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**
**Children and Adults Health Programs Group**

JUL 30 2012

William P. Heller
Director, Child Health Plan *Plus*
Department of Health Care Policy & Financing
1570 Grant Street
Denver, CO 80203-1818

Dear Mr. Heller:

We are approving your request to amend and renew Colorado's title XXI section 1115 demonstration project No. 21-W-00014/8 entitled, "Adult Prenatal Coverage in *CHP+* and the *CHP+ at Work* Premium Assistance Program," in accordance with section 1115(a) of the Social Security Act (the Act).

As part of this amendment, Colorado has expanded the income eligibility level under the demonstration from 200 percent of the Federal poverty level (FPL) through 250 percent of the FPL for uninsured pregnant women, and children that voluntarily receive premium assistance through employer sponsored insurance. The approval for this income expansion and renewal for pregnant women and children is effective as of the date of this letter and will expire as specified below on January 1, 2013 when these demonstration populations are transitioned to the Medicaid and CHIP state plans. However, the authority under this demonstration for Colorado to continue to receive title XXI funds for pregnant women with income above 133 percent of the FPL through 185 percent of the FPL, who will be covered under the Medicaid state plan as of January 1, 2013, will be effective from August 1, 2012 until July 31, 2015.

Under the Special Terms and Conditions (STCs) applicable to this Demonstration, Colorado will submit Medicaid and CHIP State plan amendments to provide for coverage of pregnant women under the Medicaid and CHIP State plans effective January 1, 2013. Specifically, the State must provide services under the Medicaid State plan to pregnant women through 185 percent of the FPL, and services under the CHIP State plan to uninsured pregnant women above 185 percent of the FPL through 250 percent of the FPL. The State has also elected to terminate its premium assistance program on January 1, 2013, and, as a result, children enrolled in premium assistance will be enrolled in direct coverage through the CHIP state plan. As specified in STC#17, on or before September 1, 2012, the State is required to submit proposed transition plan for CMS review that outlines how the State will transition pregnant women and children from the section 1115 demonstration to the Medicaid and CHIP state plans.

All requirements of the CHIP program, expressed in law, regulation, and policy statement, and that are not expressly identified as not applicable in this letter shall apply to this Demonstration. In addition, the authorities contained in this Demonstration are limited by the STCs that accompany this letter. Federal funding for this demonstration is limited to, and will be deducted from, Colorado's available title XXI allotments under section 2104 of the Act.

The enclosed STCs and the following list of expenditure authorities supersede all previously granted authorities and STCs. Both the expenditure authorities granted and the STCs will remain in effect from the date of this approval letter until January 1, 2013 for Demonstration Populations 1b and 2 below. The expenditure authorities and the STCs for Demonstration Population 1a below will remain in effect from August 1, 2012 until July 31, 2015. We have enclosed a complete copy of the revised STCs that define the nature, character, and extent of anticipated Federal involvement in the project. This approval is subject to our receiving your written acceptance of the award, including the STCs, within 30 days of the date of this letter.

**Title XXI Expenditure Authorities**

Under the authority of section 1115(a)(2) of the Act as incorporated into title XXI by section 2107(e)(2)(A) of the Act, State expenditures for the provision and administration of child health assistance to the demonstration populations described below (which would not otherwise be included as matchable expenditures under title XXI), shall for the period of this project and to the extent of the State's available allotment under section 2104 of the Act, be regarded as matchable expenditures under the State's title XXI plan. All requirements of the title XXI statute will be applicable to such expenditures, except as specified below as not applicable to these expenditure authorities.

a. **"Demonstration Population 1a":** Uninsured pregnant women with family income above 133 percent of the FPL through 185 percent of the FPL, who are otherwise ineligible for Medicare, or Medicaid (prior to January 1, 2013), and are eligible for Medicaid after January 1, 2013.

b. **"Demonstration Population 1b":** Until January 1, 2013, uninsured pregnant women with family income above 185 percent of the FPL up to and including 250 percent of the FPL, who are otherwise ineligible for Medicare, or Medicaid.

c. **"Demonstration Population 2":** Until January 1, 2013, children with family income up to and including 250 percent of the FPL, who are not eligible for Medicaid, but who are eligible for CHIP, and who elect to receive premium assistance for the employee share of the cost of employer sponsored insurance (based on the employment of a parent) instead of CHIP benefits. These children receive mandatory wrap around benefits (well-baby well-child visits and immunizations) from the State when not provided by the employer.

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

All CHIP requirements apply, except the following requirements that are not applicable:

1. **Minimum Income Standard for Pregnant Women in CHIP** — **Section 2112(b)(2)**

To permit the State to have income levels for eligibility for Demonstration Population 1a that are lower than applicable Medicaid levels, to the extent necessary to provide for coverage under title XXI of the Medicaid benefit package for pregnant women with incomes above 133 percent of the FPL and through 185 percent of the Federal poverty level (effective January 1, 2013).

2. **CHIP Secondary Payer to Medicaid** — **Section 2105(c)(6)(B)**

To permit the State to make payment under title XXI primary to payment under Medicaid for Demonstration Population 1a, to the extent necessary to provide for coverage under title XXI of the Medicaid benefit package for pregnant women with incomes above 133 percent of the Federal poverty level and through 185 percent of the Federal Poverty Level (effective January 1, 2013).

3. **Cost Sharing** — **Section 2103(e)**

Rules governing cost sharing under section 2103(e) of the Act shall not apply to the Demonstration Population 2 to the extent necessary to enable the State to impose cost sharing in private or employer-sponsored insurance plans.

4. **Cost Sharing Exemption for American Indian/Alaskan Native (AI/AN) Children** — **Section 2102(b)(3)(D) and 42 CFR§457.535**

To the extent necessary to permit the State to impose cost sharing on AI/AN children who are part of Demonstration Population 2 and who elect to enroll in the premium assistance program.

