

B. After Enactment of the Balanced Budget Act of 1997

Section 4732 of the BBA amended section 1902(a)(10)(E) of the Act to require that States provide for Medicaid payment of all, or a portion of, Medicare Part B (Supplementary Medical Insurance) premiums, during the period beginning January 1998 through December 2002, for selected members of two eligibility groups of low-income Medicare beneficiaries, referred to as qualifying individuals (QIs).

Under section 1902(a)(10)(E)(iv)(I) of the Act, State agencies are required to pay the full amount of the Medicare Part B premium for selected QIs who would be QMBs except that their income level is at least 120 percent but less than 135 percent of the Federal poverty level for a family of the size involved. These individuals cannot otherwise be eligible for medical assistance under the approved State Medicaid plan.

The second group of QIs, under section 1902(a)(10)(E)(iv)(II) of the Act, includes Medicare beneficiaries who would be QMBs except that their income is at least 135 percent but less than 175 percent of the Federal poverty level for a family of the size involved. These QIs may not be otherwise eligible for Medicaid under the approved State plan, but are eligible for a portion of Medicare cost-sharing consisting only of a percentage of the increase in the Medicare Part B premium attributable to the shift of Medicare home health coverage from Part A to Part B (as provided in section 4611 of the BBA).

Section 4732(c) of the BBA also added section 1933 of the Act, which specifies the provisions for State coverage of the Medicare cost-sharing for additional low-income Medicare beneficiaries.

Section 1933(a) of the Act specifies that a State agency must provide, through a State plan amendment, for medical assistance to pay for the cost of Medicare cost-sharing on behalf of QIs who are selected to receive assistance.

Section 1933(b) of the Act sets forth the rules that State agencies must follow in selecting QIs and providing payment for Medicare Part B premiums. Specifically, the State agency must permit all QIs to apply for assistance and must select individuals on a first-come, first-served basis in the order in which they apply.

Section 1933(c) of the Act limits the total amount of Federal funds available for payment of Part B premiums each fiscal year and specifies the formula to be used to determine an allotment for each State from this total amount. For State agencies that execute a State plan amendment in accordance with section 1933(a) of the Act, a total of \$1.5 billion was allocated over 5 years as follows: \$200 million in FY 1998; \$250 million in FY 1999; \$300 million in FY 2000; \$350 million in FY 2001; and \$400 million in FY 2002.

The Federal matching rate for Medicaid payment of Medicare Part B premiums for QIs is 100 percent for expenditures up to the amount of the State's allotment. No Federal matching funds are available for expenditures in excess of the State's allotment amount. Administrative expenses associated with the payment of Medicare Part B premiums for QIs remain at the 50 percent matching level and may not be taken from the State's allotment.

The amount available for each fiscal year was allocated among States according to the formula set forth in section 1933(c)(2) of the Act.

II. Provisions of the Proposed Notice

The August 30, 2002 (67 FR 55851) proposed notice announced the proposed allotments that were made available to individual States for Federal fiscal year 2002 for the Medicaid payment of Medicare Part B premiums for QIs identified under sections 1902(a)(10)(E)(iv)(I) and (II) of the Act. Specifically, the Federal fiscal year 2002 allotments have been calculated as follows:

A_T = Total amount to be allocated

$M1_i$ = 3-year average of the number of Medicare beneficiaries in State i who are not enrolled in Medicaid and whose incomes are at least 120 percent but less than 135 percent of Federal poverty line

$M2_i$ = 3-year average of the number of Medicare beneficiaries in State i who are not enrolled in Medicaid and whose incomes are at least 135 percent but less than 175 percent of Federal poverty line.

Then, the allotment reserved for State i is determined by the following formula:

$$A_i = \left[\frac{2 \cdot M1_i + M2_i}{\sum_j (2 \cdot M1_j + M2_j)} \right] \cdot A_T$$

We note that the formula used to calculate these allotments is the same we have used since 1998 for calculating the annual QI allotments. In applying the formula for the allotments presented in this document, we have used the latest data available to us as of August 30, 2002, the date we published our proposed allotments for Fiscal Year 2002.

FY 2002 STATE ALLOTMENTS FOR PAYMENT OF PART B PREMIUMS UNDER SEC. 4732 OF THE BBA OF 1997

State	(a) M1 ¹	(b) M2 ²	(c) 2 × (a) + (b)	State Share of (c)	State FY 2002 allocation (\$000)
AK	1	3	5	0.08%	321
AL	25	68	118	1.90	7,584
AR	23	46	92	1.48	5,913
AZ	20	63	103	1.65	6,620
CA	114	307	535	8.60	34,383
CO	11	37	59	0.95	3,792
CT	11	55	77	1.24	4,949
DC	3	5	11	0.18	707
DE	5	10	20	0.32	1,285
FL	114	249	477	7.66	30,656
GA	31	69	131	2.10	8,419
HI	3	13	19	0.31	1,221
IA	20	49	89	1.43	5,720
ID	7	18	32	0.51	2,057
IL	38	138	214	3.44	13,753
IN	46	88	180	2.89	11,568
KS	12	33	57	0.92	3,663
KY	19	65	103	1.65	6,620