



*Administrator*  
Washington, DC 20201

SEP 29 2006

Ms. Kathleen Shure, Director  
Office of Managed Care  
New York Department of Health  
Empire State Plaza  
Corning Tower Building  
Albany, NY 12237

Dear Ms. Shure:

We are pleased to inform you that New York's request for the "Federal-State Health Reform Partnership" has been approved as a Medicaid section 1115 demonstration (Project Number 11-W-00234/2), for a period of 5 years, beginning October 1, 2006. This approval authorizes the demonstration through September 30, 2011, upon which date all waivers and authorities granted to operate this demonstration will expire. This approval is under the authority of section 1115(a)(1) of the Social Security Act.

Under this demonstration, New York will implement a significant restructuring of its health care delivery system by: reducing excess capacity in its acute care hospital industry; shifting emphasis in long-term health care services from an institutional to a community-based setting consistent with the President's New Freedom Initiative by reducing nursing home excess capacity and worker retraining; investing in health information technology initiatives, including e-prescribing, electronic medical records and regional health information organizations; and reorienting New York's health care system away from inpatient facilities to outpatient and primary-care focused delivery systems, including pay-for-performance initiatives.

New York will be required to meet a number of programmatic milestones during the demonstration, as well as demonstrate Medicaid program savings from both the health care system reforms that it will be implementing, as well as expansion of managed care enrollment to additional counties in the State. New York will also be required to conduct an evaluation of the impact of the demonstration program during the 5-year period.

This demonstration accomplishes the following:

- Transfer of authority to enroll the aged and disabled into mandatory managed care from the Partnership Plan demonstration (11-W-00114/2) to this demonstration. Along with this authority are the necessary waiver and expenditure authorities, as well as Special Terms and Conditions (STCs) to effectuate this transfer.
- Expansion of mandatory managed care enrollment to 14 counties where there is managed care capacity.

- Implementation of a significant number of Medicaid program efficiencies, including implementation of 1) a preferred drug list for program recipients; 2) an employer-sponsored insurance program; and 3) more rigorous fraud and abuse recovery efforts.
- Effectuating the Federal Government's commitment to partner with New York on the restructuring of its health care system.

Our approval of the Federal-State Health Reform Partnership section 1115(a) demonstration, including the waivers and expenditures authorities provided there under, is conditioned upon compliance with the enclosed STCs. All requirements of the Medicaid program expressed in law, regulation, and policy statement not expressly waived or identified as not applicable in the enclosed waiver and expenditure authority lists, shall apply to the Federal-State Health Reform Partnership demonstration. The award is subject to our receiving your written acceptance of the award, including waiver and expenditure authorities, as well as the STCs, within 30 days of the date of this letter. Notification regarding your 1115(f) Partnership Plan Demonstration extension will be under separate cover.

Your project officer for this demonstration is Ms. Camille Dobson. She is available to answer any questions concerning your section 1115 demonstration. Ms. Dobson's contact information is as follows:

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) 786-7062  
Facsimile: (410) 786-5882  
E-mail: [Camille.Dobson@cms.hhs.gov](mailto:Camille.Dobson@cms.hhs.gov)

Official communication regarding program matters should be sent simultaneously to Ms. Dobson and to Ms. Sue Kelly, Associate Regional Administrator in our New York Regional Office. Ms. Kelly's contact information is as follows:

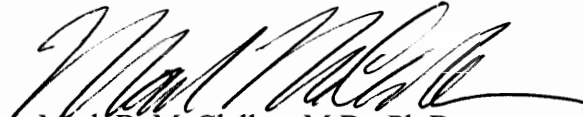
Centers for Medicare & Medicaid Services  
Division of Medicaid and Children's Health  
26 Federal Plaza  
New York, NY 10278

If you have questions regarding the terms of this approval, please contact Ms. Jean Sheil, Director, Family and Children's Health Programs Group, Center for Medicaid and State Operations, at (410) 786-5647.

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Congratulations on the approval of your new demonstration. We look forward to continuing to work with you and your staff.

Sincerely,



Mark B. McClellan, M.D., Ph.D.

Enclosures

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cc: Ms. Sue Kelly  
Associate Regional Administrator  
New York Regional Office