



STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

April 27, 2010

The Honorable Kathleen Sebelius
Secretary, Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, DC 20201

RE: Notice of Intent for High-Risk Pool Implementation

Dear Madam Secretary:

Thank you for your correspondence of April 3, 2010, requesting our Notice of Intent in describing how the State of Arkansas will proceed with the implementation of a temporary high-risk pool as contemplated by §1101 of the Patient Protection and Affordable Care Act (PPACA). In that regard, please accept this letter as our Notice of Intent to operate a new high-risk pool along with our current high-risk pool. This Notice of Intent is contingent upon our clear understanding that the State of Arkansas will not be legally bound by this notice and may decide to opt out at any time prior to the execution of a contract with HHS, and will allow HHS to carry out a coverage program. This is further contingent upon our understanding that by contracting with HHS, the State of Arkansas will not be required to spend any state monies in connection with the new federal pool.

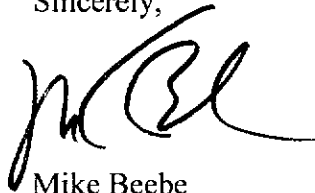
Pursuant to A.C.A. §23-79-501 *et seq.*, we have established the Arkansas Comprehensive Health Insurance Plan (CHIP). Under our plan, CHIP will submit an application to contract with HHS to establish and operate the new high-risk pool. As for our anticipated timing for establishing the program, we will know more once we have information concerning the contract application process. However, we will be operational as soon as practicably possible, and in compliance with federal law. No state legislation will be necessary for CHIP to contract with HHS. However, we are cognizant that this is a fluid process, and we will analyze our CHIP law to determine any future changes that may be needed as we move forward.

Furthermore, the Arkansas CHIP operating deficit is primarily funded through assessments of insurance carriers participating in the major medical health insurance

market in this State. In turn, these carriers are eligible for a premium tax credit to offset such assessments. These credits represent the annual amount that Arkansas expends on the operation of our existing CHIP. It is our understanding that, by continuing to offer these tax credits as required under our law, Arkansas will meet the maintenance of effort requirement as set forth in §1101(b)(3) of PPACA.

I appreciate the work of HHS and look forward to working with you as we continue to endeavor to provide affordable, comprehensive health-insurance coverage to more Arkansans through this new high-risk pool program.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Beebe", with a stylized flourish at the end.

Mike Beebe

MB:jb