

**Center for Medicaid, CHIP and Survey & Certification**

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***CMCS Informational Bulletin***

**DATE:** October 1, 2010

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**SUBJECT: Recent Developments in Medicaid and CHIP Policy**

This Informational Bulletin is to provide you with a summary of recent activities and guidance to the States over the past week. On September 28, CMCS released the second letter discussing the changes to the Medicaid drug rebate program in the Affordable Care Act. On September 30, CMS released the congressionally-mandated Annual Report on the Quality of Care for Children in Medicaid and CHIP; and on October 1, we released three letters to State Medicaid Directors and State Health Officials regarding Medicaid and CHIP policy and Medicaid program integrity. In addition, CMCS has awarded a new contract vehicle to six organizations that will assist CMS with Medicaid and CHIP policy analysis among other projects. A description of each item and an update on the Puerto Rico Birth Certificate changes reviewed in our last Informational Bulletin is below:

- **Puerto Rico Birth Certificates -- UPDATE:** The Government of Puerto Rico has extended the validity of expiring Puerto Rico birth certificates through Oct. 30, 2010, to provide a transition period as the Island continues issuing the new, more secure certificates that became available July 1, 2010. The latest news release on the extension is available at <http://www.prfaa.com/news/?p=1160>
- **State Plan Amendment Review Process** -- This letter (SMD #10-020) provides guidance on a change in CMS's approach to the review and approval of Medicaid State plan amendments aimed at providing more timely and responsive resolutions of such amendments. Recognizing States' need to move forward with modifications to their Medicaid programs through their every day course of business, the new process will facilitate a more expeditious review of SPAs, while ensuring that CMS and States resolve other questions that may arise. CMS will not hold up the review of SPAs when other matters come to light in the review process. We will bifurcate the approval of the SPA from the issue(s) that emerge during the course of review. States will receive, along with the approval letter, a "companion" letter summarizing any other issues that have been identified. We will then work closely with the State over a 90-day period to obtain information that alleviates the concern or to implement a corrective action (such as a SPA) to remedy the situation.

- **CHIPRA Quality Report** CHIPRA required that the Secretary provide, by September 30, 2010, an annual report on the quality of the care the Medicaid and CHIP programs provide to the nearly 40 million children they cover. The report, which is available at <http://www.cms.gov/MedicaidCHIPQualPrac/Downloads/secprep.pdf>, also provides information on the status of current State reporting of child health quality measures, which vary widely across States. CMS reviewed State data as well as quality review reports conducted by external evaluators in order to develop this report. The report paves the way for future reports and efforts to improve the quality of children’s health care, which will be based, in part, on new quality measures and reporting established under CHIPRA.

Key findings include:

- Children enrolled in Medicaid/CHIP have much better access to primary care services than uninsured children and comparable access relative to privately insured children; however, access could be improved substantially for specialty care services (e.g., dental, mental health).
  - Performance on quality measures varied widely. Strong performance was noted in the areas of asthma treatment and childhood immunizations; States generally rated low in the areas of lead screening, follow-up care for children prescribed medication for attention deficit hyperactivity disorder, and STD treatment.
  - Racial/ethnic minority children and children with special health care needs experience improved access to care once enrolled in Medicaid/CHIP. Despite these gains, disparities in access to and quality of care remain.
  - There is wide variation in the reliability and completeness of State data on the quality of care received by children enrolled in Medicaid/CHIP.
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- **Medicaid Recovery Audit Contractors (RACs)** -- Section 6411 of the Affordable Care Act requires State Medicaid programs to establish Recovery Audit Contractor (RAC) programs by December 31, 2010. Medicaid RACs will identify and recover provider overpayments, and will also identify underpayments. RACs are private entities that are contracted to audit providers, review claims, and identify and collect improper payments on a contingency fee basis. RACs began as a Medicare demonstration initially authorized by MMA of 2003 and were later permanently authorized and expanded nation-wide in 2006. The letter to State Medicaid Directors (SMD #10-021) provides guidance to States on the parameters for establishing RAC programs and includes a draft Medicaid State plan preprint States will need to submit to CMS to provide the required assurances regarding the establishment of the State’s RAC program.
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- **CHIPRA Performance Bonuses** -- This guidance provides States with additional information as they prepare their applications for the Fiscal Year 2010 CHIPRA Performance Bonuses. CHIPRA created an opportunity for States to obtain Performance Bonus Payments (bonus payments) for Federal fiscal years (FFYs) 2009 through 2013 as both an incentive and financial support for enrolling eligible children in Medicaid. Ten States received a total of \$75 million in bonus payments for FY 2009. To qualify for bonus payments, States must implement at least five of eight “program features”—

strategies that are known to facilitate the enrollment and renewal process -- in order to qualify for a bonus payment. In addition, States must demonstrate increased Medicaid enrollment of children above a baseline level each year. This letter to State Health Officials (SHO #10-008) provides answers to frequently asked questions regarding the program features and the process for applying for a FY 2010 bonus payment. States' applications for this year's CHIPRA performance bonus payments are due on **October 15, 2010**. We encourage States that think they might qualify for a performance bonus to submit an application; we will work with each State that applies to determine whether they qualify.

- **Medicaid Prescription Drugs** – On September 28, 2010, CMCS released a second letter addressing the changes to the Medicaid drug rebate program that were included in the Affordable Care Act. This letter to State Medicaid Directors (SMD #10-019) revises the previous guidance on the Federal offset of rebates, noting that we will now calculate the offset amounts to reflect the smaller of the difference between the increased minimum Average Manufacturer's Price (AMP) percentage or the AMP minus best price. As a result, we will offset only the increased amount of the additional rebate beyond what the State would have received under the federal rebate program prior to the Affordable Care Act changes. The letter also provides information to State Medicaid agencies and drug manufacturers on prescription drug rebates to covered outpatient drugs dispensed to Medicaid managed care organization (MCO) enrollees, MCO formularies, and the treatment of MCO physician administered drugs. Also addressed in the guidance is the revised definition of multiple source drug, manufacturer reporting requirements, the treatment of discounts under the Medicare Coverage Gap Discount Program, and the changes to the excluded drug provisions in Medicaid. The letter is available at <http://www.cms.gov/smdl/downloads/SMD10019.pdf>
- **CMCS Contract IDIQ Award** – On September 30, 2010 the list of contractors receiving awards through the "MACPIE" IDIQ solicitation was posted on the website FedBizOpps (<https://www.fbo.gov/index?s=opportunity&mode=form&id=4e9b1b662fd655deb324e3cb67758862&tab=core&tabmode=list&=>). This group of contractors will have the opportunity to bid on projects that CMCS requests related to Medicaid/CHIP and Survey & Certification policy analysis and other tasks as presented. The six organizations receiving awards are: 1) RTI International; 2) The Urban Institute; 3) Deloitte Consulting, LLP; 4) Mathematica Policy Research, Inc; 5) Thomson Reuters (Healthcare) Inc.; and 6) The George Washington University.

I hope you will find this information helpful. Thank you for your continued commitment to the success of these critical health coverage programs.

Cindy Mann