

(7) The costs of the system are determined in accordance with 45 CFR 74.171.

(8) The Medicaid agency agrees in writing to use the system for the period of time specified in the advance planning document approved by CMS or for any shorter period of time that CMS determines justifies the Federal funds invested.

(9) The agency agrees in writing that the information in the system will be safeguarded in accordance with subpart F, part 431 of this subchapter.

(c) Eligibility determination systems are not part of mechanized claims processing and information retrieval systems and are not eligible for 75 percent FFP under this subpart. These systems are also not eligible for 90 percent FFP for any APD approved after November 13, 1989.

[43 FR 45201, Sept. 29, 1978, as amended at 44 FR 17937, Mar. 23, 1979; 45 FR 14213, Mar. 5, 1980; 50 FR 30846, July 30, 1985; 51 FR 45330, Dec. 18, 1986; 54 FR 41973, Oct. 13, 1989; 55 FR 1820, Jan. 19, 1990; 55 FR 4375, Feb. 7, 1990]

**§ 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.

[50 FR 30847, July 30, 1985, as amended at 54 FR 41973, Oct. 13, 1989]

**§ 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.

[50 FR 30847, July 30, 1985, as amended at 54 FR 41973, Oct. 13, 1989]

**§ 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