



JENNIFER KENT
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

February 20, 2015

Victoria Wachino
Acting Director
Center for Medicaid and CHIP Services
Centers for Medicare & Medicaid Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850

Dear Ms. ^{Vikki} Wachino:

The Department of Health Care Services (DHCS) is responsible for the implementation, oversight, and monitoring of the School-Based Medi-Cal Administrative Activities (SMAA) program in California, and, upon request and on behalf of our school partners, DHCS is submitting their proposal to settle all deferred claims for costs incurred prior to June 30, 2012, in addition to claims for state fiscal years 2012/13 and 2013/14.

DHCS acknowledges that we agreed in our October 14, 2014, letter that we would develop a backcasting methodology for your consideration. Unfortunately, the potential adverse fiscal impact that could be caused by implementing a traditional backcasting methodology with the possibility that schools' claims could be reduced significantly, in addition to the length of time it would take for schools to be reimbursed for funds they have already expended over the last few years, has proven too great a burden for many California schools to bear. As you know, schools had been under deferral for several years, and while we appreciate the cash flow that has begun through our interim payment arrangement, schools are continuing to experience challenges that puts their ability to continue to participate in this program in jeopardy. This proposal seeks to alleviate these challenges by agreeing to resolve the outstanding invoices as soon as possible at a percentage rate, so that all parties can move forward with the SMAA program under the new Random Moment Time Survey Methodology.

The proposed terms are as follows:

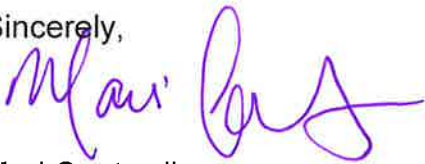
- 100% federal reimbursement of the claimed amount for invoices below \$25,000.

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- 75% federal reimbursement of the claimed amount for invoices above \$25,000, or a flat amount of \$25,000 per invoice, whichever is higher.
- For invoices with claimed amounts above \$25,000, the proposed percentage would be applied after removal from that claimed amount of any vendor fees in excess of 15% of the total allowable costs on the adjusted invoice(s) for the fiscal period.
- For Turlock Unified School District, 25% federal reimbursement of the claimed amount for all applicable invoices.
- To the extent practicable and subject to availability of any necessary supplemental increase to the State's quarterly federal grant, DHCS would request that we be permitted to process all deferred invoices and report all necessary adjustments by March 31, 2015. Such adjustments will include the elimination of all SMAA placeholders.

We appreciate your consideration of this request and the financial challenges our schools are facing. We look forward to hearing from you and please feel free to contact me should you have any questions or require additional information.

Sincerely,



Mari Cantwell
Chief Deputy Director, Health Care Programs

cc: Jennifer Kent, Director
Department of Health Care Services

Pilar Williams
Deputy Director
Health Care Financing

John Mendoza, Chief
Safety Net Financing Division