

*The Commonwealth of Massachusetts*  
*Executive Office of Health and Human Services*  
*One Ashburton Place, Room 1109*  
*Boston, Massachusetts 02108*

DEVAL L. PATRICK  
Governor

TIMOTHY P. MURRAY  
Lieutenant Governor

JUDYANN BIGBY, M.D.  
Secretary

Tel: (617) 573-1600  
Fax: (617) 573-1890  
[www.mass.gov/eohhs](http://www.mass.gov/eohhs)

December 21, 2007

Dennis Smith  
Director, Centers for Medicaid and State Operations  
Centers for Medicare and Medicaid Services  
U.S. Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, Maryland 21244

Dear Mr. Smith:

In my capacity as Secretary of the Executive Office of Health and Human Services for the Commonwealth of Massachusetts, it is my pleasure to submit to the Centers for Medicare and Medicaid Services (CMS) for approval this financing proposal for a three-year extension of the MassHealth Section 1115 Demonstration Project, effective July 1, 2008.

The Commonwealth's 1115 Demonstration authorizes and provides critical federal funding and support for several key components of the state's comprehensive health care reform plan, which the Commonwealth designed three years ago in partnership with CMS to reduce the rate of uninsurance in Massachusetts. In June 2007, with barely one year of data from Commonwealth Care and comprehensive reform to the state's uncompensated care pool (now called the Health Safety Net Trust Fund) yet to be finalized, the Commonwealth expressed its intent to renew the Demonstration program for another three years. At that time, the Commonwealth requested additional time to develop a sound federal budget neutrality calculation for the extension period ending June 30, 2011. As of December 1, 2007, the Commonwealth has expanded health insurance coverage to nearly 300,000 individuals, and remains fully committed to increasing access to affordable quality care in Massachusetts until we achieve universal coverage. The Demonstration proposal outlines the necessary measures for the continued success of the Demonstration and the health care reform effort.

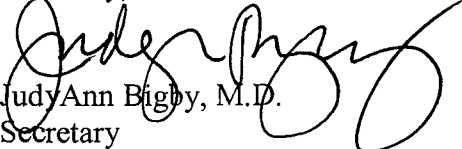


Health care reform implementation in Massachusetts is still in its early stages. The next three years of the Demonstration will be critical to ensuring sustainable growth in MassHealth and Commonwealth Care enrollment and increasing transparency, value and quality in health care, while containing the growth in health care costs. The Patrick Administration is committed to these goals and the Demonstration proposal includes initiatives to ensure fair and efficient provider rates, using value- and cost-based purchasing principles; enhance access to primary and preventive care; expand chronic and complex care management; and increase the Commonwealth's investment in health information technology. These MassHealth and Commonwealth Care activities are part of a broader state effort, called the Healthy Massachusetts Compact, to enhance access to care, advance health care quality, contain health care costs, and promote individual wellness and healthy communities. The Healthy Massachusetts Compact is a collaboration among nine state agencies that purchase, regulate or monitor health care in Massachusetts to ensure coordinated reimbursement and coverage policies and other activities in these areas. As an essential component of the Commonwealth's comprehensive health care reform effort, this Demonstration proposal outlines the necessary steps for continued enrollment and cost containment success in MassHealth and Commonwealth Care, and reflects the Administration's commitment to building a sustainable health care system.

Collaboration between the Commonwealth and CMS is an important and necessary element of Massachusetts' Demonstration program. States across the country are looking at Massachusetts' health care reform model to see if it fails or succeeds, and people across the Commonwealth are depending on it to provide them with access to affordable quality care. So far, the experiment is working--hundreds of thousands of people have received affordable coverage through a public-private partnership model, the Commonwealth has implemented unprecedented policies, and the Commonwealth is spending health care dollars more efficiently.

The Commonwealth looks forward to the opportunity to work closely with CMS during this review of our financing proposal. CMS' continued support of Massachusetts' health care reform initiative through renewal of the Demonstration is critical to its success.

Sincerely,



Judy Ann Bigby, M.D.  
Secretary