



North Carolina
Department of Health and Human Services
Division of Medical Assistance
Recipient Services EIS

1985 Umstead Drive – 2512 Mail Service Center - Raleigh, N.C. 27699-2512
Courier Number 56-20-06

Michael F. Easley, Governor
Carmen Hooker Buell, Secretary

Paul R. Perruzzi, Director
(919) 857-4019

June 11, 2001

Re: Consumer Price Index Error

Dear County Directors of Social Services:

This letter is to alert you to a mid-year cost of living adjustment (COLA) that we must implement due to a Consumer Price Index (CPI) error.

On September 28, 2000, the Bureau of Labor Statistics (BLS) announced that it discovered a software error in the computation of the CPI. This error affected the December 1999 COLA percentage and affected Social Security and SSI benefits beginning January 2000. The BLS has revised the CPI for calendar year 2000 and corrected the error to prevent a future occurrence. The BLS did not revise the official CPI for calendar year 1999.

The Social Security Administration (SSA) uses the CPI to calculate the COLA in benefit levels for its RSDI/SSI programs. As a result of the CPI error, the December 1999 COLA percentage was 0.1 percentage point below what it would have been if the error had not occurred. The December 2000 COLA was not affected by this error.

The majority of RSDI/SSI recipients received lower payments than they would have received if there had been no CPI error. In most cases, the shortfall is \$1.00 per month. However, the dollar amount of benefits for subsequent years is based on the prior year's calculations. Therefore, benefits for future years will be affected unless an adjustment is made.

Effective August 2001, the SSA will adjust monthly benefits for individuals affected by the shortfall. In addition, a single lump sum payment will be made to compensate for shortfalls that may have occurred in the months prior to the adjustment. Recipients can expect to receive their lump sum payment in July 2001. The SSA will issue notices to the beneficiary explaining the lump sum and adjusted payments. We regret that we are unable to provide you with a copy of these notices as the SSA has not provided a copy to us.

When determining eligibility for Medicaid, disregard the lump sum payments from countable reserve and income. These payments will not be considered when determining initial or ongoing eligibility for Medicaid under any aid program category.

In an effort to include the most accurate information in the Eligibility Information System (EIS) and to ensure that future SSA COLAs are computed correctly, DMA will implement a SSA COLA effective September 1, 2001. Unlike prior years, this special COLA will also apply to MAABD-N and MQB recipients. These cases are outside of their January through March passalong period.

To the extent possible, this implementation will be automated. A DMA Administrative Letter will be issued explaining the automation process, listing reports generated as a result of the COLA and providing procedures to follow when a case could not be automated.

DMA will try to simplify this special COLA as much as possible. We are providing you with this information in the event you begin to receive telephone calls from recipients about how the lump sum and adjusted payments may affect their Medicaid benefits. I hope that the information in this letter will help as you begin to determine the impact of this COLA on your workloads.

If you have any questions, please contact the Medicaid Eligibility Unit at (919) 857-4019.

Sincerely,

Paul R. Perruzzi
Director