

# Exhibit H

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



**Center for Medicaid and CHIP Services**

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December 29, 2011

Dr. Andrew Allison  
Director  
Division of Medical Services Department of Human Resources  
103 E. 7<sup>th</sup> Street  
P. O. Box 1437, Slot S411  
Little Rock, AR 72203

Dear Dr. Allison:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to renew the Arkansas Safety Net Benefit Program section 1115 Demonstration (Project No. 11-W-00214/6 and Project No. 21-W-0051/6). This renewal is effective December 31, 2011, through December 31, 2013. The extension is granted under the authority of section 1115(a) of the Social Security Act (the Act).

Because authority to provide Children's Health Insurance Program (CHIP) coverage to parents and their spouses has already been extended through September 30, 2012 in a separate administrative action, this renewal only extends the Medicaid funded portion of the Demonstration. To extend coverage for these parents through the end of September 2013, the State must submit a separate request to CMS under section 2111(b)(2)(B) of the Act.

There are several changes included in this approval that are noteworthy.

- Under the extension, the State will be required to develop a plan for improving demonstration participants' access to Health and Wellness Benefit Program services.
- Under the extension, the State will be required to develop an Administrative Cost Claiming Protocol, which explains the process the State will use to determine administrative costs incurred for the Safety Net Benefit Program. The Administrative Cost Claiming Protocol includes how the State distinguishes the portion claimed as a Medicaid administrative expenditure from the portion claimed as a CHIP administrative expenditure. The revised Special Terms and Conditions (STCs) also require the State to include administrative costs in the budget neutrality test and a comparative analysis of administrative costs in its annual report.
- The revised STCs require the State to submit to CMS for review and approval a transition plan for individuals enrolled in the Demonstration. The Transition Plan must include how the State plans to coordinate the transition of these individuals to a coverage option

available under the Affordable Care Act without interruption in coverage to the maximum extent possible. The State must submit its initial plan by July 1, 2012.

- The STCs were revised to state that participating employers must achieve coverage for 100 percent of employees whose income is up to 200 percent of the FPL, and for 50 percent of employees whose income exceeds 200 percent of the FPL.
- Under the extension of the Demonstration the State will be required to develop and implement new or significantly revised cost containment strategies. The State must submit a comprehensive plan within 60 days of approval of the Demonstration. CMS must approve the plan and will require that the State fully implement the plan within 180 days of approval by CMS.

Our approval of this Demonstration project is subject to the limitations specified in the attached waiver and expenditure authorities. The State may deviate from Medicaid State plan requirements only to the extent those requirements have been specifically waived, or with respect to expenditure authorities, listed as not applicable to expenditures for Demonstration populations and other services not covered under the State plan in the expenditure authority.

The approval is conditional upon acceptance and compliance with the enclosed STCs defining the nature, character, and extent of Federal involvement in the Demonstration. The award is subject to our receiving your written acknowledgement of the award and acceptance of the STCs and waiver and expenditure authorities within 30 days of the date of this letter.

Your acceptance and any questions regarding the Arkansas Safety Net Benefit Program may be directed to your project officer, Ms. Alexis Gibson. Ms. Gibson's contact information is as follows:

Centers for Medicare & Medicaid Services  
Center for Medicaid, and CHIP Services  
Division of State Demonstrations and Waivers  
7500 Security Boulevard, Mail Stop S2-02-26  
Baltimore, MD 21244-1850  
Telephone: (410) 786-2813  
Facsimile: (410) 786-8534  
E-mail: [alexis.gibson@cms.hhs.gov](mailto:alexis.gibson@cms.hhs.gov)

Official communications regarding program matters should be sent simultaneously to Ms. Gibson and Mr. Bill Brooks, Associate Regional Administrator in our Dallas Regional Office. Mr. Brook's contact information is as follows:

Centers for Medicare & Medicaid Services  
1301 Young Street, Suite 714  
Dallas, TX 75202

If you have questions regarding this correspondence, please contact Ms. Victoria Wachino, Director, Children and Adults Health Programs Group, Center for Medicaid, and CHIP Services, at (410) 786-5647. We look forward to continuing to work with you and your staff.

