



Administrator

Washington, DC 20201

SEP 27 2005

Mr. Michael Smith
Secretary
Agency for Human Services
103 South Main Street
Waterbury, VT 05671-2301

Dear Mr. Smith:

We are pleased to inform you that Vermont's April 15, 2005, application, "The Global Commitment to Health" section 1115 demonstration, has been approved as project number 11-W-00194/1, for a period of 5 years, beginning with the enrollment of the first demonstration participant, but no later than January 1, 2006. This approval is under the authority of section 1115(a) of the Social Security Act.

Using a multi-disciplinary approach including the basic principles of public health, the fundamentals of effective administration of a Medicaid managed care delivery system, and flexibility under this demonstration, Vermont will demonstrate its ability to promote universal access to health care, cost containment, and improved quality of care. Vermont will be required to conduct an evaluation of the impact of the demonstration program during the 5-year period.

The Vermont Agency for Human Services will contract with the Office of Vermont Health Access to serve as a publicly sponsored managed care organization. The Federal regulations published at 42 CFR Part 438 shall govern the provision of Medicaid services through managed care. Furthermore, the State will be financially at risk for managing costs within a targeted amount. Vermont will have to manage its program within the aggregate amount of \$4.7 billion over the approved 5-year demonstration period.

Our approval of the Global Commitment to Health section 1115(a) demonstration, including the waivers and expenditures authorities provided thereunder, is conditioned upon compliance with the enclosed Special Terms and Conditions. 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 list, shall apply to the Global Commitment to Health demonstration. The award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

As a follow-up to the State Medicaid Directors letter published on June 3, 2005, Federal funds are not available as of January 1, 2006, for drugs covered by the Medicare prescription drug program for any Part D-eligible individual or for any cost sharing for such drugs.

The approval of this demonstration does not include the State's proposal to expand the availability of Employer Sponsored Insurance through premium assistance, nor the approach to streamline eligibility determination. However, we are committed to working with you to further develop both of these proposals for future approval.

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

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
7500 Security Boulevard, Mailstop S2-01-16
Baltimore, MD 21244-1850
Telephone: (410) 786-1074
Facsimile: (410) 786-5882
E-mail: angela.garner@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Garner and to Mr. Richard McGreal, Acting Associate Regional Administrator in our Boston Regional Office.

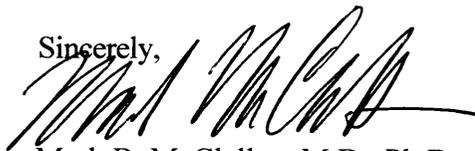
Mr. McGreal's contact information is as follows:

Centers for Medicare & Medicaid Services
JFK Federal Building, Room 2275
Boston, MA 02203-0003

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

We look forward to continuing to work with you and your staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark B. McClellan', written over a horizontal line.

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

Enclosures