



April 17, 2018

Rebecca Pasternik-Ikard
Chief Executive Officer
Oklahoma Health Care Authority
4345 N. Lincoln Boulevard
Oklahoma City, OK 73105

Dear Ms. Pasternik-Ikard:

This letter is in response to Oklahoma's request for an amendment to the state's Medicaid demonstration, entitled "SoonerCare" (Project Number 11-W-00048/6), under section 1115 of the Social Security Act (the Act). The SoonerCare demonstration provides Primary Care Case Management (PCCM) for Medicaid beneficiaries and either premium assistance for employer sponsored insurance or direct coverage for adults who would not otherwise be eligible for Medicaid. The amendment, submitted on January 19, 2018, requests new expenditure authorities to provide federal match for 1) payments to Oklahoma public universities that provide physician residency training programs and 2) payments to the Oklahoma Physician Manpower Training Commission (PMTTC) for a medical loan repayment program. These authorities are not currently included in the SoonerCare demonstration. CMS has deferred federal match for payments made to Oklahoma medical schools without 1115 demonstration authority, as described in the OK/2017/4/E/01/MAP letter, sent to the state on December 11, 2017. The deferrals were made for the last quarter of federal fiscal year (FFY) 2017 and the first quarter of FFY 2018.

Oklahoma has submitted two demonstration amendments to CMS for consideration. The amendment CMS received from Oklahoma on August 2, 2017, requested to amend the expenditure authority and Special Terms and Conditions (STCs) of the SoonerCare demonstration to permit the state to prospectively receive federal match for payments made directly to state universities to recruit, train and retain medical professionals in order to support the development of the healthcare workforce in the state. The state estimated the federal financial impact of this proposal to be \$115,000,000.

Oklahoma's second demonstration amendment proposal submitted on January 19, 2018 similarly requests to amend the SoonerCare demonstration to permit the state to receive federal match for payments made directly to Oklahoma public universities that offer residency training programs. The state estimates the annual cost of this proposal to be \$105,000,000 total computable per year. This proposal differs from the amendment request submitted on August 2, 2017, by setting up a subpool distribution structure for the requested payments to universities. However, this proposal continues to request direct support for university overhead and loan repayment costs.

CMS has evaluated these requests against the specific statutory authorities that establish the Medicaid program and detail its purpose. There is no direct statutory authorization for Medicaid to support graduate medical education (GME). Rather, states have typically created GME-like programs through their Medicaid state plan either by elevating reimbursement rates for the class of providers that provide medical training (i.e., Academic Medical Centers), or by making supplemental payments to those providers. Supplemental payments are subject to the Medicaid Upper Payment Limit (UPL), which for hospitals is set at the Medicare rate, and for physician services is at the average commercial rate.

In either of the above scenarios, reimbursement is clearly tied to the provision of medical services to Medicaid beneficiaries. Oklahoma's proposal has not clearly demonstrated how the requested payments are similarly linked. It is our view that such an arrangement would circumvent the statutory purpose of the Medicaid program, which does not include direct medical training. Therefore, we will not approve Oklahoma's demonstration amendment request as it is currently written.

In December 2017, prior to submission of the January amendment, CMS requested additional information from the state that we determined would be necessary to achieve an approvable approach to Oklahoma's desired support for the medical schools. This information included:

- A description of specific activities for which payments will be made and how the activities are related to the objectives and hypotheses of the demonstration;
- A description of how the expenditures would directly benefit Medicaid beneficiaries, and documentation or assurance that the funds directly benefit Medicaid beneficiaries;
- A description of the expected number of beneficiaries served and number of services provided by the receiving entity;
- A statement as to how the demonstration is likely to promote the objectives of Medicaid;
- A proposed evaluation design, including demonstration hypotheses being tested, data that will be utilized and baseline values for the measures, the method of data collection, a description of how the effects of the program will be isolated from other changes occurring in the state at the same time, and the state's plans for inclusion of monitoring and reporting on the progress towards expected outcomes; and
- A description of any financial support for this effort that the state is currently providing, including other federal funds or proposing to provide (including source of state share) and plans for sustainability of the program.

Information provided by the state in its January amendment request and in subsequent communications with CMS did not adequately address the factors above. In order to identify a path forward to an acceptable program that supports the objectives of Medicaid, these issues must be fully addressed.

We support the state's goal of expanding the healthcare workforce, particularly for providers who serve Medicaid beneficiaries, and we appreciate the state's efforts to address this important issue. We also understand that Oklahoma's legislature has passed, and Governor Fallin has signed, an appropriations bill that replaces the deferred FFP for Quarter 4 of state fiscal year

(SFY) 2017 and provides \$110 million in funding for graduate medical education at the state's medical schools in SFYs 2018 and 2019, expiring July 1, 2019. We are available to provide technical assistance on payment options that may be available under the state plan, such as GME or supplemental payment approaches, and 1115 demonstration expenditure authority, which may be available for payments directly connected to Medicaid services delivered to Medicaid beneficiaries. We will simultaneously work with the state on the three-year extension request for SoonerCare submitted on December 29, 2017.

If you have any questions, please do not hesitate to contact me or your project officer, Ms. Annie Hollis. Ms. Hollis can be reached at (410) 786-0795 or annie.hollis@cms.hhs.gov. We look forward to continuing to work with you and your staff on this demonstration.

Sincerely,

A black rectangular redaction box covering the signature of Tim Hill.

Tim Hill
Acting Director

cc: Bill Brooks, Associate Regional Administrator, CMS Dallas Regional Office