



CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)

**INSTRUCTIONS FOR COMPLETING
CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) REPORT
ON PAYABLES AND RECEIVABLES**

January 2006

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I. Purpose

The purpose of this document is to identify reporting requirements by State Agencies for the State Children's Health Insurance Program (CHIP) Report on Payables and Receivables, also known as the CHIP Incurred but Not Reported (IBNR) Survey.

II. Background

CHIP

The Secretary of Health and Human Services is authorized by Congress under Title XXI of the Social Security Act (Act) to make funds available to the States for the purposes set under Title XXI, Children's Health Insurance Program. The purpose of CHIP, enacted under the Balanced Budget Act of 1997 (BBA) and technical amendments made by Public Law 105-100, is to provide Federal matching funds to States to enable them to extend coverage to uninsured, low-income children in an effective and efficient manner. States are able to use Title XXI funds for obtaining health benefit coverage through (1) an CHIP State Program, (2) an CHIP Medicaid expansion or, (3) a combination of both. Under sections 1905(b) and 2105(b) of the Act as amended, all allowable Title XXI and certain Title XIX Medicaid expenditures will be matched at an enhanced Federal Medical Assistance Percentage (FMAP) hereinafter referred to as the "enhanced FMAP". The amount of Federal funds (allotment) available for Title XXI programs is limited for each Federal fiscal year both nationally and on a State-specific basis.

Incurred but Not Reported (IBNR) Costs

IBNR costs result from Medicare or Medicaid/CHIP medical services incurred but not paid as of September 30, the Federal Government's fiscal year end. The CHIP amount is the net of unreported expenses incurred by the States less amounts owed to the States for overstated claims and drug rebates.

The Chief Financial Officer (CFO) Act of 1990, as amended by the Government Management Reform Act (GMRA) of 1994, requires government agencies to produce auditable financial statements. Because CMS fulfills its mission through its contractors and the States, these entities are the primary source of information for the financial statements. There are three basic categories of data: expenses, payables, and receivables. The Form CMS-21 is used to collect data on CHIP expenses. The CHIP IBNR Survey is used to collect CHIP payable and receivable accounting data from the States.

III. Due Date for Submission of the CHIP IBNR Survey

The CMS requests that States complete and return the CHIP IBNR survey by **August 15th for the current fiscal year.**

Since most of the States and Territories operate on a June 30 fiscal year-end and the CHIP IBNR Survey is due before most State Comprehensive Annual Financial Reports (CAFRs) are audited, States are instructed to submit their best estimate on the CHIP IBNR survey. Based upon the

need to have the best estimate for the CHIP IBNR, the CMS also requests that States submit **updated CHIP IBNR Surveys no later than March 30 of the following fiscal year.**

Note: If the August and/or March due dates occur on a holiday or a weekend, the report is due the following Federal workday.

IV. Certification

Certification of the CHIP IBNR Survey by the State Chief Financial Officer (CFO) or designee is required. The CFO or designee certifies that the CHIP IBNR data submitted has been reviewed, is based on or in agreement with the amounts verified by State auditors, and is the best available estimate for the reporting period. The name of a contact person is also required in the event that CMS has questions concerning the submitted data.

V. CHIP IBNR Survey Line Item Descriptions

The CHIP IBNR Survey consists of three sections: Section I – CHIP Accounts Payable; Section II – CHIP Accounts Receivable; and Section III – Average Days. Sections I and II require that the States identify the CAFR period that the data is based upon. Sections I and II also require that States report the latest CAFR data as well as CAFR data for the previous year. For each reporting requirement in Sections I and II, States are required to enter total costs as well as the portion known as Federal Financial Participation. Refer to the following formula when reporting costs in Sections I and II:

$$\text{Total} = \text{State Portion} + \text{Federal Financial Participation.}$$

Section I - CHIP Accounts Payable

CHIP Accounts Payable represents amounts owed by the State to providers for services rendered and for State and local administrative expenses as of the dates indicated below, but excluding amounts paid and reported on the Quarterly Children’s Health Insurance Program, (Form CMS-21) for the quarter ending as of the dates indicated on the survey.

Line 1, *Total CHIP Accounts Payable*, equals claims that have been incurred by providers but not yet submitted to the State; claims submitted by providers but not yet processed or paid by the State; cost report settlements; and provider underpayments.

Line 2, *Payments Owed by the State for CHIP State and Local Administrative Expenses*, equals the SCHIP State and local administrative expenses owed by the State.

Line 3, *Other Accounts Payable*, equals any payables that have not been captured in Lines 1 or 2. If an amount is entered on Line 3, the State must identify the nature of the payable.

