



*Administrator*  
Washington, DC 20201

JAN 29 2007

Mr. Roy Jeffus  
Director  
Division of Medical Services  
Arkansas Department of Health and Human Services  
P.O. Box 1437, Slot S-401  
Little Rock, AR 72203-1437

Dear Mr. Jeffus:

We are pleased to inform you that your proposal, received August 11, 2006, requesting to amend and extend your Medicaid section 1115 Independence Plus demonstration titled "IndependentChoices," has been approved as project number 11-W-00116/6 for the period February 1, 2007, to January 31, 2008. The approval is under authority of section 1115 of the Social Security Act (the Act).

The Centers for Medicare & Medicaid Services (CMS) has determined that the IndependentChoices demonstration amendment would further promote the objectives of the Medicaid program. This program would provide community-based and long-term supports and services to individuals needing assistance with activities of daily living. We commend you for your continued interest in expanding the self-direction benefit to more demonstration eligibles. Arkansas is one of the States that has pioneered the philosophy of self-direction, and this amendment continues to show your commitment in this effort.

This approval will permit Arkansas to self-direct a new service, eliminate the "new to continuing" ratio, increase the participant cap, and continue operation of this self-direction program for 1 additional year. We note that Federal financial participation for the new self-directed demonstration service of companion services will not be available unless and until CMS approves companion services under the section 1915(c) Elder Choices waiver amendment. We further note that Arkansas will be allowed to claim financial management services as "medical assistance" for the extension year, February 1, 2007, through January 31, 2008, at which time the State may elect to continue their program under the authority of section 6087 of the Deficit Reduction Act of 2005, enacted into law as section 1915(j) of the Act. Arkansas also requested the removal of the requirement that impacted services be reported for budget neutrality purposes, but CMS has retained this requirement as we think it is important that the State continue to report impacted services in order to appropriately assess budget neutrality.

Our approval of the IndependentChoices demonstration (and the Federal matching authority provided for thereunder) is contingent upon the State's agreement to the enclosed Special Terms and Conditions (STCs). The STCs also set forth in detail the nature, character, and extent of

Federal involvement in this project. Continued operation of the demonstration and availability of Federal financial payments is contingent on our receipt of your written acceptance of the award within 30 days after the date of this letter.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable to this letter, shall apply to the amendment. Subject to approval of your revised Operational Protocol, as described in the STCs, the following waivers, granted for your original approval, are applicable to the amendment pursuant to the authority of section 1115(a)(1) of the Act until January 31, 2008.

**1. Statewideness 1902(a)(1)**

To enable the State to operate the demonstration within an area that does not include all political subdivisions of the State.

**2. Comparability 1902(a)(10)(B)**

To permit the provision of services under the demonstration that will not otherwise be available under the State plan. Benefits (i.e., amount, duration, and scope) may vary by individual based on assessed need.

**3. Income and Resource Rule 1902(a)(10)(C)(I)**

To permit the exclusion of payments received under the Independent Choices Demonstration from the income and resource limits established under State and Federal law for Medicaid eligibility. Recipients will also be permitted to accumulate cash in a separate account for special (approved) purchases.

**4. Provider Agreements 1902(a)(27)**

To permit the provision of care by individuals who have not executed a Provider Agreement with the State Medicaid agency.

**5. Direct Payments to Providers 1902(a)(32)**

To permit payments to be made directly to beneficiaries or their representatives.

**6. Payment Review 1902(a)(37)(B)**

To the extent that prepayment review may not be available for disbursements by individual beneficiaries to their caregivers/providers.

Under the authority of section 1115(a)(2) of the Act, expenditures made by the State of Arkansas under the Independence Plus demonstration for the items identified below (which are not otherwise included as expenditures under section 1903 of the Act) shall, for the period of this project, be regarded as expenditures under the State's title XIX plan.

1. Expenditures for services provided by members of a recipient's family (i.e., parents, stepparents, or spouses).
2. Expenditures to provide demonstration services presently not included as optional State plan services under title XIX (i.e., to provide for counseling and fiscal intermediary services as a part of the demonstration design).
3. Expenditures regarding payment for the provision of services to the recipients. Specifically, payment will be provided to recipients prior to the delivery of service.

Your project officer will be Ms. Marguerite Schervish, who can be reached at (410) 786-7200. Ms. Schervish is available to answer any questions concerning the scope and implementation of the project described in your application. Communications regarding program matters, and official correspondence concerning the project, should be submitted to the project officer at the following address:

Centers for Medicare & Medicaid Services  
Center for Medicaid and State Operations  
7500 Security Boulevard, Mail Stop S2-14-26  
Baltimore, MD 21244-1850  
Facsimile: 410-786-3262  
E-mail: [Marguerite.Schervish@cms.hhs.gov](mailto:Marguerite.Schervish@cms.hhs.gov)

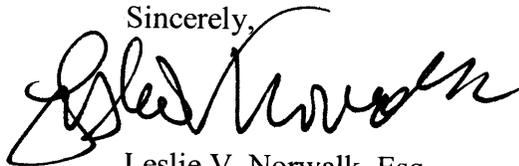
Communications regarding program matters should be submitted simultaneously to Ms. Schervish and to Mr. Andrew Frederickson, Associate Regional Administrator, in our Dallas Regional Office. Mr. Frederickson's address is:

Centers for Medicare & Medicaid Services  
Division of Medicaid and Children's Health  
1301 Young Street, Room 833  
Dallas, TX 75202

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We extend our congratulations on this award and look forward to working with you during the course of the project.

Sincerely,

A handwritten signature in black ink, appearing to read "Leslie V. Norwalk". The signature is fluid and cursive, with a large initial "L" and "N".

Leslie V. Norwalk, Esq.  
Acting Administrator

Enclosure