DMA ADMINISTRATIVE LETTER NO: 11-01, Addendum 1, Special Administrative Reimbursement Attributed to De-Linking Medicaid from Cash Assistance

DATE: AUGUST 30, 2002

SUBJECT: **Special Reimbursement for Administrative costs Attributed to De-Linking Medicaid from Cash Assistance**

DISTRIBUTION: **County Directors of Social Services**
County DSS Fiscal Officers
Family and Children's Medicaid Supervisors

I. BACKGROUND

As part of welfare reform, Congress appropriated non-recurring funds ('de-linking funds') in 1996 to help states with the costs of Medicaid administration for low-income families. North Carolina's share was established at $11,500,000, of which $7.5M was allocated to the county departments of social services. These funds provide a higher federal match than the normal 50% rate for administration. Please refer to DMA Administrative Letter No. 11-01 for a further explanation of the match rates and allowable activities. Counties have used approximately $2M of the initial $7.5M allocation. The remaining statewide balance of $5.4M is available until spent.

The Division of Medical Assistance has been assigned responsibility for county 'de-linking' allocations. The purpose of this letter is to issue county specific allocation amounts for SFY03 and to clarify how to track 'de-linking' expenditures. Attachment 1 to this letter lists the county allocations for SFY03.

II. CALCULATING DE-LINKING FUND EXPENDITURES

At the federal level, the 'de-linking' allocation is administered through the Centers for Medicare and Medicaid Services (CMS). CMS guidance for tracking these funds states as follows:

'…States claims for allowable administrative activities will reduce their….allocations only by the amounts that are in excess of the usual 50 percent Federal matching rate, and not by the entire Federal matching amount.'

This methodology differs from typical federal allocations and has created confusion about the counties' expenditure rate. Typically expenditures against a specific allocation reduce the allocation by 100

In the example below, a county's 'de-linking' allocation is reduced by $25 rather than the total $75 federal participation:

Total expenditure @75 % enhanced ffp rate	=	$100	
Non-federal share	=	$ 25	County share
Normal administrative ffp @ 50%	=	$ 50	
De-linking allocation share	=	$ 25	(75 – 50 = 25)

III. ADJUSTMENT OF COUNTY ALLOCATIONS

We have worked with the Controller's Office to recalculate county expenditures through the end of SFY02 based on the methodology described above. The recalculated amounts have been reconciled with DHHS Federal Grants and Reporting Branch for accuracy and will be used to adjust counties' allocations for SFY03. Each county's actual expenditures to date are less than the amounts reflected on its year-end 411 and 337 Reports. There are no plans to change the de-linking calculation methodology for these County Admin Reports. Counties may want to manually track their expenditures from the 337 Report. Attachment 2 is an example of the calculation.

IV. RECOMMENDED USE FOR 'DE-LINKING FUNDS'

In our conversations with various counties, we have established that the most practical use of the enhanced match rate is to fund eligibility caseworker staff handling the following types of situations/cases:

- Application processing and ongoing caseload activities for MAF families (families who are not receiving a Work First cash payment)
- Medicaid ex-parte reviews of Work First denials and terminations
- Families receiving Extended Medicaid and Transitional Medicaid

The enhanced rate can be used for the time in which existing staff handles the allowable activities. Depending upon workload, counties may want to assign specific workers full-time to the above activities. Under 'de-linking fund' guidelines this eligibility casework has a 75% ffp rate rather than the normal 50% ffp rate. Using 'de-linking funds' appropriately reduces county costs until the allocation is spent. It also assures that the required eligibility reviews occur. Please note that the enhanced rate is available for eligibility caseworkers but cannot be used for supervisory staff.

IV. PERIODIC DMA STATUS REPORTS

DMA will track county expenditures and plans to issue updated allocation balances during February 2003. After the end of the Oct – Dec. quarter we will contact any counties that have not claimed reimbursement for the first half of SFY03 and determine whether they plan to use their allocation. In the event any county does not plan to use their share of the 'de-linking' allocation, we will re-distribute it.

Please contact your MPR or Barbara Brooks at 919-857-4019 should you have questions.

Nina M. Yeager
Director