

March 9, 2004

John Stephen  
Commissioner  
Department of Health and Human Services  
State of New Hampshire  
129 Pleasant Street  
Concord, NH 03301

Dear Commissioner Stephen:

RE: MANAGEMENT LETTER FOR COST SAVINGS THROUGH MEDICAID  
RESTRUCTURING

This management letter defines the area of investigation that MAXIMUS will pursue with the New Hampshire Department of Health and Human Services (DHHS). This Baseline/Management letter is prepared under the terms of the revenue enhancement / cost reduction contract between MAXIMUS and the State of New Hampshire.

For this initiative, MAXIMUS will partner with Sellers Feinberg, a firm which specializes in federal Medicaid revenue maximization, the design and implementation of provider assessments, and Medicaid restructuring. Sellers Feinberg has the ability to assist New Hampshire request and receive federal approval for any proposed Medicaid restructuring along the lines discussed below. Also, the firm brings state clients additional political resources via lobbying relationships in the nation's capital with two prominent firms who have the ability to reach out to CMS, HHS and the White House.

MAXIMUS/SF will analyze the state's current and projected level of total Medicaid spending, and review the state's desired level of Medicaid spending for the upcoming four fiscal years. MAXIMUS/SF will then within 90-120 days develop and present a proposal to restructure the state's Medicaid program, through the aggressive use of federal waivers, which would result in the state attaining its desired level of Medicaid spending reduction while meeting major public policy goals of the state Administration. MAXIMUS/SF will then, with the concurrence of DHHS, work with state officials to implement these major revisions in the state's Medicaid program that will result in cost savings equal to the level desired by the state.

The description of initiative and the work to be performed by MAXIMUS/SF and the State is provided in the following sections.

## **SUMMARY OF THE INITIATIVE**

Across the country, states are struggling to operate their Medicaid programs in a way that guarantees access and quality care to enrollees while slowing what seems to be unchecked expenditure growth. Most states have already undertaken whatever economies could be identified without major structural change in their Medicaid programs and nonetheless are staring at projected expenditures that threaten the solvency of state budgets for years to come. Governors are more than ever interested in evaluating the options available to their state to break this pattern and put Medicaid on a sound financing path.

MAXIMUS/SF believes states can make dramatic changes to their Medicaid program, that both put the state on sounder financial footing and attain major healthcare policy goals, through aggressive use of federal 1115 waivers. These waivers give states broad authority to authorize experimental, pilot or demonstration projects and allow states to test substantially new ideas that have policy merit.

MAXIMUS/SF will research New Hampshire's existing Medicaid program, its current and projected level of total spending for the next four fiscal years, the state Administration's desired level of Medicaid expenditures over this period, and the state Administration's major healthcare policy goals.

MAXIMUS/SF will provide New Hampshire with a summary of the current best thinking of our staff, as well as national and state-level policy experts, on Medicaid restructuring and best practices that achieve a higher level of budget predictability and create a more efficient and rational-Medicaid delivery system.

MAXIMUS/SF will, within 90 to 120 days, also develop and present a proposal to the State of New Hampshire to restructure the state's Medicaid program, through the aggressive use of federal 1115 waivers, which would result in the state attaining its desired level of Medicaid spending reduction while meeting major healthcare policy goals of the state Administration. At the time the proposal is presented, MAXIMUS/SF will also submit for the State's consideration a baseline letter suggesting a method of calculating the firm's fees.

MAXIMUS/SF will then, with the concurrence of DHHS, work with the state to implement these major revisions in New Hampshire's Medicaid program.

## **ROLES AND RESPONSIBILITIES**

MAXIMUS/SF will propose major restructuring of the state's Medicaid program to meet both the state Administration's desired level of expenditure over the next four fiscal years as well as its major healthcare policy goals. MAXIMUS/SF will perform the tasks necessary for researching, developing, presenting and implementing such a proposal:

