

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



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October 30, 2014

John Polanowicz  
Secretary  
Executive Office of Health and Human Services  
One Ashburton Place  
11th Floor  
Boston, MA 02108

Dear Secretary Polanowicz:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to extend Massachusetts' section 1115 demonstration project, entitled MassHealth (Project Number 11-W-00030/1). The new extension period is approved for the period starting with the date of this approval letter through June 30, 2019.

During this extension period, the Commonwealth will continue to sustain and improve its ability to provide affordable coverage and access to health care by continuing and expanding existing demonstration programs to advance children's and adults' health care coverage. The Commonwealth will conduct programs to maintain affordability of coverage, such as the Medicare Cost Sharing Assistance program, that will assist in covering all or part of the cost of Medicare premiums, deductibles, and coinsurance for certain demonstration populations. The demonstration also provides authority for the Commonwealth to continue to utilize the streamlined redetermination process to renew Medicaid enrollments for families who are enrolled in Supplemental Nutrition Assistance Program (SNAP). This streamlined process will be extended to renew enrollments in MassHealth for certain other individuals, including certain nonpregnant childless adults and parents who are receiving SNAP benefits.

This approval will allow for the Delivery System Transformation Initiatives (DSTI) and Infrastructure and Capacity Building Expenditure authorities under the Safety Net Care Pool (SNCP) to continue, with increased funding, for the first three years of the renewal period with changes aimed to improve health care outcomes, data collection, and levels of behavioral health integration. During that time, the Commonwealth and CMS will collaborate to reach agreement on a redesigned SNCP structure for the 4<sup>th</sup> and 5<sup>th</sup> year of this demonstration renewal [Demonstration Years (DYs) 21 and 22]. The redesign process will be informed by the SNCP Financing and subsequent Sustainability and Delivery System Transformation reports, which will provide a detailed analysis of the payments under the SNCP. These reports will also recommend a strategic platform for payments effective July 1, 2017 that sustainably support

delivery of care to low-income populations and align with system-wide transformation. Using these reports as a resource, the Commonwealth and CMS will work collaboratively and with input from affected stakeholders, inclusive of a defined working process with the DSTI hospitals and public hospital, to reach an agreement on a redesigned SNCP and work towards any necessary demonstration amendments by June 30, 2017.

If an amendment to the demonstration for restructured SNCP provider payments for DYs 21 and 22 is not approved, Massachusetts will resume making Disproportionate Share Hospital (DSH) payments in accordance with an approved State plan pursuant to section 1902(a)(13)(A)(iv) of the Social Security Act.

CMS also approved the federal support for Designated State Health Programs (DSHP) with the agreement that DSHP funding (not including Health Connector subsidies) would phase down over the first three years of the renewal, and would not be available in the last two years of this renewal period. Health Connector subsidies shall continue for all five years of this renewal period.

CMS acknowledges and supports the Commonwealth's commitment to promote and adopt alternative payment methodologies and will continue working with the Commonwealth related to its request to develop a Primary Care Payment Reform Initiative (PCPRI) and an Accountable Care Organization (ACO) payment model. The Commonwealth has contract amendments pending approval with CMS for PCPRI. While CMS and the Commonwealth were not able to finalize the requests related to these efforts concurrently with this demonstration renewal, CMS and the Commonwealth have agreed to a timetable with a goal of approval in 2015. By March 2, 2015, the Commonwealth shall submit to CMS an actuarial analysis for the proposed shared savings methodology. CMS's approval of the PCPRI and/or ACO proposal by the target approval period, or thereafter, is subject to receipt and review of the proposals.

While CMS has approved the premium assistance portion of the Health Connector subsidies through DY 22, as indicated over the course of our discussions, CMS is unable to approve state subsidies to offset cost sharing in the Marketplace, and CMS has not approved and did not incorporate into the section 1115 demonstration the Commonwealth's requests to remove the provider sub-cap under the Safety Net Care Pool (SNCP). Also, indicated over the course of our discussions, CMS does not have the authority to approve Federal Financial Participation for lawfully present immigrants who do not meet the five-year waiting period; therefore, we are not able to approve the Commonwealth's proposal to expand the Health Connector Subsidies to this population.

Finally, the temporary DSHP authorities for the orderly closeout and transition of the Commonwealth Care premium assistance program; and the temporary (FFS) state operated coverage for individuals who were not able to receive a full eligibility determination for MassHealth or Marketplace coverage will end on February 28, 2015. Enrollment in Medicaid and the Marketplace is expected to replace enrollment into temporary coverage on November 15, 2014. The Commonwealth assures that no federal funds will be claimed for state transition program expenditures for individuals whose enrollment in other coverage options has become effective or whose income is ultimately found to be higher than 400 percent of the federal

poverty level (FPL) and are not eligible for MassHealth coverage during the period the expenditure authorities were in effect.

The CMS approval of the extension of the MassHealth demonstration is conditioned upon continued compliance with the enclosed set of Special Terms and Conditions (STCs) defining the nature, character, and extent of anticipated federal involvement in the project. The state may deviate from the Medicaid state plan requirements only to the extent those requirements have been waived or specifically listed as not applicable to the expenditure authorities.

This award letter is also subject to our receipt of your written acceptance of the award, including the waiver and expenditures authorities and STCs, within 30 days of the date of this letter. Your project officer is Ms. Elizabeth Matthews, who may be reached at (410) 786-5433 and through e-mail at [Elizabeth.Matthews@cms.hhs.gov](mailto:Elizabeth.Matthews@cms.hhs.gov). Communications regarding program matters and official correspondence concerning the demonstration should be submitted to Ms. Matthews at the following address:

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
Mail Stop: S2-01-16  
7500 Security Boulevard  
Baltimore, MD 21244-1850

Official communications regarding program matters should be sent simultaneously Ms. Matthews and to Mr. Richard McGreal, Associate Regional Administrator in our Boston Regional Office. Mr. McGreal's contact information is as follows:

Centers for Medicare & Medicaid Services  
JFK Federal Building  
Room 2325  
Boston, MA 02203  
Telephone: (617) 565-1226  
E-mail: [Richard.McGreal@cms.hhs.gov](mailto:Richard.McGreal@cms.hhs.gov)

If you have questions regarding this approval, please contact Eliot Fishman, Director of the Children and Adults Health Programs Group in the Center for Medicaid & CHIP Services at (410) 786-5647.

CMS looks forward to continuing work with your staff on future developments within your demonstration.

Sincerely,

/s/

Cindy Mann  
Director

cc: Richard McGreal, Associate Regional Administrator, Region I  
Julie McCarthy, Region I