

Michael Fogarty
Chief Executive Officer
Oklahoma Health Care Authority
4545 Lincoln Blvd., Suite 124
Oklahoma City, OK 73105

Dear Mr. Fogarty:

We are pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to amend the existing "SoonerCare" section 1115 demonstration (project No. 11-W-00048/6). This approval includes the State of Oklahoma's Health Insurance Flexibility and Accountability (HIFA) amendment request of January 13, 2005 to add coverage for Working Disabled Adults (ages 18 to 64) who have income up to 200 percent of the Federal poverty level (FPL); and Non-Disabled Working Adults (ages 18 to 64) who work for small employers, are self-employed or unemployed and have income above the Medicaid standard, but no more than 185 percent of FPL. Our approval also includes the TEFRA Children amendment request of June 29, 2005 to add coverage for individuals defined as disabled children under 19 years of age, whose gross personal income is less than the current Federal Benefit Rate (FBR) income limit (300% of SSI maximum), whose countable assets do not exceed \$2,000.00 (the parent's assets are not considered) and the child would be considered Medicaid eligible if they met an institutionalized level of care.

The SoonerCare amendments will be approved for the period October 1, 2005, to December 31, 2006, in order to coincide with the State's existing section 1115 demonstration. Approval of these amendments is granted under the authority of section 1115 of the Social Security Act, which authorizes the Secretary to regard as expenditures costs of a demonstration project that would not otherwise be included under the State plan.

We will apply the approved trend rates of 6.51 percent for populations known as Temporary Assistance for Needy Families (urban and rural) and 5.86 percent for populations known as Aged, Blind and Disabled (urban and rural) through the existing waiver period ending December 31, 2006. The management of your program within the approved trend rates is essential to successfully meeting the terms of the budget neutrality agreement for the demonstration project.

For purposes of budget neutrality for the duration of the current demonstration approval period, the groups described above will be paid for out of the demonstration savings that SoonerCare has accumulated to date. Please note that upon any future extension that the State requests for SoonerCare, CMS reserves the right to renegotiate the budget neutrality

ceiling going forward. Our goal in doing so will be to ensure that the budget neutrality ceiling appropriately reflects all populations covered under the demonstration.

Our approval of the HIFA and TEFRA amendments is conditioned upon compliance with the enclosed Special Terms and Conditions (STCs), which set forth the nature, character, and extent of anticipated Federal involvement in the project. This award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter. We have amended the STCs to reflect to the program requirements of the amendments and to clarify previously approved and amended SoonerCare program requirements, including the following changes:

- Modifying the reporting requirements, which request quarterly submission of member months by Medicaid Eligibility Groups to the CMS Project Officer in addition to the reporting on the Form CMS 64 to support improved monitoring of budget neutrality.
- Revising and/or removing waivers and expenditure authorities that are no longer required due to changes in Medicaid law.

All requirements of the Medicaid program as well as of the SoonerCare section 1115 demonstration project No. 11-W-00048/6, that are expressed in law, regulation, and policy statement, and that are not expressly waived or identified as not applicable in the attached comprehensive list of waiver and expenditure authorities, shall apply to coverage of services for the demonstration populations approved in this letter. The attached STCs, demonstration populations, and list of waiver and expenditure authorities are incorporated in their entirety into this approval letter and supercede all previously granted authorities and STCs for the SoonerCare demonstration (project no. 11-W-00048/6).

Your project officer is Steven C. Rubio. He is available to answer any questions concerning your section 1115 HIFA and TEFRA demonstration projects. Mr. Rubio's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Division of State Demonstrations and Waivers
7500 Security Boulevard, Mailstop S2-01-16
Baltimore, MD 21244-1850
Telephone: (410) 786-1782
Facsimile: (410) 786-5882
E-mail: Steven.Rubio@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Mr. Rubio and to Mr. Andrew Fredrickson, Associate Regional Administrator in our Dallas Regional Office. Mr. Fredrickson's contact information is as follows:

Centers for Medicare and Medicaid Services

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1301 Young Street, Room 714
Dallas, Texas 75202
Telephone: (214) 767-6385
E-mail: Andrew.Fredrickson@cms.hhs.gov

If you have questions regarding this correspondence, please contact Ms. Jean Sheil, Director, Family and Children's Health Programs Group, Center for Medicaid and State Operations, at (410) 786-5647.

Again, congratulations on the approval of your section 1115 waiver amendments. We look forward to continuing to work with you and your staff.

