

December 9, 2003

Paul Reinhart
Deputy Director
Michigan Department of Community Health
Capital Commons Building
400 S. Pine Street
Lansing, Michigan 48933

Dear Mr. Reinhart:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving, with certain conditions, Michigan's request to renew the Michigan Specialty Services and Supports Waiver Program (Control number: MI-14.R02) authorized under Sections 1915(b)(1), (3) and (4) of the Social Security Act (the Act). While this waiver operates in conjunction with the State's 1915(c) Habilitation Supports Waiver, each waiver is considered an independent program that exists on its own merit. Michigan's request for a waiver of Sections 1902(a)(10)(B), comparability of services and 1902(a)(23), freedom of choice of the Act, is approved for a two-year period beginning on October 1, 2003 and ending on September 30, 2005.

The decision to approve this waiver renewal is based on evidence submitted to CMS showing that the State's waiver program is consistent with the purposes of the Medicaid program, has met the applicable statutory and regulatory requirements for access to care and quality of services, and has been and will continue to be a cost-effective means of providing Medicaid services to Michigan Medicaid recipients. As part of this approval, CMS approves, under the authority of 45 CFR 74.4, the State's request to continue to deviate from the federal open procurement rules at 45 CFR 74.43, with conditions. The request for deviation of federal open procurement rules shall be re-evaluated at the next waiver renewal.

Please note that this approval is contingent upon the following:

I. Programmatic

1. The Michigan Department of Community Health (MDCH) will submit all future amendments to rates and service packages to CMS for approval in advance of implementation. As in the past, for the addition of a region, rebid of a contract, or modification affecting services, capitation rates or entities contracting with the State of Michigan, the waiver and contracts will need to be amended to reflect changes in quality, access, and cost-effectiveness.

2. If you wish to renew this waiver program at the end of this two-year term, a renewal application must be submitted by June 30, 2005.

1915(b)(3)

3. The MDCH must receive CMS prior approval of all 1915(b)(3) categories of funds. Prior to the use and distribution of 1915(b)(3) funds, the MDCH will submit documentation regarding the additional services provided to enrollees that are paid for out of cost savings resulting from the use of more cost-effective medical care. The savings must be expended for the benefit of the enrolled Medicaid beneficiary. The additional services to be provided under the waiver, which are not covered under the State plan must be for

medical or health-related care, or other services as described in 42 CFR 440. This includes, but is not limited to the Community Reinvestment Account. This account is used to support the development of community based services for the prevention, early intervention and treatment of mental illness and substance abuse for Medicaid enrollees.

Cost-effectiveness and Reporting

4. For each Medicaid Eligibility Group (MEG) listed in the cost-effectiveness section of the waiver application, MDCH will submit a CMS 64.9 waiver form that includes expenditures for 1915(b) and 1915(b)(3) and if applicable, 1915(c) services. The CMS waiver expenditure report is due 30 days from the end of each quarter. The first CMS waiver expenditure report is due to the CMS Regional Office (RO) by January 31, 2004. The State's next waiver renewal should be based on the Schedule D from the Medicaid Budget and Expenditure System (MBES). MDCH must separately track the 1915(b)(3) expenditures for the next waiver renewal.
5. The State will submit to CMS quarterly actual member month enrollment statistics by MEG in conjunction with the State's submitted CMS-64 waiver forms. The enrollment reports will be due 30 days from the end of each quarter.

Encounter Data

6. For the next waiver renewal, the MDCH will utilize encounter data reported by all Community Mental Health Services Programs (CMHSPs) and Provider Sponsored Specialty Networks (PSSNs), that are affiliates of a Prepaid Inpatient Health Plan (PIHP), in the development of actuarially sound rates.
7. MDCH will submit progress reports to CMS RO on completeness and validity of plan encounter data. MDCH will need to include in the report the status of encounter data reporting by CMHSP and PSSN and other activities taken to meet the objectives of MDCH's corrective action plan on encounter data reporting. The reports are due May 7, 2004 and January 1, 2005.

State Outreach

8. MDCH will use existing data to identify CMHSP areas with substantial Medicaid populations, but where the penetration rates of Medicaid eligibles is consistently low when compared with other areas of the State. MDCH will provide an update to the CMS RO of these activities, including how MDCH determines the appropriateness of a penetration rate, and actions taken by the State to improve the penetration rates by December 31, 2004.

Access and Capacity

9. MDCH will provide the CMS RO a status of the PIHPs' ongoing compliance with the requirements for linkage agreements with Qualified Health Plans and other local organizations. The status report should include an analysis of coordination of care activities taking place between PIHPs and primary care providers and other local organizations. MDCH will send this report by December 31, 2004.

II. Deviation from Procurement Rules

1. MDCH will continue to adhere to the conditions below and listed in the first waiver renewal letter in the implementation of this plan.
 - a. The State must continue to demonstrate the credible ability to terminate the contract or to contract with alternate providers under competitive procurement in the event of a) significant and repeated violations of contract provision, or b) repeated substantiation of poor quality of care that has a significant adverse impact on beneficiary services, safety, or welfare.
 - b. The State must continue to demonstrate the ability to take remedial measures for poor quality performance and for non-compliance related to administrative obligations.
 - c. The State must continue to demonstrate that the State has taken the necessary steps to reduce barriers to competition and establish a level playing field that fosters a fair and competitive market.
 - d. The State must continue to demonstrate the ability and necessary infrastructure to support reporting data for quality assessment and performance improvement purposes.

A report on how the State has maintained the above protections will be submitted to the CMS Regional Office by September 30, 2004.

2. In the second renewal of the waiver application, MDCH modified the procurement plan to reflect current PSSNs available in Wayne County. MDCH will need to submit a report to CMS Regional Office that analyzes the potential for competition in this county as well as the adequacy of the PSSNs in ensuring beneficiary access to service providers and consumer choice. This report should be submitted by May 7, 2004.

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The approval of this waiver renewal is subject to our receiving your written acceptance of this approval with the above terms and conditions by December 29, 2003.

I appreciate the State's efforts in continuing this program to provide accessible, quality and cost-effective health care for Michigan Medicaid beneficiaries, and wish you much success in your continuing activities in this area. If you have any questions regarding this waiver renewal, please contact Hye Sun Lee at (312) 353-1565.

Sincerely,

/s/

Cheryl A. Harris
Associate Regional Administrator
Division of Medicaid and Children's Health

cc: Patrick Barrie, MDCH
Nancy Bishop, MDCH
Theresa A. Pratt, CMS CO