California Bridge to Reform Waiver – Proposed Amendment to STC 115

California is proposing to amend STC 115. As currently written, STC 115 could trigger a temporary reduction in available FFP due to enrollment levels in a single EG falling more than 10% below original projections. We believe it would be more appropriate to make any adjustments to available FFP only if actual total expenditures incurred in the 3 main eligibility groups indicate that California is not on target to stay within the overall budget neutrality limit. As written, STC 115 could trigger the FFP reduction even in a scenario where California is able to clearly demonstrate that overall budget neutrality is still being maintained. While any such FFP reduction would be temporary and would eventually be restored, it would cause significant disruption for the state and the public hospitals receiving the SNCP funding.

115. **Enforcement of Budget Neutrality.** CMS shall enforce the budget neutrality agreement over the life of the Demonstration as adjusted November 1, 2010, rather than on an annual basis. However, expenditure authorities in the Safety Net Care pool will be reduced in DY 8 through 10 if California is unable to achieve savings associated with the State plan EG included in the Demonstration as described below:

a. By July 15, 2012 California must submit to CMS an analysis of enrollment in the Families, Existing SPD, and Mandatory SPD EGs and per member per month expenditures. If total expenditures exceed final expenditure projections for the 12 months of DY 7 as determined in the final budget neutrality projections in Attachment K by more than 10% for the period ending June 30, 2012, SNCP authority for expenditures DSHP or DSRIP will be reduced by $350 million dollars (Total Computable) in DY 8 (July 1, 2012 - June 30, 2013) with respect to the categories described in paragraph b.ii., and b.iii.

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b. By January 15, 2013 California must submit to CMS an analysis of enrollment in the Families, Existing SPD, and Mandatory SPD EGs and per member per month expenditures. If total expenditures for the first 6 months of DY 8 exceed final expenditure projections as determined in the final budget neutrality projections in Attachment K by more than 10% for the period ending December 31, 2012, SNCP authority for expenditures for DSHP or DSRIP will be reduced by $350 million dollars (Total Computable) in DY 9 (July 1, 2013 - June 30, 2014) with respect to the categories described below in paragraph b.ii., and b. iii.

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i. California must provide a savings analysis associated with State plan EGs by July 31, 2012. If in the aggregate after analyzing each State plan EG, the aggregate PMPM savings falls below projections by more than 10 % as measured by actual expenditures through July 1, 2012, CA must submit a corrective action plan by November 1, 2012 reducing expenditures in the SNCP for DY 9 (July 1, 2013 - June 30, 2014) and DY 10 (July 1, 2014 - October 31, 2015) to ensure budget neutrality by the end of the Demonstration. The corrective action plan must reduce spending in the SNCP with reductions in categorical spending in the programs described below and should include any reductions in SNCP spending associated with clauses a and b above.

ii. Designated State Health Programs (DSHP)

iii. Delivery System Reform Incentive Pool (DSRIP)

c. If California must submit a corrective action plan, CMS will monitor budget savings on July 1, 2013, January 1, 2014, July 1, 2014 and January 1, 2015 to ensure that the Demonstration will be budget neutral by the end of DY 10. If the Demonstration spending as amended by the corrective action plan is not projected to be budget neutral, CA must further limit SNCP spending in DY 9 and DY 10 by August 1, 2013 and August 1, 2014

d. If actual enrollment and expenditures for EG in DY 8 or 9 produces savings that demonstrate that California is within 5% of their projected budget neutrality savings, California may submit an amendment seeking to restore SNCP spending authority as long as the amendment demonstrates that the State will be budget neutral by the end of DY 10.