Section II - CHIP Accounts Receivable

CHIP Accounts Receivable represents amounts owed to the State from various sources **excluding the Federal Government** and excluding any amounts received and reported on the Form CMS-21 for the quarter ending as of the date indicated on the survey.

Line 1, *CHIP Accounts Receivable*, consists of the following items:

Overstated Claims

Claims paid in excess of the proper amount.

Drug Rebates

States, CMS and drug manufacturers have an agreement whereby if a State’s CHIP population (according to data the States provide to the drug manufacturer) uses a specific drug above a predetermined threshold, the drug manufacturer will provide a rebate within 30 days to the State.

Other

Any receivables not captured on the above lines.

Line 2, *Allowance for Uncollectible Amount for Above Accounts*, is an estimate of receivables not likely to be collected.

Line 3, *Total Net Accounts Receivable*, is the sum of amounts reported on Line 1, *CHIP Accounts Receivable*, minus the allowance amount on Line 2, *Allowance for Uncollectible Amount for Above Accounts*.

Line 4, *Other Receivable not in CAFR*, is used to record any receivables not captured or reported in the Comprehensive Annual Financial Report. If an amount is entered on Line 4, the State must identify the nature of the receivable.

Section III - Average Days

The CMS also uses an alternative methodology based on average days to calculate the CHIP IBNR estimate. This methodology estimates the length of time from when services are provided to a CHIP beneficiary until reimbursement by the State to the provider is made. The average days provided is multiplied by the average daily claims volume to arrive at a year-end payable estimate. The result is compared to amounts reported in the CHIP IBNR survey for reasonableness.

VI. Work Paper Standards

States must document its process for identifying CHIP IBNR costs. Work papers should be used to document and support any decisions drawn relating to the process used and the costs reported on the CHIP IBNR survey. Work papers should be prepared in a uniform, clear and concise manner.

Work papers prepared by the States must be available upon request in the event that the CMS Regional Offices, or other parties on behalf of CMS, perform reviews of State CHIP IBNR documentation.

Appendix

(CHIP IBNR Survey)

CHIP INCURRED BUT NOT REPORTED (IBNR) SURVEY

I. CHIP ACCOUNTS PAYABLE

CHIP amounts owed by the State to providers for services rendered and for State and local administrative expenses as of the dates indicated below, but excluding amounts paid and reported on the CMS-64.21U, CMS-64.21 and the CMS- 21 for quarter ending as of the dates indicated below. (TOTAL =STATE +FEDERAL FINANCIAL PARTICIPATION (FFP))

	Latest CAFR (9/30/XX or prior) as of _____		Previous CAFR (9/30/XX or prior) as of _____	
	Total (Whole dollars)	FFP	Total (Whole dollars)	FFP
1 - Total CHIP Accounts Payable ¹				
2 - Payments owed by the State for CHIP and Local Administrative Expenses				
3 - Other Accounts Payable (define)				

STATE _____ CONTACT PERSON _____
 PHONE _____ FAX _____

ADDRESS _____

I hereby certify that I have examined the data reported for the periods ending as indicated above, and that to the best of my knowledge and belief, it is based on and in agreement with, amounts verified by the State Auditor.

Signature _____
 Name (Printed) _____
 Title _____ Date _____

Disclosure Statement: According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is XXXX-XXXX. The time required to complete this information collection is estimated to average XX hours per response, including the time to review instructions, searching existing data resources, gather the data needed and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, P.O. Box 26684, Baltimore, Maryland 21244 and to the Office of the Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

¹ Includes Claims incurred by Providers - not yet submitted to the State, Claims submitted by Providers - not yet processed or paid by the State, Cost report settlements, and Provider underpayments

II. CHIP ACCOUNTS RECEIVABLE

CHIP amounts owed to the State from various sources excluding the Federal Government as of the dates indicated below, but excluding amounts received and reported on the CMS-64.21U, 64.21, and 21 for quarter ending as of the dates indicated below. (TOTAL = STATE + FEDERAL FINANCIAL PARTICIPATION, (FFP)).

Reporting Dates:	Latest CAFR (9/30/XX or prior) as of _____		Previous CAFR (9/30/XX or prior) as of _____	
	Total (Whole dollars)	FFP	Total (Whole dollars)	FFP
1 - Total CHIP accounts receivable				
A - Overstated Claims				
B - Drug Rebates				
C - Other (define)				
2 - Less: Allowance for Uncollectible Amount for Above Accounts				
3 - Total Net Accounts Receivable				
4 - Other Receivables not in CAFR (define)				

Please attach a brief description of how the above payable and receivable amounts were computed.

III. AVERAGE DAYS

Please provide the average number of *calendar days* that elapse from when a service is provided to a SCHIP beneficiary until the State reimburses the provider for the claim.
