



December 13, 2011

Ms. Cindy Mann
Deputy Administrator and Director
Center for Medicaid and CHIP Services
Centers for Medicare and Medicaid Services
U.S. Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Ms. Mann:

We are writing to follow-up on our preliminary conversations with the Center for Medicaid and CHIP Services (CMCS) concerning potential revision of Medicaid managed care regulations.

In a call with two National Association of Medicaid Directors' Policy Committees and during the NAMD Fall meeting, CMCS indicated that the agency planned to begin the process of modernizing Medicaid managed care regulations and aligning them with rules for qualified health plans (QHPs) offered through the health insurance Exchanges. Directors share the goal of modernizing outdated approaches to Medicaid managed care programs, particularly since the existing detailed regulations have not kept pace with new and emerging delivery and payment systems that a number of states are working aggressively to develop and implement. For example, our Policy Committees have identified the need to ensure that federal rules are written and interpreted to leverage the potential for Medicaid managed care programs to hold providers accountable for certain outcomes, to deliver high quality, coordinated care, particularly for individuals with complex conditions, and to ease adoption of technology that facilitates consumer communications.

However, Medicaid directors have expressed concerns about initiating the formal rulemaking process to advance changes to Medicaid managed care regulations at this critical time. In particular, states question the need to undertake formal regulatory revisions during a period already characterized by significant programmatic change and numerous competing priorities in the Medicaid program.

Further, until Exchanges and private health insurance markets are better defined and any inconsistencies with rules for Medicaid health plans are better understood, we urge federal policymakers to defer any decision to formally re-open the regulatory environment for



Medicaid managed care. Directors are concerned that initiating the regulatory process now would add to the uncertainty that states and health plans already face in the marketplace, and that any new uncertainties would impede innovation and adoption of best practices at a time when states' activities in these areas are accelerating.

Attempting to specify the policies to coordinate Medicaid managed care programs with Exchange QHPs at this time could limit, rather than facilitate, states' ability to provide continuity for consumers, health plans, and other key stakeholders, and could introduce risk for state operations and budgets. Specifically, several key federal regulations have yet to be promulgated and would make it difficult to determine appropriate policies for coordination across health care markets and products. For example, without definitions for the essential health benefits package it is difficult for states to know how to best align provider networks, benefits, and insurance functions, including reserving and solvency requirements across products. In addition, until regulations are promulgated and states gain experience with reinsurance, risk corridors, and risk adjustment in the Exchange market, states will need to take various approaches to create seamless risk adjustment and rate setting strategies across Medicaid managed care programs and Exchange QHPs.

Our request is that CMCS utilize its existing authority –including various waiver authorities – to the fullest extent to support state initiatives that drive efficiency and quality and promote seamlessness. States anticipate the need to quickly adapt to challenges that may arise as expanded Medicaid programs and health insurance Exchanges become operational. We request that the federal agencies ease the pathway for states to expeditiously obtain approval for waivers that respond to emerging marketplace and operational challenges. In addition, we urge you to extend this streamlined process for waivers that are already regularly requested for state Medicaid managed care programs. This approach will help support innovation and allow states to shift direction when necessary amidst the various uncertainties surrounding health care markets and coverage beginning in 2014.

To summarize, we ask that CMCS delay any effort to revise existing Medicaid managed care regulations and instead use existing authority to modernize and clarify issues of mutual interest. Working through our association, we believe there is a significant opportunity to expand our dialogue with you about ways to leverage Medicaid managed care programs to promote seamlessness for consumers. In addition, we encourage CMCS to convene a broad group of state leaders and federal officials representing Medicaid, Exchange and other pertinent agencies, such as the Centers for Medicare and Medicaid Innovation. This group would discuss initiatives to align and accommodate state differences in Exchange models. In addition it would identify and encourage best practices that flow together in the most effective manner and reduce duplication of information and standardize where possible.



As always we appreciate your willingness to work with Medicaid directors to achieve our shared goals of improving outcomes, quality and efficiency. We look forward to hearing back from you about the agency's next steps on these important issues.

Sincerely,

A handwritten signature in black ink that reads "Andy Allison". The signature is written in a cursive, flowing style.

Andy Allison
Director, Division of Medicaid Services
State of Arkansas, Department of Human
Services
President, NAMD

A handwritten signature in black ink that reads "Darin J. Gordon". The signature is written in a cursive, flowing style.

Darin J. Gordon
TennCare Director
State of Tennessee, Department of Finance and
Administration
Vice President, NAMD

Cc:

Steve Larsen, Director of the Center for Consumer Information and Insurance Oversight,
Centers for Medicare & Medicaid Services

Dr. Richard Gilfillan, M.D., Acting Director, Center for Medicare and Medicaid
Innovation, Centers for Medicare & Medicaid Services