Exhibit C

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, Maryland 21244-1850

State Demonstrations Group

October 26, 2015

Judy Mohr Peterson
Med-QUEST Division Administrator
State of Hawaii, Department of Human Services
601 Kamokila Blvd, Room 518
PO Box 700190
Kapolei, HI 96709-0190

Dear Ms. Mohr Peterson:

The Centers for Medicare & Medicaid Services (CMS) is issuing technical corrections to Hawaii's section 1115 demonstration, entitled, "QUEST Integration" (Project Number 11-W-00001/9). The technical corrections ensure that the Special Terms and Conditions (STCs) accurately reflect CMS's approval of the demonstration.

To reflect upon the agreed terms between the state and CMS, CMS has incorporated the technical changes that the state requested into the latest version of the STCs. A copy of the updated STCs and the expenditure authorities is enclosed. The waivers for this demonstration are unchanged by this amendment, and remain in force; a copy of the waiver list is also enclosed.

Your CMS project officer, Ms. Heather Ross, is available to address any questions you may have related to this correspondence. Ms. Ross can be reached at 410-786-3666 or heather.ross@cms.hhs.gov.

Official communications regarding official matters should be sent simultaneously to Ms. Ross and Ms. Henrietta Sam-Louie, Acting Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Sam-Louie can be reached at (415) 744-3552, or at Henrietta.Sam-Louie@cms.hhs.gov.

Sincerely,

/s/

Angela D. Garner
Director
Division of Systems Reforms Demonstrations

Enclosure

cc: Henrietta Sam-Louie, Acting Associate Regional Administrator,
Region IX, San Francisco Regional Office

CENTERS FOR MEDICARE & MEDICAID SERVICES
WAIVER LIST

NUMBER: **11-W-00001/9**

TITLE: **QUEST Integration Medicaid Section 1115 Demonstration**

AWARDEE: **Hawaii Department of Human Services**

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in accompanying expenditure authorities, shall apply to the demonstration project effective from October 1, 2013 through December 31, 2018. In addition, these waivers may only be implemented consistent with the approved Special Terms and Conditions (STCs).

Under the authority of section 1115(a)(1) of the Social Security Act (the Act), the following waivers of State plan requirements contained in section 1902 of the Act are granted subject to the STCs for the QUEST Integration Medicaid Section 1115 Demonstration. These waivers shall apply to all demonstration enrollees.

1. **Medically Needy** **Section 1902(a)(10)(C); Section 1902(a)(17)**

   To enable the state to limit medically needy spend-down eligibility in the case of those individuals who are not aged, blind, or disabled to those individuals whose gross incomes, before any spend-down calculation, are at or below 300 percent of the federal poverty level. This is not comparable to spend-down eligibility for the aged, blind, and disabled eligibility groups, for whom there is no gross income limit.

2. **Amount, Duration, and Scope** **Section 1902(a)(10)(B)**

   To enable the state to offer demonstration benefits that may not be available to all categorically eligible or other individuals.

3. **Retroactive Eligibility** **Section 1902(a)(34)**

   To enable the state to limit retroactive eligibility to a ten (10) day period prior to application, or up to three months for individuals requesting long-term care services.

4. **Freedom of Choice** **Section 1902(a)(23)(A)**

   To enable Hawaii to restrict the freedom of choice of providers to populations that could not otherwise be mandated into managed care under section 1932.

5. **Annual Redeterminations** **Section 1902(a)(17) and Section 1902(a)(19)**

To the extent necessary to enable the state to extend the eligibility span of enrollees who will need a redetermination between October 1, 2013, and December 31, 2013, to a reasonable date in 2014.

CENTERS FOR MEDICARE AND MEDICAID SERVICES
EXPENDITURE AUTHORITY

NUMBER: **11-W-00001/9**

TITLE: **QUEST Integration Medicaid Section 1115 Demonstration**

AWARDEE: **Hawaii Department of Human Services**

Under the authority of section 1115(a)(2) of the Social Security Act (the Act), expenditures made by the state for the items identified below, which are not otherwise included as expenditures under section 1903 shall, for the period of this demonstration extension be regarded as expenditures under the state's title XIX plan but are further limited by the Special Terms and Conditions (STCs) for the QUEST Integration Section 1115 demonstration.

For enrollees in All Components of the Demonstration:

1. **Managed Care Payments.** Expenditures to provide coverage to individuals, to the extent that such expenditures are not otherwise allowable because the individuals are enrolled in managed care delivery systems that do not meet the following requirements of section 1903(m):

   Expenditures for capitation payments provided to managed care organizations (MCOs) in which the state restricts enrollees' right to disenroll without cause within 90 days of initial enrollment in an MCO, as designated under section 1903(m)(2)(A)(vi) and section 1932(a)(4)(A)(ii)(I) of the Act. Enrollees may disenroll for cause at any time and may disenroll without cause during the annual open enrollment period, as specified at section 1932(a)(4)(A)(ii)(II) of the Act, except with respect to enrollees on rural islands who are enrolled into a single plan in the absence of a choice of plan on that particular island.

   Expenditures for capitation payments to MCOs in non-rural areas that do not provide enrollees with a choice of two or more plans, as required under section 1903(m)(2)(A)(xii), section 1932(a)(3) and federal regulations at 42 CFR section 438.52.

