



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator

Washington, DC 20201

January 31, 2008

Mr. Robert Maruca
Senior Deputy Director
District of Columbia Medical Assistance Administration
825 North Capitol Street, NE.
Washington, DC 20002

Dear Mr. Maruca:

We are pleased to inform you that your request to extend the District of Columbia's Childless Adults section 1115 demonstration, scheduled to expire on January 31, 2008, has been approved in accordance with section 1115(a) of the Social Security Act.

The new extension period begins on October 1, 2008, and runs through September 30, 2011, upon which date, unless reauthorized, all waiver and expenditure authorities granted to operate this demonstration will expire.

Our approval of this demonstration project is subject to the limitations specified in the enclosed waiver and expenditure authorities. The State may deviate from Medicaid State plan requirements to the extent those requirements have been specifically waived or, with respect to expenditure authorities, listed as inapplicable to expenditures for the demonstration population.

The approval is also conditioned upon continued compliance with the enclosed Special Terms and Conditions (STCs), defining the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acknowledgement of the award and acceptance of the STCs, waiver and expenditure authorities within 30 days of the date of this letter.

A number of changes to the demonstration have been incorporated into the STCs for the extension approval. STCs related to benefits, eligibility, cost sharing and budget neutrality, quarterly and annual demonstration reporting have been streamlined and updated, and references to, as well as the need for, an Operational Protocol have been removed by including any pertinent programmatic information in the STCs.

The waiver and expenditure authorities have not been significantly modified; a full listing is enclosed.

You will note that the new extension period begins October 1, 2008. In order to align demonstration years (DYs) with Federal fiscal years, the Centers for Medicare & Medicaid

Services (CMS) is extending the demonstration's current approval period under the authority of section 1115(a) from February 1, 2008, through September 30, 2008.

During CMS' review of the District's extension request, anomalies in financial reporting were identified and corrective action is required. Specifically, the District must submit a plan outlining the timeframes for completing the necessary corrective actions within 30 days from the date of this letter.

Once CMS approves the District's corrective action plan, the District must make the following adjustments to its CMS-64 reports no later than July 31, 2008, to ensure that its quarterly expenditure reports are accurate and in line with current requirements as follows:

- 1) Prior period adjustments must be made for DYs 1 and 2 so that the only expenditures reported on waiver Form "Childless Adults" are those attributable to services rendered to the demonstration population.
- 2) Prior period adjustments must be made for DYs 1 through 5 so that all expenditures made using the District's disproportionate share hospital (DSH) allotment that are not expenditures for the demonstration population expenditures are reported on waiver Form "Residual DSH."

If the District fails to meet the July 31, 2008, deadline, the authority for the demonstration will be rescinded and Federal financial participation for the demonstration will be withheld for the new extension period beginning on October 1, 2008. In addition, the District must begin phase-out of activities, consistent with the requirements of the STCs.

If the financial reporting corrections reveal that either the District's DSH allotment has been exceeded and/or the demonstration budget neutrality agreement has been violated, the District must repay (without deferral or disallowance) the Federal share of the amount by which the DSH allotment and/or the budget neutrality agreement has been exceeded.

Your project officer for this demonstration is Ms. Camille Dobson. She is available to answer any questions concerning your section 1115 demonstration renewal. Ms. Dobson's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-7062
Facsimile: (410) 786-5882
E-mail: Camille.Dobson@cms.hhs.gov

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Official communication regarding program matters should be sent simultaneously to Ms. Dobson and to Mr. Ted Gallagher, Associate Regional Administrator in our Philadelphia Regional Office. Mr. Gallagher's address is:

Centers for Medicare & Medicaid Services
Public Ledger Building, Suite 216
150 S. Independence Mall West
Philadelphia, PA 19106

If you have additional questions, please contact Ms. Susan Cuerdon, Acting Director, Family and Children's Health Programs, Center for Medicaid and State Operations, at (410) 786-5647.

Congratulations on the approval of your Medicaid section 1115 demonstration extension. We look forward to continuing to work with you and your staff.

Sincerely,

/s/

Kerry Weems
Acting Administrator

Enclosures

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cc: Mr. Ted Gallagher
Associate Regional Administrator
Philadelphia Regional Office

**CENTERS FOR MEDICARE & MEDICAID SERVICES
WAIVER AUTHORITY**

NUMBER: 11-W-00139/3
TITLE: Childless Adults Section 1115 Demonstration
AWARDEE: District of Columbia Medical Assistance Administration (MAA)

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived in this list, shall apply to the Demonstration project beginning October 1, 2008, through September 30, 2011.

The following waiver shall enable the District of Columbia to operate its Childless Adults Section 1115 Demonstration.

