

Center for Medicaid and State Operations

SHO #02-004

November 12, 2002

Dear State Health Official:

States now have the option of ensuring that needed prenatal care is available under SCHIP to benefit unborn children and uninsured low-income women. The purpose of this letter is to provide general information concerning this provision and guidance for amending your state plan to reflect the provision of prenatal care to unborn children under the State Children's Health Insurance Program (SCHIP) if your state wishes to take advantage of this option.

In the interest of providing necessary prenatal care and other health services to children, we promulgated a final rule on October 2 that revised the definition of "child" at 42 CFR 457.10 to clarify that "child" means an individual from conception up to age 19. This rule provides states with the option to consider an unborn child to be a targeted low-income child and therefore eligible for coverage under SCHIP, if other applicable state eligibility requirements are met. This permits states to provide vital health care services to promote healthy pregnancies and healthy children regardless of the mother's eligibility status. Moreover, under the new regulation states are able to provide eligibility to unborn children of low-income immigrants, which results in access to important prenatal care for these women. The final rule may be found at: http://www.access.gpo.gov/su_docs/fedreg/a021002c.html.

We emphasize that this final rule is not intended to modify current health insurance financial practices or alter the relationship between the pregnant mother and/or her unborn child and the physician. Therefore, states that usually pay for pregnancy and delivery services through a bundled payment or global fee method consistent with general industry practices may continue to do so. Services that are often paid for using these methods include prenatal care, labor and delivery (including pain management), and postpartum care.

Federal financial participation (FFP) is available for claims for pregnancy and delivery services including prenatal care, labor and delivery (including pain management). Global fees commonly used in reimbursing for obstetrical care cover all prenatal visits, delivery, and at least one postnatal visit. As a global fee benefits the program by guarding against problems associated with unbundling and upcoding, and the number of new eligibles under the rule are estimated to represent less than 5 percent of total pregnancies covered by Medicaid and SCHIP, states will not be required to distinguish cases that are eligible under this regulation from others by changing their current global fee payment methodology. In addition, FFP is available for capitation rates that reflect the use of bundled payments or global fees by managed care entities.

States that currently do not pay in this manner should explore the extent to which general practices will allow bundling of these services. FFP will not be available for post hospitalization postpartum care that is not included in the bundled or capitated payment.

In order to adopt this option and be eligible for funds under title XXI, states must submit a state plan amendment, which must be approved by the Secretary. States adopting this option will be able to amend their state plan by submitting the enclosed addendum to the state plan and budget form. The addendum sections correspond to the relevant sections in your current State Child Health Plan Template.

States that have implemented SCHIP through a Medicaid expansion and wish to extend coverage to unborn children may submit the same plan amendment as described above. The state may continue to cover children from birth through age 18 under its Medicaid expansion program.

To incorporate this provision into your state plan, the state, through the appropriate state official, should submit these pages electronically to both the Centers for Medicare & Medicaid Services (CMS) Central and Regional Offices. Once approved, these pages will be added to your current State Child Health Plan. Each state should also review its current approved state plan and amend additional sections simultaneously, if necessary (e.g., if a new benefit package is being adopted or if cost sharing is being modified just for this eligibility group, or if the state has not previously implemented a separate child health program).

We encourage states to consider this important new opportunity to provide prenatal care and other health services to unborn children and their mothers.

Questions or assistance may be provided by your Central or Regional Office Project Officer.

Sincerely,

/s/

Dennis G. Smith
Director

Enclosure

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

Lee Partridge
Director, Health Policy Unit
American Public Human Services Association

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Matt Salo
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Association of State and Territorial Health Officials

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Director, Health and Human Services Task Force
American Legislative Exchange Council

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Council of State Governments

Jim Frogue
Acting Director, Health and Human Services Task Force
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SCHIP Budget Plan Template

	Federal Fiscal Year Costs
Enhanced FMAP rate	
Benefit Costs	
Insurance payments	
Managed care	
per member/per month rate @ # of eligibles	
Fee for Service	
Total Benefit Costs	
(Offsetting beneficiary cost sharing payments)	
Net Benefit Costs	
Administration Costs	
Personnel	
General administration	
Contractors/Brokers (e.g., enrollment contractors)	
Claims Processing	
Outreach/marketing costs	
Other	
Total Administration Costs	
10% Administrative Cost Ceiling	
Federal Share (multiplied by enh-FMAP rate)	
State Share	
TOTAL PROGRAM COSTS	

Note: The Federal Fiscal Year (FFY) runs from October 1st through September 30th.

**Draft Preprint- Addition of SCHIP Coverage for Prenatal Care and Associated Health
Care Services to the State Child Health Plan**

State/Territory: _____
(Name of State/Territory)

Section 4. Eligibility Standards and Methodology. (Section 2102(b))

4.1.2.1 Age: _____ through birth

4.1.3.1 Income:
0 % of the FPL (and not eligible for Medicaid) through
_____ % of the FPL

Effective Date: _____ (date costs begin to be incurred) Implementation Date: _____ (dates services begin to be provided)

**Section 9. Strategic Objectives and Performance Goals and Plan Administration
(Section 2107)**

9.10. Please provide a 1-year projected budget for *all* targeted low-income children covered under the state plan using the attached financial form. Additionally, please provide the following:

Total 1- year cost of adding prenatal coverage:

Estimate of unborn children covered in year 1:
