



JUL 22 2004

Ms. Lynn Read
Administrator
Department of Human Services
Office of Medical Assistance Programs
500 Summer Street, NE., 3rd Floor
Salem, OR 94310-1014

Dear Ms. Read:

This is to inform you of the results of the Centers for Medicare & Medicaid Services' (CMS) review of your request for amendments to the Oregon Medicaid/State Children's Health Insurance Program (SCHIP) Health Insurance Flexibility and Accountability (HIFA) section 1115 demonstration, project #11-W-00160/10 and #21-W-00013/10. Specifically, you requested to amend the Oregon Health Plan 2 (OHP2) demonstration, previously approved by letter dated October 15, 2002, by revising the current level of funding of condition/treatment pairs on the Prioritized List of Health Care Services, expanding eligibility, asking for flexibility in designing benefit packages, and establishing a new health care delivery system.

We convened a Medical Review Panel to review the proposed revisions to the Prioritized List, and based on the Panel's analysis, we determined that we would not approve a reduction of covered condition/treatment pairs that included otitis media, line 546, or any condition/treatment pair rated with more priority on Oregon's Prioritized List. Effective with the date of this letter, you may discontinue coverage of all condition/treatment pairs below line 546 on the Prioritized List of Health Care Services.

In addition, we are approving your request to retain the eligibility level for OHP Standard at 100 percent of the Federal poverty level (FPL) and for a redefined OHP Standard benefit package that will include a core set of services and, initially to be offered, depending upon available State funds, a limited inpatient hospital benefit and a hospice benefit. Included with this approval is the flexibility for the State to reduce and/or add services as long as the core set of services continues to be offered. The core set of services is specifically physician services, ambulance, prescription drugs, laboratory and x-ray services, medical supplies, outpatient mental health, outpatient chemical dependency services, emergency dental services. No revisions to the core set of services are being approved. The only services that can be reduced or added include hospice, inpatient hospital services, outpatient hospital, therapy, acupuncture, chiropractic, enteral, parenteral and IV services, home health, private duty nursing, durable medical equipment, vision exams and materials, hearing aids and exams for hearing aids, and non-ambulance medical transportation.

We are requiring a final description of the optional services targeted for elimination in OHP Standard, including a final approval of the OHP Standard hospital benefit in the event that State funding is not available for those services.

Further, we are approving your request to expand health care coverage to uninsured children with family income from **185** percent of the FPL to 200 percent of FPL under title **XXI**. We are also approving your expansion of health care coverage to FHIAP participants with family income from 185 percent to 200 percent of FPL under both title **XIX** and title **XXI**. We are requiring that if the State chooses to phase-in the expansion for SCHIP children and FHIAP individuals that the phase-in for children would occur first since title **XXI** funding will be used to finance these expansions and the Administration's priorities are to cover children with title **XXI** funding before covering other categories of individuals.

We are also approving your request to establish a new health care delivery system; i.e., a physician care organization (PCO) program. In approving this request, the PCO model that you have described is a prepaid ambulatory health plan (PAHP) in accordance with regulations implementing the Balanced Budget Act of **1997** (BBA). Specifically, the BBA defines a PAHP as an organization that provides less than comprehensive services and is not responsible for providing inpatient hospital services. As such, you will be required to comply with the BBA and regulatory requirements established for PAHPs, including submitting contracts to CMS for review and approval.

Additionally, we regret to inform you that we are disapproving your request to adjust optional benefits for OHP Plus-enrolled adults in order to protect mandatory populations from benefit reductions.

Approval of this Medicaid/SCHIP demonstration project is under the authority of section 1115 of the Social Security Act. The Special Terms and Conditions associated with your current demonstration award remain in effect. We have enclosed a waiver of Medicaid state plan requirements, revised Demonstration Population definitions and revised Costs Not Otherwise Matchable expenditure authorities in order to effectuate these decisions.

Your project officer is **Ms. Donna Schmidt**. Ms. Schmidt is available to answer any questions concerning implementation of your section 1115 demonstration,. Her contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, Maryland **21244-1850**
Telephone: **(410) 786-5532**
Email: Dschmidt@cms.hhs.gov

Page 3 – Lynn Read

Please be advised that we are requiring notification to your project officer regarding the effective date of any of these revisions prior to implementation.

Official communications regarding program matters should be **sent** simultaneously to the project officer and to Ms. Karen S. O'Connor, Associate Regional Administrator in our Seattle Regional Office. Ms. O'Connor's address is:

Centers for Medicare & Medicaid Services
Region X
2201 Sixth Avenue, MS/RX-40
Seattle, Washington 98121-2500
Email: [Kocoior\(ii?cms.hhs.gov](mailto:Kocoior(ii?cms.hhs.gov)

~~Other~~ questions or comments may be directed to Ms. Jean Sheil, Director, Family **and** Children's ~~Health~~ Programs Group, at (410) 786-5647. We look forward to continuing working with you and your staff.

Sincerely,

/s/

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

Enclosure

Page 4 – Lynn Read

cc: Karen O'Connor, Region X

SCHIP Costs Not Otherwise Matchable

In addition, also under the authority of section 1115(a)(2) of the Act as incorporated into title XXI by section 2106(e)(2)(A), State expenditures described below (which would not otherwise be included as matchable expenditures under title XXI), shall for the period of this project and to the extent of the State's available allotment under section 2104 of the Act, be regarded as matchable expenditures under the State's title XXI plan. All requirements of the title XXI statute will be applicable to such expenditures, except those waived in your award of October 15, 2002, and those specified as not applicable to these expenditure authorities in your award of October 15, 2002. In addition, all requirements in the Special Terms and Conditions will apply to these expenditure authorities.

Expenditures to provide demonstration services to the following demonstration populations:

Demonstration Population 15: Uninsured children with incomes from 170 to 200 percent of the Federal poverty level (FPL) (as defined in the Special Terms and Conditions) who meet the title XXI definition of a targeted low-income child and are enrolled in direct State coverage.

Demonstration Population 16: Uninsured children ages 0 – 5 with incomes from 133 to 200 percent of the FPL and uninsured children ages 6 – 18 with incomes from 100 to 200 percent of the FPL (as defined in the Special Terms and Conditions) who meet the title XXI definition of a targeted low-income child and choose voluntary enrollment in **FHIAP**.

Demonstration Population 17: Uninsured parents of children who are eligible for Medicaid or SCHIP, who are themselves ineligible for Medicaid/Medicare with incomes from 0 to 200 percent of the FPL (as defined in the Special Terms and Conditions) who are enrolled in FHIAP

Demonstration Population 18: Uninsured childless adults who are not eligible for Medicaid/Medicare with incomes from 0 to 200 percent of the FPL (as defined in the Special Terms and Conditions) who are enrolled in FHIAP.

--	--	--