- 1. Disproportionate Share Hospital (DSH) Payments** **Section 1902(a)(13)(A),
insofar as it incorporates
1923(c)(1)**

To allow the diversion of no more than \$12,857,142 in annual payments made under the disproportionate share hospital program in order to provide coverage to childless adults aged 50 through 64 with incomes at or below 50 percent of the Federal poverty level.

**CENTERS FOR MEDICARE & MEDICAID SERVICES
EXPENDITURE AUTHORITY**

NUMBER: 11-W-00139/3

TITLE: Childless Adults Section 1115 Demonstration

AWARDEE: District of Columbia Medical Assistance Administration (MAA)

Under the authority of section 1115(a)(2) of the Social Security Act (the Act), expenditures made by the District of Columbia for the items identified below, which are not otherwise included as expenditures under section 1903 of the Act shall, for the period of this Demonstration extension, be regarded as expenditures under the State's title XIX plan.

The following expenditure authority shall enable the District of Columbia to operate its section 1115 Medicaid Childless Adults Demonstration.

1. **Demonstration-Eligible Population ("Childless Adults").** Expenditures for health care related costs for childless adults aged 50 through 64 who are at or below 50 percent of the Federal poverty level and are not otherwise eligible under the Medicaid State plan.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly identified as not applicable in the list below, shall apply to the Demonstration Population beginning October 1, 2008, through September 30, 2011.

Title XIX Requirements Not Applicable to the Demonstration Population:

1. **Reasonable Promptness** **Section 1902(a)(3) and 1902(a)(8)**
To enable the District of Columbia to cap enrollment for the Demonstration Population.
2. **Amount, Duration, and Scope** **Section 1902(a)(10)(B)**
To enable the District of Columbia to vary the amount, duration, and scope of services offered under the State Plan to the Demonstration Population.
3. **Freedom of Choice** **Section 1902(a)(23)**
To enable the District of Columbia to restrict freedom-of-choice of provider for the Demonstration Population.

4. Retroactive Eligibility

Section 1902(a)(34)

To enable the District of Columbia to waive the requirement to provide medical assistance for up to 3 months prior to the date that an application for assistance is made by an individual in the Demonstration Population.

**CENTERS FOR MEDICARE & MEDICAID SERVICES
SPECIAL TERMS AND CONDITIONS**

NUMBER: 11-W-00139/3
TITLE: District of Columbia 1115 for Childless Adults Demonstration
AWARDEE: District of Columbia Medical Assistance Administration

I. PREFACE

The following are the Special Terms and Conditions (STCs) for the District of Columbia's Childless Adults section 1115(a) Medicaid Demonstration extension (hereinafter "Demonstration"). The parties to this agreement are the District of Columbia Medical Assistance Administration (District) and the Centers for Medicare & Medicaid Services (CMS). The STCs set forth in detail the nature, character, and extent of Federal involvement in the Demonstration and the District's obligations to CMS during the life of the Demonstration. The STCs are effective October 1, 2008, unless otherwise specified. All previously approved STCs, waivers, and expenditure authorities are superseded by the STCs set forth below. This Demonstration extension is approved through September 30, 2011.

The STCs have been arranged into the following subject areas: Program Description and Objectives; General Program Requirements; Eligibility, Benefits, and Enrollment; Delivery Systems; General Reporting Requirements; General Financial Requirements; Monitoring Budget Neutrality; Evaluation of the Demonstration; and Schedule of Deliverables for the Demonstration Extension Period.

Additionally, two attachments have been included to provide supplementary information and guidance for specific STCs.

II. PROGRAM DESCRIPTION AND OBJECTIVES

The District of Columbia Childless Adults Demonstration provides full Medicaid benefits to childless adults aged 50 through 64 with incomes at or below 50 percent of the Federal poverty level (FPL) using a specified amount of funds diverted from its Disproportionate Share Hospital (DSH) allotment. Benefits under the Demonstration are provided through the District's mandatory managed care delivery system authorized under section 1932(a) of the Social Security Act (the Act). As of December 2007, 1,404 adults were enrolled under this Demonstration.

In October 1998, the District submitted a section 1115 application to CMS to provide Medicaid coverage to all childless adults between the ages of 19 and 64 with incomes below 50 percent of the FPL. However, because the amount of DSH funds authorized by the City Council to be diverted for this program was limited to \$6 million, the District proposed an incremental expansion beginning with persons age 50 to 64 below 50 percent of the FPL. The District planned to expand the demonstration to include adults in other age groups as additional funds

became available and the success of the current Demonstration was proven. However, no additional eligibility expansions have been requested by the District.

The Demonstration was approved by CMS on March 2, 2002, but implementation did not begin until February 1, 2003. In 2004, the amount of DSH funds diverted for the Demonstration was increased to approximately \$12.9 million annually.

The goal of the Demonstration is to improve the health status of very low-income adult residents of the District by:

- improving access to health care;
- improving the quality of health services delivered;
- reducing uncompensated care; and
- providing continuity of insurance status as older adults become eligible for Medicare.

III. GENERAL PROGRAM REQUIREMENTS

1. **Compliance with Federal Non-Discrimination Statutes.** The District must comply with all applicable Federal statutes relating to non-discrimination. These include, but are not limited to, the Americans with Disabilities Act of 1990, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.
2. **Compliance with Medicaid Law, Regulation, and Policy.** All requirements of the Medicaid program expressed in law, regulation, and policy statement, unless specified otherwise in the STCs, waiver list, or expenditure authorities or otherwise listed as not applicable, shall apply to the Demonstration.
3. **Changes in Medicaid Law, Regulation, and Policy.** The District must, within the time frames specified in law, regulation, or policy directive, come into compliance with any changes in Federal law, regulation, or policy affecting the Medicaid program that occur during this Demonstration approval period, unless the provision being changed is expressly waived or identified as not applicable.
4. **Impact on Demonstration of Changes in Federal Law, Regulation, and Policy.**
 - a) To the extent that a change in Federal law, regulation, or policy requires either a reduction or an increase in Federal financial participation (FFP) for expenditures made under this Demonstration, the District must adopt, subject to CMS approval, a modified budget neutrality agreement for the Demonstration, as necessary, to comply with such change. The modified budget neutrality agreement would be effective upon the implementation of the change.
 - b) If mandated changes in the Federal law require District legislation, the changes shall take effect on the day such District legislation becomes effective, or on the last day such legislation was required to be in effect under the law.

5. **State Plan Amendments.** The District shall not be required to submit title XIX State plan amendments for changes to Demonstration populations made eligible solely through the Demonstration. If a population covered through the State plan is affected by a change to the Demonstration, a conforming amendment to the State plan may be required except as otherwise noted in these STCs.
6. **Changes Subject to the Amendment Process.** Changes related to eligibility, enrollment, benefits, delivery systems, cost sharing, sources of non-Federal share of funding, budget neutrality, and other comparable program elements must be submitted to CMS as amendments to the Demonstration. All amendment requests are subject to approval at the discretion of the Secretary in accordance with section 1115 of the Act. The District must not implement changes to these elements without prior approval by CMS. Amendments to the Demonstration are not retroactive and FFP will not be available for changes to the Demonstration that have not been approved through the amendment process set forth in paragraph 7 below.
7. **Demonstration Amendment Process.** Requests to amend the Demonstration must be submitted to CMS for approval no later than 120 days prior to the planned date of implementation and may not be implemented until approved. Amendment requests must include, but are not limited to, the following:
 - a) An explanation of the public process used by the State, consistent with the requirements of paragraph 15, to reach a decision regarding the requested amendment;
 - b) A data analysis which identifies the specific “with waiver” impact of the proposed amendment on the current budget neutrality agreement. Such analysis shall include current total computable “with waiver” and “without waiver” status on both a summary and detailed level through the current approval period using the most recent actual expenditures, as well as summary and detailed projections of the change in the “with waiver” expenditure total as a result of the proposed amendment which isolates the impact of the amendment;
 - c) A detailed description of the amendment, including impact on beneficiaries, with sufficient supporting documentation; and
 - d) A description of how the evaluation design shall be modified to incorporate the amendment provisions, if applicable.
8. **Extension of the Demonstration.** No later than 6 months prior to the expiration date of the Demonstration, the District must submit either an extension application or a phase-out plan as required by paragraph 9. The District must also provide an interim evaluation report for the current approval period with the extension request, pursuant to Section IX, paragraph 45.