5. **Benefit Package Requirements** — **Section 2103**

To permit the State to offer a benefit package that does not meet the requirements of section 2103 at 42 CFR 457.410(b)(1) for Demonstration Population 2.

Your title XXI Technical Director is Ms. Stacey Green. She is available to answer questions concerning this demonstration project and may be contacted as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid, CHIP and Survey & Certification
7500 Security Boulevard, S2-01-16
Baltimore, MD 21244-1850
Telephone: (410) 786-6102
Facsimile: (410) 786-5882

E-mail: stacey.green@cms.hhs.gov

Official communication regarding program matters should be sent simultaneously to Ms. Green and to Mr. Richard Allen, Associate Regional Administrator in our Denver Regional Office. Mr. Allen's address is as follows:

Centers for Medicare & Medicaid Services
Division of Medicaid and Children's Health
Colorado State Bank Building
1600 Broadway, Suite 700
Denver, Colorado 80202-4367

If you have additional questions or concerns regarding CMS oversight of this demonstration, please contact Ms. Victoria Wachino, Director, Family and Children's Health Programs Group, Center for Medicaid, CHIP and Survey & Certification at (410) 786-5647.

Sincerely,

[redacted]

Cindy Mann
Director

Enclosures

cc: Richard Allen, Associate Regional Administrator, CMS Denver Region VIII Office

**CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)**
**SPECIAL TERMS AND CONDITIONS (STCs)**

**NUMBER:** 21-W-00014/8

**TITLE:** Colorado Adult Prenatal Coverage in *CHP+* and the *CHP+ at Work* Premium Assistance Program

**AWARDEE:** Colorado Department of Health Care Policy and Financing

**TABLE OF CONTENTS**

Amendment requests, correspondence, documents, reports, and other materials that are submitted for review or approval shall be directed to the CMS Central Office Technical Director and the Associate Regional Administrator at the addresses shown on the award letter.

## II. PROGRAM HISTORY

| | |
|---|---|
| **Initial Demonstration Application Submitted:** | May 24, 2002 |
| **Demonstration Approved:** | September 27, 2002 |
| **Implementation Date:** | October 8, 2002 |
| **Renewal Period:** | Through September 30 2006 |
| | |
| **Amendment #1 Submitted:** | July 1, 2005 |
| **Amendment #1 Approved:** | January 24, 2006 |
| **Amendment #1 Implementation Date:** | January 24, 2006 |
| | |
| **First Renewal Submitted:** | February 27, 2006 |
| **First Renewal Approved:** | September 29, 2006 |
| **First Renewal Implementation Date:** | October 1, 2006 |
| **Renewal Period:** | Through September 30, 2009 |
| | |
| **Extensions:** | From October 1, 2009 – June of 2012 |
| **Renewal Period:** | August 1, 2012 through July 31, 2015 |

## III. BACKGROUND AND OBJECTIVES

*Pregnant Women*

On September 27, 2002, CMS initially approved Colorado's "Adult Prenatal Coverage in CHP+" demonstration for a four-year period through September 30, 2006, permitting the State to use title XXI funds to expand coverage to uninsured pregnant women with family incomes above 133 percent through 185 percent of the Federal poverty level (FPL). Subsequently, on January 24, 2006, CMS approved an amendment to the demonstration allowing Colorado to expand eligibility for uninsured pregnant women under the demonstration from above 185 percent through 200 percent of the FPL. On September 29, 2006, CMS approved Colorado's request to renew the demonstration for a three-year period through September 30, 2009. As part of the most recent renewal, Colorado received approval to expand coverage for pregnant women from 200 to 250 percent of the FPL.

Section 111 of the Children's Health Insurance Program Reauthorization Act (CHIPRA) added Section 2112(b)(1)(A) of the Social Security Act, which specifies that

a State must first cover pregnant women in Medicaid to at least 185 percent of the FPL before expanding coverage to pregnant women in the Children's Health Insurance Program (CHIP). Section 111 of CHIPRA also added a new provision to provide States the option to provide necessary prenatal, delivery, and postpartum care to targeted low-income pregnant women through the title XXI State plan. In order to comport with the intent of CHIPRA, under this renewal, Colorado will be required to submit a Medicaid State Plan amendment to transition pregnant women through 185 percent of the FPL to the Medicaid State plan and to provide the full Medicaid benefit to these women. The State will continue to receive title XXI funds for pregnant women through 185 percent of the FPL. In addition, the State will submit a corresponding CHIP State Plan Amendment to transition pregnant women from 185 percent of the FPL through 250 percent of the FPL to the CHIP State plan. As required under STC# 17 below, the State will transition coverage of pregnant women from this demonstration to the Medicaid and CHIP State Plans, effective January 1, 2013.

The objectives of this component of the demonstration will continue to be:

- Decrease the uninsurance rate for pregnant women;
- Increase prenatal and postpartum care for pregnant women enrolled in the demonstration; and
- Increase the number of healthy babies born to pregnant women enrolled in the demonstration.

***Children***

In addition to providing health care coverage to pregnant women, the demonstration also includes an employer sponsored insurance component that provides children with family incomes through 200 percent of the FPL with the option of receiving premium assistance through the parent's employer. This component was implemented on October 1, 2006 as a condition of the September 29, 2006 renewal and as required under the originally approved STCs. As part of the most recent renewal, Colorado received approval to expand coverage for children in premium assistance from 200 to 250 percent of the FPL.

The State is subsidizing premium assistance through a flat subsidy and requires employers to contribute at least 50 percent to the total premium amount. All children have the choice to opt back into direct CHIP State plan coverage, if desired, at any time during the program year. In addition, parents are incidentally covered if the subsidy is adequate to cover the entire family premium. The State is only contracting with one employer.

Until January 1, 2013, the objectives of this component of the demonstration will continue to be:

- Determine the impact of benefit and cost sharing provisions under private health insurance on families, compared to direct State Plan coverage;
- Determine whether it is more cost effective to provide CHIP coverage under private health insurance coverage rather than direct State Plan coverage, when administrative costs are taken into consideration; and
- Determine the impact of providing premium assistance on the take-up rate for parents that are covered on an incidental basis.

The State has opted to terminate its premium assistance program on January 1, 2013.

## IV. GENERAL PROGRAM REQUIREMENTS

1. **Definitions.** For purposes of the STCs, the following definitions apply.

   a. "Demonstration Population 1a": Uninsured pregnant women with family income above 133 percent of the FPL through 185 percent of the FPL, who are otherwise ineligible for Medicare, or Medicaid (prior to January 1, 2013), and are eligible for Medicaid after January 1, 2013.

   b. "Demonstration Population 1b": Until January 1, 2013, uninsured pregnant women with family income above 185 percent of the FPL up to and including 250 percent of the FPL, who are otherwise ineligible for Medicare, or Medicaid.

   c. "Demonstration Population 2": Until January 1, 2013, children with family income up to and including 250 percent of the FPL, who are not eligible for Medicaid, but who are eligible for CHIP, and who elect to receive premium assistance for the employee share of the cost of employer sponsored insurance (based on the employment of a parent) instead of CHIP benefits. These children receive mandatory wrap around benefits (well-baby well-child visits and immunizations) from the State when not provided by the employer.

   d. Informed Choice: This term refers to the State's responsibility to ensure at the point of application that Demonstration Population 2 is informed in writing of the differences in benefits and cost sharing under direct CHIP state plan coverage versus receiving premium assistance coverage through private health insurance coverage. The State must provide adequate and timely information to ensure that all families can make an "informed choice," between direct coverage, and premium assistance.

   e. Private Health Insurance Coverage: This term refers to both group health plan coverage and health insurance coverage as defined in section 2791 of the Public Health Service Act.

f. Incidental Coverage: Incidental coverage occurs when the per-child subsidy for covering children under a premium subsidy results in coverage for the parents at no additional cost to the State or the federal government when compared to direct CHIP coverage for the child or children only.

2. **Compliance with Federal Non-Discrimination Statues.** The State 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.

3. **Adequacy of Infrastructure.** The State shall ensure the availability of adequate resources for implementation and monitoring of the demonstration, including education, outreach, and enrollment; maintaining eligibility systems; compliance with cost sharing limits; and reporting on financial and other issues.

4. **Public Notice, Tribal Consultation, and Consultation with Interested Parties.** The State must comply with the State Notice Procedures set forth in 59 Fed. Reg. 49249 (September 27, 1994). The State must also comply with the tribal consultation requirements in section 1902(a)(73) of the Act as amended by section 5006(e) of the American Recovery and Reinvestment Act (ARRA) of 2009, and the tribal consultation requirements contained in the State's approved State plan, when any program changes to the Demonstration, including (but not limited to) those referenced in STC 11, are proposed by the State.

   In States with Federally recognized Indian tribes consultation must be conducted in accordance with the consultation process outlined in the July 17, 2001 letter or the consultation process in the State's approved CHIP State plan if that process is specifically applicable to consulting with tribal governments on waivers (42 C.F.R. §431.408(b)(2)).

   In States with Federally recognized Indian tribes, Indian health programs, and/or Urban Indian organizations, the State is required to submit evidence to CMS regarding the solicitation of advice from these entities prior to submission of any Demonstration proposal, and/or renewal of this Demonstration (42 C.F.R. §431.408(b)(3)).The State must also comply with the Public Notice Procedures set forth in 42 CFR 447.205 for changes in statewide methods and standards for setting payment rates.

5. **Extension of the Demonstration.** States that intend to request demonstration extensions under sections 1115(e) or 1115(f) are advised to observe the timelines contained in those statutes. Otherwise, no later than 12 months prior to the expiration date of the demonstration, the chief executive officer of the

State must submit to CMS either a demonstration extension request or a phase-out plan consistent with the requirements of STC #6.

As part of the demonstration extension request, the State must provide documentation of compliance with the public notice requirements outlined in STC #4, as well as include the following supporting documentation:

a. Demonstration Summary and Objectives: The State must provide a narrative summary of the demonstration project; reiterate the objectives set forth at the time the demonstration was proposed, and provide evidence of how these objectives have been met, as well as provide any future goals of the program. If changes are requested, a narrative of the changes being requested along with the objective of each change and desired outcomes must be included.

b. Special Terms and Conditions: The State must provide documentation of its compliance with each of the STCs. Where appropriate, a brief explanation may be accompanied by an attachment containing more detailed information. Where the STCs address any of the following areas, they need not be documented a second time. Consistent with Federal law, CMS reserves the right to deny approval for a requested extension based on non-compliance with these STCs, including, but not limited to, failure by the State to submit required reports and other deliverables in a timely fashion according to the deadlines specified herein.

c. Waiver and Expenditure Authorities: The State must provide a list, along with a programmatic description, of the waivers and expenditure authorities that are being requested in the extension.

d. Quality: The State must provide summaries of External Quality Review Organization reports, managed care organization, and State quality assurance monitoring, and any other documentation of the quality of care provided under the demonstration.

e. Compliance with the Allotment Neutrality Cap: The State must provide financial data (as set forth in the current STCs) demonstrating the State's projected allotment neutrality status for the requested period of the extension. CMS will work with the State to ensure that Federal expenditures under the extension of this project do not exceed the Federal expenditures that would otherwise have been made.

f. Draft report with Evaluation Status and Findings: The State must provide a narrative summary of the evaluation design, status (including evaluation activities and findings to date), and plans for evaluation activities during the

extension period. The narrative is to include, but is not limited to, a description of the hypotheses being tested and any results available.

