



**State of Louisiana**  
Department of Health and Hospitals  
Office of the Secretary

January 23, 2014

The Honorable James R. Fannin, Chairman  
Joint Legislative Committee on the Budget  
P.O. Box 44294  
Baton Rouge, LA 70804

Re: HCR122 of the 2013 Regular Session

Dear Chairman Fannin:

The Department of Health and Hospitals (DHH) has reviewed HCR 122 and we appreciate your commitment to this issue. House Concurrent Resolution No. 122 called upon the Department of Health and Hospitals (DHH) to develop a Section 1115 Research & Demonstration waiver to submit to the Center for Medicare and Medicaid Services (CMS) that would allow the use of costs not otherwise matchable (CNOM) authority to receive federal matching funds for designated state and local health programs and to reinvest unencumbered state funds into the Medicaid program. As a response to this resolution, the Department consulted with experienced consultants, other states, and Louisiana provider organizations to determine what the best process would be to fulfill its intent.

An 1115 waiver allows a state to use Medicaid funding to try new and innovative approaches to the delivery of services, including changes in Medicaid eligibility. The reforms contemplated by the 1115 waiver cannot cost the federal government more than the federal government would have spent in the absence of the 1115 waiver. Because of this, if there is an expansion of coverage under the 1115, the additional cost to the federal government must be offset elsewhere, such as through a managed care expansion. 1115 waivers take significant time and resources to develop due to the need for CMS consultations, budget calculations, and stakeholder input. The Health and Human Services Secretary is generally reluctant to authorize waivers that may be contrary to recent Executive or Congressional interest.

After careful review, the Department has determined that utilizing CNOM authority through an 1115 waiver is not an effective means to achieve the goal of increasing funding for certain hospitals as envisioned by the resolution. CNOM authority permits the Secretary of HHS to provide matching funds for state costs that would otherwise not be matched under Section 1903 of the Social Security Act. While this funding mechanism has been used to pay for projects and populations Medicaid would not otherwise cover, the state's Medicaid program is not dependent on CNOM authority to utilize local funds. The Medicaid program can leverage local funds through Intergovernmental Transfers (IGT) and has in the past. Currently, DHH utilizes over \$33

The Honorable James R. Fannin, Chairman

January 23, 2014

Page 2

million in local funds for its programs received through IGT. These funds come from public entities all across the state and do not require an 1115 waiver to be matched with federal resources.

CNOM authority is necessary to direct certain matched funds to specific programs at the local level. Such programs, called designated state health programs (DSHP), can include mental health, primary care, or public health initiatives. The DSHP must be tied to a state-funded program and the rationale for which CNOM authority is being used to fund this program. Texas has used such authority for quality improvement initiatives in their hospital system. While there might be some method to use the DSHP authority to provide relief for the Federal Medical Assistance Percentage (FMAP) change that occurred in the summer of 2012, DSHP simply cannot be used to replace FMAP, as contemplated by the resolution.

There is great potential to utilize local funds for our health system, and the Department is encouraged by the Legislature's creative thinking on how to utilize these funds. However, after intensive work on an 1115 waiver proposal that would meet the intent of this resolution, it was determined that using CNOM authority through an 1115 waiver is not the best method to receive federal matching funds for state and local health programs. Instead, by using IGTs, the Department can match any identified local funds and utilize this funding to develop innovative health solutions. DHH has met with the author of HCR 122 and is currently exploring how local funds can be effectively invested in regional health projects. The Department is committed to working with the Legislature and local communities on identifying any local funding sources and using these funds for health efforts in communities across the state.

Sincerely,



Kathy H. Kliebert  
Secretary

KHK/cwl

cc: The Honorable Members of the Joint Legislative Committee on the Budget  
David R. Poynter Legislative Research Library