9. **Demonstration Phase-Out.** The District may suspend or terminate this Demonstration in whole, or in part, at any time prior to the date of expiration. The District must promptly notify CMS in writing of the reason(s) for the suspension or termination, together with the effective date. In the event the District elects to phase out the Demonstration, the District must submit a phase-out plan to CMS at least 6 months prior to initiating phase-out activities. Nothing herein shall be construed as preventing the District from submitting a phase-out plan with an implementation deadline shorter than 6 months when such action is necessitated by emergent circumstances. The phase-out plan is subject to CMS approval. If the project is terminated or any relevant waivers suspended by the District, FFP shall be limited to normal closeout costs associated with terminating the Demonstration including services and administrative costs of disenrolling participants.
10. **Enrollment Limitation During Demonstration Phase-Out.** If the District elects to suspend, terminate, or not renew this Demonstration as described in paragraph 9, the District may not enroll any new individuals under the demonstration during the last 6 months of operation. Enrollment may be suspended if CMS notifies the District in writing that the waiver will not be renewed.
11. **CMS Right to Terminate or Suspend.** CMS may suspend or terminate the Demonstration in whole, or in part, at any time before the date of expiration, whenever it determines, following a hearing that the District has materially failed to comply with the terms of the project. CMS shall promptly notify the District in writing of the determination and the reasons for the suspension or termination, together with the effective date.
12. **Finding of Non-Compliance.** The District does not relinquish its rights to challenge CMS' finding that the District materially failed to comply.
13. **Withdrawal of Waiver Authority.** CMS reserves the right to withdraw waivers or expenditure authorities at any time it determines that continuing the waivers or expenditure authorities would no longer be in the public interest or promote the objectives of title XIX. CMS shall promptly notify the District in writing of the determination and the reasons for the withdrawal, together with the effective date, and shall afford the District an opportunity to request a hearing to challenge CMS' determination prior to the effective date. If a waiver or expenditure authority is withdrawn, FFP is limited to normal closeout costs associated with terminating the waiver or expenditure authority, including services and administrative costs of disenrolling participants.
14. **Adequacy of Infrastructure.** The District must ensure the availability of adequate resources for implementation and monitoring of the Demonstration, including education, outreach, and enrollment; maintaining eligibility systems; and reporting on financial and other Demonstration components. The District must have a Medicaid Management Information System (MMIS) in place that will allow for accurate claims adjudication and the accurate reporting of expenditures under the established budget neutrality agreement.

15. **Public Notice and Consultation with Interested Parties.** The District must comply with the State Notice Procedures set forth in 59 Federal Register 49249 (September 27, 1994) when any program changes to the Demonstration, including, but not limited to, those referenced in paragraph 6, are proposed by the District.
16. **FFP.** No Federal matching funds for expenditures for this Demonstration will take effect until the effective date identified in the Demonstration approval letter.

IV. ELIGIBILITY, BENEFITS, AND ENROLLMENT

17. **Eligibility.** The individuals described below who are made eligible for the Demonstration by virtue of the expenditure authorities expressly granted in this Demonstration are subject to Medicaid laws or regulations only as specified in the expenditure authorities for this Demonstration.

To be eligible under this demonstration, an applicant must:

- Be a U.S. citizen;
 - Have gross income at or below the medically needy limit or 50 percent of the FPL, whichever is higher;
 - Have resources less than \$2,600;
 - Be ineligible for title XIX and/or title XXI, including “spend-down” Medicaid; and
 - Not reside in long-term care, mental health or penal institutions.
18. **Benefits.** Enrollees in the demonstration receive full Medicaid benefits as identified in the State plan for the Medical Assistance Program (the Medicaid State plan). Attachment A provides an overview of the services in the Medicaid State plan.
 19. **Enrollment Procedures.** Unlike applicants for Medical Assistance under the District’s Medicaid State plan, applicants under the Demonstration are not required to apply in-person at Income Maintenance Administration offices, but may submit an application by mail. Applicants are screened for eligibility for Medicaid before they are enrolled in the Demonstration. For annual redeterminations of eligibility under the Demonstration, an enrollee must affirmatively confirm that the information previously reported to the State is still accurate.
 20. **Enrollment Cap.** The enrollment cap for the Demonstration is set in such a way that the Demonstration’s annual budget neutrality expenditure limit is not exceeded. The process to determine closing enrollment is based on the financial cap of \$12,857,142. Using the monthly estimated cost of serving such individuals and dividing that into the financial cap, enrollment is generally limited each month to the number of individuals who can be supported by demonstration funds. Enrollment and expenditures are monitored monthly, and the District may close enrollment in the Demonstration if projections indicate that the expenditure cap will be exceeded.

V. DELIVERY SYSTEMS

21. **Service Delivery.** Services for the Demonstration are provided using the same managed care delivery system that is used for Medicaid-eligible individuals in the District. Enrollees will be permitted to choose among participating managed care organizations (MCOs), and may be auto-assigned if a selection is not made by the enrollee.
22. **Contracts.** Procurement and the subsequent final contracts developed to implement selective contracting by the District with any provider group shall be subject to CMS approval prior to implementation. Existing contracts with Federally Qualified Health Centers (FQHC) shall continue in force.

Payments under contracts with public agencies, not competitively bid in a process involving multiple bidders, shall not exceed the documented costs incurred in furnishing covered services to eligible individuals (or a reasonable estimate with an adjustment factor no greater than the annual change in the consumer price index).

