



*Administrator*

Washington, DC 20201

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Sandeep Wadhwa, M.D., M.B.A  
Medicaid Director  
Medical and CHP+ Administration Office  
Department of Health Care Policy and Financing  
1570 Grant Street  
Denver, CO 80203-1818

Dear Dr. Wadhwa:

I am writing regarding the pending reconsideration request for the Colorado State plan amendment (SPA) 05-006. Effective July 1, 2005, this amendment seeks to comply with Federal coverage and rate-setting requirements for Medicaid school-based services funded by certified public expenditures (CPEs).

During the original review of Colorado SPA 05-006, Colorado indicated that the claimed expenditures for school-based services would be made by the local school districts, but did not show any auditable method for determining or documenting such expenditures. As a result, the Centers for Medicare & Medicaid Services (CMS) could not determine whether the proposed plan would provide for the non-Federal share required under section 1902(a)(2) of the Social Security Act (the Act). In addition, the State did not provide documentation to demonstrate that the payment rates reflected the cost of providing the services. The proposed rates included multiple indirect and operating cost components that were not demonstrated to be mutually exclusive or related to Medicaid-covered costs. CMS could not determine whether the proposed level of payment would be consistent with efficiency, economy, and quality of care, as required by section 1902(a)(30)(A) of the Act. Finally, because the State's proposal did not include conclusive cost information, Colorado did not establish that the proposed payments could be the basis for claimed expenditures consistent with section 1903(a)(1) of the Act, and the overall Federal-State financial partnership that is established under title XIX of the Act.

The CMS also found during the original review that the proposal did not document that the descriptions of the covered services, the reimbursement methodology, and the State funding mechanism complied with Federal statute. Pursuant to Federal regulations at 42 CFR 430.10, which is authorized by section 1902(a)(4) of the Act and implements section 1902(a) of the Act general requirements for a State plan, a State plan must provide sufficient information to describe the nature and scope of the State program and provide a basis for Federal financial participation (FFP). The proposed amendment did not provide sufficient information to determine whether services provided in schools complied with the statutory requirements at section 1902(a)(23) of the Act, which require that beneficiaries may obtain covered services from any willing and qualified provider that undertakes to provide such services. The proposed

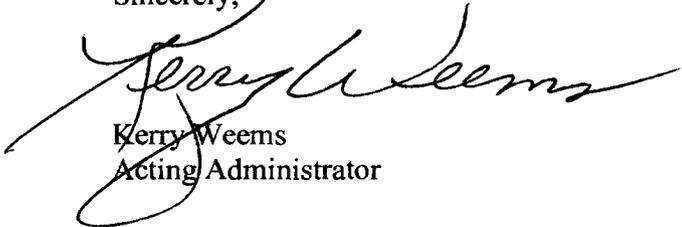
amendment also did not comply with the statutory requirements of section 1902(a)(10)(B) of the Act, providing that services must be comparable in amount, duration, and scope to all Medicaid beneficiaries. CMS disapproved this amendment on July 6, 2006.

On September 14, 2006, the State requested that CMS reconsider the disapproval of this amendment. During the course of the reconsideration process, Colorado provided additional information to CMS that showed the State implemented, and described in the State plan, an auditable cost identification methodology that is approvable by CMS, and supports the use of CPEs as the source of the State share of Medicaid payments. Specifically, the State implemented a statistically valid time-study methodology that is used to identify the amount of time Medicaid-qualified practitioners engage in the provision of covered services. The State also developed a CMS-approved cost report that instructs providers to report the appropriate direct and indirect costs of Medicaid covered services. These costs are allocated to the Medicaid program using an allocation percentage to isolate and reconcile Medicaid's obligation of the service costs. This information is sufficient to demonstrate that the proposed payments comply with the requirements of sections 1902(a)(2), 1902(a)(30)(A), and 1903(a)(1) of the Act.

Additionally, the State provided information to CMS that showed that the services may be provided by any willing and qualified provider and are comparable in amount, duration, and scope to all Medicaid beneficiaries. In particular, the State included information in the State plan that assured that services are not restricted to the school setting and that providers meet the required qualifications to render services to Medicaid beneficiaries. This additional information now demonstrates that the State plan complies with sections 1902(a)(10)(B) and 1902(a)(23) of the Act.

Because I find that Colorado has sufficiently demonstrated that Colorado SPA 05-006 now conforms to the applicable statutory requirements for approval, I am pleased to inform you that the amendment has been approved, effective July 1, 2005. The revised approved plan pages are enclosed for incorporation into the Colorado Medicaid State plan.

Sincerely,



Kerry Weems  
Acting Administrator

Enclosures