Sincerely,

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

Enclosure

**CENTERS FOR MEDICARE & MEDICAID SERVICES
DEMONSTRATION POPULATIONS**

NUMBER: 11-W-00048/6

TITLE: SoonerCare

AWARDEE: Oklahoma Health Care Authority (OHCA)

This defines the Title XIX and Title XXI populations for which these waivers are granted.

Demonstration Population 1: Temporary Assistance for Needy Families (TANF) low-income families receiving health care services in the designated Central, Northeast, and Southwest urban services areas of the State.

Demonstration Population 2: Temporary Assistance for Needy Families (TANF) low-income families receiving health care services in the rural areas (i.e., all areas outside of the designated Central, Northeast, and Southwest urban services areas of the State).

Demonstration Population 3: Pregnant women and children receiving health care services in the designated Central, Northeast, and Southwest urban services areas of the State.

Demonstration Population 4: Pregnant women and children receiving health care services in the rural areas (i.e., all areas outside of the designated Central, Northeast, and Southwest urban services areas of the State).

Demonstration Population 5: The populations known as Aged, Blind and Disabled receiving health care services in the designated Central, Northeast, and Southwest urban services areas of the State, excluding those persons dually-eligible for Medicaid and Medicare, or currently institutionalized, or in state custody, or receiving home and community based waiver services or covered in an HMO.

Demonstration Population 6: The populations known as Aged, Blind and Disabled receiving health care services in the rural areas (i.e. outside of the designated Central, Northeast, and Southwest urban services areas of the State), excluding those persons dually-eligible for Medicaid and Medicare, or currently institutionalized, or in state custody, or receiving home and community based waiver services or covered in an HMO.

Demonstration Population 7: Persons eligible as to children under the age of eighteen (18) years whose family incomes do not exceed one hundred eighty-five percent (185%) of the federal poverty level in the designated Central, Northeast, and Southwest urban services areas of the State.

Demonstration Population 8: Persons eligible as children under the age of eighteen (18) years whose family incomes do not exceed one hundred eighty-five percent (185%) of the federal poverty level receiving health care services in the rural areas (i.e. outside of the designated Central, Northeast, and Southwest urban services areas of the State).

Demonstration Population 9: The SoonerCare population, which are groups of other eligibles resulting from federal or state mandated categories of eligible persons.

Demonstration Population 10: The population known as ‘The Non-Disabled Low Income Workers and Spouses’ that includes adults (ages 18 – 64) in the workforce with household incomes no greater than 185 percent of poverty, who work full-time or part-time for an eligible employer, are self-employed or unemployed. Spouses who do not work will also be eligible to enroll onto their working spouse’s coverage.

Demonstration Population 11: The population known as the ‘Working Disabled’ that includes working disabled adults (ages 18 – 64) with household incomes no greater than 200 percent of poverty who are ineligible for Medicaid due to their employment earnings and who otherwise, except for earned income, would be eligible to receive Supplemental Security Income (SSI) benefits, whether or not they have ever received SSI cash benefits.

Demonstration Population 12: The population known as ‘TEFRA Children’ that includes coverage for individuals defined as disabled children under 19 years of age, whose gross personal income is less than the current Federal Benefit Rate (FBR) income limit (300% of SSI maximum), whose countable assets do not exceed \$2,000.00 (the parent’s assets are not considered) and the child would be considered Medicaid eligible if they met an institutionalized level of care.

**CENTERS FOR MEDICARE & MEDICAID SERVICES
WAIVER LIST**

NUMBER: 11-W-00048/6
TITLE: SoonerCare
AWARDEE: Oklahoma Health Care Authority (OHCA)

Title XIX Waivers

All requirements of the Medicaid program expressed in law, regulation and policy statements, not expressly waived or identified as *not applicable* in this list, shall apply to the State demonstration project under title XIX of the Social Security Act (the Act) beginning October 1, 2005 through December 31, 2006.

List of Sections Waived

Under the authority of section 1115(a)(1) of the Act, the following waivers of the State plan requirements contained in section 1902 of the Act are granted in order to enable the State of Oklahoma to implement the amended SoonerCare Demonstration

1. Statewideness/Uniformity **Section 1902(a)(1)**

To enable the state to provide certain types of managed care plans in certain geographical areas of the state and permit non-demonstration populations, e.g., those requiring long-term care, to receive current Medicaid benefits, whereas demonstration recipients will receive modified services.

2. Amount, Duration, & Scope of Services **Section 1902(a)(10)(B)**

To enable the state to offer different services, based on differing managed care arrangements or the absence of managed care arrangements.