VI. GENERAL REPORTING REQUIREMENTS

23. **General Financial Requirements.** The District must comply with all general financial requirements under title XIX set forth in Section VII.
24. **Managed Care Reporting Requirements.** The District must comply with all managed care reporting regulations at 42 CFR 438.
25. **Reporting Requirements Related to Budget Neutrality.** The District must comply with all reporting requirements for monitoring budget neutrality set forth in Section VIII.
26. **Monthly Enrollment Report.** The District must report demonstration enrollment figures to CMS within 15 days of the end of each month.
27. **Quarterly Calls.** CMS will schedule quarterly conference calls with the District. The purpose of these calls is to discuss any significant actual or anticipated developments affecting the Demonstration. Areas to be addressed include, but are not limited to, health care delivery, enrollment, cost sharing, quality of care, access, the benefit package, audits, lawsuits, financial reporting and budget neutrality issues, progress on evaluations, legislative developments, and any Demonstration amendments the District is considering submitting. CMS shall update the District on any amendments or concept papers under review, as well as Federal policies and issues that may affect any aspect of the Demonstration. The District and CMS shall jointly develop the agenda for the calls.
28. **Quarterly Operational Reports.** The District must submit progress reports in the format and with the content specified in Attachment B no later than 60 days following the end of each Federal fiscal year quarter as specified below. The intent of these reports is to present the current status of the Demonstration. The content and/or format of these reports will be specified by the Project Officer, in consultation with the District.

The quarterly report for the quarter ending December 31 is due **February 28**;
 The quarterly report for the quarter ending March 31 is due **May 31**;
 The quarterly report for the quarter ending June 30 is due **August 31**; and
 The quarterly report for the quarter ending September 30 is due **November 30**.

29. **Annual Report.** The District must submit a draft annual report documenting accomplishments, project status, quantitative and case study findings, interim evaluation findings, utilization data, progress on implementing cost containment initiatives (if relevant), policy and administrative difficulties in the operation of the Demonstration, and systems and reporting issues. The District must submit the draft annual report no later than February 1st of each year. Within 30 days of receipt of comments from CMS, a final annual report must be submitted.

VII. GENERAL FINANCIAL REQUIREMENTS

30. **Quarterly Expenditure Reports.** The District must provide quarterly expenditure reports using Form CMS-64 to separately report total expenditures for services provided through this Demonstration under section 1115 authority. This project is approved for expenditures applicable to services rendered during the Demonstration period. CMS shall provide FFP for allowable Demonstration expenditures only as long as they do not exceed the pre-defined limits on the costs incurred as specified in Section VIII.
31. **Reporting Expenditures Subject to the Budget Neutrality Agreement.** The following describes the reporting of expenditures subject to the budget neutrality agreement:
- a) In order to track expenditures under this Demonstration, the District must report demonstration expenditures through the Medicaid and Children's Health Insurance Program Budget and Expenditure System (MBES/CBES), following routine CMS-64 reporting instructions outlined in section 2500 of the State Medicaid Manual. All Demonstration expenditures claimed under the authority of title XIX of the Act must be reported each quarter on separate Forms CMS-64.9 Waiver and/or 64.9P Waiver, identified by the Demonstration project number assigned by CMS (including the project number extension, which indicates the Demonstration Year (DY) in which services were rendered or for which capitation payments were made).
 - b) To ensure that reporting under the Demonstration will be consistent for the life of the Demonstration, and consistent with the amendment approved in 2004 to synchronize the DY with the Federal fiscal year (FFY), the DYs are identified as follows:

i. Demonstration Year 1(8 months)	02/1/03 - 9/30/03
ii. Demonstration Year 2	10/1/03 – 9/30/04
iii. Demonstration Year 3	10/1/04 – 9/30/05
iv. Demonstration Year 4	10/1/05 – 9/30/06
v. Demonstration Year 5	10/1/06 – 9/30/07
vi. Demonstration Year 6	10/1/07 – 9/30/08

vii. Demonstration Year 7	10/1/08 – 9/30/2009
viii. Demonstration Year 8	10/1/09 – 9/30/2010
ix. Demonstration Year 9	10/1/10 – 9/30/2011

- c) For monitoring purposes, cost settlements related to the Demonstration must be recorded on Line 10.b, in lieu of Lines 9 or 10.C. For any other cost settlements (i.e., those not attributable to this Demonstration), the adjustments should be reported on lines 9 or 10.C, as instructed in the State Medicaid Manual.
- d) The term, “expenditures subject to the budget neutrality agreement” will include all DSH expenditures for FFYs that correspond with or overlap DYs and all expenditures for the demonstration population. (This means that all DSH expenditures for FFYs 2003 and 2011 are considered expenditures subject to the budget neutrality agreement.) All expenditures that are subject to the budget neutrality agreement are considered demonstration expenditures and shall be reported on forms CMS-64.9 Waiver and/or 64.9P Waiver as specified in subparagraph (e) below.
- e) For each DY, two separate waiver Forms CMS-64.9 Waiver and/or 64.9P Waiver must be completed, using the waiver name in italics below, to report the following expenditures under the Demonstration:
- i. *“Childless Adults”* – expenditures for services rendered to the demonstration population (childless adults whose income is at or below 50 percent of the FPL);
 - ii. *“Residual DSH”* – all DSH allotment expenditures that are not expenditures for the demonstration population.

