



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

JUL 22 2011

Ms. Gloria Nagle  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations, Region IX  
Centers for Medicare & Medicaid Services  
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Dear Ms. Nagle:

Department of Health Care Services (DHCS) requests an amendment to the Bridge to Reform Demonstration (BTR) Project (11-W-00193/9) to reallocate funds from two programs to the Safety Net Care Uncompensated Care Pool (SNCP) for Demonstration Year (DY) 6. This request is submitted in accordance with paragraphs 7 and 35.a.iv of the Special Terms and Conditions (STCs).

#### **Health Care Coverage Initiative (HCCI)**

Under the BTR, the state may spend up to \$360 million (total computable) in DY 6 on expenditures associated with services for the HCCI population. HCCI programs, which are components of the Low Income Health Programs (LIHP), are voluntary local programs that provide benefits for eligible individuals with family incomes above 133 percent through 200 percent of the federal poverty level.

As required by the STCs, DHCS will determine the HCCI allocations for expenditures in each local program in each year of the Demonstration, and will submit these allocations to Centers for Medicare & Medicaid Services (CMS) for approval.<sup>1</sup> DHCS has determined from the LIHP applications, and through further verification with the local LIHPs that have requested HCCI allocations, that the \$360 million (total computable) allocated for HCCI programs for DY 6 will not be fully expended. We request that the unused funds be reallocated to the SNCP for DY 6.

<sup>1</sup> Special Terms and Conditions ¶ 47.

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There are two reasons that the local LIHPs are unlikely to expend all the funds allocated to the HCCI programs for DY 6. First, a full \$360 million allotment is available in DY 6, although this period is less than a full year (November 1, 2010 through June 30, 2011).<sup>2</sup> Second, because of the time required to develop LIHPs, only 12 local LIHPs plan to operate HCCI program components during most of DY 6. Under the new Demonstration Project, the STCs provide that if local LIHPs comply with the rules for covering the Medicaid Coverage Expansion (MCE) population (with family incomes below 133 percent of the federal poverty level) by July 1, 2011, then DY 6 expenditures for the MCE population will not be funded through the HCCI allocation.<sup>3</sup> Based on this authority, it is anticipated that the majority of expenditures for the continuing HCCI programs will not draw on the DY 6 HCCI allocation.

For all of the above reasons, current estimates project that approximately \$195 million total computable of the \$360 million total computable HCCI allocation will be expended by the counties for services to HCCI enrollees in DY 6. Accordingly, DHCS requests that the final amount remaining after the HCCI allocations are approved by CMS, be shifted to the SNCP described in paragraph 35(b)(i) of the STCs. The specific amount of the unused funds cannot be determined until we receive approval from CMS regarding HCCI allocations and until the LIHPs are implemented. DHCS anticipates that the final amount will be available before CMS completes its review of this request.

### **Designated State Health Programs (DSHP)**

The DSHP is another defined category within the SNCP, which allows DHCS to claim Federal Financial Participation (FFP) funds at an annual limit of \$400 million per demonstration year.

As with the HCCI program, the DSHPs were subject to a partial year. Five new programs were added to the DSHP, requiring research, collection of data, development of written protocols and the submission of protocols specific to each program for CMS review.

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<sup>2</sup> Please note that expenditures made during September and October of 2010 also must be applied against DY 6 expenditures. Special Terms and Conditions ¶ 106.

<sup>3</sup> Special Terms and Conditions ¶ 35.a.v.

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Consequently, it is still undetermined at this time if the state will be able to claim all of the \$400 million in DY 6. DHCS requests that the any unclaimed amount from the \$400 million for DY 6 be reallocated to the SNCP as described in paragraph 35(b)(i) of the STCs.

Sincerely,

  
Toby Douglas  
Director

Enclosure:

Enclosure 1: The proposed STC amendments that would implement the requested reallocation

Enclosure 2: DHCS's responses to the specific items requested in paragraph 7 of the STCs regarding this proposed amendment

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## **Enclosure 1: Requested amendment language**

We request the following changes to the STCs.

### **Amend STC 35 subparagraph (b)(iii) as follows:**

(iii) **SNCP Uncompensated Care Limits** - Taken together, the total computable annual limits for SNCP and DSHP cannot exceed the following:

1. DY 6 - \$1.633 billion
2. DY 7 - \$1.672 billion
3. DY 8 - \$1.5752 billion
4. DY 9 - \$1.422 billion
5. DY 10 - \$1.272 billion

Notwithstanding the total computable annual limits specified above, any reallocated funds from other categories of SNCP will be added to the total computable annual limits listed above during the DY for which the reallocated funds were initially reserved, or a subsequent Demonstration year, upon approval of CMS. For DY 6, any reallocated funds from other categories of SNCP will be added to the total computable annual limits listed above for DY 6.

The annual limit the State may claim FFP for DSHP is limited to the programs listed above and shall not exceed \$400 million FFP per year, for a 5 year total of \$2 billion FFP.

Notwithstanding the annual limit specified above for DSHP, any reallocated funds from a Demonstration year will be added to the annual limit for a subsequent Demonstration year, upon approval of CMS.

## **Enclosure 2: Required information regarding the amendment request**

The following information supplements the request for an amendment to the Bridge to Reform Demonstration Project (11-W-00193/9) to reallocate funds from the Health Care Coverage Initiative (HCCI) to the SNCP for Demonstration Year (DY) 6. This information is submitted as required by paragraph 7 of the STCs of the Demonstration Project.

### **1. Explanation of the State's public process regarding the requested amendment**

The proposed shift of funds within the SNCP requires an amendment to state statute to implement, if the requested amendment is approved by CMS. In anticipation of such approval, this proposal has been analyzed by legislative staff, and discussed in several public hearings conducted by the health program and budget committees in the Assembly and Senate of the California Legislature. The requested amendment does not have a direct impact on the eligibility, benefits, or rights of beneficiaries, and it does not impact the rate of reimbursement for providers, therefore, a specific public notice is not necessary. However, DHCS is submitting the requested amendment to the tribal organizations pursuant to STC 12 in order to allow for determination of the impact to the population served by these organizations.

### **2. Analysis of the impact of the requested amendment on the current budget neutrality agreement**

The requested amendment would not affect either the "with waiver" or the "without waiver" calculations, and no amendments to the budget neutrality agreement are necessary. If approved, the amendment would shift funds from the HCCI allocation for DY 6 to the SNCP and would make available into the next year unclaimed funds. This change would have no effect on the calculation of the "without waiver" amount. Because the funds are currently allocated in the "with waiver" amount, shifting the funds within the SNCP and moving funds from one year to another year would not alter the "with waiver" calculation.

### **3. Revised Children's Health Insurance Program (CHIP) allotment neutrality worksheet (if necessary)**

The reallocation of unused HCCI funds to the SNCP and moving funds from one year to another year will not affect CHIP beneficiaries. No revisions to the CHIP allotment neutrality worksheet are necessary.

### **4. Detailed description of the amendment, including impact on beneficiaries, with sufficient supporting documentation**

The requested amendment would reduce the state's HCCI allocation for DY 6 to reflect the amount of funds that will be used by local LIHPs for their HCCI programs during

DY 6. This amount will be based on the total allocations established by the state for local HCCI programs and approved by CMS, as described in paragraph 47 of the STCs. The amount by which the HCCI allocation is reduced would be added to the limit applicable to the SNCP for DY 6, contained in paragraph 35(b)(iii) of the STCs. The final amount of unused HCCI funds for DY 6 will be available before CMS completes its review of this request.

Because the reduction in the state's HCCI allotment for DY 6 would be limited to only those funds that will not be used by local HCCI programs, the reduction will not impact HCCI beneficiaries. The availability of additional funds for the Safety Net Care Uncompensated Care Pool will not have a direct impact on Medicaid beneficiaries, but will have a beneficial impact on individuals who lack a source of third party coverage for the services they receive. The additional funds will allow providers designated by the state to draw on the funds in order to ensure that services to these individuals remain accessible.

In addition, DHCS requests that any unclaimed amount from the \$400 million for DY 6 that is not claimed using DSHP or other allowable SNCP expenditures be reallocated to the SNCP in the next year. This change will not affect beneficiaries.

**5. Description of how the evaluation design will be modified to incorporate the requested amendment**

The STCs require the state to develop a process, to be approved by CMS, that evaluates each demonstration related program's outcome measures.<sup>4</sup> The requested amendment will not require any modifications to the evaluation design for the Demonstration Project.

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<sup>4</sup> Special Terms and Conditions ¶ 25.