Sincerely,

/Cindy Mann/

Cindy Mann  
Director

Enclosure

cc: Bill Brooks, ARA, Region VI  
Tamara L. Sampson, CMCHO

**EXPENDITURE AUTHORITY AND WAIVER LIST**  
**FOR ARKANSAS SECTION 1115(a) DEMONSTRATION**

**NUMBERS:**            **11-W-00214/6 (Title XIX)**  
                          **21-W-00051/6 (Title XXI)**

**TITLE:**               **Arkansas Safety Net Benefit Program**

**AWARDEE:**         **Arkansas Department of Health and Human Services**

Under the authority of section 1115(a)(2) of the Social Security Act (the Act), expenditures made by the State for the items identified below, which are not otherwise included as expenditures under section 1903 or section 2106(e)(2)(A) shall, for the period of the Arkansas Safety Net Benefit Program, be regarded as expenditures under the State’s title XIX and title XXI plan. Title XXI expenditures are to be used for the parent population; “Demonstration Population I” are limited to the extent of the State’s available allotment under section 2104 of the Act. The employer contribution for the Safety Net Benefit Program will not be matched with Federal funds. All requirements of the title XXI and title XIX statutes will be applicable to such expenditures, except those specified below as not applicable to these expenditure authorities. In addition, all requirements in the enclosed Special Terms and Conditions (STCs) will apply to these expenditure authorities.

The following costs not otherwise matchable expenditure authorities shall enable the State to implement the approved STCs for the Arkansas Safety Net Benefit Program, a section 1115 title XXI and title XIX HIFA Demonstration. Expenditures to provide coverage to the following populations that are not otherwise covered under the Children’s Health Insurance Plan (CHIP) or Medicaid State plan:

1. **Demonstration Population I:** Expenditures for health benefits coverage obtained through the Arkansas Safety Net Benefit Program for those employed by participating employers (including self employed) or spouses of such employees who: 1) are aged 19-64; 2) have a dependent child; 3) have no other health insurance coverage or group health insurance coverage; 4) are not eligible for Medicaid or Medicare; 5) are not State employees; 5) are U.S. citizens or have State verification of qualified alien status in accordance with section 432 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; 6) have family incomes up to and including 200 percent of the Federal poverty level (FPL), and for whom the State may claim title XXI funding through September 30, 2012 (or through September 30, 2013 if requested by the State under section 2111(b)(1)(B) of the Act). The State may claim title XIX funding for Demonstration Population I expenditures for coverage provided in October, November, and December 2013.
  
2. **Demonstration Population II:** Expenditures for health benefits coverage obtained through the Arkansas Safety Net Benefit Program for those employed by participating employers (including self employed) or spouses of such employees who: 1) are aged 19-

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64; 2) are childless; 3) have no other health insurance coverage or group health insurance coverage; 4) are not eligible for Medicaid or Medicare; 5) are not State employees; 6) are U.S. citizens or have State verification of qualified alien status in accordance with section 432 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; 7) have family incomes up to and including 200 percent of the FPL and for whom the State may claim title XIX funding.

3. **Expenditure Authority:** Expenditures for health education and care coordination services not provided under the State plan.
4. **Health and Wellness Benefits Program (HWBP):** Expenditures for health care-related services that support the health and wellness of Demonstration enrollees that would not otherwise be covered and are subject to the parameters and restrictions set forth in the STCs.

**CHIP Requirements Not Applicable to the CHIP Expenditure Authorities:**

All requirements of the CHIP program expressed in law, regulation and policy statement, not expressly waived or identified as not applicable in this letter shall apply to this Demonstration for the parent population. To further this Demonstration, we are identifying the following requirements as inapplicable to the extent indicated:

**1. General Requirements, Eligibility and Outreach - Section 2102**

The State child health plan does not have to reflect the Demonstration populations, and eligibility standards do not have to be limited by the general principles in section 2102(b).