32. **Administrative Costs.** Administrative costs will not be included in the budget neutrality expenditure limit, but the District must separately track and report additional administrative costs that are directly attributable to the Demonstration. All such administrative costs will be identified on the Forms CMS-64.10 Waiver and/or 64.10P Waiver, using waiver name “Childless Adults.”

33. **Claiming Period.** All claims for expenditures subject to the budget neutrality expenditure limit (including any cost settlements) must be made within 2 years after the calendar quarter in which the District made the expenditures. Furthermore, all claims for services during the demonstration period (including any cost settlements) must be made within 2 years after the conclusion or termination of the Demonstration. During the latter 2-year period, the District must continue to identify separately net expenditures related to dates of service during the operation of the section 1115 Demonstration on the CMS-64 waiver forms in order to properly account for these expenditures in determining budget neutrality.

34. **Corrective Action and Repayment.** Recent review of the District’s CMS-64 submissions has indicated that Demonstration expenditures were not reported consistently from the beginning of the demonstration in 2003. This situation requires

continued attention to ensure the accuracy and integrity of demonstration expenditures and compliance with the budget neutrality agreement.

- a) Prior period adjustments are required in order to have financial reporting for the first 5 years of the Demonstration consistent with those for this demonstration approval period, as specified in paragraph 33. The District must submit a corrective action plan outlining the timeframes for completing the actions specified below within 30 days from the approval date of the demonstration extension.
- b) Once CMS approves the District's corrective action plan, the District must make the following adjustments to its CMS-64 reports no later than July 31, 2008, to ensure that their quarterly expenditure reports are accurate and in line with current requirements as follows:
 - i. Prior period adjustments must be made for DYs 1 and 2 so that the only expenditures reported on waiver form "Childless Adults" are those attributable to services rendered to the demonstration population.
 - ii. Prior period adjustments must be made for DYs 1 through 5 so that all expenditures made using the District's DSH allotment that are not expenditures for the demonstration population expenditures are reported on waiver form "Residual DSH."
- c) Should the District fail to meet the July 31, 2008, deadline, the authority for the Demonstration will be rescinded and FFP will be withheld beginning on October 1, 2008. In addition, the District must begin phase-out activities, consistent with Section III, paragraph 9.
- d) Should the reporting reconciliation resulting from the corrective action plan reveal that either the District's DSH allotment has been exceeded and/or the budget neutrality agreement has been violated, the District agrees to repay (without deferral or disallowance) the Federal share of the amount by which the DSH allotment and/or the budget neutrality agreement has been exceeded.

35. **Standard Medicaid Funding Process.** The standard Medicaid funding process shall be used during the Demonstration. The District must estimate matchable Medicaid expenditures on the quarterly form CMS-37. In addition, the estimate of matchable Demonstration expenditures (total computable and Federal share) subject to the budget neutrality agreement must be separately reported by quarter for each FFY on the form CMS-37.12 for both the medical assistance program and administrative costs. CMS shall make Federal funds available based upon the District's estimate, as approved by CMS. Within 30 days after the end of each quarter, the District must submit the form CMS-64 quarterly Medicaid expenditure report, showing Medicaid expenditures made in the quarter just ended. CMS shall reconcile expenditures reported on the form CMS-64 with Federal funding previously made available to the District, and include the reconciling

adjustment in the finalization of the grant award to the District.

36. Extent of FFP for the Demonstration. Subject to CMS approval of the source(s) of the non-Federal share of funding, CMS shall provide FFP at the applicable Federal matching rates for the Demonstration as a whole as outlined below, subject to the limits described in Section VIII:

- a) Administrative costs, including those associated with the administration of the Demonstration;
- b) Net expenditures and prior period adjustments, made under approved Expenditure Authorities granted through section 1115(a)(2) of the Act for childless adults, with dates of service during the operation of the Demonstration; and
- c) All expenditures made using the District's DSH allotment that are not expenditures for the demonstration population.

37. Sources of Non-Federal Share. The District certifies that the matching non-Federal share of funds for the Demonstration is District/local monies. The District further certifies that such funds shall not be used as the match for any other Federal grant or contract, except as permitted by law. All sources of non-Federal funding must be compliant with section 1903(w) of the Act and applicable regulations. In addition, all sources of the non-Federal share of funding are subject to CMS approval.

- a) CMS may review the sources of the non-Federal share of funding for the Demonstration at any time. The District agrees that all funding sources deemed unacceptable by CMS shall be addressed within the time frames set by CMS.
- b) Any amendments that impact the financial status of the program shall require the District to provide information to CMS regarding all sources of the non-Federal share of funding.
- c) Under all circumstances, health care providers must retain 100 percent of the reimbursement amounts claimed by the State as demonstration expenditures. Moreover, no pre-arranged agreements (contractual or otherwise) may exist between the health care providers and the District government to return and/or redirect any portion of the Medicaid payments. This confirmation of Medicaid payment retention is made with the understanding that payments that are the normal operating expenses of conducting business (such as payments related to taxes—including health care provider-related taxes—fees, and business relationships with governments that are unrelated to Medicaid and in which there is no connection to Medicaid payments) are not considered returning and/or redirecting a Medicaid payment.

38. Monitoring the Demonstration. The District will provide CMS with information to effectively monitor the Demonstration, upon request, in a reasonable time frame.

VIII. MONITORING BUDGET NEUTRALITY

39. **Limit on Federal Title XIX funding.** The District will be subject to a limit on the amount of Federal title XIX funding that the District may receive for expenditures subject to the budget neutrality agreement during the demonstration approval period. The District agrees to spend no more than \$12,874,142 of its annual DSH allotment on expenditures for the demonstration population. The remainder of its annual DSH allotment (or residual) shall be spent in accordance with Federal statute and the District's Medicaid State plan.
40. **Risk.** The District shall be at risk for both the number of enrollees in the Demonstration as well as the per capita cost for demonstration eligibles under this budget neutrality agreement.
41. **Budget Neutrality Expenditure Limit.** The following describes the method for calculating the budget neutrality agreement for the Demonstration:
- a) For each DY, the District may receive FFP for no more than \$12,874,142 in total computable health care expenditures for the demonstration population (childless adults with incomes at or below 50 percent of the FPL), as reported under paragraph 33(e)(i). If a DY consists of less than a complete FFY, the \$12,874,142 limit will be pro-rated based on the number of months in the DY relative to 12 months.
 - b) The amount of FFP for the demonstration population will be added to FFP for expenditures made using the District's DSH allotment that are not expenditures for the demonstration population for each FFY.
 - c) The combined amount of FFP received by the District in each FFY on expenditures for the demonstration population and DSH may not exceed the allowable aggregate DSH allotment for the District under the Federal statute (calculated with the Federal and District shares). The District must continue to comply with the hospital-specific limits as provided in Omnibus Budget Reconciliation Act of 1993 for DSH payments under the plan; for purposes of these hospital-specific limits, individuals eligible only under the Demonstration shall be considered "eligible for medical assistance under the District plan."
42. **Enforcement of Budget Neutrality.** CMS will enforce budget neutrality on an *annual* basis. If the District exceeds the annual budget neutrality expenditure limit in any given DY, the District must submit a corrective action plan to CMS for approval and will repay (without deferral or disallowance) the Federal share of the amount by which the budget neutrality agreement has been exceeded.
43. **Impermissible DSH, Taxes or Donations.** The CMS reserves the right to adjust the budget neutrality expenditure limit in order to be consistent with enforcement of impermissible provider payments, health care related taxes, new Federal statutes, or with policy interpretations implemented through letters, memoranda, or regulations. CMS

reserves the right to make adjustments to the budget neutrality expenditure limit if any health care related tax that was in effect during the base year, or provider-related donation that occurred during the base year, is determined by CMS to be in violation of the provider donation and health care related tax provisions of section 1903(w) of the Act. Adjustments to the budget neutrality agreement will reflect the phase-out of impermissible provider payments by law or regulation, where applicable.

IX. EVALUATION OF THE DEMONSTRATION

44. **Submission of Draft Evaluation Design.** The District must submit to CMS for approval a draft evaluation design for an overall evaluation of the Demonstration no later than October 1, 2008. At a minimum, the draft design must include a discussion of the goals of the Demonstration, as well as the specific hypotheses that are being tested. The draft design must discuss the outcome measures that will be used in evaluating the impact of the Demonstration during the period of approval. It shall discuss the data sources and sampling methodology for assessing these outcomes. The draft evaluation design must include a detailed analysis plan that describes how the effects of the Demonstration must be isolated from other initiatives occurring in the District. The draft design must identify whether the District will conduct the evaluation, or select an outside contractor for the evaluation.
45. **Interim Evaluation Reports.** In the event the District requests to extend the Demonstration beyond the current approval period, the District must submit an interim evaluation report as part of the District's request for each subsequent renewal.
46. **Final Evaluation Design and Implementation.** CMS must provide comments on the draft evaluation design within 60 days of receipt, and the District shall submit a final design within 60 days after receipt of CMS's comments. The District must implement the evaluation design and submit its progress in each of the quarterly and annual progress reports.
47. **Final Evaluation Report.** The District must submit to CMS a draft of the evaluation report within 120 days after expiration of the Demonstration. CMS must provide comments within 60 days after receipt of the report. The District must submit the final evaluation report within 60 days after receipt of CMS' comments.
48. **Cooperation with Federal Evaluators.** Should CMS undertake an independent evaluation of any component of the Demonstration, the District shall cooperate fully with CMS or the independent evaluator selected by CMS. The District shall submit the required data to CMS or the contractor.

