



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

FEB 16 2016

The Honorable Asa Hutchinson
Governor of Arkansas
500 Woodlane Street, Suite 250
Little Rock, AR 72201

Dear Governor Hutchinson:

Thank you for your visit earlier this month, and for the productive discussion regarding the potential approaches you are considering in your efforts to redesign Arkansas' Medicaid program. We have closely followed the discussions in the state, and we look forward to continuing to work with you to ensure the Arkansas Medicaid program works for the state and its residents.

I appreciate your renewed efforts to make the Arkansas Medicaid program more cost effective, focusing on value and quality, consistent with HHS goals. As you noted, while Arkansas has made progress, there are still many opportunities for significant savings and improvement in care.

In our meeting, we discussed the potential substantial reforms you are proposing to significantly alter Arkansas' program. In particular, we discussed the four major goals you have identified for your redesign efforts in "Arkansas Works": incentivizing work; increasing personal responsibility; increasing program integrity; and supporting employer-based insurance coverage.

You outlined a number of specific changes in support of these goals, and many are quite innovative. In some cases, they also push the bounds of what is allowable under federal Medicaid law and raise concerns about potential adverse impacts on beneficiaries. However, I am hopeful that we can work together to find acceptable approaches to reforms in each of your focus areas. The details will be important, and HHS is committed to working diligently with you and your staff to find solutions that are consistent with both the law and your goals.

With respect to your interest in incentivizing work, we agree with you that increasing employment in the state is an important state and federal objective. We would like to work with you to identify potential solutions to support this goal, consistent with Medicaid's role as a health coverage program. To that end, I want to reaffirm my commitment to contact my counterparts in other agencies to discuss options to make job training and employment more attractive for Arkansas Works participants. Strengthening individuals' connection to the workforce and helping individuals climb the economic ladder are laudable goals and we support your efforts to improve economic outcomes for Arkansas Medicaid beneficiaries along with other low-income residents in the state.

I also want to recognize your acknowledgement and attention to the needed improvements in the state's eligibility and enrollment system. The state has made progress in recent months and we are encouraged by your focus on long-term solutions as you continue to make system improvements. Standing up these new systems has been a challenge, and it is essential that we continue to work expeditiously to make enhancements that strengthen functionality, increase efficiency, program integrity and beneficiary satisfaction. As your system development progresses, we look forward to continuing to work with you to ensure eligible individuals are enrolled in Medicaid in a timely manner and in accordance with Medicaid rules, and remain enrolled as long as they are eligible.

Again, thank you for coming to meet with me and my staff and for discussing the approaches you are considering in your redesign efforts. Arkansas continues to be a leader in healthcare innovation, and I look forward to a continued productive partnership. As we have discussed, once the state has developed a formal proposal, the proposal will need to be open to public comment at both the state and federal levels. HHS cannot approve a demonstration until it has been submitted and reviewed under our transparency processes.

Thank you again for your work with us to date on the demonstration, which is so important to the health of Arkansas residents. I look forward to our next steps together.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SMB', with a long horizontal flourish extending to the right.

Sylvia M. Burwell