**2. Restrictions of Coverage and Eligibility to Targeted Low-Income Children – Sections 2102 and 2110**

The State will extend coverage and eligibility for the Demonstration populations to individuals who are not targeted low-income children, and who have group health insurance coverage or other health insurance coverage.

**3. Eligibility Conditions – Section 2102(a)**

The State will restrict eligibility for the Demonstration populations based on employment with participating employers, which is not a condition otherwise authorized by section 2102(a) of the Act.

**4. Benefit Package Requirements - Section 2103**

The State may offer a benefit package that does not meet the requirements of section 2103 of the Act, as implemented by Federal regulations at 42 CFR 457.410(b)(1) for Demonstration Populations I and II.

**5. Cost Sharing - Section 2103(e)**

Cost sharing for the Demonstration population may exceed the limitations on cost sharing under section 2103(e) of the Act.

**6. Federal Matching Payment and Family Coverage Limits – Section 2105**

Federal matching payment is available in excess of the 10 percent cap for expenditures related to the Demonstration populations, and limits on family coverage are not applicable with respect to the Demonstration populations. Federal matching payments remain limited by the allotment determined under section 2104 of the Act. Expenditures other than for coverage of the Demonstration populations remain limited in accordance with section 2105(c)(2) of the Act.

**Title XIX Waivers**

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this list, shall apply to the Demonstration project beginning October 1, 2006 through December 31, 2013. In addition, these waivers may only be implemented consistently with the approved STCs.

**1. Amount Duration and Scope**

**Section 1902(a)(10)(B)**

To permit plans providing coverage to Arkansas Safety Net Benefit Program enrollees to provide additional benefits that may not be available to enrollees in other plans or to Medicaid recipients not enrolled in the Arkansas Safety Net Benefit Program.

**2. Freedom of Choice**

**Section 1902(a)(23)(A)**

To enable Arkansas to restrict the freedom of choice of providers.

**3. Comparability of Services**

**Section 1902(a)(10)(B)**

To permit the State to vary the amount, duration, and scope services to provide additional benefits such as case management and health education that will not be available to other Medicaid beneficiaries not enrolled in the waiver program.

**Medicaid Requirements Not Applicable to the Expenditure Authorities**

In addition to and/or consistent with previously approved Waiver and Expenditure Authorities described above, the following Medicaid requirements are not applicable to the Expenditure Authorities:

**1. Provision of Medical Assistance**

**Section 1902(a)(10)(A)**

To enable Arkansas to limit the medical assistance for Demonstration Populations I and II available to the types of assistance described in these expenditure authorities.

**2. Methods of Administration: Transportation**

**Section 1902(a)(4)  
and 42 CFR 431.50**

The State is not required to assure transportation to and from providers for Demonstration Populations I and II.

**3. Eligibility Procedures**

**Sections 1902(a)(10)(A) and  
1902(a)(10)(C)(I)-(III)**

The State may use streamlined and alternative eligibility procedures for Demonstration Populations I and II.

**4. Cost-sharing and Premiums**

**Section 1902(a)(14)**

The State may charge premiums and require cost-sharing contributions prior to service delivery for Demonstration Populations I and II.

**5. Retroactive Eligibility**

**Section 1902(a)(34)**

The State is not required to provide services to Demonstration Populations I and II prior to the 1st of the month in which eligibility has been determined, and the premium has been paid in full.

Coverage will begin on the 1st of the month in which the member becomes eligible; and a full monthly premium has been received for that month of coverage.

**6. Income & Eligibility Verification**

**Section 1902(a)(46)**

The State may accept self-attestation as proof of income for eligibility determinations for Demonstration Populations I and II.

**7. Disenrollment for Non-Payment of Premiums**

**Section 1916(c)(3)**

Individuals in Demonstration Populations I and II may be disenrolled from private coverage for failure to pay premiums.