



United States Department of Agriculture

July 20, 2015

Dear Medicaid, Children's Health Insurance Program, and Health and Human Services Directors, and State Marketplace CEOs:

On August 10, 2011, we announced a time-limited, specific exception to the cost allocation requirements set forth in Office of Management and Budget (OMB) Circular A-87 (Section C.3) and Section 200.405 of the superseding "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (2 CFR 200 issued December 19, 2014). These provisions generally require the costs associated with building shared state-based information technology systems to be allocated across all benefitting programs. The exception reflected the Administration's focus on streamlining enrollment in health and human services programs while leveraging funding efficiencies at the state-level. The original timeline allowed human services programs to benefit from investments in the design and development of state eligibility-determination systems for state-operated Marketplaces, Medicaid, and the Children's Health Insurance Program (CHIP), through December 31, 2015. This letter provides a one-time extension of that timeline for an additional 3 years, through December 31, 2018, and provides additional guidance on how states may take advantage of the exception and the extended timeframe to leverage these investments to better serve consumers' multiple programs and needs. The U.S. Departments of Health and Human Services (HHS) and Agriculture (USDA) are committed to a strong partnership with states and our federal stakeholders as we work together to implement our shared vision of interoperable, integrated and consumer-focused health and human services systems.

The underlying premise for the waiver remains the same: to maintain the progress states have made, and to promote further integration. This will enable states experiencing unanticipated delays with the development of the Medicaid Modified Adjusted Gross Income (MAGI) functionality in their eligibility systems, procurement challenges, and other unforeseen barriers to complete that work and then effectively use the waiver extension to streamline their eligibility systems, improve access to health and human service programs, and maximize efficiency.

This extension of the exception to certain OMB cost allocation requirements, along with the proposed indefinite extension of enhanced Federal funding for Medicaid systems, will enable states to fund the initial development costs needed to retire their legacy eligibility determination systems and integrate their functionalities into improved systems. Moreover, this extension will provide states more time to develop, refine, or test integrated systems to fully comply with Affordable Care Act functionalities.

Please refer to the January 23, 2012, Tri-Agency letter for requirements and additional details on considerations for using the exception and suggested system functionalities that can be integrated (<http://www.medicaid.gov/federal-policy-guidance/downloads/smd-01-23-12.pdf>).

Clarifying States' Integration Activities

The extended timeline enables states to support optimal system integration between programs available to eligible consumers. These programs, by working together, acknowledge the **social determinants** of health and contribute to national health and wellness goals. In light of the additional time available under the exception, states are encouraged to reconsider and revise their plans to pursue additional progress on system integration, beyond their original plans. States should ensure that revised incoming Advanced Planning Documents (APD) include a detailed narrative, identifying the specific programs that will benefit from the unified system, the types and level of integration proposed, and a schedule for integration with milestones. This will ensure that HHS and USDA have the most current catalog of states' activities and timing of implementation. In addition, as states refresh their system integration plans, the U.S. Digital Services playbook is a valuable resource to consider for best practices in IT development: <https://playbook.cio.gov/>.

Because each state's system solution may vary, states interested in taking advantage of the opportunities available under the exception should discuss their cost allocation approach with their representatives from the Centers for Medicare & Medicaid Services (CMS), the Administration for Children and Families (ACF), and/or the Food and Nutrition Service (FNS), which are working together to ensure a close level of coordination.

Technical Assistance to States

In order to accelerate states' efforts to achieve greater system integration, HHS and USDA are working to provide additional resources to offer timely technical assistance to states. Specifically, we are now leveraging a private collaborative workspace, which has supported states' Medicaid and Marketplace eligibility efforts, to also serve state health and human services programs' integration efforts. This workspace, called the Collaborative Application Lifecycle Tool (CALT) now has a dedicated Health and Human Services Integration Community, and will allow states to share APDs, acquisition documents, and information technology (IT) artifacts that could serve as models and support their reuse. We are also devoting additional contractual resources to work with states on their conceptual designs, and to identify opportunities for collaboration and reuse between states. States should expect to hear shortly from their respective HHS and USDA system leads about gaining access to CALT and the new technical assistance resources. It is our goal that these resources will facilitate more successful and efficient IT integration between Medicaid and human services programs, ultimately benefiting the beneficiaries that we serve.

Advance Planning Document Process

Consistent with current practice, states should continue to submit APDs to all program offices from which they are requesting funding, and if necessary, to ACF's Office of Administration that acts as the clearinghouse for all HHS-related APDs that include two or more HHS programs. If a state only intends to request funding for an eligibility system that provides functionality for the Medicaid and CHIP programs, without the intent of building an integrated system in the future, the APD should be submitted directly to CMS for review and approval.

Please refer questions to the federal analyst responsible for your program area.

Sincerely,

/s/

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