



Centers for Medicaid and State Operations

April 27, 2007

SMDL #07-006

Dear State Medicaid Director:

The purpose of this letter is to provide you with information regarding a second solicitation for grant funds for the adoption of innovative methods to improve the effectiveness and efficiency in providing medical assistance under Medicaid. Specifically, this solicitation is authorized by section 6081 of the Deficit Reduction Act of 2005 (DRA), which provides funding for Medicaid Transformation Grants.

On February 8, 2006, President Bush signed the Deficit Reduction Act of 2005 (DRA) (Pub. L. No. 109-171) into law. Section 6081 of the DRA adds a new subsection (z) to section 1903 of the Social Security Act (the Act) which provides grant funds for the adoption of innovative methods to improve the effectiveness and efficiency in providing medical assistance under Medicaid.

The initial grant solicitation specified that \$150,000,000 was available in grants for Federal fiscal years (FFY) 2007 and 2008. CMS has awarded 32 Medicaid transformation grants to 26 States totaling \$98,059,694. The remaining \$51,940,306 will be awarded through a second solicitation posted at www.grants.gov.

Medicaid spending growth has declined in recent years, likely reflecting many factors, including State reforms to deliver needed benefits more efficiently and effectively. The implementation of the DRA provides new opportunities for States to work with the Federal Government to build on the effective reforms to slow spending growth while providing needed coverage, and doing more to help people get the kind of care they prefer. Through the use of the Transformation Grants, States can work with the Centers for Medicare & Medicaid Services (CMS) to create programs that are more aligned with today's Medicaid population and the health care environment.

Section 1903(z) encourages states to "adopt innovative methods to improve the effectiveness and efficiency in providing Medicaid. New subsection 1903(z) specifies the criteria for the grants and lists examples of the permissible use of the funds. Examples of the permissible use of funds include but are not limited to:

- Methods for reducing patient error rates through the implementation and use of electronic health records, electronic clinical decision support tools, or e-prescribing programs;
- Methods for improving rates of collection from estates of amounts owed under Medicaid;

- Methods for reducing waste, fraud, and abuse under Medicaid, such as reducing improper payment rates as measured by annual error rate measurement (PERM) projects;
- Implementation of a medication risk management program as part of a drug use review program under section 1927(g) of the Act;
- Methods in reducing, in clinically appropriate ways, Medicaid expenditures for covered outpatient drugs, particularly in the categories of greatest drug utilization, by increasing the utilization of generic drugs through the use of education programs and other incentives to promote greater use of generic drugs; and
- Methods for improving access to primary and specialty physician care for the uninsured using integrated university-based hospital and clinic systems.

In addition, the Secretary encourages States to apply for grant funds to develop value driven health care initiatives including systems that provide transparency in health care that allow consumers to compare the quality and price of services so they can make informed choices among doctors and hospitals that may include:

- Methods to increase health care transparency which provide consumers with the information and the incentives to choose health care providers based on value. Examples from current State pilots from Medicare’s “Better Quality Information to Improve Care for Medicare Beneficiaries” that could be replicated in the Medicaid program include:
 - Initiatives to collect and report performance data, promote comparable quality measures, and create efficient data collection;
 - Collaborations aimed at improving the quality of health care and creating a common, secure, electronic infrastructure to expand information sharing;
 - Creation of a broad-based health care coalition to promote valid, comparable measures to drive quality improvement;
 - Initiatives to collaborate to improve community health, build an IT infrastructure, ensure access to data, report value data, and promote beneficiary involvement.
 - Developing verifiable measures for public reporting.

Subsection (z) appropriates \$75,000,000 for grants for FFY 2007 and \$75,000,000 for FFY 2008. CMS has awarded \$ 98,059,694 through an initial solicitation; \$52,554,279 was awarded in FFY 2007 funds and \$45,505,415 in FFY 2008 funds. The remaining \$51,940,306 (\$22,445,721 for FFY 2007 and \$29,494,585 for FFY 2008) will be awarded through this announcement.

All State Medicaid agencies are eligible to apply. A State or territory wishing to be considered for a Medicaid Transformation Grant must submit an application to CMS via www.grants.gov. The Funding Opportunity Number is HHS-2007-CMS-MTG-2010. To apply, go to

www.grants.gov. You must “Get Registered” before you apply. On the left select “Get Registered” and follow the directions. When that’s completed select “Apply For Grants” and follow the directions. Please do not wait until the application deadline date to begin the application process through Grants.gov. Visit Grants.gov at least 30 days prior to filing your application to fully understand the process and requirements. Also, submit well before the closing date and time so that if difficulties are encountered, an applicant can still submit a hard copy overnight. For questions on the application process contact grants.gov at 1-800-518-4726 or support@grants.gov.

The grant solicitation will be posted at www.grants.gov during the month of April 2007.

We strongly encourage you to consider these grant opportunities to develop proposals to enhance your Medicaid program. The CMS contact for this legislation is Ms. Jean Sheil, Director, Family and Children’s Health Programs Group. She may be reached at 410-786-5647. Please do not hesitate to contact us if you have any additional questions.

Sincerely,

/s/

Dennis G. Smith
Director

Enclosure

cc:

CMS Regional Administrators

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