

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850

## Center for Medicaid and State Operations

March 17, 2009

Mr. Steven Fitton  
Acting Director  
Medical Services Administration  
Department of Community Health  
Capitol Commons, 400 South Pine  
Lansing, MI 48909

Dear Mr. Fitton:

This letter concerns the effect on Michigan of section 2111 of the Social Security Act, as added by section 112 of the Child Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Public Law No. 111-3. This provision requires a phase-out of coverage for nonpregnant childless adults (“childless adults”). As you are aware, Michigan currently covers childless adults under its title XXI section 1115 demonstration project entitled, “Adult Benefits Waiver.”

Under section 2111(a)(2), States currently covering childless adults may request an automatic extension to continue this coverage until December 31, 2009. CMS previously granted Michigan a temporary extension of its current demonstration through March 31, 2009. Consistent with CHIPRA, the State may now submit a written request for an automatic extension of this demonstration through December 31, 2009. This request must be submitted not later than March 31, 2009. Michigan will continue to be subject to its currently approved Special Terms and Conditions (STCs), and the Centers for Medicare and Medicaid Services (CMS) will continue to monitor the demonstration, including the evaluation component. Michigan will also be required to maintain its current income eligibility level for childless adults of 35 percent of the Federal poverty level and no payment will be made to the State for expenditures for childless adults whose income exceeds this income eligibility level.

Should the State wish to continue coverage for this population beyond the December 31, 2009 termination date, section 2111(a)(3) provides a process for States to apply for necessary authority under a Medicaid demonstration project under title XIX of the Social Security Act. Application for such a demonstration must be submitted not later than September 30, 2009. CMS is required to make a decision whether to approve such an application within 90 days or by December 31, 2009. (If a decision is not provided to the State within that timeframe, the application will be deemed approved). Because this time frame is short, the State should be careful to include in the application all information necessary for the approval decision, including sufficient information to determine budget neutrality. The statutory standard for budget neutrality in fiscal year (FY) 2010 allows expenditures for medical assistance under title XIX that do not exceed those of FY 2009, increased by the percentage increase (if any) in the projected nominal per capita amount of National Health Care Expenditures for 2010 over 2009, as published by the Secretary. For subsequent years, expenditures

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may not exceed the amount in effect for the previous year, increased by the percentage increase (if any) in the projected nominal per capita amount of National Health Care Expenditures for the calendar year that begins during the year involved over the preceding calendar year, as published by the Secretary.

My staff, including Kathleen Farrell, Director of the Division of State Children's Health Insurance, and Susan Gratzner, your title XXI project officer, is available to provide technical assistance and to discuss Michigan's options. Official correspondence should be submitted to the project officer at the following address:

Centers for Medicare & Medicaid Services  
Center for Medicaid and State Operations  
Mail Stop S2-01-16  
7500 Security Boulevard  
Baltimore, MD 21244-1850  
Telephone: (410) 786-8694  
Facsimile: (410) 786-5882  
E-mail: [susan.gratzner@cms.hhs.gov](mailto:susan.gratzner@cms.hhs.gov)

Official communications regarding program matters should be sent simultaneously to Ms. Gratzner and to Ms. Verlon Johnson, Associate Regional Administrator in our Chicago Regional Office. Her address is:

Centers for Medicare & Medicaid Services  
Division of Medicaid and State Operations  
233 N. Michigan Avenue, Suite 600  
Chicago, Illinois 60601

Sincerely,

/s/

Jackie Garner  
Acting Director  
Center for Medicaid and State Operations

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Cc: Verlon Johnson, Region V  
Kathleen Farrell  
Susan Gratzer