

**OCT 02 2012**

The Honorable Jennifer Velez  
Commissioner  
Department of Human Services  
State of New Jersey  
P. O. Box 700  
Trenton, NJ 08625-0700

Dear Commissioner Velez:

This letter is to inform you that New Jersey's request for a new Medicaid section 1115(a) demonstration, entitled "New Jersey Comprehensive Waiver"(NJCW) (Project Number 11-W-00279/2), has been approved by the Centers for Medicare & Medicaid Services (CMS) in accordance with section 1115(a) of the Social Security Act (the Act). This approval is effective from October 1, 2012 through June 30, 2017.

Under this demonstration, New Jersey will operate a statewide health reform effort that will expand existing managed care programs to include managed long term services and supports (MLTSS) and expand home and community based services to some populations. This demonstration builds upon existing managed acute and primary care programs and established provider networks. The 1115 demonstration also combines, under a single demonstration, authority for several existing Medicaid and CHIP waiver and demonstration programs, including two 1915(b) managed care waiver programs; a title XIX Medicaid and a title XXI CHIP section 1115 demonstrations and four 1915(c) programs.

In addition, it establishes a funding pool to promote health delivery system transformation. Below are the primary components of New Jersey's comprehensive demonstration request that we have approved.

*Transition of Existing 1915(b) Managed Care Waivers and Four 1915(c) HCBS Waivers*

CMS has approved the transition of two existing 1915(b) managed care waiver programs into the comprehensive demonstration effective upon approval. Those existing 1915(b) waiver programs are the Duals Waiver ("NJ 04"), which had previously authorized the state to require Medicare and Medicaid eligible beneficiaries to enroll in a managed care organization (MCO) for Medicaid services, and the NJ FamilyCare Waiver ("NJ 03"), which permits mandatory enrollment of disabled and foster care children in an MCO for care.

The following existing 1915(c) Home and Community Based Services fee-for-service waivers will be transitioned to managed care:

1. Global Options (GO) (which serves Medicaid beneficiaries over the age of 21 who meet the nursing facility level of care for physical disabilities in the community);
2. Community Resources for People with Disabilities (CRPD) (which serves Medicaid beneficiaries of all ages who may require a nursing facility level of care and cannot complete at least 3 activities of daily living (ADL));
3. Traumatic Brain Injury (TBI) (which serves Medicaid beneficiaries ages 21 to 64 with traumatic brain injury who require assistance with at least 3 ADLs in the community);
4. AIDS Community Care Alternatives Program (ACCAP) (which serves Medicaid beneficiaries diagnosed with AIDS, and at risk of nursing home placement in the community).

Effective January 1, 2013, or a date thereafter (depending on readiness), the state will implement MLTSS by allowing the MCOs to manage HCBS and behavioral health services for enrollees in all of these programs. The state is required to submit a transition plan to CMS for approval 90 days in advance of implementation that includes a managed care readiness review. The state must continue to adhere to all HCBS statutory assurances and submit a revised managed care quality strategy that includes these programs.

*Additional Home and Community Based Services for Certain Medicaid Eligibles*

The new demonstration will also provide additional community support and coordination services for certain low income populations, including individuals eligible under the state plan between the ages of 6 and 21 who meet the ICF/MR institutional level of care; individuals with Pervasive Developmental Disorders including Medicaid children up to age 13; and individuals eligible under the state plan over the age of 21 with intellectual disabilities who have completed their educational entitlement and meet the ICFIMR level of care.

*Simplified Eligibility for Long Term Care Services*

Under the demonstration the state will streamline eligibility requirements for long term with a goal of simplifying Medicaid eligibility and enrollment process, while assuring program integrity. We have included an evaluation component of these simplifications in the Special Terms and Conditions (STCs) as part of your evaluation activities related to this demonstration.

*Transition of Existing section 1115 Childless Adults Medicaid Demonstration and the Family Coverage CHIP Demonstration*

The existing New Jersey Childless Adults Medicaid Demonstration and the New Jersey Family Coverage CHIP Demonstration will also be transitioned into the new comprehensive demonstration. The Childless Adults Medicaid Demonstration currently provides coverage for low-income childless adults with household incomes up to 24 percent of the FPL.

The Family Coverage CHIP section 1115 demonstration currently provides coverage for uninsured custodial parents and caretaker relatives of Medicaid and CHIP children, through both direct coverage and premium assistance with title XXI wrap-around benefits and cost sharing protections. Coverage for parents with title XXI funds under this demonstration will expire on September 30, 2013. From October 1, 2013 through December 31, 2013, the state will receive title XIX funds at the regular FMAP for this population.

As part of this approval, New Jersey has modified its formula for calculating whether premium assistance is cost effective for families relative to coverage provided under the CHIP state plan. We will continue to provide technical assistance to the state subsequent to this approval to ensure that their cost effectiveness test meets the new requirements, including requirements related to administrative costs at 2105(c)(3), as added by Section 301(a)(2) of CHIPRA.

