DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

DEC 3 1 2012

Toby Douglas
Chief Deputy Director, Health Care Programs
Department of Health Care Services
1501 Capitol Avenue, MS 0000
P.O. Box 997413
Sacramento, CA 99859-7413

Dear Mr. Douglas:

I am writing to inform you that the Centers for Medicare & Medicaid Services (CMS), is granting your request to amend California's section 1115 demonstration, the "California Bridge to Reform Demonstration (11-W-00193/9)." This authority provides California with time-limited authority to transition a population of approximately 850,000 children from the existing separate Children's Health Insurance Program (CHIP) (known as the Healthy Families Program (HFP)) into a Medicaid (known as Medi-Cal) expansion demonstration population in several phases. The timing of the transition for individual children will depend on whether the child is enrolled in a HFP managed care plan and whether that plan also participates in the Medi-Cal program as well as state readiness for each transition phase. Approval of this demonstration amendment is effective from the date of this letter through December 31, 2013.

Beginning January 1, 2013, California will begin to transition children from the Healthy Families Program, which provides coverage to children with family incomes up to and including 250 percent of the federal poverty level (FPL) to a demonstration Medicaid expansion population that will also include new enrollees at this income level. For individuals in the demonstration Medicaid expansion population, coverage is otherwise identical to Medi-Cal. As we have agreed, the transitioning children will move into the Medicaid expansion demonstration in four phases; the anticipated schedule for this phase-in is described in Special Term and Condition (STC) #103. Written approval from CMS is required prior to the implementation of each phase.

Prior to receiving CMS approval to implement phase 1b and each subsequent phase thereafter, the state must demonstrate the successful provision of coverage to children in previous phases, as well as provider network adequacy, to serve the children in subsequent phases, including measures of time and distance standards, and appropriate plans for maintaining continuity of care for all services. To the extent that an unanticipated problem is identified by CMS or the state during the implementation process, CMS may request additional information prior to approval of any subsequent phase. In the absence of sufficient evidence from the state demonstrating that an identified problem with a previous or pending phase has been resolved, CMS may delay implementation of any phase. The state may also determine on its own, with notice to CMS, that implementation of any phase will be delayed. CMS commends California for actively engaging the stakeholder community in preparation for implementation of this transition, and will partner with the state to co-host listening sessions for stakeholders after implementation of Phase 1a.

Once the transition period is complete, the children enrolled in this demonstration Medicaid expansion population will be made eligible under the Medicaid state plan, and the demonstration authority will expire on December 31, 2013. California must submit a Medicaid state plan amendment (SPA) to expand coverage to optional targeted low-income children with family incomes up to and including 250 percent of the FPL under the Medicaid state plan 90 days prior to implementation of the last phase (Phase 4), and the SPA must be approved by CMS prior to implementation of Phase 4 in order for Federal reimbursement to be available.

As you are aware, the Affordable Care Act "maintenance of effort" (MOE) provision at 2105(d)(3) of the Social Security Act, generally ensures that states' coverage for adults under the Medicaid program remains in place pending implementation of coverage changes that become effective January 1, 2014, and MOE provisions are effective for children in Medicaid and CHIP through September 30, 2019. Specifically, the MOE provision requires that, with certain exceptions, as a condition of receiving federal Medicaid funding, states must maintain CHIP "eligibility standards, methods and procedures" that are no more restrictive than those in effect on March 23, 2010.

We have reviewed the eligibility procedures in both Medi-Cal and HFP and determined that while procedural differences do exist, there is no violation of MOE. Each individual program's "eligibility standards, methods and procedures" are no more restrictive than those in effect on March 23, 2010. By expanding Medicaid eligibility, the state has exercised its discretion to change the operation of its CHIP from a separate program to a Medicaid expansion. Because the population will be Medicaid eligible, the population could not be eligible under a separate CHIP under the pre-existing CHIP standards, methods and procedures in effect on March 23, 2010.

Most importantly, it is our understanding, and our mutual expectation, that children will not lose eligibility for coverage as a result of this transition and that transferred children will be automatically enrolled in Medi-Cal and new applicants who would have been found eligible for HFP will now be found eligible for Medi-Cal. The state has developed specific eligibility categories for transitioning children, and provided an assurance that it will be able to track and provide eligibility reports for these children to CMS. CMS will monitor these reports to ensure that children are not disenrolled from coverage as a result of the transition, which could be considered a violation of MOE.

CMS appreciates California's commitment to ensuring that all children enrolled in Medi-Cal have access to comprehensive quality care, including medical, behavioral health, and oral health care. CMS understands that the state is currently working towards a new contract for its dental program, through the procurement of a new administrative/fiscal intermediary. CMS encourages California to use this new contract to implement a risk-based disease prevention approach to oral health care for children that recognizes childhood caries as a chronic disease, which should be managed (like asthma and diabetes) with comprehensive, coordinated treatment. Such an approach has demonstrated both positive health outcomes and cost savings. CMS will work with the state to explore this approach to oral health care for children to ensure that the next dental administrative/fiscal intermediary contract will include the ability to offer an additional approach to utilize dental providers to improve oral health initiatives. The state has also committed to continuing to improve the accuracy of the dental provider data reported to InsureKidsNow.gov, and developing a plan to use these data to determine the number of dentists available to treat young children and children with special health care needs by

community. The state will work with CMS to determine a target date for reporting these data. In addition, the state will include a question in its beneficiary survey for transition children to assess the experiences of families in finding a dentist to meet their child's unique needs.

The CMS approval of the California demonstration amendment is conditioned upon continued compliance with the enclosed set of STCs defining the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter. A copy of the revised STCs, waivers and expenditure authorities is enclosed.

We look forward to our continuing to work together to ensure that eligible children in California have access to comprehensive health care under this new structure. If you have any concerns or questions regarding this letter, please contact Linda Nablo, Director, Division of Children's Health Insurance Programs, Children and Adults Health Programs Group at 410-786-5143.

Your project officer for this demonstration is Mr. Rob Nelb. He is available to answer any questions concerning your broader section 1115 demonstration and this amendment. Mr. Nelb's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-
Facsimile: (410) 786-5882
E-mail: Robert.nelb@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Mr. Nelb and to Ms. Gloria Nagle, Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Nagle's contact information is as follows:

Ms. Gloria Nagle
Associate Regional Administrator
Division of Medicaid and Children Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103 -6706

If you have questions regarding this approval, please contact Ms. Jennifer Ryan, Acting Director, Children and Adults Health Programs Group, Center for Medicaid and CHIP and Services, at (410) 786-5647.

Sincerely,

Cindy Mann
Director

Enclosures

cc: Jennifer Ryan, Acting Director, Children and Adults Health Programs Group, CMCS
Linda Nablo, Director, Division of Children's Health Insurance Programs, CMCS
Gloria Nagle, ARA, San Francisco Regional Office