3. Freedom of Choice **Section 1902(a)(23)**

To enable the state to restrict freedom of choice of provider of SoonerCare enrollees, including TEFRA Children except for providers of family planning services, for which freedom of choice may only be restricted for adults in prepaid ambulatory health plans, "Rural Partners" and plans in rural areas.

4. Retroactive Eligibility **Section 1902(a)(34)**

To enable the state to eliminate retroactive eligibility for demonstration participants with the exception of the TEFRA initiative population.

The following waiver authority will apply to all rural plans, prepaid ambulatory health plans, and to those urban areas designated as “Rural Partners”

5. Access to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) Section 1902(a)(10)(A)

To enable the State to authorize provision of alternatives to FQHC services, and to RHC services.

6. Prepaid Ambulatory Health Plan Enrollment Section 1902(a)(4)

To enable the State to restrict payment for ambulatory services on a prepaid or other risk basis, unless such contracts are with entities that permit all Medicaid members to disenroll without cause during the 30-day period after enrollment.

**CENTERS FOR MEDICARE & MEDICAID SERVICES
COSTS NOT OTHERWISE MATCHABLE AUTHORITIES**

NUMBER: 11-W-00048/6
TITLE: SoonerCare
AWARDEE: Oklahoma Health Care Authority (OHCA)

Medicaid Costs Not Otherwise Matchable Authority

Under the authority of section 1115(a)(2) of the Act, State expenditures described below (which would not otherwise be included as matchable expenditures under section 1903) shall, for the period of the project, be regarded as expenditures under the State's title XIX plan including:

1. Expenditures under comprehensive risk contracts with managed care entities which do not meet the requirements in section 1903(m)(2) specified below. Oklahoma's prepaid health plans participating in the SoonerCare demonstration will have to meet all the requirements of section 1903(m) except the following:

Section 1903(m)(2)(A)(ii), (vi), insofar as they restrict payment to a state that contracts for comprehensive services on a prepaid or other risk basis, unless such contracts are with entities that:

- (a) *Permit all Medicaid members to disenroll without cause during the 90-day period after enrollment – The initial disenrollment period under which SoonerCare members may disenroll without cause is a 30-day period. Following the initial 30-day disenrollment period, SoonerCare member will be locked into a plan for up to one year and will be allowed to change the selection of their health plan during an annual open enrollment period.*
2. Expenditures to provide for 6 months of guaranteed eligibility for all participants enrolled in prepaid ambulatory health plans, managed care plans which are certified as "Rural Partners" or are rural plans, and which do not otherwise qualify under section 1902(e)(2).
3. Expenditures for expanded coverage for individuals who are 'Working Disabled Adults' 18-64 years of age who, have income up to 200 percent of the FPL and are Medicaid eligible, but only through the section 1115 Medicaid demonstration project No.11-W-00048/6 entitled "SoonerCare."
4. Expenditures for expanded coverage for individuals who are 'Non-Disabled Low Income Workers' age 18 – 64 years who work for small employers, self-employed or unemployed (and seeking work) and have income above the Medicaid standard, but no more than 185 percent of FPL, and their spouses and are Medicaid eligible, but

only through the section 1115 Medicaid demonstration project No.11-W-00048/6 entitled “SoonerCare.”

5. Expenditures for reimbursing out-of-pocket costs in excess of five percent of annual gross income for individuals enrolled in the Premium Assistance Program and in the Public Product, in a manner and to the extent defined by the State and approved by CMS.

Medicaid Requirements Not Applicable

All requirements of the Medicaid statute will be applicable to those individuals who are eligible for services which solely by virtue of the demonstration project for whom under the expenditure authority listed above the State will receive Federal financial participation in its expenditures, except those specified below:

1. **Comparability** **Section 1902(a)(10)(B) and 1902(a)(17)**

To permit the state to provide different benefit packages to different populations in the HIFA initiative. Benefits (i.e. amount, duration and scope) may vary by individual based on eligibility category.

2. **Cost Sharing Requirements** **Section 1902(a)(14)**

To permit the State to impose premiums, deductions, cost sharing and similar charges that exceed the statutory limitations to populations in the HIFA initiative.

3. **Counting Income and Comparability of Eligibility** **Section 1902(a)(17)**

To permit the State to exclude parental income in determining eligibility for disabled children in the TEFRA initiative.

4. **Freedom of Choice** **Section 1902(a)(23)**

To permit the State to restrict the choice of provider in the HIFA initiative.

5. **Retroactive Eligibility** **Section 1902(a)(34)**

To enable the state to eliminate retroactive eligibility for demonstration participants with the exception of the TEFRA initiative population.