January 25, 2001

The Honorable Chuck Grassley
Chairman
The Honorable Max Baucus
Ranking Member
Committee on Finance
United States Senate

The Honorable Billy Tauzin
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
House of Representatives

The Honorable Bill Thomas
Chairman
The Honorable Charles Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

Subject: Department of Health and Human Services, Health Care Financing
Administration; State Child Health; Implementing Regulations for the State
Children's Health Insurance Program

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a
major rule promulgated by the Department of Health and Human Services, Health
Care Financing Administration (HCFA), entitled “State Child Health; Implementing
Regulations for the State Children's Health Insurance Program” (RIN: 0938-AI28).
We received the rule on January 12, 2001. It was published in the Federal Register as

The final rule implements statutory provisions related to the State Children’s Health
Insurance Program (SCHIP), including state plan requirements and plan
administration, coverage and benefits, eligibility and enrollment, enrollee financial
responsibility, strategic planning, substitution of coverage, program integrity, certain
allowable waivers, and applicant and enrollee protections.
Enclosed is our assessment of HCFA's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that HCFA complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Bill Scanlon, Managing Director, Health Care. Mr. Scanlon can be reached at (202) 512-7114.

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Ms. Cathy Beck
   Deputy Executive Secretary to
   the Department
   Department of Health and Human Services
ENCLOSURE

ISSUED BY THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES,
HEALTH CARE FINANCING ADMINISTRATION
ENTITLED
"STATE CHILD HEALTH; IMPLEMENTING REGULATIONS FOR
THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM"
(RIN: 0938-AI28)

(i) Cost-benefit analysis

In the preamble to the final rule, HCFA discusses the costs and benefits of SCHIP. The total amount of federal funding available for allotment to the states, the District of Columbia, and the commonwealths and territories is $40 billion over 10 years.

The benefit of the program is that it will allow the expansion of the provision of health benefits coverage to uninsured, low-income children who previously had limited access to health care.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

HCFA has certified that the final rule will not have a significant economic impact on a substantial number of small entities because the final rule will have a beneficial, if any, impact on health care providers.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The final rule does not establish an intergovernmental or private sector mandate, as defined in title II, of more than $100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures contained at 5 U.S.C. 553. On November 8, 1999, HCFA published a Notice of Proposed Rulemaking in the Federal Register. 64 Fed. Reg. 60882. HCFA received 109 comments in response and discusses them in the preamble to the final rule.
Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains numerous information collections that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act. The preamble to the final rule summarizes the required information that has been submitted to OMB for review.

Statutory authorization for the rule

The final rule is promulgated under the authority of section 1102 of the Social Security Act (42 U.S.C. 1302).

Executive Order No. 12866

The final rule was reviewed by OMB and found to be an “economically significant” regulatory action under the order.

Executive Order No. 13132 (Federalism)

In the preamble to the final rule, HCFA discusses the steps it took to work and consult with the states in preparing for the submission of the SCHIP plans by the states.