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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 request 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 for several important components of the state's comprehensive health care reform plan, which was designed to dramatically reduce the rate of uninsurance in Massachusetts. CMS's approval on July 26, 2006 of an amendment to the Demonstration to expand MassHealth eligibility and implement the Commonwealth Care premium assistance program for low-income individuals marked the beginning of health care reform implementation in Massachusetts. In the past year, the Commonwealth has made tremendous progress in implementing the various interdependent policies and programs that comprise the health care reform plan, and has expanded coverage to over 125,000 previously uninsured individuals.

Health care reform implementation, however, is still in its infancy. The next three years of the Demonstration's operation will be critical to ensuring continued growth in MassHealth and Commonwealth Care enrollment, reducing utilization of the state's free care pool, and increasing transparency and accountability around health care quality and costs. The Commonwealth always envisioned that implementing health care reform



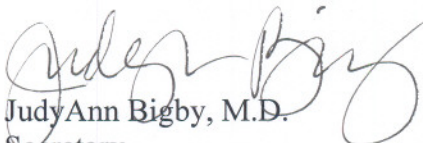
would take several years, and the plan's success is dependent upon the continued support and commitment of all stakeholders in the effort.

This extension request highlights the critical role of the 1115 Demonstration in fully implementing the Commonwealth's health care reform plan and provides a comprehensive update on the status of each of the inter-connected components of the plan; both those authorized through the Demonstration and those not directly tied to the Demonstration. Successful implementation of each of the components is necessary for achieving the overall goal of providing affordable health insurance options to all Massachusetts residents.

As noted in the extension request, the Commonwealth will submit to CMS in the Fall of 2007 more detailed information on the comprehensive financing plan for the pieces of health care reform authorized through the Demonstration. Most notably, the subsequent submission will include details on the Safety Net Care Pool, which includes the Commonwealth Care program and important financial support for a safety net delivery system for individuals not served by the insurance system, and a federal budget neutrality calculation for the three-year extension period. By October of 2007, the Commonwealth will have better expenditure information for the Commonwealth Care program and will have issued new regulations reforming the state's free care pool, as mandated by the state's health care reform law. This additional information will allow the state to formulate and present more complete and accurate projections for Safety Net Care Pool expenditures and for budget neutrality over the three-year extension period.

We look forward to the opportunity to work closely with CMS during this review of our extension request. Your continued support of Massachusetts' health care reform initiative is critical to successful implementation, and is greatly appreciated.

Sincerely,



Judy Ann Bigby, M.D.
Secretary