

**KENNY C. GUINN**  
*Governor*



**CHARLOTTE CRAWFORD**  
*Director*

DEPARTMENT OF HUMAN RESOURCES  
DIRECTOR'S OFFICE  
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August 24, 2000

Michelle Browne  
Project Officer  
Health Care Financing Administration  
Division of Integrated Health Systems  
Mail Stop S2-01 -16  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850

Dear Ms. Browne:

Your letter dated July 7, 2000, requested two areas of response, one relating to the planned use of administrative funds as represented in your budget template, and the other related to our application of premium collections. Additionally, you added a point of clarification on our calculation of the maximum amount allowable for administrative costs, suggesting we were not taking advantage of the full amount.

Restating your concerns:

- "Section 9.1, relating to administrative costs. Please provide more details on the planned use of administrative funds. How much does the State expect to spend on outreach costs and other program related administrative cost? A budget template is attached to illustrate requested categories. Furthermore, we note that the State is not taking advantage of the full amount of allowable cost, since the maximum amount allowable for administrative costs was calculated using the total benefit costs. Enhanced federal match for administrative cost is available for up to 10% of the total program expenditures."

**Response:** Attached is the completed budget template along with the revised narrative to Section 9.10, page 46a of Nevada's Title XXI State Plan. The 10% administrative cap is based on net benefit costs (offsetting beneficiary cost sharing payments from total benefit costs) divided by 9 per built-in formula of the budget template. This formula does yield a higher amount of allowable administrative costs.

- "Section 9.1, relating to premium collections. In the proposed budget, it appears that the State has deducted premium collections from administrative costs. Any cost sharing paid by beneficiaries and received by the State that is related to benefit costs must be offset against benefit costs. Because premiums are collected throughout the benefit period and are used to defray the ongoing costs associated with health services, they are considered to be related to benefit costs. Please revise the budget to show that premium collections are used to offset benefit costs."

**Response:** Attached is the budget template showing premium collections being used to offset total benefit costs. Also attached is the revised narrative to Section 9.10, page 46a of Nevada's Title XXI State Plan explaining the use of premium collections.

I am confident that this response will resolve all outstanding issues you have raised. If you require further information, please contact Dr. John Yacenda, Managing Chief of Nevada Check Up at (775) 687-4176 extension 320, or at [jyacenda@govmail.state.nv.us](mailto:jyacenda@govmail.state.nv.us)

Sincerely,

Charlotte Crawford  
Director

Attachments

cc: Linda Minamoto, Associated Regional Administrator, HCFA, Region IX

**NEVADA STATE PLAN - AMENDMENT NO.1-- APRIL 24, 2000**  
**Section 9.10 Revised — July 17, 2000**

9.10. Provide a budget for this program. Include details on the planned use of funds and sources of the non-Federal share of plan expenditures. (Section 2107(d)) Contd.,

The budget for Federal Fiscal Years (FFYs) 2000 and 2001 for the Nevada V Check Up program includes the loss of premium revenue from American Indians or Alaska Natives who are members of Federally recognized Tribes totaling \$2,196 for FFY 2000 and \$11,919 for FFY 2001. The budget amounts represent the funding that is being committed to the program, even though full enrollment may not be achieved. Actual cost may be significantly lower.

The source of the non-federal funds for Nevada V Check Up for FFYs 2000 and 2001 is the account called the intergovernmental transfer account (IGT). This account can be used for a children's health program in accordance with Senate Bill 470 passed during the 1997 Nevada Legislature.

Fiscal Year Ending September 30,

<u>REVENUES</u>	2000	2001
State Funds	\$ 3,395,480	\$ 4,264,905
Title XXI Funds	10,186,456	12,794,714
Premium Payment	<u>288,000</u>	<u>652,722</u>
	<b>\$13,869,936</b>	<b>\$17,712,341</b>
 <u>EXPENSES</u>		
Insurance Payment	\$12,715,936	\$16,155,183
Ongoing Administration	938,675	904,436
Start Up Administration	<u>0</u>	<u>0</u>
	<b>\$13,869,936</b>	<b>\$17,712,341</b>

Insurance payments are based on \$1,210 per child for EFY 2000 and \$1,430 per child for FFY 2001, for an average of 11,463 children in FFY 2000 and 11,754 children in FFY 2001. Premiums are estimated at \$55.24 per household for FFYs 2000 and 2001. The estimate is based on a blend of income levels and an average of 2.2 children per family. The 10% administrative cost ceiling for FFYs 2000 and 2001 is calculated on net benefit costs; applying all premium payments against total benefit costs. The administrative cost ceiling for FFY 2000 is \$1,412,881.78 and \$1,795,020.33 for FFY 2001.

## CHIP Budget Plan Template

	1999	2000	2001
	Federal Fiscal Year First Year costs	Federal Fiscal Year Second Year costs	Federal Fiscal Year Third Year Costs
Benefit Costs			
Insurance payments	5,682,670	12,844,816	16,807,905
Managed care			
per member/per month rate @ # of eligibles			
Fee for Service			
Total Benefit Costs	5,682,670	12,844,816	16,807,905
(Offsetting beneficiary cost sharing payments)	210,631	424,943	652,722
Net Benefit Costs	5,472,039	12,419,873	16,155,183
<b>Administration Costs</b>			
Personnel	347,867	520,435	609,203
General administration	508,794	197,089	165,370
Contractors/Brokers (e.g., enrollment contractors)			
Claims Processing	19,660	106,820	115,942
Outreach/marketing costs	62,356	32,620	13,863
Other			
Total Administration Costs	938,677	856,964	904,378
10% Administrative Cost Ceiling	608,004	1,379,986	1,795,020
Federal Share (multiplied by enh-FMAP rate)			
State Share			
<b>TOTAL PROGRAM COSTS</b>	<b>6,621,347</b>	<b>13,701,780</b>	<b>17,712,283</b>

Note: Federal Fiscal Year (FFY) 1999 is October 1, 1998 through September 30, 1999).