

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



JAN 18 2018

Teresa Hursey
Acting Administrator
Division of Medicaid Programs
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East, 3rd Floor
Springfield, IL 62763

Dear Ms. Hursey:

Thank you for meeting with me last month in Chicago. I appreciate your taking the time to discuss Illinois' section 1115 demonstration proposal, and the importance of this proposal to Illinois' comprehensive approach to transforming behavioral health services for Medicaid beneficiaries in the state. We strongly support the state's goals in providing higher quality behavioral health services for its Medicaid beneficiaries and making improvements to the state's behavioral health delivery system. Members of our team here at the Centers for Medicare & Medicaid Services (CMS) have had many conversations with you and your team and look forward to continuing to work with you to support the state in meeting its goals.

As you know, our team has worked closely with you and your team for over a year to try to arrive at a budget neutral demonstration. To date, we have not been able to do so. The most recent set of budget neutrality worksheets received from the state on January 12, 2018, show a proposed margin of \$128 million (total computable) over the proposed five years. These proposed savings, however, rely on \$130 million (total computable) of budget neutrality savings from the new adult group. As we have discussed, CMS budget neutrality policy does not allow for states to achieve budget neutrality savings from services to the new adult group. Expenditures for the new adult group are considered "hypothetical" for purposes of calculating budget neutrality in the demonstration, due to the limited experience and lack of historical data.

CMS policy relies on five years of historical experience when developing the without waiver per member per month (PMPM) costs and trend rates. States have only had experience with the new adult group since 2014, and due to claims lag, most states only have two years of complete data. Since 2013, we have not allowed any state to accrue savings from services to the new adult group and it is our policy to apply budget neutrality consistently across states. Absent the proposed savings from the new adult group, the state has not been able to establish a budget neutral demonstration. CMS staff continue to work diligently with the state to revise the budget

neutrality worksheets, using flexibility available within established policy. We stand committed to continue to try to develop a budget neutral demonstration.

As our teams have discussed, our other concern is the state's proposed reliance on the buy-out of Designated State Health Programs (DSHP) totaling \$996 million (total computable) over the five years. Per the guidance we issued on December 15, 2017, CMS will no longer provide expenditure authority under section 1115 of Social Security Act for DSHP. We have asked the state to confirm, in writing, its available sources of non-federal share, now that the state cannot rely on the freed up dollars from the buy-out of the DSHP. Earlier, the state had shared that it had identified \$406 million in interagency agreements and an intergovernmental transfer. As requested, please confirm the amounts and sources of non-federal share.

Finally, after our conversation in December, CMS sent additional questions regarding specific details of the state's proposal, including the substance use disorder recovery coaching, the first episode psychosis pilot, intensive in-home supports, respite care, and the infant/early childhood mental health consultation initiative. This information is critical so that we can begin to draft Special Terms and Conditions as soon as the budget neutrality and source of non-federal share issues are resolved. We have not yet received this information.

We appreciate your commitment to behavioral health transformation. We look forward to receiving the necessary information we need to continue to work toward an approvable section 1115 demonstration.

If you have any questions regarding this communication, please contact Ms. Judith Cash, Acting Director, State Demonstrations Group, Center for Medicaid & CHIP Services, at (410) 786-9686.

We look forward to continuing to work with you and your staff on this important demonstration.

Sincerely,

A solid black rectangular redaction box covering the signature of Brian Neale.

Brian Neale
Director