Office of Medicaid Management to access this allocation. If no plan is submitted, funds may be forfeited. Districts may work with other districts to develop a regional Welfare Reform implementation and expenditure plan.

Plans must be approved by the Department of Health and the Division of the Budget. Upon plan approval, the enhanced funding will be applied to claims submitted.

Plan Requirements

Districts may apply the funding allocated to administrative expenditures incurred as a result of Welfare Reform requirements to implement the new LIF Medicaid eligibility group. Plans must identify the county or counties for which the plan is submitted. Plans must separately identify the activities that will be claimed at the 90 percent enhanced federal matching rate from those that will be claimed at the 75 percent enhanced federal matching rate. For each proposed activity, the objective, target population, methodology, and projected costs must be sufficiently specified to enable the reviewer to evaluate the appropriateness of the activity to the implementation of LIF. A sample plan format is included as Attachment C.

Plans must be submitted **by November 1, 1998** to:

Betty Rice, Director
Division of Consumer and Local District Relations
Office of Medicaid Management
New York State Department of Health
One Commerce Plaza, P.O. Box 118
Albany, NY 12260-0118

V. CLAIMING INSTRUCTIONS

The total amount of enhanced federal Medicaid funds are available to New York State for the first 12 calendar quarters (3 years) in which the TANF program is in effect. New York's TANF plan was accepted by the federal government on December 2, 1996, so these enhanced funds will be available for expenditures made through September 30, 1999. All claims must be submitted by December 31, 1999. What follows are specifications on how districts may access the enhanced federal funding available for implementation of LIF and of delinkage of Medicaid from Public Assistance.

Reimbursement is available for new costs incurred for the identified activities retroactively to December 2, 1996. If a local social services district chooses to submit a retroactive claim for this period, it must maintain documentation for these claims on file available for audit. Please note that Overhead and A-87 costs are not included within these activities and, therefore, are not eligible for the enhanced funding.

Districts that choose to submit regional claims must submit costs per county to allow for appropriate disbursement of each county's allocation.

The local social services districts have claimed and will continue to claim these activities as Medicaid administrative costs in the first instance on the Schedule D-4, "Calculation of Medical Assistance Eligibility Determination/Authorization/Payments Cost Shares" (DSS- 2347-B2). Districts will claim this enhanced reimbursement on the DSS-3922 form entitled, "Financial Summary for Special Projects". The expenditures should be reported on the appropriate lines of the DSS-3922 and the form should be labeled either "90% MA-ADMIN" or "75% MA-ADMIN". Do not mix reimbursement rates on the same form and do not report these costs on Schedule D-17.

Local social services districts should submit their claims on a monthly basis. All claims for the enhanced federal reimbursement must be submitted by December 31, 1999.

Total expenditures should be reported in the Total Column of the DSS-3922 with either 40 percent (for 90 percent level cost) or 25 percent (for 75 percent level cost) enhanced federal share being reported in the Federal Share Column. Since these costs would have been coded to the F4 functions when expended, the local social services districts have already received 50 percent federal funding through the normal claiming process. Expenditures reported as either 40 percent or 25 percent represent the additional share needed to equal the 90 percent or 75 percent enhanced matching rate for allowable activities.

Local social services districts may submit claims to be applied to their allocation as listed in Attachments A and B. This enhanced

federal funding decreases the amount of expenditures that apply to the administrative cap. The reduced State share will be reflected in the administrative cap worksheet when claims are submitted.

Claims should be submitted to:

New York State Office of Temporary and Disability Assistance
Finance Unit - 13D
40 North Pearl Street
Albany, NY 12243

Questions regarding claim submission can be directed to the Finance Unit in the Office of Temporary and Disability Assistance as indicated on the front page of this directive.

VI. EFFECTIVE DATE

The provisions of this directive are effective immediately, retroactive to December 2, 1996.

Ann Clemency Kohler, Deputy Commissioner
Office of Medicaid Management