2. **Quality Review of Eligibility.** Expenditures for Medicaid services that would have been disallowed under section 1903(u) of the Act based on Medicaid Eligibility Quality Control findings.
3. **Demonstration Expansion Eligibility.** Expenditures to provide coverage to the following demonstration expansion populations:

   a. Demonstration Population 1. Parents and caretaker relatives who are living with an 18-year-old who would be a dependent child but for the fact that the 18-year-old has reached the age of 18, if such parents would be eligible if the child was

under 18 years of age.[1]

b. Demonstration Population 2. Aged, blind, and disabled individuals in the 42 C.F.R. § 435.217 like group who are receiving home- and community- based services, with income up to and including 100 percent of the federal poverty limit using the institutional income rules, including the application of regular post-eligibility rules and spousal impoverishment eligibility rules.

c. Demonstration Population 3. Aged, blind, and disabled medically needy individuals receiving home-and community-based services, who would otherwise be eligible under the state plan or another QUEST Integration demonstration population only upon incurring medical expenses (spend-down liability) that is expected to exceed the amount of the QUEST Integration health plan capitation payment, subject to an enrollment fee equal to the spend down liability. Eligibility will be determined using the medically needy income standard for household size, using institutional rules for income and assets, and subject to post-eligibility treatment of income.

d. Demonstration Population 4. Individuals age 19 and 20 who are receiving adoption assistance payments, foster care maintenance payments, or kinship guardianship assistance, who would not otherwise be eligible under the state plan, with the same income limit that is applied for Foster Children (19-20 years old) receiving foster care maintenance payments or under an adoption assistance agreement under the state plan.

e. Demonstration Population 5. Individuals who are younger than 26, aged out of the adoption assistance program or the kinship guardianship assistance program (either Title IV-E assistance or non-Title IV-E assistance) when placed from age 16 to 18 years of age, or would otherwise be eligible under a different eligibility group but for income, and were enrolled in the State plan or waiver while receiving assistance payments.

f. Demonstration Population 6. Individuals who are not otherwise Medicaid eligible and who (i) have aged out of foster care; (ii) were receiving medical assistance under the state plan or the demonstration while in foster care; and (iii) are under age 26. The state will not impose an asset limit on this population. Authority for this demonstration population expires December 31, 2013.

g. Demonstration Population 7. Individuals who are under 65 years of age, not pregnant, not entitled to, or enrolled for, benefits under Medicare part A or enrolled for benefits under Medicare part B and are not a mandatory state plan population and whose income (as determined using modified adjusted gross income) does not exceed 133 percent of the FPL, determined using modified

[1] For the period from October 1, 2013 to December 31, 2013, this demonstration expansion population shall not include the parents and caretakers of full time students who are 18 years of age, if these parents and caretakers are covered under the state plan during that time period.

adjusted gross income. Authority for this demonstration population expires December 31, 2013.

4. **Hospital Uncompensated Care Costs.** Expenditures for actual uncompensated care costs incurred by certain hospital providers and nursing facility providers for inpatient and outpatient hospital services and long-term care services provided to the uninsured as well as Medicaid managed care and fee-for-service shortfalls, subject to the restrictions placed on hospital and nursing facility uncompensated care costs, as defined in the STCs and the CMS approved Certified Public Expenditures/Government-Owned Hospital Uncompensated Care Cost Protocol. This expenditure authority is effective through June 30, 2016.

5. **Home and Community-Based Services (HCBS) and Personal Care Services**. Expenditures to provide HCBS not included in the Medicaid state plan and furnished to QUEST Integration enrollees, as follows:

    a. Expenditures for the provision of services, through QUEST Expanded Access or QUEST Integration health plans, that could be provided under the authority of section 1915(c) waivers, to individuals who meet an institutional level of care requirement;

    b. Expenditures for the provision of services, through QUEST Expanded Access or QUEST Integration health plans, to individuals who are assessed to be at risk of deteriorating to the institutional level of care, *i.e.*, the "at risk" population.

    The state may maintain a waiting list, through a health plan, for home and community-based services (including personal care services). No waiting list is permissible for other services for QUEST Integration enrollees.

    The state may impose an hour or budget limit on home and community based services provided to individuals who do not meet an institutional level of care but are assessed to be at risk of deteriorating to institutional level of care (the "at risk" population), as long as such limits are sufficient to meet the assessed needs of the individual.

6. **Additional Benefits:** Expenditures to provide the following additional benefits.

    a. **Specialized Behavioral Health Services:** The services listed below (and further described in attachment E of the special terms and conditions) are available for individuals with serious mental illness (SMI), serious and persistent mental illness (SPMI), or requiring support for emotional and behavioral development (SEBD).
        i. Supportive Housing.
        ii. Supportive Employment.
        iii. Financial management services.
    b. **Cognitive Rehabilitation Services:** Services provided to cognitively impaired individuals to assess and treat communication skills, cognitive and behavioral ability and skills related to performing activities of daily living. These services may be provided by a licensed physician, psychologist, or a physical,

occupational or speech therapist. Services must be medically necessary and prior approved.

c. **Habilitation Services.** Services to develop or improve a skill or function not maximally learned or acquired by an individual due to a disabling condition. These services may be provided by a licensed physician or physical, occupational, or speech therapist. Services must be medically necessary and prior approved.

All requirements of the Medicaid program expressed in law, regulation, and policy statement shall apply to the demonstration expansion populations, except those expressly identified on the waiver list or listed below as not applicable.

Title XIX Requirements Not Applicable to Demonstration Expansion Populations

Cost Sharing	**Section 1902(a)(14) insofar as it incorporates 1916 and 1916A**

To enable the state to charge cost sharing up to 5 percent of annual family income.

To enable the state to charge an enrollment fee to Medically Needy Aged, Blind and Disabled QUEST Integration health plan enrollees (Demonstration Population 3) whose spend-down liability is estimated to exceed the QUEST Integration health plan capitation rate, in the amount equal to the estimated spend-down amount or where applicable, the amount of patient income applied to the cost of long-term care.