



Center for Medicaid and State Operations, Family and Children's Health Programs Group

APR 01 2010

Ms. Monica Coury
Assistant Director
Office of Intergovernmental Relations
Arizona Health Care Cost Containment System
801 East Jefferson
Phoenix, AZ 85034

Dear Ms. Coury:

This letter is in regard to your letter of March 18, 2010, indicating Arizona's intention to terminate the KidsCare program. You have requested that we treat this letter as a Children's Health Insurance Program (CHIP) State Plan Amendment (SPA), which we understand would withdraw the Arizona State Child Health Plan effective June 15, 2010.

The Patient Protection and Affordable Care Act of 2010, provides additional resources to the States to pay for health services for children and low income working families. To ensure that these additional resources achieve the intended purposes and do not simply replace State resources that are shifted to other priorities, the statute contains "maintenance of effort" provisions conditioning Medicaid funding on the continuation of current levels of State Medicaid and CHIP eligibility. We want you to be aware that it appears that your request triggers one of these provisions. Specifically, it appears that your request would result in a loss of Medicaid funding for Arizona under section 2105(d)(3) of the CHIP statute, as amended by sections 2101 and 10203 of the Patient Protection and Affordable Care Act of 2010, which was enacted on March 23, 2010. Arizona currently receives about \$7.8 billion in Federal Medicaid funding per year and this funding is potentially at risk as a result of eliminating the CHIP program (KidsCare).

To be certain that the State is informed of this possibility, we are asking Arizona to confirm that the State intends that CMS continue with its review of this CHIP SPA. If you do choose to proceed, your letter indicated that the State provided prior public notice consistent with State law. Please provide a copy of the applicable State law and the prior public notice.

We will also need to work with you regarding how the termination of coverage will affect beneficiaries. Our primary area of focus is section 2102(b) of the Social Security Act (the Act), as interpreted in section 457.340 of the CHIP regulations, which requires that if eligibility is suspended or terminated, the State must provide sufficient notice to enable the child's parent or caretaker to take any appropriate actions that may be required to allow coverage to continue without interruption to the extent possible. We request more information on how Arizona plans to effectuate this termination of coverage to the thousands of children enrolled in the State's program. The State's letter only provides that "members will be notified no later than 10 days prior to the termination of the program." Specifically, we request that you provide more

information on the substance and timing of the notice that you intend to provide to families as required by the statute and address what the State would do to assist children who are in mid-treatment so that they would not be left adrift without necessary care. In addition, section 2102(c)(2) of the Act requires coordination of title XXI with other public and private health insurance programs, as interpreted in section 457.80(c) of the CHIP regulations, which requires states to describe the procedures used to accomplish coordination between CHIP and Medicaid. Please describe how the State will ensure that children will be screened for Medicaid eligibility before their CHIP coverage is terminated and how families will be informed that their children may be eligible for Medicaid at another point in time if family circumstances, such as income, change.

In our telephone conference on March 30, 2010, the State asked whether Arizona would be able to continue its current CHIP enrollment freeze (implemented on January 1, 2010) without similarly triggering the maintenance of effort provision at section 2105(d)(3), as amended. We are still reviewing the relevant facts and will respond separately on this issue.

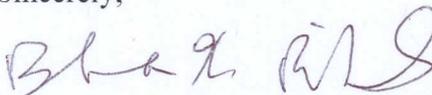
Under section 2106(c) of the Social Security Act, CMS must approve, disapprove or request additional information on an amendment to a title XXI state plan within 90 days. This letter constitutes our notification that specified additional information is needed in order to fully assess your amendment. The 90-day review period has been stopped by this request and will resume as soon as a complete and substantive response to all of the concerns described in this letter is received. The members of the review team are available to answer any questions you may have in regard to this letter and to assist your staff in formulating a response.

Please send your response electronically, as well as in hard copy to Ms. Stacey Green, Technical Director for the Arizona title XXI program, with a copy to the CMS Region IX Office. Ms. Green's email address is stacey.green@cms.hhs.gov. Her mailing address is:

Centers for Medicare and Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-04-04
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Please contact me at 410-786-5143 if you have questions or need clarification.

Sincerely,



Barbara K. Richards
Acting Director
Division of State Children's Health Insurance

cc: Ms. Gloria Nagle, Associate Regional Administrator, Region IX
Ms. Susan Ruiz, Regional CHIP Coordinator