



STATE OF WASHINGTON

October 4, 2013

Dear Valued Partner,

The Washington State Health Care Authority (HCA) and Department of Social and Health Services (DSHS) are hosting a round table discussion on the future of our mental health system in light of direction we have received from the federal Centers for Medicare and Medicaid Services (CMS) to make significant changes to our system in order to continue to receive federal Medicaid matching funds.

On July 5, 2013, CMS informed HCA and DSHS that the current non-competitive contracting process with counties for Medicaid mental health services is a violation of federal contracting law. We have had a number of further discussions with CMS since our receipt of the original letter during which we have argued that no change to the current system is required, but CMS has remained firm in its requirement that our funding system be changed. CMS has suggested two purchasing approaches that would address their concerns: (1) cost-based reimbursement; or (2) a competitive procurement process. The state must respond to CMS with a corrective action plan by December 2.

Because the future suggests further integration of our mental health, chemical dependency and physical health systems, we are hoping that a broad group of stakeholders will join us to share their views on the best vision for the future, and ideas on the most effective pathways to reach that deeper integration goal. The views of those of you who are familiar with these issues, and who share our commitment to providing the best and most cost effective care for the Medicaid population are critical to the discussion and brainstorming we are seeking. Many of you have been participating with us on our State Innovations Model planning as well, and we appreciate your additional time for these sessions.

Governor Jay Inslee has asked that we prepare a joint recommendation to him as to how Washington should best proceed. Given the many issues involved, we are in turn reaching out to you for your insights on what changes we can make to the system that will address CMS' concerns, while advancing improved patient care. We believe that your input is absolutely necessary for us to provide the best possible advice to the Governor.

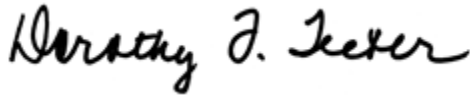
We will be hosting two events, one in Spokane and one in Burien. On October 17, we will host an event in Spokane commencing at 2 p.m., and on October 28, we will host an event in Burien commencing at 2 p.m. Details on location will follow shortly.

Valued Partners
October 4, 2013
Page 2

Please RSVP to Ginny.Bell@dshs.wa.gov by October 11 for the Spokane event, and October 21 for the Burien event. Your RSVP is important to ensure we have the right venue.

If you have any questions please feel free to call HCA Medicaid Director MaryAnne Lindeblad at 360-725-1863, or DSHS Assistant Secretary Jane Beyer at 360-725-2260.

Sincerely,

A handwritten signature in blue ink that reads "Dorothy J. Teeter". The signature is fluid and cursive, with the first name being the most prominent.

Dorothy Teeter
Director
Health Care Authority

A handwritten signature in blue ink that reads "Kevin W. Quigley". The signature is stylized, with a large, sweeping loop at the beginning and the last name being clearly legible.

Kevin W. Quigley
Secretary
Department of Social and Health Services