

The Honorable Gray Davis
Governor of California
Sacramento, CA 95814

Dear Governor Davis:

I am pleased to approve your request for a Health Insurance Flexibility and Accountability (HIFA) demonstration initiative we received on January 16, 2002. Approval is under section 1115 of the Social Security Act and covers the period January 25, 2002 through January 24, 2007.

Under HIFA, we have emphasized flexibility to allow states to increase health insurance coverage to uninsured families with income below 200 percent of the Federal Poverty Level and to encourage private health insurance coverage options. Under the demonstration, California will provide coverage to uninsured custodial parents, relative caretakers, and legal guardians of children under the title XIX state plan or the title XXI state plan. We believe that extending coverage to family members will also increase the enrollment of eligible children. The HIFA template used by California is a mechanism for expediting the waiver review process.

Approval of this demonstration and the waivers and Federal matching provided is conditioned upon compliance with the special terms and conditions. These terms and conditions are outlined in a letter that you will receive from the Administrator of the Centers for Medicare and Medicaid Operations. The award is subject to our receiving your written acceptance of the award within 30 days of this letter.

We look forward to working with California on the implementation of this HIFA demonstration program.

Sincerely,

Tommy G. Thompson