



Administrator

Washington, DC 20201

JUL 26 2006

Mr. Timothy Murphy
Secretary
The Commonwealth of Massachusetts
Executive Office of Health and Human Services
One Ashburton Place
Boston, MA 02108

Dear Secretary Murphy:

First of all, I would like to congratulate you on the April 4, 2006 passage of the *Act Providing Access to Affordable, Quality, Accountable Health Care*, Massachusetts's Health Care Reform Bill.

On May 1, 2006, the Commonwealth submitted a proposal to amend its current section 1115 demonstration to incorporate aspects of the Health Care Reform Bill. I am pleased to inform you that such amendments have been approved.

The approval of the amendments will allow the Commonwealth to increase the enrollment caps under the demonstration for beneficiaries with HIV receiving coverage under the Family Assistance Program and for the long-term or chronically unemployed beneficiaries receiving services under the Essential program. Furthermore, the Commonwealth will remove the enrollment cap for the working disabled adults covered under the CommonHealth Program; and allow CommonHealth disabled children to receive services as a result of early, periodic, screening, diagnosis and treatment (EPSDT).

In existence since 1999, the Insurance Partnership (IP) provides small businesses (less than 50 employees) with partial subsidies for group health insurance purchased for low-income employees and their families and provides premium assistance for employees. The approved amendment will allow the Commonwealth to implement program modifications enacted by the Health Care Reform Act to the current Insurance Partnership (IP) program (employer-sponsored insurance), as follows:

1. Effective October 1, 2006,
 - a. Expand employee income eligibility to 300 percent of the FPL; and
 - b. Limit the value of the employee subsidy paid under the IP to the value that would be paid to individuals receiving an insurance subsidy under the Commonwealth Care Health Insurance Program.
2. Effective July 1, 2007, prohibit the payment of employer subsidies to all sole proprietors and self-employed individuals under the IP program.

Regarding the CommonHealth program we are pleased to approve budget neutrality adjustments to accommodate this program. The adjustment recognizes the uniqueness of this longstanding Commonwealth program and its National contribution as a model program.

I am also pleased to inform you that the payment methodologies for the funds in the Safety Net Care Pool (SNCP) have been approved. The methodologies submitted for review on, May 1, 2006, outline the specific ways that the Commonwealth will expend the funds in the SNCP. Specifically, the SNCP funds will be used for the provision of premium assistance to low income individuals not otherwise eligible under the State plan or this demonstration; payments to providers for the costs of health care for the uninsured; and payments to safety-net providers.

Our approval of the amendments to the MassHealth section 1115 demonstration is subject to the limitations in the waivers and Federal matching authority specifically provided in the attached lists, and is conditioned upon continued compliance with the enclosed special terms and conditions (STCs). The STCs set forth in detail the nature, character, and extent of Federal involvement in the project. The STCs are effective July 28, 2006, unless otherwise specified. This award is subject to our receipt of your written acceptance of the award and STCs with in 30 days of the date of this letter.

As a reminder, the Commonwealth is required to manage its program within the limits of its budget neutrality ceiling. The most recent MassHealth data indicates a projected cumulative savings of \$82 Million at the end of this extension of the demonstration project. As specified in the STCs, any future amendments to the demonstration must not result in a reduction of the Commonwealth's budget neutrality cushion below zero. Also, as specified in the STCs, no federal financial participation will be available to reimburse the Commonwealth for any payments funded directly or indirectly from the Medical Assistance Trust Fund established in M.G.L. c. 29, §2QQQ, as added by Section 8 of Chapter 58 of the Acts of 2006, until the authorizing statute for said fund is amended to remove any and all references to directing funds from public entities to the Commonwealth, refunding public funds directed to the trust fund, and intergovernmental transfers from public entities.

Your project officer is Ms. Angela Garner. Ms. Garner is available to answer any questions concerning your section 1115 demonstration. Ms. Garner's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
7500 Security Boulevard,
Mailstop S2-01-16
Baltimore, MD 21244-1850
Telephone: 410-786-1074
Facsimile: 410-786-5882
E-mail: angela.garner@cms.hhs.gov

Official communication regarding program matters should be sent simultaneously to Ms Garner and to Mr. Richard McGreal, Associate Regional Administrator in our Boston Regional office.

Page--3 Mr. Timothy Murphy

Mr. McGreal's contact information is as follows:

The Centers for Medicare & Medicaid Services
JFK Federal Building, Room 2275
Boston, MA 02203-0003

We look forward to your continued success and working with you as you implement the Health Care Reform Legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark B. McClellan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark B. McClellan, M.D., Ph.D.
Administrator