

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-01-16  
Baltimore, Maryland 21244-1850



**Family and Children's Health Programs Group, Center for Medicaid and State Operations**

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March 25, 2004

Ms. Diane Kessel  
CHIP Coordinator  
Department of Social and Health Services Administration  
P.O. Box 45536  
Olympia, WA 98504-5536

Dear Ms. Kessel,

Thank you for your State Children's Health Insurance Program (SCHIP) state plan amendment submitted on January 22, 2004. As you are aware, your proposal has been undergoing review by the Department of Health and Human Services. We appreciate our continued dialogue as we work together to resolve the issues pertaining to this State plan amendment. In order to complete our review, we find it necessary to seek further information. Our major concern relates to the following area:

- Section 9.10, related to the budget. Please provide additional detail on the funding sources that are included as part of the State's Health Services Account.

The enclosure more fully explains this and other issues that require additional information and clarification. CMS may have further questions in addition to the information requested at this time.

Under section 2106(c) of the Social Security Act, CMS must approve, disapprove, or request additional information on a proposed title XXI State plan amendment within 90 days. This constitutes our notification that specified additional information is needed in order to assess fully the concerns raised in this letter. The 90-day review period has been stopped by this request and will resume as soon as the State's response to this request for additional information is received. The members of the Review Team will be happy to answer any questions you may have in regard to this letter and to assist your staff in formulating a response.

Please send your response, either on disk or electronically, as well as in hard copy, to Tanya Haun, project officer for the Washington title XXI proposal, with a copy to the CMS Region X Office.

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Ms. Haun's Internet address is [thaun@cms.hhs.gov](mailto:thaun@cms.hhs.gov). Her mailing address is:

Centers for Medicare & Medicaid Services  
Center for Medicaid and State Operations  
Division of State Children's Health Insurance  
Mail Stop S2-01-16  
7500 Security Boulevard  
Baltimore, MD 21244-1850

We appreciate the efforts of your staff and share your goal of providing health care to low-income, uninsured children through title XXI. If you have questions or concerns regarding the matters raised in this letter, your staff may contact either Tanya Haun at (410) 786-0721, Elizabeth Trias at (206) 615-2400 or Janice Adams at (206) 615-2541. They will provide or arrange for any technical assistance you may require in preparing your response. Your cooperation is greatly appreciated.

Sincerely,

Cheryl Austein Casnoff  
Director  
Division of State Children's Health Insurance

Enclosure

cc: CMS Region X DMSO

## **ENCLOSURE**

### **Section 9.10**

According to the budget submission, it appears that the State proposes to use the B&O Hospital tax, HMO premiums and the DSH/ProShare program dollars as sources of state share for title XXI Federal financial participation (FFP). To assure that the proposal is in accordance with Sections 2105 and 1903(w) of the Social Security Act, please address the questions below regarding the proposed sources of funding.

#### B&O Hospital Tax:

Please confirm whether the State intends to use the B&O Hospital tax as a source of state funds for FFP. If the State does intend to use the B&O Hospital tax for FFP, please provide the following information:

1. Based on the definition of health care-related taxes at §433.55(a), does the tax relate to: health care items or services; the provision of, or the authority to provide, the health care items or services; or the payment for the health care items or services?
2. Based on the regulations at §433.55(b), does 85 percent or more of the tax revenue burden fall on the health care provider or entity?
3. If the B&O tax is health care-related based on the State's responses to the two questions above, please demonstrate that:
  - a. this is a broad-based tax, and is applied uniformly (as defined at §433.68(c) and (d)) to all items or services within a given class or the providers of such items or services; and
  - b. the tax does not provide for credits, exclusions or deductions which have as its purpose, the return to providers of all, or a portion of, the tax paid, as prohibited under §433.68(d)(2)(i).

#### HMO Premiums:

Please confirm whether the State intends to use HMO premiums as a source of state funds for FFP. If the State does intend to use HMO premiums for FFP, please provide the following information:

1. Please describe what is included in the "HMO premiums" source of funds.
2. Please assure that the State does not intend to claim FFP for any cost-sharing amounts that SCHIP enrollees have paid as premiums. The SCHIP regulations at §457.224 prohibit States from receiving FFP for any enrollee cost sharing.

DSH/ProShare Program:

Please confirm whether the State intends to use the DSH/ProShare program dollars as a source of state funds for FFP. If the State does intend to use the DSH/ProShare program dollars for FFP, please provide the following information:

1. Describe what is included in the “DSH/ProShare program” source of funds. States are prohibited from using Federal funds as a source of State share for FFP as stated in as defined at §457.220.