§ 433.113 Reduction of FFP for failure to operate a system and obtain initial approval.

(a) Except as waived under §433.130 or §433.131, FFP will be reduced as specified in paragraph (b) of this section unless the Medicaid agency has in continuous operation a mechanized claims processing and information retrieval system that meets the following conditions:

1. The APD for the system was approved by CMS;
2. The system is operational by September 30, 1985; and
3. The system is initially approved by the last day of the fourth quarter that begins after the date the system became operational as determined by CMS.

(b) CMS will reduce FFP in expenditures for compensation and training of skilled professional medical personnel and support staff under section 1903(a)(2) of the Act, and for general administration under section 1903(a)(7) of the Act, by the following increments applied separately to those two categories of expenditures:

1. Five percentage points for the first two quarters beginning after a deadline in paragraph (a) of this section;
2. An additional five percentage points during each additional two-quarter period, through the quarter in which the State achieves compliance with the conditions for initial operation or initial approval of an operating system. FFP reductions will not exceed 25 percentage points for each type of reduction.

(c) The amount of FFP (determined under section 1903(a)(3)(B)) that would be available retroactively for operating a system that later receives initial approval will be reduced by CMS by the same percentage points for the identical periods of time described in subparagraph (b)(1) of this section, until the system is initially approved. No reduction will be made after the first quarter during which the system is initially approved.

§ 433.114 Procedures for obtaining initial approval; notice of decision.

(a) To obtain initial approval, the Medicaid agency must inform CMS in writing that the system meets the conditions specified in §433.116(c) through (h).

(b) If CMS disapproves the system, or determines that the system met requirements for initial approval on a date later than the date required under §433.113(a)(3), the notice will include—
1. The findings of fact upon which the determination was made; and
2. The procedures for appeal of the determination in the context of a reconsideration of the resulting disallowance, to the Departmental Appeals Board.

§ 433.116 FFP for operation of mechanized claims processing and information retrieval systems.

(a) Subject to 42 CFR 433.113(c), FFP is available at 75 percent of expenditures for operation of a mechanized claims processing and information retrieval system approved by CMS, from the first day of the calendar quarter after the date the system met the conditions of initial approval, as established by CMS (including a retroactive adjustment of FFP if necessary to provide the 75 percent rate beginning on the first day of that calendar quarter). Subject to 45 CFR 95.611(a), the State shall obtain prior written approval from CMS when it plans to acquire ADP equipment or services, when it anticipates the total acquisition costs will exceed thresholds, and meets other conditions of the subpart.

(b) CMS will approve the system operation if the conditions specified in paragraphs (c) through (h) of this section are met.

(c) The conditions of §433.112(b) (1) through (4) and (7) through (9), as periodically modified under §433.112(b)(2), must be met.