



DEC 19 2017

Mari Cantwell
Chief Deputy Director
Department of Health Care Services
Director's Office, MS 0000
P.O. Box 997413
Sacramento, CA 95899-7413

Dear Ms. Cantwell:

I am writing to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to amend California's section 1115(a) demonstration (11-W-00193/9), entitled "California Medi-Cal 2020," to include a freedom of choice waiver that will permit the state to require that individuals who elect to receive Health Home Program (HHP) services (under the state plan) are restricted to the Medi-Cal managed care plan offered by the HHP provider to receive covered services other than family planning services. Approval of this amendment is under the authority of section 1115(a) of the Social Security Act, and is effective from the date of this letter through December 31, 2020. Individuals under this demonstration will be eligible for HHP services once the companion State Plan Amendment 16-007 is approved.

Section 1945 of the Social Security Act allows states to create Medicaid health homes to coordinate the full range of physical health, behavioral health, and community-based long-term services and supports for individuals with chronic conditions. This amendment will waive freedom of choice and permit individuals who are enrolled in the Medi-Cal managed care plan to receive HHP services (under the state plan). HHP services will not be provided through the fee-for-service delivery system. The approval of the waiver of freedom of choice is likely to promote the objectives of title XIX by more efficiently managing and coordinating services for individuals with chronic conditions who meet the HHP eligibility criteria through the Medi-Cal managed care delivery system.

CMS understands with the approval of this demonstration amendment, along with the approval of the HHP state plan amendment, California plans to develop prospective risk-based rates for the health homes services provided under the managed care plans. CMS expects that the state will develop the overall capitation rates, including the HHP-related rates, on a timely basis, which will provide CMS an opportunity to review the rates prior to the rating period. In addition, CMS also expects the state to make progress on the reconciliation related to the medical loss ratio for the adult expansion group for the reporting periods of January 2014 through June 2015 and July 2015 through June 2016. This request is consistent with the information outlined in the November 17, 2017 letter from CMS.

Consistent with the terms of the demonstration, CMS may terminate or suspend the Medi-Cal 2020 demonstration in whole or in part at any time before the date of expiration, when it is determined that the state has materially failed to comply with the terms of the project, including adherence with rate development, as outlined in STC 12. Consistent with our shared goals of a fiscally sound Medicaid managed care program, CMS will not consider any future amendments to the demonstration until the state has addressed these matters.

CMS' approval of the demonstration amendment is also conditioned upon compliance with the enclosed set of waivers, expenditure authorities, and special terms and conditions (STC) defining the nature, character, and extent of anticipated federal involvement in the project. The approval is subject to our receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter. A copy of the STCs and associated expenditure authorities and waivers is enclosed.

Your project officer for this demonstration is Mrs. Heather Ross. She is available to answer any questions concerning your section 1115 demonstration and this amendment. Mrs. Ross's contact information is:

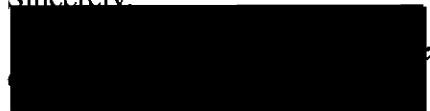
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Official communications regarding official matters should be sent simultaneously to Mrs. Ross and Henrietta Sam-Louie, Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Sam-Louie's contact information is as follows:

Ms. Henrietta Sam-Louie
Associate Regional Administrator
Division of Medicaid and Children's Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706

We look forward to working with California on the Medi-Cal 2020 demonstration.

Sincerely,



Brian Neale
Director

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Enclosure

cc: Henrietta Sam-Louie, ARA Region IX