X. SCHEDULE OF DELIVERABLES FOR THE DEMONSTRATION EXTENSION PERIOD

Date - Specific	Deliverable	STC Reference
10/1/2008	Submit Draft Evaluation Design	Section IX, paragraph 44
3/1/2011	Submit Demonstration Extension Application	Section III, paragraph 8
3/1/2011	Submit Interim Evaluation Report	Section IX, paragraph 45

	Deliverable	STC Reference
Annual	By February 1 st - Draft Annual Report	Section VI, paragraph 29
Quarterly		
	Quarterly Operational Reports	Section VI, paragraph 28
	Quarterly Expenditure Reports	Section VII, paragraph 30

**ATTACMENT A
DEMONSTRATION BENEFITS**

The following table is an overview of the services provided by this Demonstration. All services below, with the exception of family planning services, have limitations.

Inpatient hospital services
Outpatient hospital services
Federally qualified health center (FQHC) services and other ambulatory services that are covered under the plan and furnished by an FQHC in accordance with section 4231 of the State Medicaid Manual.
Laboratory and X-ray services
Home health services
Family planning services and supplies
Physicians services including nurse practitioners and nurse midwife services
Dental services
Physical and occupational therapy
Speech, hearing, and language therapy
Prescription drugs, over-the-counter drugs, and medical supplies
Durable medical equipment, including prosthetic and orthotic devices, hearing aids, and prescription shoes
Vision care services, including eyeglasses
Podiatrists' services
Optometrists' services
Nursing facility services
Personal care services
Case management services
Hospice care services
TB-related services
Inpatient and outpatient behavioral health services (mental health and chemical dependence services)
Emergency medical services, including emergency transportation
Renal dialysis
Non-emergency transportation
Experimental or investigational treatment (covered on a case-by-case basis)

**ATTACHMENT B
QUARTERLY REPORT FORMAT AND CONTENT**

Under Section VI, paragraph 30, the District is required to submit quarterly progress reports to CMS. The purpose of the quarterly report is to inform CMS of significant demonstration activity from the time of approval through completion of the Demonstration. The reports are due to CMS 60 days after the end of each quarter.

The following report guidelines are intended as a framework and can be modified when agreed upon by CMS and the District. A complete quarterly progress report must include an updated budget neutrality monitoring workbook.

NARRATIVE REPORT FORMAT:

Title Line One – DC 1115 for Childless Adults Demonstration

Title Line Two - Section 1115 Quarterly Report

Demonstration/Quarter Reporting Period:

Example:

Demonstration Year: 6 (4/1/2008 – 6/30/2008)

Federal Fiscal Quarter: 3/2008 (4/1/08 - 6/30/08)

Introduction

Information describing the goal of the Demonstration, what it does, and key dates of approval/operation. (This should be the same for each report.)

Enrollment Information

Please complete the following table that outlines all enrollment activity under the Demonstration. The District should indicate “N/A” where appropriate. If there was no activity under a particular enrollment category, the District should indicate that by “0”.

Enrollment Count

Note: Enrollment counts should be person counts, not member months.

Demonstration Populations (as hard coded in the CMS 64)	Current Enrollees (to date)	Disenrolled in Current Quarter
Childless Adults		

Member Month Reporting

Enter the member months for the quarter.

Eligibility Group	Month 1	Month 2	Month 3	Total for Quarter Ending XX/XX
Childless adults				

Outreach/Innovative Activities:

Summarize outreach activities and/or promising practices for the current quarter.

Operational/Policy Developments/Issues:

Identify all significant program developments/issues/problems that have occurred in the current quarter, including, but not limited to, approval and contracting with new plans, benefit changes, and legislative activity.

Financial/Budget Neutrality Developments/Issues:

Identify all significant developments/issues/problems with financial accounting, budget neutrality, and CMS-64 reporting for the current quarter. Identify the District's actions to address these issues. Specifically, provide an update on the progress of implementing the corrective action plan.

Consumer Issues:

A summary of the types of complaints or problems consumers identified about the program in the current quarter. Include any trends discovered, the resolution of complaints, and any actions taken or to be taken to prevent other occurrences.

Quality Assurance/Monitoring Activity:

Identify any quality assurance/monitoring activity in current quarter.

Demonstration Evaluation:

Discuss progress of evaluation design and planning.

Enclosures/Attachments:

Identify by title any attachments along with a brief description of what information the document contains.

State Contact(s):

Identify individuals by name, title, phone, fax, and address that CMS may contact should any

questions arise.

Date Submitted to CMS: