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## State Demonstrations Group

November 20, 2015

Ms. Judy Mohr Peterson  
Med-QUEST Division Administrator  
State of Hawaii, Department of Human Services  
601 Kamokila Blvd., Room 518, P.O. Box 700190  
Kapolei, HI 96709-0190

Dear Ms. Peterson:

I am writing regarding Hawaii's section 1115(a) Medicaid demonstration, entitled "Hawaii QUEST Expanded" (Project Number 11-W-00001/9). As we discussed in conversations earlier this year, the Centers for Medicare & Medicaid Services (CMS) is notifying states with uncompensated care pools of the information and analysis that should be included as part of an uncompensated care pool renewal request. Under the Special Terms and Conditions (STCs) of Hawaii's demonstration, the state is required to complete an independent report examining the role of the state's uncompensated care pool, and submit this report to CMS by January 1, 2016. This letter provides more specific guidance about the report's content. Given that we are providing additional guidance about the content of the report, we are extending the report's due date to February 29, 2016.

As we have previously discussed with the state, CMS uses three principles to review states' uncompensated care pool requests: 1) coverage is the best way to assure beneficiary access to health care for low income individuals and uncompensated care pool funding should not pay for costs that would otherwise be covered in a Medicaid expansion; 2) Medicaid payments should support the provision of services to Medicaid and low income uninsured individuals; 3) and provider payment rates must be sufficient to promote provider participation and access, and should support plans in managing and coordinating care. These principles apply whether or not a state expands Medicaid.

The additional guidance regarding the state's upcoming uncompensated care pool request explains that the report should include detailed analysis and supporting documentation, which will help to inform discussions about potential reforms to the uncompensated care pool that will improve Medicaid payment systems and funding mechanisms and the quality of health care services for Hawaii's Medicaid beneficiaries.

The analysis of the current uncompensated care pools should be performed by an independent entity qualified to make an assessment on the criteria outlined below. The independent entity should specifically review the impact of the uncompensated care pool on:

- financing overall uncompensated care in the state;
- Medicaid provider payment rates;
- beneficiary access to Medicaid services;
- financing providers that play a significant role in serving the Medicaid population and the low-income uninsured;
- support of managed care plans in managing care; and,
- any state specific circumstances for CMS to take into account as it reviews the uncompensated care pool.

The analysis above is necessary for CMS to assess the role of the pool in promoting Medicaid objectives. My staff is available to provide technical and other assistance about the information that should be included in this report.

We look forward to working with you further on these issues. If you have any questions about this letter please contact me at (410) 786-5647.

Sincerely,

/s/

Eliot Fishman  
Director

cc: Ms. Hye Sun Lee, Acting Associate Regional Administrator, Region IX