

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



**Center for Medicaid and State Operations**

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Mr. Toby Douglas  
Chief Deputy Director of Health Care Programs  
Department of Health Care Services  
1501 Capitol Avenue, MS0000  
P.O. Box 997413  
Sacramento, CA 99859-7413

**MAR 31 2009**

Dear Mr. Douglas:

In response to California's request during negotiations for an extension for the State to accept the Centers for Medicare & Medicaid Services (CMS) Special Terms and Conditions (STCs) for the 3-year renewal of California's section 1115 Family Planning, Access, Care, and Treatment (FPACT) Program (project number 11-W-00143/9), CMS is modifying our September 3, 2008 approval of FPACT. This modification will address the period of April 1, 2009 through September 30, 2009 and is limited to the waivers, expenditure authorities and STCs that were in effect for the initial 5-year demonstration period and the extension period granted from December 1, 2004, up to the date of the CMS award letter. However, CMS is not continuing the approval of the deduction of 13.95 percent from total expenditures claimed under FPACT during the initial five-year demonstration period to account for demonstration participants who are not eligible under Federal law.

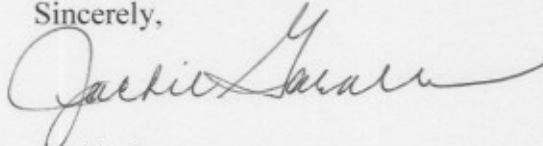
As during the temporary extension period ending March 31, 2009, for the period of April 1, 2009 through September 30, 2009, the State must continue to deduct 24 percent from total expenditures incurred during this period that will be claimed for Federal match to account for demonstration participants who are not eligible under Federal law. The State's draft budget neutrality model was due to CMS by March 14, 2009, however, the State indicated it needed additional time to obtain the data necessary to develop a preliminary budget projection. CMS grants this extension with the condition that the State continue to work with CMS to submit a draft budget neutrality model for demonstration years 2001 through 2008 by the end of this extension period.

Should you choose to not accept the conditions of this modification, then the current demonstration would be phased out in accordance with paragraph 9 of the STCs attached to the September 3, 2008 approval letter, and the State would submit a phase-out plan no later than 30 days after the date of this letter.

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We look forward to continuing to work with you to finalize the FPACT program renewal. If you have any questions, please contact Kathleen Farrell, Director of the Division of State Children's Health Insurance, at (410) 786-1236.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jackie Garner".

Jackie Garner  
Acting Director, Center for Medicaid and State Operations

cc: Gloria Nagle, ARA, CMS San Francisco Regional Office