JOHN A. KITZHABER, MD
Governor

February 29, 2012

The Honorable Kathleen Sebelius
Secretary of Health and Human Services
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Secretary Sebelius,

I am pleased to share with you the State of Oregon's request of the federal government to approve amendments to the Oregon Health Plan Waiver Demonstration under Section 1115(a) of the Social Security Act. With these amendments, the Demonstration will serve to transform and improve the health care delivery system for Oregonians for years to come by improving health, improving health care and containing costs.

As Oregon forges ahead to implement its most ambitious health care transformation plan to date, focusing on integrated, coordinated care and alignment of incentives, we are also requesting approval to use federal savings earned under the OHP waiver to help launch our initiatives. Specifically, Oregon is requesting an amendment to our OHP 1115 Demonstration to authorize federal financial participation (FFP) for selected state designated health programs (DSHP). These programs would be authorized by Section 1115(a) cost not otherwise matchable authority (CNOM).

Since established in 1994, the Oregon Health Plan Waiver Demonstration has provided the state's most vulnerable residents with high-quality, evidence-based health care while containing spending growth, saving the federal and state government more than $15 billion over the life of the waiver.

As we look to the future, Oregon is ready to build on that success and to take it further to meet three goals:

1. Transform Oregon's Medicaid delivery system to focus on prevention, integration, and coordination of health care across the continuum of care with the goal of improving outcomes and bending the cost curve;
2. Promote the Triple Aim of better health, better health care, and lower per capita costs; and
3. Establish supportive partnerships with CMS to implement innovative strategies for providing high-quality, cost-effective, person-centered health care under Medicaid and Medicare.

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We estimate that there will be approximately 200,000 additional Oregonians eligible for Medicaid with the implementation of federal health reform in 2014. This proposal envisions a system anchored by the creation of community-based Coordinated Care Organizations (CCOs) that focus on prevention and primary care and the needs of their particular communities. With these reforms, we believe Oregon will be well-positioned to provide access to health care for newly eligible people, meet the three goals outlined above, and, at the same time, effectively use federal and state resources to support integrated care.

CCOs will integrate and coordinate care across physical, behavioral, and oral health care services through a strong focus on primary and preventive care, evidence-based services, and more effective management of care. The CCOs will not directly provide long-term services and supports (LTSS) at this time; however, in order to reduce cost-shifting and ensure shared responsibility for delivering high-quality, person-centered care, the CCOs and LTSS system will coordinate care and share both programmatic and financial accountability.

With this waiver amendment, Oregon is requesting, first, that all of the state's existing 1115 Demonstration authorities remain in place. These authorities will allow the State to implement a significant portion of the transformed system, including contracting with CCOs; enrolling individuals, including those eligible for Medicaid and Medicare, in managed care and establishing integrated benefit packages. Specific new flexibilities are outlined in our attached request. The State also requests approval of a three-year extension through October 31, 2016. The current Demonstration is scheduled to expire October 31, 2013.

Our desire is to continue to work collaboratively with CMS in moving these requests forward as expeditiously as possible. Oregon expects to contract with the first CCOs in July 2012. In order to accomplish that, we respectfully request expedited CMS review and approval. Our target date for approval of our DSHP request is April 1, 2012 and of the overall waiver amendments and extension, June 1, 2012.

The State of Oregon looks forward to your support and to working with you as we implement health system transformation and enter a new 1115 Demonstration renewal period and as we continue to fulfill the mission of the Oregon Health Authority: Helping people and communities achieve optimum physical, mental and social well-being through partnerships, prevention and access to quality, affordable health care.

Thank you for your consideration of these amendment and extension requests. If you have any questions or would like further information, please do not hesitate to contact our Medicaid Director, Judy Mohr Peterson at (503) 945-5768.

Sincerely,

John A. Kitzhaber, M.D.
Governor

C:
The Honorable Jeff Merkley, U.S. Senator
The Honorable Ron Wyden, U.S. Senator
The Honorable Earl Blumenauer, U.S. Representative
The Honorable Peter DeFazio, U.S. Representative
The Honorable Kurt Schrader, U.S. Representative
The Honorable Greg Walden, U.S. Representative
The Honorable Suzanne Bonamici, U.S. Representative
Bruce Goldberg, Director, Oregon Health Authority
Michael Bonetto, Office of Governor John Kitzhaber, Senior Health Policy Advisor
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