



DAVID MAXWELL-JOLLY
Director

State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

June 4, 2010

Ms. Cynthia Mann
Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services
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**FORMAL SUBMISSION OF CALIFORNIA SECTION 1115 COMPREHENSIVE
DEMONSTRATION PROJECT WAIVER PROPOSAL: A BRIDGE TO REFORM**

Dear Ms. Mann:

The California Department of Health Care Services is pleased to submit its Section 1115 Comprehensive Demonstration Project Waiver Proposal: A Bridge to Reform. This proposal builds upon the concept paper, policy papers and budget neutrality documents that we have distributed to and discussed with your staff over the past six months. In addition to the proposal, we are enclosing an excel version of our budget neutrality, and the Health Care Coverage Initiative component of the independent interim evaluation report under the current California Section 1115(a) Medi-Cal Hospital/Uninsured Care Demonstration (Waiver 11-W-00193/9). The public hospital component of the interim evaluation report will be forthcoming.

Building on its existing infrastructure, California is poised to begin an early implementation of the key coverage expansion and delivery system reform components of the Patient Protection and Affordable Care Act. As it undertakes this expansion, California also seeks to implement structural reforms to make its existing Medicaid program more accountable and to streamline and better coordinate the service delivery systems that are providing care to the most vulnerable of its population. In addition, as the State moves more towards reliance on coordinated, capitated care to advance better health outcomes for its residents with the most complex and chronic illnesses, it intends to reduce its reliance on inpatient hospital care and to implement payment reforms that will support and align incentives for cost-effective care.

Through this waiver application, California seeks to accomplish six critical goals:

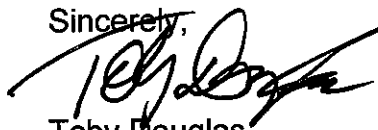
1. To immediately begin phasing in coverage for the "newly eligible" adults aged 19-64 with incomes up to 133 percent of the federal poverty level (FPL) who are not otherwise eligible for Medicaid;
2. To immediately begin phasing in coverage for adults with incomes between 133 and 200 percent of poverty;
3. To create more accountable, coordinated systems of care with a focus initially on Seniors and People with Disabilities (SPDs) and Dual Eligibles;
4. To continue and expand the safety net care pool (SNCP) that is encompassed in the State's existing waiver so that it may continue to assure support for its safety net hospitals and other critical programs which are paid for through the SNCP;
5. To implement a series of improvements to the existing service delivery systems that will strengthen the infrastructure, prepare the State for full implementation of reform, and test strategies to slow the rate of growth in health care costs throughout the State; and
6. To pilot payment reforms within the public hospital system that better align payment and care delivery incentives.

It is California's goal not only to lead the nation in moving deliberately and thoughtfully towards full implementation of the Medicaid expansion populations but also to create more accountable, coordinated and modern service delivery systems, affirm and further strengthen the health care safety net, including private and public hospitals and community health centers, reward health care quality and improved outcomes and slow the long-term expenditure growth rate of the Medi-Cal program.

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Thank you again for investing significant staff resources in assisting us with this waiver proposal as we move forward as a leader in implementing health care reform. We look forward to continuing to work with you and your staff on this waiver proposal and implementing the new waiver by September 1, 2010.

Sincerely,



Toby Douglas
Chief Deputy Director
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