6. **Demonstration Phase-Out.** The State may suspend or terminate this demonstration in whole, or in part, consistent with the following requirements for Demonstration Population 1a (see STC# 17 below for Demonstration Populations 1b and 2).

   a. Notification of Suspension or Termination. The State must promptly notify CMS in writing of the reason(s) for the suspension or termination, together with the effective date and a phase-out plan. The State must submit its notification letter and a draft phase-out plan to CMS no less than 5 months before the effective date of the Demonstration's suspension or termination. Prior to submitting the draft phase-out plan to CMS, the State must publish on its website the draft phase-out plan for a 30-day public comment period. In addition, the State must conduct tribal consultation in accordance with its approved tribal consultation State Plan Amendment. Once the 30-day public comment period has ended, the State must provide a summary of each public comment received, the State's response to the comment, and how the State incorporated the received comment into a revised phase-out plan.

   b. CMS Review. The State must obtain CMS approval of the phase-out plan prior to the implementation of the phase-out activities. Implementation of phase-out activities must be no sooner than 14 days after CMS approval of the phase-out plan.

   c. Phase-out Plan Requirements. The State must include, at a minimum, in its phase-out plan the process by which it will notify affected beneficiaries, the content of said notices (including information on the beneficiary's appeal rights), the process by which the State will conduct administrative reviews of CHIP eligibility for the affected beneficiaries, and ensure ongoing coverage for eligible individuals, as well as any community outreach activities.

   d. Phase-out Procedures. The State must comply with all notice requirements found in at 457.1170 and 457.1180. In addition, the State must ensure that existing enrollees under Demonstration Population 1 (pregnant women) receives benefits for the duration of their pregnancy.

   e. FFP. If the project is terminated or any relevant waivers suspended by the State, FFP shall be limited to normal closeout costs associated with terminating the Demonstration including services and administrative costs of disenrolling participants.

7. **Enrollment Limitation during the Last Six Months.** If the demonstration has not been extended, no new enrollment is permitted during the last six months of the demonstration.

8. **CMS Right to Terminate or Suspend or Withdraw Waiver Authority.** CMS may suspend or terminate the Demonstration, subject to adequate public notice, (in whole or in part) at any time before the date of expiration, whenever it determines following a hearing that the State has materially failed to comply with the terms of the project or that the waivers or expenditure authorities would no longer be in the public interest or promote the objectives of title XIX or title XXI. CMS will promptly notify the State in writing of the determination and the reasons for the suspension or termination, together with the effective date. The State does not relinquish its rights to challenge the CMS finding that the State materially failed to comply.

9. **Compliance with CHIP Law, Regulation, and Policy.** All requirements of the CHIP program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in the waiver and expenditure authority documents (of which these terms and conditions are part), must apply to the Demonstration.

10. **Changes in CHIP Law, Regulation, and Policy.** The State must, within the timeframes specified in law, regulation, or policy statement, come into compliance with any changes in Federal law, regulation, or policy affecting the CHIP program that occur during this Demonstration approval period, unless the provision being changed is expressly waived or identified as not applicable.

    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 State must adopt, subject to CMS approval, a modified allotment neutrality budget for the Demonstration as necessary to comply with such change.

    b) If mandated changes in the Federal law require State legislation, the changes must take effect on the day such State legislation becomes effective, or on the last day such legislation was required to be in effect under the law.

11. **Changes Subject to the Amendment Process.** Changes related to eligibility, enrollment, benefits, enrollee rights, delivery systems, cost sharing, evaluation design, sources of non-Federal share of funding, allotment 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 Social Security

Act. The State must not implement changes to these elements without prior approval by CMS.

a) **FFP.** 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 STC # 12 below.

12. **Amendment Process:** Amendment requests must be submitted to CMS for approval no later than 120 days prior to the planned date of implementation of the change and may not be implemented until approved. CMS reserves the right to deny or delay approval of a demonstration amendment based on non-compliance with these STCs, including but not limited to failure by the State to submit required reports or other deliverables in a timely fashion according to the deadlines specified herein. Amendment requests must be reviewed by the Federal Review Team and 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 STC #4, to reach a decision regarding the requested amendment;
    b. A current assessment, including the necessary expenditure data, of the impact of the requested amendment on allotment neutrality;
    c. A detailed description of the amendment, including impact on beneficiaries, with sufficient supporting documentation, including a conforming title XXI State plan amendment, if necessary; and
    d. A description of how the evaluation design shall be modified to incorporate the amendment provisions.

13. **General Financial Requirements.** The State shall comply with all general financial requirements under title XXI and as discussed in Attachment A.

14. **State Plan Amendments.** The State shall not be required to submit title XXI State plan amendments for changes to any populations covered 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 special terms and conditions.

## V. ELIGIBILITY AND ENROLLMENT

15. **Screening for Medicaid and immigration status.** Applicants for Demonstration Populations 1 and 2 will be screened for Medicaid and will be enrolled in the Medicaid program if they are determined eligible. Applicants will also be screened to determine if they are U.S. citizens or immigrants in a satisfactory

immigration status. Only U.S. citizens and qualified aliens who have satisfied the 5-year bar will be eligible under this demonstration.

16. **Enrollment limits.** Colorado's demonstration enrollment is limited by the amount of state funds available on an annual basis. The State must notify CMS 30 days prior to implementing any time of enrollment limit for demonstration Population 1a, 1b, or 2.

17. **Submission of Medicaid and CHIP State Plan Amendments to Transition Coverage of Pregnant Women from this Demonstration to the Medicaid and CHIP State Plans and Transition of Children in Premium Assistance to the CHIP State plan:** Colorado must expand coverage of pregnant women under the Medicaid and CHIP State Plans, effective January 1, 2013. Specifically, the State must provide services to pregnant women through 185 percent of the FPL under the Medicaid State Plan, and services under the CHIP State plan to uninsured pregnant women above 185 percent of the FPL through 250 percent of the FPL. The expenditure authorities for pregnant women in this demonstration will be eliminated effective on January 1, 2013 except the CHIP expenditure authority for pregnant women with incomes at or below 185 percent of the FPL who are also covered under Medicaid.

