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3. **Medically Needy Eligibility** Section 1902(a)(10)(C);  
42 CFR 435.301,  
435.811, 435.845,  
435.850-52, and  
440.220

To enable the State to replace its current Medically Needy program with different eligibility rules, including raising the income eligibility level to 100 percent of the Federal poverty level for demonstration eligibles, and to waive the requirement that a Medically Needy program be available to pregnant women and children if it is available to other populations. The State may continue to operate its current Medically Needy program for foster care and the aged, blind, and disabled

4. **Eligibility Standards** Section 1902(a)(17);  
42 CFR 435.100 and  
435.602-435.823

To enable the State to waive the income disregards and resource limits, to base financial eligibility solely on gross income, to waive income deeming rules, and to base eligibility on household family unit (rather than individual income).

5. **Eligibility Procedures** Section 1902(a)(10)(A) and  
1902(a)(34); 42 CFR 435.401  
and 435.914

To enable the State to apply streamlined eligibility rules for demonstration eligibles who are not receiving or deemed to be receiving cash assistance. The 3-month retroactive coverage will not apply, and income eligibility will be based only on gross income.

6. **Freedom of Choice** Section 1902(a)(23);  
42 CFR 431.51

To enable the State to restrict freedom-of-choice of provider by offering care through managed care providers.

7. **Upper Payment Limits for Capitation Contracts** Section 1902(a)(30);  
42 CFR 447.361

To enable the State to set capitation rates that would exceed the costs to Medicaid on a fee-for-service basis.

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8. Payment of Federally Qualified Health Centers (FQHCs) and Rural Health centers (RHCs) Section 1902(a)(10)

To enable the State to only provide FQHC and RHC services through managed care providers.

9. Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Section 1902(a)(43)(A)

To waive the requirement that States must pay for any service required to treat a condition identified during an EPSDT screening; some may not be offered, due to the redefined Medicaid benefit package.

10. Disproportionate Share Hospital (DSH) Reimbursements Section 1902(a)(13)(A)

To allow the State to not provide DSH payments when health plans are responsible for reimbursing hospitals.

Under the authority of section 1115(a)(2) of the Act, the following expenditures by the State under the Oregon Demonstration (which would not otherwise be included as expenditures under section 1903) shall, for the period specified above, be regarded as expenditures under the State's title XIX plan:

1. Expenditures to provide Medicaid coverage to individuals who would otherwise be excluded by virtue of enrollment in managed care delivery systems which do not meet all requirements of section 1903(m). Specifically, Oregon managed care plans will be required to meet all requirements of section 1903(m), except the following:

Sections 1903(m)(1)(A) and (2)(A); 42 CFR 434.20 and 21, 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. meet Federal health maintenance organization (HMO) requirements or State HMO requirements;
- b. allow Medicaid members to disenroll as set forth in section 1903(m)(2)(A)(vi). (The State will lock in enrollees for period of 6 months or more in FCHPs, PCOs, and PCCM organizations.)

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- 2. Expenditures that might otherwise be disallowed under section 1903(f), 42 CFR 435.301 and 435.811, insofar as they restrict payment to a State for eligibles whose income is no more than 133 1/3 of the AFDC eligibility level.
- 3. Expenditures to provide Medicaid to individuals who have been guaranteed 6 months of Medicaid eligibility at the time they are enrolled in a capitated health plan, who were eligible for Medicaid when they were enrolled, and who ceased to be eligible during the 6-month period.
- 4. Expenditures for services provided to OHP-eligible individuals between the ages of 22 and 65 who are institutionalized for mental diseases. This exception is limited to short-term (less than 30 days) inpatient mental health care for persons in the Eastern Oregon Psychiatric Center.
- 5. Expenditures which might otherwise be disallowed under section 1903(u), which establishes rules and procedures for disallowing Federal financial participation in erroneous Medicaid payments due to eligibility and recipient liability errors detected through a Medicaid eligibility quality control program.
- 6. Chemical dependency treatment services which would have been disallowed under section 1905(a)(13) of the Act, in the absence of a recommendation of a physician or other licensed practitioner.

You have also requested permission to operate under the authority of section 1115(a)(2) a single health plan model in the urban and rural areas of the State, and to make other substantive changes in the demonstration. Because these changes in demonstration authority are not appropriately part of a routine renewal, we will be considering them separately.

Your Project Officer for this project is Juli Harkins, who can be reached at (410) 786-1028.

We appreciate Oregon's accomplishments in administering this innovative program and look forward to continuing to work with you on this project.

Sincerely,

Thomas A. Scully

Enclosure