#### Hospital Delivery System Reform

As the demonstration begins, the state will end its existing supplemental payment programs for hospitals. Following a one-year transition period, the demonstration will include a Delivery System Reform Incentive Payment program through which hospitals may receive incentive payments for undertaking health care delivery system reform and quality improvement initiatives.

#### Additional Demonstration Programs

The new demonstration provides federal financial participation for the following programs that provide:

- o Community support and coordination services including behavioral health and medication assisted treatment to certain low income individuals 18 years and older with income up to and including 150 percent of the Federal Poverty Level (FPL) who have a mental illness and an opioid addiction diagnosis.
- o Coverage to 800 low-income, uninsured individuals with family income between 25 and 100 percent of the FPL including childless adults, which was a state funded program.
- o Select HCBS for individuals who meet an institutional level of care with intellectual disabilities based on the individual's plan of care who reside out of state.
- o Select HCBS for individuals who meet institutional level of care ages 6-21 with intellectual disabilities and mental illness.
- o Select services to children up to age 21 with income up to and including 150 percent of the FPL who have been diagnosed with a serious emotional disturbance (SED). Additionally, individuals within this group who meet an institutional level of care will receive full Medicaid state plan services, if they did not previously.

#### Requests CMS is Not Approving

As we have discussed, there are also some requests that CMS is not able to approve at this time.

- New Jersey requested to have some future programmatic changes to the demonstration "deemed approved" if CMS did not act upon a state request within a specified time. Although CMS is not approving this request, we have established streamlined approval processes for some changes related to home and community based care.
- New Jersey also requested to use Special Disability Workload funds as the non-federal share for the demonstration. The state was notified in a letter from the Secretary to the nation's Governors dated October 27, 2011 that we do not have legal authority to grant such requests.
- New Jersey requested all five of its 1915(c) waivers and its 1915(j) state plan Personal Directed Personal Assisted Services programs be included in the new demonstration. Because neither the Community Care Waiver (CCW) 1915(c) waiver program nor the 1915(j) programs required any changes requiring section 1115 authority, they have not been included in the demonstration.
- The elimination retroactive eligibility for most populations would constitute a more restrictive eligibility procedure than those in place on March 23, 2010 and thus would violate the Maintenance of Effort (MOE) provisions of the Affordable Care Act. The demonstration does not include this authority.

Demonstration Approval Requirements

The enclosed STCs, waiver authorities, expenditure authorities, and list of requirements that are not applicable to the expenditure authorities specify the agreement between the New Jersey Department Human Services Division of Medical Assistance and Health Services and CMS. The state may deviate from the Medicaid state plan and CHIP state plan requirements only to the extent those requirements have been specifically listed as waived or not applicable to the expenditure authorities. All requirements of the Medicaid and CHIP programs as expressed in law, regulation, and policy statement not expressly waived or identified as not applicable shall apply to the NJCW.

This approval is conditioned upon continued compliance with the enclosed STCs which set forth in detail the nature, character, and extent of Federal involvement in the demonstration and the state's obligations to CMS, including an evaluation of this demonstration, during the term of the demonstration. This award letter is subject to our receipt of your written acceptance of the award within 30 days of the date of this letter.

Your project officer is Lane Terwilliger, and she is available to answer any questions concerning your section 1115 demonstration. Ms. Terwilliger's contact information is as follows:

Centers for Medicare & Medicaid Services  
Center for Medicaid, CHIP and Survey & Certification  
Mail Stop S2-01-16  
7500 Security Boulevard  
Baltimore, MD 21244-1850

Telephone: (410) 786-2059  
Facsimile: (410) 786-5882  
E-mail: Lane.Terwilliger@cms.hhs.gov

Official communication regarding program matters should be submitted simultaneously to Lane Terwilliger and Mr. Michael Melendez, Associate Regional Administrator for the Division of Medicaid and Children's Health Operations in the CMS New York Regional Office. Mr. Melendez's contact information is as follows:

Mr. Michael Melendez  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations  
26 Federal Plaza, Room 37-100 North  
New York, NY 10278  
Phone: (212)616-2430  
Facsimile: (212)312-8652  
Email: [Michael.Melendez@cms.hhs.gov](mailto:Michael.Melendez@cms.hhs.gov)

We extend our congratulations to you on this award, and we appreciate your cooperation throughout the review process. If you have additional questions, please contact Ms. Victoria Wachino, Director, Children and Adults Health Programs Group, Center for Medicaid, CHIP and Survey & Certification at (410) 786-5647.

We look forward to continuing to work with you and your staff.

Sincerely,

/Marilyn Tavenner/

Marilyn Tavenner  
Acting Administrator

Enclosures

cc: Ms. Cindy Mann, CMCS  
Ms. Victoria Wachino, CMCS  
Mr. Michael Melendez, ARA, Region II