

for a second grant to fund their fiscal year 2004 losses. The deadline for those grant requests will be June 30, 2005. Those grants will be funded with Federal fiscal year 2004 funds. The third group of States are those that first qualify with respect to losses incurred in their fiscal year 2004. (We will refer to these States as "04 States"). These States may submit a grant request, which must be received by June 30, 2005. The first year grant for these States will be funded with Federal fiscal year 2004 funds. The 04 States will not be eligible for a second grant because the availability of Federal funds will have expired.

In paragraph (e), we explain how excess funds will be redistributed. The initial grants to the 02 States and the 03 States will come from the Federal fiscal year 2003 funds. After the deadline for 02 grants, we will determine how many States have submitted applications for grants. We will estimate, based upon contacts with other States, how many requests are likely to be received from 03 States. We will make an initial allotment for 02 States based upon these estimates. In other words, we will reserve some of the Federal fiscal year 2003 funds after the 02 States grant requests have been received in anticipation of requests being made by 03 States. Based upon expressions of interest we have received from States, we believe we have a reasonable estimate of the States that are likely to first qualify in their fiscal year 2003. We will hold in reserve our best estimate of the maximum amount of funds needed to provide full allotments to these States. If there are excess reserves (that is, the Department withholds more money than was necessary to provide grants to the 03 States), the excess funds will be proportionally redistributed to the 02 States and the 03 States, but not to exceed 50 percent of losses incurred by the States. In other words, the size of the first year grants will be increased retroactively for these States. In the unlikely event that the Department should underestimate the reserve needed to fund grants to all eligible 03 States, money will be taken from the Federal fiscal year 2004 funds to assure that all eligible 03 States receive grants on an equivalent basis. We do not expect it to have a major impact on funding of the additional grants from the Federal fiscal year 2004 funds. Similarly, the Department will reserve some of the Federal fiscal year 2004 money to fund the second year grants for 02 and 03 States and the first year grants for the 04 States.

We believe that this method of distribution of the Federal funds is the

fairest because it allows for States that qualified for a grant in their fiscal year 2002 to immediately apply for funding and it also allows for the States who may not immediately qualify to enact the changes needed in order to qualify and apply for funding in either their fiscal year 2003 or fiscal year 2004. In other words, this method is set up to accommodate as many States as possible.

We are adding § 148.316, which describes the application package that the individual State must submit to document that it has met the requirements for a grant. At a minimum, the package must include a completed standard form application kit (see paragraph (b) of this section) along with the following information:

(1) *History and description of the qualified high risk pool.* Provide a detailed description of the qualified high risk pool that includes the following:

(i) Brief history, including date of inception.

(ii) Enrollment criteria (including provisions for the admission of eligible individuals, as defined in § 148.103) and number of enrollees.

(iii) Description of how coverage is provided administratively in the qualified high risk pool (that is, self-insured, through a private carrier, etc.).

(iv) Benefits options and packages offered in the qualified high risk pool to both eligible individual (as defined in § 148.103) and other applicants.

(v) Outline of plan benefits and coverage offered in the pool and the plan benefits and coverage of the two most popular policies in the State's private individual market.

(vi) Premiums charged (in terms of dollars and in percentage of standard risk rate) and other cost-sharing mechanisms, such as co-pays and deductibles, imposed on enrollees (both eligible individuals (as defined in § 148.103) and non-eligible individuals if a distinction is made).

(vii) How the standard risk rate for the State is calculated and when it was last calculated.

(viii) Revenue sources for the qualified high risk pool, including current funding mechanisms and, if different, future funding mechanisms. Provide current projections of future income.

(ix) Copies of all governing authorities of the pool, including statutes, regulations, and plan of operation.

(2) *Accounting of risk pool losses.*

Provide a detailed accounting of claims paid, administrative expenses, and premiums collected for the fiscal year for which the grant is being requested.

Indicate the timing of the fiscal year upon which the accounting is based. Provide the methodology of projecting losses and expenses, and include current projections of future operating losses (this information is needed to judge compliance with the requirement in § 148.310(d) of this final rule).

(3) *Contact person.* Identify the name, position title, address, e-mail address, and telephone number of the person to contact for further information and questions.

In paragraph (b)(1) of § 148.316, the following standard forms must be completed with an original signature and enclosed as part of the proposal:

SF-424 Application for Federal Assistance
SF-424A Budget Information
SF-424B Assurances—Non-Construction Program
SF-LLL Disclosure of Lobbying Activities
Biographical Sketch
Additional Assurances

These forms can be downloaded from the following Web site: <http://www.cms.hhs.gov/researchers/priorities/grants.asp>.

Paragraph (b)(2) specifies that all other narrative in the application must be submitted on 8½ x 11" white paper.

In paragraph (c), we describe what applicants are required to submit. Applicants are required to submit an original and two copies of the application. Submissions by facsimile (fax) transmissions will not be accepted.

Applications mailed through the U.S. Postal Service or a commercial delivery service will be considered "on time" if received by the close of business on the closing date, or postmarked (first class mail) by the date specified in the **DATES** section of this final rule. If express, certified, or registered mail is used, the applicant should obtain a legible dated mailing receipt from the U.S. Postal Service. Private metered postmarks are not acceptable as proof of timely mailings.

In paragraph (d), we describe the deadlines States must meet for submitting an application for losses they incur in a specified fiscal year.

(1) *Deadline for States to submit an application for losses incurred in their fiscal year 2002.* States must submit an application to us by no later than September 30, 2003.

(2) *Deadline for States to submit an application for losses incurred in their fiscal year 2003.* States must submit an application to us by no later than June 30, 2004.

(3) *Deadline for States to submit an application for losses incurred in their fiscal year 2004.* States must submit an application to us by no later than June 30, 2005.