



State of California—Health and Human Services Agency  
Department of Health Care Services



TOBY DOUGLAS  
Director

EDMUND G. BROWN JR.  
Governor

SEP 16 2011

Melanie Bella, Director  
Centers for Medicare and Medicaid Services  
Hubert H. Humphrey Building  
200 Independence Avenue, SW  
Room 315- H  
Washington, DC 20201

Dear Ms. Bella: *Melanie:*

This letter serves as notice that the California Department of Health Services intends to work with CMS to develop, test, and validate financial alignment models. Because of the size of California, we are interested in both the Capitated model and the Managed Fee for Service as described in the July 8, 2011 guidance "Financial Models to Support State Efforts to Integrate Care for Medicare-Medicaid." Initially, we intend to pursue the three legged capitation arrangement described in the guidance but would like to reserve the availability of the managed fee for service model for future implementation.

As our recent conference on "Integrating Care for the Dual Eligibles" demonstrated, California's Medi-Cal managed care plans and community advocates are very interested in this Demonstration. Many plans are ready to work with CMS and DHCS to improve access, care and quality for our mutual beneficiaries as well as achieve saving for both Medicare and Medi-Cal.

These financial alignment models are key component of this Demonstration. My staff stands ready to work with CMS in building the financial models.

Sincerely,

Toby Douglas  
Director

cc: Jane Ogle  
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cc: Continues on next page

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