

North Carolina Health Choice: Additional Available Federal Dollars

Federal and State Participation in Program Costs

The federal and state governments participate jointly in the financing of the NC Health Choice program. As of October 1, 2003, the federal government pays 74% of program costs with the remaining 26% coming from the state. Counties receive federal and state funds to determine Health Choice eligibility.

States receive an annual allocation from the federal government. The federal allocation is determined under a complex formula that includes the number of uninsured children with family incomes under 200% FPL and the number of children covered through the State's Health Choice program. States that expend their allocations are eligible to receive unspent federal funds from other states. North Carolina has historically benefited from a redistribution of unspent funds.

\$97.8M in New Federal Funds to Support NC Health Choice

The Jobs and Growth Tax Relief Act of 2003 (P.L. 108-27) extended the availability of unspent State Children's Health Insurance Program, SCHIP (known as Health Choice in North Carolina). This resulted in an additional \$97.8M in federal funds to support the Health Choice program. The \$97.8 M includes North Carolina's unspent FFY 1999 redistributed allotment of \$92.1M and one-half (\$5.7M) of the FFY 2000 unspent allotment.

NC Health Choice Funding Strategies

These new federal funds have been and will be used to support the financing of the Health Choice program. There are four important points to understand about federal funding for Health Choice:

- Allotments must be spent within three years (e.g., the FFY 2003 allotment which became available on October 1, 2002 must be spent by September 30, 2005). Unspent funds revert and are available for redistribution to other states.
- States become eligible to receive redistributed federal funds when allotments are spent.
- The \$97.8M must be spent by September 30, 2004.
- Federal allotments have decreased since FFY 2001.

The benefit of the new federal funds is that North Carolina will avoid a shortfall of federal funds in future SFYs.

Projected Spending of New Federal Funds by SFY

New Federal Dollars	Actual SFY 2002-03	Est. SFY 2003-04	Est. SFY 2004-05	Total Est. Expenditures	Est. Reversion
\$97.8M	\$5.7M	\$47.3M	\$40.2M	\$93.2M	\$4.6M