    The State will also terminate its premium assistance program for CHIP children and transition this population to coverage through the CHIP State plan, effective January 1, 2013. The expenditure authority for premium assistance for CHIP eligible children in this demonstration will be eliminated effective on January 1, 2013.

    a. **Transition Plan.** On or before September 1, 2012, the State is required to submit a draft transition plan for CMS review that outlines how the State will transition pregnant women with income through 185 percent of the FPL from the title XXI demonstration to the Medicaid state plan and pregnant women above 185 percent of the FPL through 250 percent of the FPL from the demonstration to the CHIP State plan by January 1, 2013. In addition, the State must submit a draft transition plan for moving children currently receiving premium assistance into the CHIP State plan. The plan must contain the required elements and milestones described in subparagraphs (i)-(iv) outlined below. The Transition Plan must include a schedule of implementation activities and a timeline by which the State will operationalize the milestones outlined in the transition plan. CMS must provide feedback on this draft transition plan within 30 days of receipt and the State shall submit a final transition plan within 30 days of receipt of CMS comments for CMS approval.

i. State Plan Submission Dates. The State must outline its process and proposed timeline for submission and approval of necessary Medicaid and CHIP State plan amendments.

ii. Benefits and Cost Sharing. The State must outline a plan that provides assurances that Demonstration Population 1a will transition into the Medicaid State plan and that Demonstration Population 1b will transition into the CHIP State plan and be subject to applicable benefit and cost sharing rules under Medicaid and CHIP state plan authorities without interruption in coverage. The State must also describe how it will transition Demonstration Population 2 from premium assistance to the CHIP state plan.

iii. Delivery System. The State must assure adequate provider capacity to serve these populations and outline its process and proposed timeline for any necessary changes to its Medicaid and CHIP delivery system and any related readiness reviews, contracts, revisions to the State Quality Strategy, etc.

iv. Other Necessary Transitions. The State must conduct an assessment and outline an implementation plan of the other necessary system and programmatic changes for the transition of coverage to the Medicaid and CHIP State plans, including but not limited to: changes to eligibility processes, necessary system changes, cost sharing, beneficiary notifications, grievances and appeals processes, public notice, etc. The State must make a good faith effort to conduct this transition through a simplified and streamlined process for beneficiaries, such as not requiring eligible individuals to submit a new application when possible and providing notification using a process that minimizes demands on the enrollees.

**18. Premium Assistance.**

a. Eligibility. CMS has provided approval through this demonstration for targeted low-income children with access to group health coverage and eligible for Colorado's title XXI funded separate child health program, to receive premium assistance through ESI.

b. Informed Choice and Opt Out. No premium assistance shall be provided to Population 2 unless the individual (or the individual's parent) voluntarily elects to receive such premium assistance. The State may not require such an election as a condition of receipt of child health assistance. The State must ensure that the families are informed at the point of application of the differences between the benefits and cost sharing requirements under premium assistance relative to direct coverage. For example, Colorado must make families aware of the possibility of reduced benefits and increased cost sharing in employer sponsored coverage. The State must also provide adequate and timely information to

ensure that families understand that they can make an informed choice and that a parent of a child receiving premium assistance can disenroll the child from the employer sponsored coverage and enroll the child in, the CHIP State plan, effective on the first day of any month for which the child is eligible for such assistance and in a manner that ensures continuity of coverage for the child.

c. Informed Choice Materials. During the duration of this demonstration, the State must provide written materials to families regarding informed choice and the ability to opt-out of premium assistance. Printed materials include but are not limited to: information sheets provided to families at time of application, and letters to families at initial application and every six months thereafter. The State will notify families every six months of the differences between premium assistance direct coverage under the CHIP State plan, as well as the ability for a family to opt out of premium assistance. The materials must be designed to help families determine the differences between benefits and cost sharing in a premium assistance program relative to direct coverage provided through the State Plan. These materials must be made available in print and on the State's website.

d. Mandatory CHIP Services. The State must either assure that all group health plans that participate in premium assistance provide well-baby and well-child care services; age-appropriate immunizations; and emergency services, at a minimum, or provide wrap around for these services.

e. Cost Effectiveness Test. The purchase of private health insurance coverage under this demonstration must prove to be cost-effective relative to the CHIP State plan costs. Specifically, the State must compare the demonstration costs to the individual or aggregate amount of expenditures under the approved title XXI State child health plan, including *administrative expenditures* that the State would have made to provide comparable coverage of the targeted low-income child.

f. Voluntary Participation of Employers and Employer Contribution. Participation by an employer in a premium assistance program offered by the State shall be voluntary. Employers participating in the program must contribute at least 40 percent toward the total premium amount (Colorado has opted to require 50 percent).

g. Waiting Period. Colorado will ensure that as long as it opts to have a waiting period for children in the CHIP State Plan direct coverage pursuant to the approved CHIP State plan, it will apply the same waiting period to individuals eligible for premium assistance.

**VI. BENEFITS**

19. **Demonstration Population 1a and 1b:** In addition to prenatal, delivery, and postpartum care services, demonstration enrollees must receive all services pursuant to the approved CHIP State plan. Benefits include the following services: emergency, urgent care; emergency transportation, inpatient/outpatient hospital treatment and physician visits: laboratory and xrays; preventive and maternity care; alcohol and substance abuse; and prescription drugs.

20. **Demonstration Population 2:** For children who choose to receive coverage through premium assistance for employer sponsored insurance, the benefit package will vary by the commercial health care plan products provided by each employer. The State must either assure that all group health plans that participate in premium assistance provide well-baby and well-child care services; age-appropriate immunizations; and emergency services, at a minimum, or provide wrap around for these services.

## VII. COST SHARING

21. **Demonstration Population 1a and 1b:** Cost sharing (premiums, enrollment feels, co-payments, etc.) is not applied to this population for any type of service.

22. **Demonstration Population 2:** Children who choose to receive coverage through premium assistance will be charged cost sharing amounts set by their private or employer-based coverage and will not be limited to the title XXI five percent cost sharing limit of five percent of family income.

## VIII. MAINTENANCE OF COVERAGE

23. **Concurrent Operation:** The State's title XXI state plan will continue to operate concurrently with this section 1115 demonstration.

24. **Maintenance of Coverage and Enrollment Standards for Children**

    a. The State shall not close enrollment, institute waiting lists, or decrease eligibility standards with respect to the children covered under its title XXI state plan while the demonstration is in effect.

    b. The State shall, throughout the course of the demonstration, continue to demonstrate that it has implemented procedures to enroll and retain eligible children for Medicaid and CHIP.

    c. The State will establish a monitoring process to ensure that expenditures for the demonstration do not exceed available title XXI funding (i.e., the

title XXI allotment or reallocated funds) and the appropriate state match. The State will use title XXI funds to cover services for the CHIP and HIFA populations in the following priority order:

- Children with family incomes up to and including 250 percent of the FPL and who are eligible under the title XXI State plan.
- Demonstration Population 2
- Demonstration Population 1a and 1b

d. The State may also, for any of the demonstration populations:

- Lower the Federal poverty level used to determine eligibility, and/or
- Suspend eligibility determination and/or intake into the program, or
- Discontinue coverage.

Before taking any of the above actions, Colorado must provide 60-day notice to CMS prior to proposed implementation and provide public notice as outlined in State rules.

## IX. GENERAL REPORTING REQUIREMENTS AND MONITORING

25. **Quarterly Progress Reports.** Colorado will submit quarterly progress reports, which are due 60 days after the end of each quarter. These reports must include information on operational and policy issues appropriate to the State's program design. The report must also include information on any issues which arise in conjunction with the premium assistance portion of the program for CHIP eligibles, including, but not limited to, access to services not covered in the enrollee's plan, enrollment, quality of care, transfers to direct State plan coverage due to affordability issues, and for any other reasons. The report must also include issues related to proposals for addressing any problems identified in each report.

The State will include a separate section to report on progress on evaluation and a separate section to report progress toward agreed-upon goals for reducing the rate of uninsurance. From data that are readily available, the State will monitor the private insurance market (e.g., changes in employer contribution levels (if possible, among employers with low-income populations), trends in sources of insurance, and other related information in order to provide a context for interpreting progress toward reducing uninsurance. Quarterly reports, at a minimum, shall include the following information:

a. Demonstration Population 1a and 1b Specific Reporting:
    i. Colorado must report on milestones included within its transition plan (i.e., addressing necessary eligibility system issues, an

assessment of the new benefits that will be provided to pregnant women under the Medicaid state plan, materials to inform the population of new benefits) associated with meeting the requirement in STC# 18 regarding the transition of coverage of pregnant women from this demonstration to the Medicaid and CHIP State Plans, effective January 1, 2013. In addition, the State should report on Medicaid benefits provided to pregnant women after the transition to the Medicaid state plan (cost sharing changes are not applicable as the State does intend to apply any type of cost sharing to pregnant women once they move to the Medicaid state plan).

b. Demonstration Population 2 Specific Reporting:
   i. The current number of children enrolled in premium assistance on a monthly, quarterly and annual basis.
   ii. The number of children that disenroll from premium assistance and opt back into direct coverage under the CHIP state plan on a monthly, quarterly and annual basis.
   iii. The number of children that disenroll from direct coverage under the CHIP state plan and enroll in premium assistance on a monthly, quarterly and annual basis.
   iv. Description and copies of the informed choice notifications sent to families of children currently receiving premium assistance informing them they may choose direct coverage at any time,
   v. The number of parent covered through incidental coverage on a quarterly and annual basis.
   vi. Progress with the selection of an entity or a State-developed evaluation design for submission to CMS, as well as progress on the implementation of the interim evaluation report. The report must discuss progress in the areas of establishing agreed upon goals and objectives, outcome measures, data sources and methodology, for the evaluation.
   vii. Colorado must report on milestones included within its transition plan associated with meeting the requirement of STC #18 regarding the transition of coverage of children receiving premium assistance to the CHIP State plan effective January 1, 2013.

26. **Annual Progress Reports.** Colorado will submit an annual progress report that will be due 90 days following the end of the fourth quarter for each demonstration year. The fourth quarterly report of every demonstration year will serve as the annual report and will summarize the preceding demonstration year's activity which will include all required quarterly reporting outlined in STC #27 and accomplishments, including a budget update, an enrollment update, quantitative and any case study findings, and policy and administrative difficulties. It must also include information on any issues which arise in

conjunction with the premium assistance portion of the program, including, but not limited to, access to services not covered in the enrollee's plan, enrollment, quality of care, grievance, and other operational issues (e.g., the number of children returning to direct coverage). Colorado will also include a separate section to report on progress toward agreed-upon goals for reducing the rate of uninsurance. The State will also monitor the private insurance market for changes in employer contribution levels to determine if substitution of coverage is occurring.

27. **Quarterly and Monthly Enrollment Reports.** Each quarter the State will provide CMS with an enrollment report by demonstration population showing end of quarter actual and unduplicated ever-enrolled figures. In addition, the State must provide an enrollment report for parents that are covered incidentally in the demonstration. These enrollment data will be entered into the monthly enrollment report. Colorado will report each demonstration population on a separate 21W form in SEDS. Colorado will use the sub-category "Pregnant women" to report enrollment for Demonstration Population 1a and 1b, and Colorado will use the sub-category "Children in ESI" for Demonstration Population 2, to report enrollment for Demonstration Population 2. In addition, the State will provide monthly enrollment data as specified by CMS to report these figures, as well as the number of parents covered incidentally in premium assistance. In addition to providing this information within SEDS, the State must also include it within the quarterly and annual reports pursuant to STCs # 27 and #28.

28. **Monitoring Calls.** CMS shall schedule monthly conference calls with the State. 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, benefits, audits, lawsuits, financial reporting and allotment neutrality issues, progress on the evaluation, State legislative developments, and any demonstration amendments, concept papers or State plan amendments the State is considering submitting. CMS shall update the State on any amendments or concept papers under review as well as Federal policies and issues that may affect any aspect of the demonstration. The State and CMS shall jointly develop the agenda for the calls.

29. **Final Report.** No later than 120 days after the termination of the demonstration, a draft final report must be submitted to CMS for comments. CMS' comments shall be taken into consideration by the State for incorporation into the final report. The final report is due no later than 90 days after the receipt of CMS' comments.

30. **Evaluation Reporting.** The State will inform CMS of the status of the State's evaluation in the quarterly, annual, and final reports using the timeframes specified in this section.

## XI. EVALUATION OF THE DEMONSTRATION

31. **Submission of Draft Evaluation Design.** The State must submit to CMS for approval a draft evaluation design for an overall evaluation of the demonstration no later than 30 days after the approval of the demonstration. At a minimum, the draft design must include the following:

a. Goals and Objectives: A discussion of the goals and objectives set forth in Section III of these STCs, as well as the specific hypotheses that are being tested;

b. Outcome Measures: A discussion of the outcome measures that will be used in evaluating the impact of the demonstration during the period of approval;

c. Data Sources and Sampling Methodology: A discussion of the data sources and sampling methodology for assessing these outcomes; effects of demonstration: a detailed analysis that describes how the effects of the demonstration must be isolated from other initiatives occurring in the State;

d. Comparison of Benefits and Cost Sharing: A discussion and analysis of how benefit and cost sharing provisions provided under this demonstration compare to the benefits and cost sharing allowed under the approved title XXI CHIP State plan and title XIX Medicaid State plan;

e. Cost Effectiveness Test: A discussion and analysis of whether the purchase of individual and employer sponsored coverage under this demonstration proves to be cost-effective relative to the CHIP or Medicaid State plan costs. Specifically, the State must compare the demonstration costs to the individual or aggregate amount of expenditures under the approved title XXI State child health plan or title XIX Medicaid State plan, including administrative expenditures, that the State would have made to provide comparable coverage of the targeted low-income child involved or the family involved (as applicable); and

f. Lead on Evaluation: The draft design must identify whether the State will directly conduct the evaluation, or select an outside contractor for the evaluation.

32. **Interim Evaluation Reports.** In the event the State requests to extend the demonstration beyond the current approval period under the authority of section 1115(a), (e), or (f) of the Act, the State must submit an interim evaluation report as part of the State's request for each subsequent renewal.

33. **Final Evaluation Design and Implementation.** CMS shall provide comments on the draft design within 30 days of receipt, and the State must submit a final design within 30 days of receipt of CMS comments. The State must implement the evaluation design and submit its progress in the quarterly and annual reports. The State must submit to CMS a draft of the evaluation report 120 days prior to the expiration of the demonstration. CMS shall provide comments within 60 days of receipt of the report. The State must submit the final evaluation prior to the expiration date of the currently approved demonstration period.

34. **Evaluation Topics.** Colorado will monitor and report on progress toward the agreed-upon goals for reducing the rate of uninsurnace for pregnant women, increasing prenatal and postpartum care among pregnant women enrolled in the demonstration, and increasing the number of healthy babies born to pregnant women enrolled in the demonstration while this population is included within this demonstration. For the employer-sponsored insurance program, Colorado will also examine how benefit and cost sharing provisions provided under ESI compare to CHIP direct State plan coverage and impact families. In addition, Colorado will determine whether such coverage is cost effective when administrative costs are taken into consideration. The State will also track the impact of providing premium assistance on the take up rate for parents that are covered on an incidental basis. Colorado will also monitor and report on progress toward understanding the barriers to health insurance participation by employers, health plans and low-income working parents; address common administrative challenges for employers, health plans, premium assistance recipients related to enrollment, and evaluate key program outcomes to determine the program's effectiveness.

35. **Cooperation with Federal Evaluators.** Should CMS undertake an evaluation of the demonstration, the State must fully cooperate with Federal evaluators and their contractors' efforts to conduct an independent Federally-funded evaluation of the demonstration program.

36. **Monitoring Private Health Insurance Coverage.** The State must monitor the extent to which employers may decrease or cease to provide private health insurance coverage. This monitoring can be accomplished by tracking changes in employer contribution levels toward private health insurance and/or by measuring the degree of substitution of private health insurance coverage. The information will be included in the State's demonstration annual report.

## ATTACHMENT A

## GENERAL FINANCIAL REQUIREMENTS UNDER TITLE XXI

1. The State shall provide quarterly expenditure reports using the Form CMS-21 to report total expenditures for services provided under the approved CHIP plan (CHP+) and those provided through the Colorado Adult Prenatal Coverage in CHP+ demonstration under section 1115 authority. This project is approved for expenditures applicable to services rendered during the demonstration period. CMS will provide Federal Financial Participation (FFP) only for allowable Colorado demonstration expenditures that do not exceed the State's available title XXI funding.

2. In order to track expenditures under this demonstration, the State will report demonstration expenditures through the Medicaid and State Children's Health Insurance Budget and Expenditure System (MBES/CBES), as part of the routine quarterly CMS-21 reporting process. Title XXI demonstration expenditures will be reported on separate Forms CMS-21 Waiver/CMS-21P Waiver, identified by the demonstration project number assigned by CMS (including project number extension, which indicates the demonstration year in which services were rendered or for which capitation payments were made).

    a. All claims for expenditures related to the demonstration (including any cost settlements) must be made within 2 years after the calendar quarter in which the State made the expenditures. Furthermore, all claims for services during the demonstration period (including cost settlements) must be made within two years after the conclusion or termination of the demonstration. During the latter two-year period, the State must continue to identify separately net expenditures related to dates of service during the operation of the demonstration on the Form CMS-21.

    b. The standard CHIP funding process will be used during the demonstration. Colorado must estimate matchable CHIP expenditures on the quarterly Form CMS-21B. On a separate CMS-21B, the State shall provide updated estimates of expenditures for the demonstration populations. CMS will make Federal funds available based upon the State's estimate, as approved by CMS. Within 30 days after the end of each quarter, the State must submit the Form CMS-21 quarterly CHIP expenditure report. CMS will reconcile expenditures reported on the Form CMS-21 with Federal funding previously made available to the State, and include the reconciling adjustment in the finalization of the grant award to the State.

c. The State will certify State/local monies used as matching funds for the demonstration and will further certify that such funds will not be used as matching funds for any other Federal grant or contract, except as permitted by Federal law.

3. Colorado will be subject to a limit on the amount of Federal title XXI funding that the State may receive on demonstration expenditures during the waiver period. Federal title XXI funding available for demonstration expenditures is limited to the State's available allotment, including currently available reallocated funds. Should the State expend its available title XXI Federal funds for the claiming period, no further enhanced Federal matching funds will be available for costs of the separate child health program or demonstration until the next allotment becomes available.

4. Total Federal title XXI funds for the State's CHIP program (i.e., the approved title XXI State plan and this demonstration) are restricted to the State's available allotment and reallocated funds. Title XXI funds (i.e., the allotment or reallocated funds) must first be used to fully fund costs associated with the State plan population. Demonstration expenditures are limited to remaining funds.

5. Total expenditures for outreach and other reasonable costs to administer the title XXI State plan and the demonstration that are applied against the State's title XXI allotment may not exceed ten percent of total title XXI net expenditures.

6. Premium contributions under the demonstration shall be reported to CMS on Form CMS-21 Waiver, Line 29, in order to assure that the demonstration is properly credited with premium collections.

7. If the State exhausts the available title XXI Federal funds in a Federal fiscal year during the period of the demonstration, the State must continue to provide coverage to the approved title XXI State plan separate child health program population and the demonstration population with State funds.

8. All Federal rules shall continue to apply during the period of the demonstration that title XXI Federal funds are not available. The State is not precluded from closing enrollment or instituting a waiting list with respect to the demonstration Population. Before closing enrollment or instituting a waiting list, the State will provide 60-day notice to CMS.

**ATTACHMENT B**

**SCHEDULE OF DELIVERABLES DURING THE TERM OF THIS DEMONSTRATION**

**Attachment B**
**Schedule of Deliverables During the Term of This Demonstration**

| Deadline | Deliverable |
|---|---|
| **30 Days after approval date** | State Acceptance of Demonstration Extension, STCs, Waivers and Expenditure Authorities |
| **01-September-12** | Submit a draft Transition Plan for Pregnant Women and children in premium assistance |
| **30 days from receipt of CMS comments on the draft Transition Plan** | |
| **01-Jan-13** | State will transition coverage of pregnant women from this demonstration to Medicaid and CHIP State Plans, effective January 1, 2013 |
| **12 months prior to the expiration date of the demonstration** | The Chief Executive Officer of the State must submit to CMS either a demonstration extension request or a phase-out plan. |
| **No less than 5 months before the effective date of the Demonstration's suspension or termination** | The State must submit its notification letter and a draft phase-out plan to CMS |
| **No sooner than 14 days after CMS approval of the phase-out plan** | Implementation of phase-out activities |
| **No later than 120 days prior to the planned date of implementation of the change and may not be implemented until approved** | Amendment requests must be submitted to CMS for approval |

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| **30 days prior to** | Implementing any time of enrollment limit for demonstration Population 1 or 2 |
| **On or Before September 1, 2012** | The State is required to submit a draft transition plan for CMS review that outlines how the State will transition pregnant women with income up to 185 percent of the FPL from the title XXI demonstration to the Medicaid State Plan and pregnant women above 185 percent of the FPL through 250 percent of the FPL from the demonstration to the CHIP State plan by January 1, 2013. Also, a transition plan for children moving from premium assistance to the CHIP state plan. |
| **Within 30 days of Receipt** | CMS must provide feedback on the draft transition plan within 30 days of receipt |
| **Within 30 days of receipt of CMS comments** | The State shall submit a final transition plan |
| **At initial application and every 6 months after** | The State must provide written materials to families regarding informed choice and the ability to opt-out of premium assistance |
| **Every 6 months** | The State will notify families of the differences between premium assistance direct coverage under CHIP State Plan, as well as the ability for a family to opt out of premium assistance |
| **60 days notice to CMS prior to proposed implementation and provide public notice as outlined in State Rules** | Implementation of Maintenance of Coverage |
| **No later than 30 days after the approval of the demonstration** | The State must submit to CMS for approval a draft design for an overall evaluation of the demonstration |
| **No later than 30 days of receipt** | CMS shall provide comments on the draft design |
| **Within 30 days of receipt of CMS comments** | The State must submit a final design |
| **Monthly Deliverables** | Monitoring Calls |

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| | Monthly Point-in-Time Enrollment Data |
| **Quarterly Deliverables** | Quarterly Reports (due 60 days after the end of each quarter) |
| | Expenditure Reports on CMS-21 Waiver Form in MBES/CBES |
| | Enrollment Reports on 21 Waiver Form in SEDS |
| **Annual Reports** | Due 90 days following the end of the fourth quarter for each demonstration year |
| **Final Report (Draft)** | No later than 120 days after the termination of the demonstration, a draft final report must be submitted to CMS for comments |
| **Final Report** | No later than 90 days after the receipt of CMS Comments |