

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



December 29, 2020

Jacey Cooper
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
1501 Capitol Avenue, 6th Floor, MS 0000
Sacramento, California 95814

Dear Ms. Cooper:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved a temporary extension of the state's section 1115 demonstration, entitled "Medi-Cal 2020" (Project Number 11-W-00193/9), in order to allow the state and CMS to continue working together on approval of a longer term extension of this demonstration. Absent a new extension, this demonstration will now expire on December 31, 2021.

This letter also serves as an amendment to the demonstration to remove the authority for the State's Designated State Health Programs (DSHP). Consistent with the State Medicaid Director Letter #17-005, CMS will sunset the state's approved DSHP effective December 31, 2020. The Expenditure Authority for DSHP will expire on December 31, 2020, as will special term and condition (STC) 34 and the associated attachments. Consistent with the effective date of the sunset provision under this amendment, expenditures not obligated in the current demonstration period up to December 31, 2020 from the state's approved DSHP funding during the previous 5 demonstration years will not be available for roll over into the temporary extension period. CMS will continue to work with the state on the other aspects within the state's extension request, including but not limited to the transition of pharmacy benefits from managed care to fee-for-service (FFS), the Global Payment Program (GPP) and Whole Person Care (WPC) updates, along with other authorities, during the temporary extension period.

CMS' approval is conditioned upon the state's continued compliance with the STCs defining the nature, character, and extent of anticipated federal involvement in the project. With the exception of STC 34 and associated attachments, the current STCs, waivers, and expenditure authorities will continue to apply during the temporary extension of this demonstration, as well as the state's current budget neutrality agreement and per member per month (PMPMs) as listed in STC 197, until December 31, 2021. As indicated in the CMS State Medicaid Director Letter (SMDL) #18-009, dated August 22, 2018, CMS expects to rebase the demonstrations that are approved for an extension with an approval period beginning on or after January 1, 2021. California will rebase its existing budget neutrality agreement as well as determine the amount of

carry-over savings, effective the date the state's extension is approved. CMS will not allow the state to earn budget neutrality savings during this one-year temporary extension period.

For the temporary extension period, the state should continue to monitor its demonstration as stipulated in the current STCs. In addition, for the Drug Medi-Cal Organized Delivery System (DMC-ODS) substance use disorder (SUD) component of its demonstration, the state will be required to adopt CMS's monitoring and evaluation guidance if the state receives a full extension period after this temporary extension period. Further, the state will be expected to include the temporary extension period in its scope of demonstration evaluations. The state may include this temporary extension period within its evaluation for the current approval period. Alternatively, if the state receives a full extension from CMS, the state may include this temporary extension period in the evaluation design and activities of the next full demonstration approval period. The state will submit to CMS a summative evaluation report in accordance with the approved evaluation designs. The summative evaluation report will cover the full period of performance from December 30, 2015 through December 31, 2020 (and the temporary extension period, if the state chooses), and encompassing all demonstration components. In the event that the state does not obtain an extension, the state should include the temporary extension period in its summative evaluation report.

Your CMS project officer for this demonstration is Julian Taylor. He is available to answer any questions concerning your section 1115 demonstration. Mr. Taylor's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop: S2-25-26
7500 Security Boulevard
Baltimore, MD 21244-1850
Email: Julian.Taylor@cms.hhs.gov

If you have questions regarding this approval, please contact Ms. Teresa DeCaro, Acting Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at (410) 786-9686.

Sincerely,

A black rectangular redaction box covering the signature of Anne Marie Costello.

Anne Marie Costello
Acting Deputy Administrator and Director

cc: Cheryl Young, State Monitoring Lead, Medicaid and CHIP Operations Group