

December 20, 2011

JudyAnn Bigby, M.D.
Secretary
Massachusetts Executive Office of Health and Human Services
1 Ashburton Place, Room 1109
Boston, MA 02108

Dear Dr. Bigby:

We are pleased to inform you that the Commonwealth of Massachusetts' request to extend the section 1115 Demonstration, entitled MassHealth (11-W-00030/1), has been approved in accordance with section 1115(a) of the Social Security Act. The new extension period is approved for the period starting with the date of this approval letter through June 30, 2014.

During this extension period, the Commonwealth proposes to use the Demonstration to strengthen its health care reform efforts through a two-pronged approach of restructuring the current Safety Net Care Pool under the Demonstration to promote health system and payment transformation, and to undertake several innovative new programs to advance children's health care coverage and parents' access to health care coverage.

Restructuring the current Safety Net Care Pool (SNCP) is an important step forward in improving care delivery systems and payment models, and will enhance the Commonwealth's efforts to support the health care safety net and the Commonwealth Care program that provides sliding scale premium subsidies for the purchase of private health plan coverage for uninsured individuals.

This approval will allow the Commonwealth to create Delivery System Transformation Initiatives (DSTI) funded through the SNCP. These initiatives are designed as incentive payments to support investments in health care delivery systems that will support payment reform, and transition away from fee-for-service payments toward alternative payment arrangements that reward high-quality, efficient, and integrated systems of care. As specified in the Special Terms & Conditions (STCs), participating hospitals will be required to demonstrate improvements in order to receive the incentive payments. The Commonwealth is required to define the specific initiatives that will align with the following four categories: developing a fully-integrated delivery system, improving health care outcomes and quality, payment transformation to value-based purchasing, and population-focused improvements. The funding associated with the incentive payments will be available to the Commonwealth once you submit, and the Centers for Medicare & Medicaid Services (CMS) approves, the Commonwealth's Master DSTI Plan and subsequent hospital specific plans as identified in the STCs.

Also, the Demonstration expands services for certain children by providing evidence-based intensive early intervention services for children with autism spectrum disorder. The Commonwealth will work to develop a pilot program focused on improving health outcomes for children with high risk asthma in order to reduce asthma-related emergency department utilization and asthma-related hospitalizations, and to reduce associated Medicaid costs.

In addition, the Commonwealth will utilize streamlined eligibility procedures to renew Medicaid eligibility for parents with children who are enrolled in the Supplemental Nutrition Assistance Program. This process will be through a new, first-of-its-kind Express Lane Eligibility (ELE) program for parents. This will coincide with the Commonwealth's intent to utilize ELE procedures for children as available through the Children's Health Insurance Program Reauthorization Act.

CMS acknowledges the Commonwealth's withdrawal of the following requests as it continues to pursue other avenues, including planning activities focused on integrated care for dual eligibles with the support of a planning grant from the Center for Medicare and Medicaid Innovation:

- Include long term care-related costs in budget neutrality calculation;
- Integrate care for dual eligibles;
- Increase pharmacy co-pays above allowable State plan levels;
- Institute a co-pay for non-emergency medical transportation;
- New crisis stabilization services authority for children with serious emotional disorders; and
- Mandate Katie Beckett and adoption assistance children into managed care to receive behavioral health services.

As indicated over the course of our discussions, CMS has not approved, and did not incorporate into the section 1115 Demonstration, the Commonwealth's proposal for the authority to shift funding under the SNCP for community health centers currently supported through Designated State Health Programs to uncompensated care payments for providers. Additionally, CMS continues to consider the Commonwealth's request to extend rebates for outpatient covered drugs to Commonwealth Care enrollees.

Our approval of this demonstration project is subject to the limitations specified in the approved waivers, expenditure authorities, and title XIX requirements not applicable. The Commonwealth may deviate from the Medicaid State plan requirements only to the extent those requirements have been specifically waived or granted expenditure authority or specified as title XIX requirements not applicable.

The approval is also conditioned upon compliance with the enclosed STCs defining the nature, character, and extent of Federal involvement in this project. This award letter is subject to our receipt of your written acceptance of the award and acceptance of the STCs, waiver list, and expenditure authority within 30 days of the date of this letter.

Your project officer is Ms. Rebecca Burch Mack. Ms. Burch Mack is available to answer any questions concerning your section 1115 Demonstration. Her contact information is as follows:

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Center for Medicaid and CHIP Services
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-6879
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E-mail: Rebecca.BurchMack@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Burch Mack 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

We extend our congratulations to you on the approval of the Demonstration extension. If you have any questions regarding this correspondence, please contact Ms. Victoria Wachino, Director, Children and Adults Health Programs Group, Centers for Medicaid and CHIP Services, (410) 786-5647.

We look forward to continuing to work with you and your staff.

Sincerely,

/s/

Marilyn Tavenner
Acting Administrator

Enclosures

cc: Richard McGreal, ARA, Region I
Aaron Wesolowski, State Representative
Rebecca Burch Mack, Project Officer