

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
JFK Federal Building, Government Center  
Room 2275  
Boston, Massachusetts 02203



CENTERS for MEDICARE & MEDICAID SERVICES

**Division of Medicaid and Children's Health Operations / Boston Regional Office**

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August 2, 2010

Mark Schaefer, Director  
Medical Care Administration  
Department of Social Services  
25 Sigourney Street  
Hartford, Connecticut 06106

RE: Legislation to restructure the HUSKY program

Dear Mr. Schaefer:

This letter is in response to your letter of June 14, 2010 to the CMS Boston Regional Office regarding legislation that was recently enacted in Connecticut. Section 20 of Public Act 10-179 permits the Department of Social Services (the Department) to convert the HUSKY A and B programs from an at-risk managed care organization (MCO) to a non-risk administrative service organization (ASO) delivery model. The language of the statute is as follows:

*Sec. 20. (NEW) (Effective July 1, 2010) The Commissioner of Social Services may contract with one or more administrative services organizations to provide care coordination, utilization management, disease management, customer service and review of grievances for recipients of assistance under Medicaid, HUSKY Plan, Parts A and B, and the Charter Oak Health Plan. Such organization may also provide network management, credentialing of providers, monitoring of copayments and premiums and other services as required by the commissioner. Subject to approval by applicable federal authority, the Department of Social Services shall utilize the contracted organization's provider network and billing systems in the administration of the program.*

The final sentence in this statute requires DSS to use the ASO's provider network and billing systems, to the extent permissible by federal law. Under the Medicaid program a State is prohibited from paying an ASO for medical services. ASO's are purely administrative entities and States will only be reimbursed by the Federal Medicaid program for administrative functions performed by the ASO, which are reimbursed at the administrative match rate. CMS is not authorized to reimburse a State for payments made to an ASO for medical services, even when provided through a subcontracted provider network. Under a fee for service delivery system, such as an ASO model, states are required to contract directly with and make payments directly

to providers of medical services using the State's Medicaid fee-for-service provider network and approved State Plan payment methodologies and rates.

The State may withhold a percentage of the administrative fee to the ASO as a performance incentive, contingent upon the achievement of defined utilization or administrative savings targets.

As we have discussed, 42 CFR 438 provides for additional delivery system options under managed care, including prepaid health plans, inclusive of inpatient services (PIHP) or providing only ambulatory services (PAHP), managed care organizations and primary care case management programs.

Please note that any change to your current system of fully-capitated, comprehensive risk contracts with the MCOs must be consistent with the current terms of your 1915(b) HUSKY A waiver, unless the State submits an official request for a waiver amendment. A 1915(b) waiver amendment will only be approved prospectively, and may not be made retroactive. CMS has ninety (90) calendar days from the date the amendment request is received in which to approve or deny the amendment, or to issue a written Request for Additional Information (RAI), in accordance with federal regulations at 42 CFR §430.25(f)(3).

We look forward to continuing to work with the Department on the various options available to restructure the HUSKY program. If you have any questions about this letter, please contact Julie McCarthy at (617) 565-1244 or [julie.mccarthy@cms.hhs.gov](mailto:julie.mccarthy@cms.hhs.gov).

Sincerely,



Richard R. McGreal  
Associate Regional Administrator

cc: Michael P. Starkowski, Commissioner, DSS  
Brenda Sisco, Secretary, Office of Policy and Management, DSS  
Lee Voghel, DSS  
Camille I. Dobson, Technical Director, Managed Care, CMS  
Yolanda Reese, CMS  
Lynn DelVecchio, CMS



# STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

25 SIGOURNEY STREET • HARTFORD, CONNECTICUT 06106-5033

June 14, 2010

Richard McGreal, Associate Regional Administrator  
Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
JFK Federal Building, Suite 2275  
Boston, MA 02203-0003

Re: Legislation to restructure the HUSKY Program

Dear Mr. McGreal:

On May 5<sup>th</sup> of this year, the Connecticut legislature enacted legislation that would permit the Department of Social Services ("Department") to convert the HUSKY program from a full-risk capitated managed care model to a non-risk model that would use administrative service organizations (ASOs) and their contracted networks. The language of the statute is as follows:

*Sec. 20. (NEW) (Effective July 1, 2010) The Commissioner of Social Services may contract with one or more administrative services organizations to provide care coordination, utilization management, disease management, customer service and review of grievances for recipients of assistance under Medicaid, HUSKY Plan, Parts A and B, and the Charter Oak Health Plan. Such organization may also provide network management, credentialing of providers, monitoring of copayments and premiums and other services as required by the commissioner. Subject to approval by applicable federal authority, the Department of Social Services shall utilize the contracted organization's provider network and billing systems in the administration of the program.*

The legislation suggests that the department would modify the arrangement for financing the MCOs such that they would become non-capitated ASOs. The language permits the elimination of the comprehensive capitation payments in favor of reimbursement of the new ASOs based on actual service costs incurred plus an administrative fee. Accordingly, the budget assumes a \$17 million savings based on the projected elimination of profit and a one-time \$65 million savings resulting from the conversion from a pre-paid capitation to retrospective reimbursement. As you can see, the final sentence in the statute requires the utilization of the existing networks that have been established by the MCOs, if allowable under federal law.

Although we have had general discussions in recent months about the legislature's approach, I am seeking your guidance now to determine specifically what the federal law will permit with respect to the approach now permitted in Connecticut statute. I will be in touch to set up a time to discuss any questions that you may have prior to providing us with written guidance.

Sincerely,

Mark Schaefer  
Director, Medical Care Administration

cc: Michael P. Starkowski, Commissioner  
Brenda Sisco, Secretary, Office of Policy and Management  
Lee Voghel