

May 21, 2004

Mr. Barry S. Maram
Director
Illinois Department of Public Aid
201 South Grand Avenue, East
Springfield, IL 62763-001

Dear Mr. Maram:

We are pleased to inform you that your State Children's Health Insurance Program (SCHIP) State Plan Amendment (SPA) submitted February 23, 2004, with additional information submitted on April 23, 2004, has been approved. This amendment revises the SCHIP State plan to implement presumptive eligibility under title XXI and to implement a health services initiative under the State's 10 percent administrative cap that will cover services for all children who appear eligible for KidCare during the period after an application has been submitted but prior to the determination of presumptive eligibility.

We note that we are separately conducting a review of your source of non-Federal share of funds according to the title XXI statutory requirements at section 2107(d) of the Social Security Act (the Act) as part of our analysis of the revised budget submittal. As part of our review process, the State was asked to provide information regarding funding of the non-Federal share of expenditures. The State indicated that some of the non-Federal share is funded through intergovernmental transfers (IGTs) and certified public expenditures (CPEs). However, the State was unable to provide sufficient information as to the source of funding that some public entities transfer or assurances that the providers do not repay the public entities the IGT or CPE amounts after receiving SCHIP payments. Based on the information provided, the sources of funds for your Medicaid and SCHIP programs appear to be the same. These sources of funding are currently under review by our Chicago Regional Office.

Funding arrangements that include IGTs or CPEs in which the payees ultimately return program payments to the State or counties are inconsistent with Federal funding provisions. Under applicable cost principles, expenditures must be net of refunds that are received by the State or counties. The Centers for Medicare & Medicaid Services will not provide Federal matching funds for payments made under such funding arrangements. Federal matching funds will be withheld for any payments in which funding arrangements are found to be inconsistent with Federal funding provisions.

Please also note that because approval of this amendment increases SCHIP expenditures under your State plan, we will be requesting a revised budget for the remainder of your Health Insurance Flexibility and Accountability section 1115 demonstration.

Your title XXI project officer is Ms. Angela Corbin. She is available to answer questions concerning this amendment and other SCHIP-related issues. Ms. Corbin's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0620
Facsimile: (410) 786-5882
E-mail: acorbin@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Corbin and to Ms. Cheryl A. Harris, Associate Regional Administrator in our Chicago Regional Office. Ms. Harris' address is:

Centers for Medicare & Medicaid Services
Division of Medicaid and Children's Health
233 N. Michigan Avenue, Suite 600
Chicago, IL 60601

If you have additional questions, please contact Ms. Jean Sheil, Director, Family and Children's Health Programs Group, Center for Medicaid and State Operations at (410) 786-5647.

We look forward to continuing to work with you and your staff.

Sincerely,

/s/

Mark B. McClellan, M.D., Ph.D.

cc:

Cheryl A. Harris, Associate Regional Administrator, Chicago Regional Office
James Frizzera, National Institutional Research Team, CMSO
Robert Read, National Institutional Research Team, Seattle Regional Office
Billy Bob Farrell, National Institutional Research Team, Dallas Regional Office