



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

JAN 23 2015

The Honorable Bill Haslam  
Governor of Tennessee  
Nashville, TN 37243

Dear Governor Haslam:

Thank you for our continued series of productive meetings on Tennessee's plans for Medicaid reform. Per our conversation, I wanted to provide you with the following information on the Medicaid coverage expansion provision of the Affordable Care Act.

As you know, the law provides that the federal government will pay 100 percent of the costs for such newly-eligible adult beneficiaries through 2016. The federal contribution gradually declines beginning in 2017, but is never less than 90 percent of the cost of care. In previous guidance, we notified states of the opportunity to extend coverage, and the absence of federal financial penalties if a state does not do so, or if it does so and later drops such coverage. See question and answer 25 of the *Frequently Asked Questions on Exchanges, Market Reforms and Medicaid*, issued on December 10, 2012, and available at:

<http://www.cms.gov/CCIIO/Resources/Files/Downloads/exchanges-faqs-12-10-2012.pdf>.

Consistent with that guidance, Tennessee may take up the Medicaid coverage expansion and later drop it at state option. There is no requirement for a state to maintain coverage for the new adult group. Further, if Tennessee expands Medicaid coverage and then drops such coverage at a later point, there would be no financial penalty and no reduction to the federal matching dollar rates otherwise available to Tennessee for its Medicaid program.

I hope this information is useful in your efforts to help low-income Tennessee residents gain coverage and to reduce uncompensated care for Tennessee health care providers. Please do not hesitate to contact me if you have any further thoughts or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Sylvia M. Burwell".

Sylvia M. Burwell