- D research New Hampshire's Medicaid program, it's current and projected level of expenditures over the next four fiscal years;
- D review both the state Administration's desired level of Medicaid spending over the next four fiscal years and its major healthcare policy goals;
- D provide state officials with the current best thinking by our staff and national and state level policy experts on Medicaid restructuring;
- develop and propose to state officials within 90-120 days a Medicaid restructuring plan that, if implemented, would result in the state attaining its desired level of Medicaid spending while meeting major public policy goals of the state Administration;
- D work with state officials to draft any applications for federal 1115 waivers that would result from the Medicaid restructuring proposal;
- D meet, answer questions from, and assist in the negotiations with CMS over waiver applications;
- D assist the state in other ways implement Medicaid program restructuring including drafting public notices, drafting Medicaid State Plan Amendments; and assisting in the drafting of legislation or regulations; and
- D draft materials for meeting with and briefing state administration officials, legislative leaders, industry representatives and other affected parties about Medicaid restructuring proposals
- D assist state officials in other aspects of the implementation of the restructuring as - necessary and requested by the state.

It will be the State's responsibility to:

- D provide MAXIMUS/SF access to state staff and records so that the firm may research New Hampshire's existing state Medicaid program, its current and projected expenditures, and both the state Administration's desired level of expenditures over the next four fiscal years, and it's major healthcare policy goals;
- D inform appropriate state staff and contract providers that the clear intent and expectation of the state is that state staff and contract providers work cooperatively with MAXIMUS/SF staff to achieve the highest level of cost savings or federal revenue recovery possible under federal and state laws, regulations and policies;
- D review and finalize any draft public notices prepared by MAXIMUS/SF and publish the public notice in a timely fashion;
- D review and finalize any draft Medicaid State Plan Amendments prepared by MAXIMUS/SF and submit it to CMS in a timely fashion;
- D draft state regulations or legislation, with assistance from MAXIMUS/SF;
- D participate in meeting with, answering questions from, and negotiating with CMS officials;

- 0 participate in meeting with and briefing state Administration officials, state legislative leaders, providers, and other stakeholders; and in general
- 0 work with *MAXIMUS/SF* to implement the elements of the Medicaid restructuring proposal that the state wishes to implement;

During the course of the project, *MAXIMUS/SF* may identify additional tasks or initiatives that we believe are appropriate for implementation. As this occurs, we will bring the tasks or initiatives to the attention of the DHHS and, if agreed to by DHHS, will amend this Management Letter to reflect their inclusion in our scope of work.

## REVENUE ESTIMATE

The benefit to New Hampshire will be cost savings achieved through reducing Medicaid expenditures from projected levels over the next four years to desired levels both during and after restructuring. This level of gain depends in part on the amount of Medicaid funding the state Administration would find optimal over the next four fiscal years, information which *MAXIMUS/SF* currently does not have. The estimated gain in revenue via cost savings will be presented to state officials as part of the Medicaid restructuring proposal developed by *MAXIMUS/SF*. Throughout their work on this initiative, *MAXIMUS/SF* will endeavor to provide the State with the best revenue and expenditure estimates possible.

## BASELINE DEFINITION

At the time the Medicaid restructuring proposal is submitted to the State, *MAXMIUS/SF* will also submit to the State for consideration a baseline letter suggesting a method of calculating the firm's fees. One guidepost for determining the baseline could be the difference between projected Medicaid expenditures absent any change with actual Medicaid expenditures during and after restructuring.

## BASIS FOR REIMBURSEMENT TO MAXIMUS

As noted above, at the time the Medicaid restructuring proposal is submitted to the State, *MAXMIUS/SF* will also submit to the State for consideration a baseline letter suggesting a method of calculating the firms fees.

## STATE REVIEW

It is agreed that DHHS shall share this Management Letter with the pertinent state agencies to validate that another State Agency, or a contractor, is not currently pursuing the initiatives presented in this Management Letter. DHHS also shall exercise due diligence in

verifying the baseline amounts. All terms and conditions of the Contract and subsequent amendments are applicable to the proposed initiative.

MAXIMUS is pleased to assist the DHHS in producing cost savings and obtaining additional revenues. We look forward to producing positive outcomes in our efforts. MAXIMUS is prepared to begin work as outlined in this Management Letter immediately upon your approval. If you have any question, please don't hesitate to contact me at 800-352-3758. Thank you.

Sincerely,

Matthew Reidy  
Project Manager  
MAXIMUS

By:  
Matthew Reidy, MAXIMUS

Date:

By:  
John Stephen, Commissioner  
New Hampshire Department of Human Health and Human Services

Date: