

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



MAR 16 2015

Mari Cantwell
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Ms. Cantwell:

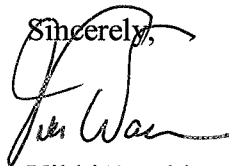
Thank you for your February 20, 2015 letter concerning our agreement with the California Department of Health Care Services (DHCS). We appreciate your commitment to work to resolve deferrals of costs associated with school-based claiming, as well as your concern about maintaining the fiscal health of California's schools.

Working together over the past three years, CMS and DHCS have developed an agreement, which we finalized in October 2014, to establish methods that document allowable Medicaid administrative costs while taking into account the fiscal well-being of the state's school partners. We continue to consider implementing this agreement to be the best course for resolving the concerns CMS identified through audits with respect to past school-based claiming practices in the state. The agreement allowed for an interim payment on deferred claims for costs incurred prior to July 2012 as well as claims for state fiscal years 2012-2013 and 2013-2014. Reflecting negotiations with DHCS, we streamlined the process for clearing the deferred invoices, allowing for immediate flow of funds to the schools. We also increased interim payment rates for claiming units with invoices over \$50,000. Our ability to provide that flexibility was grounded in the state's commitment to reconcile interim payment to actual costs via a new claiming plan based on a "backcasting" methodology. This backcasting approach, which supports our approval of interim payments to the state, provides CMS assurance that the claims made for Medicaid administrative costs reasonably comply with federal requirements.

CMS is prepared to move forward in partnership with DHCS to implement this agreement, and we ask that DHCS provide this backcasting methodology, which was originally due on January 31, 2015, by April 1, 2015. To resolve existing deferrals, we also ask that DHCS provide adjustments to the CMS-64 submission for the quarter ending March 31, 2015.

CMS remains committed to providing necessary technical support to the state and schools to resolve these past claims. We also continue to look forward to the implementation of the new claiming plan that was approved in 2014. We appreciate the hard work and time you and your staff has devoted to this issue. We look forward to working together with you on the successful implementation of this approved administrative claiming plan.

Please direct any questions concerning this matter to Brian Burdullis at (415) 744-2710 or at his email address: Brian.Burdullis@cms.hhs.gov.

Sincerely,


Vikki Wachino
Acting Director

cc: Hye Sun Lee,
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations
San Francisco Regional Office