

*Brenda Parke*

Health Care Financing Administration

Director,

Office of Managed Care

## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES



MAR - 7 1997

John H. Morse  
 Secretary for Health Services  
 Commonwealth of Kentucky  
 275 East Main Street  
 Frankfort, Kentucky 40621-0001



Dear Secretary Morse:

This letter is to inform you that the Health Care Financing Administration is approving Kentucky's request for a Behavioral Health managed care waiver authorized under Sections 1915(b)(1), 1915(b)(3), and 1915(b)(4) of the Social Security Act. Kentucky proposes to phase in pre-paid, capitated Medicaid behavioral health care in conjunction with the phase in of its managed care plan for Medicaid physical health services program, for which a Section 1115 waiver has been approved. Kentucky's physical health managed care plan will be made up of partnerships of public and private providers in eight medical service regions. Under both waivers, the initial partnerships are proposed to be in the Lexington and Louisville areas designated as Region 5 and Region 3 respectively.

Under authority of Federal regulations of 42 CFR Section 430.30(h)(2)(ii), this approval is for the 2-year period effective July 1, 1997 and ending June 30, 1999. The following terms apply to this approval:

1. Approval of this waiver request is in accordance with the requirement that it is consistent with the purposes of the Medicaid program, has met statutory and regulatory requirements for access to care and quality of services, and will be a cost-effective means of providing Medicaid services to Kentucky's Medicaid population.
2. The Commonwealth will ensure that all contracts with the Partnership regions are consistent with the assurances provided to HCFA in the waiver as approved. The contracts and any county subcontracts with managed care entities under this waiver will be submitted to HCFA for review and approval. No Federal financial participation (FFP) will be allowed, or claimed, until the contracts are approved by HCFA. The Department for Mental Health will provide HCFA with the results of its readiness reviews no less than 10-days prior to the implementation of the waiver.
3. The Commonwealth will ensure that recipients have accurate information concerning their rights to complain, formally grieve, and appeal decisions by a Partnership and/or its subcontractor. The Commonwealth will process all requests for fair hearings arising under the waiver according to Federal regulations at 42 CFR 431, Subpart E.

Prior to implementation, the Commonwealth shall provide the following information to the HCFA Regional Office:

- A. Provider manuals, beneficiary program descriptions and mailings, qualifications and credentialing criteria for rehabilitation and support staff, and instruments for monitoring quality, with time lines for the monitoring activities and reports to HCFA.
- B. A detailed plan for the coordination and continuity of care for physical and behavioral health with a description of the process for exchanging patient information while protecting the confidentiality of the patient.
- C. Specific operational data that HCFA finds necessary to monitor the implementation and operational progress of the waiver. Attached to this letter is a listing of the type of data which is requested by HCFA; HCFA and the Commonwealth shall agree on a final list of required data and a reporting schedule by April 15, 1997.
- D. An analysis and certification that its upper payment limit and capitation rates would be actuarially sound in accordance with the current fee-for-service payment system.

Finally, approval of this waiver is contingent upon the Commonwealth of Kentucky's arranging for an independent evaluation of the overall waiver program to be submitted 6-months prior to the end of the waiver period, with special emphasis on beneficiary access to quality health care, impact of the program, and cost effectiveness and the terms indicated above. While this is not directly related to the program I am approving, please keep in mind that the Commonwealth cannot claim savings from this waiver program as savings for the 1115 Partnership demonstration.

I wish you success in the operation of this waiver program. Please contact Rachel Block, Director of the Medicaid Managed Care Team if we can be of any assistance.

Sincerely,



Bruce Merlin Fried  
Director  
Office of Managed Care