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July 13, 2022

Mr. Todd Richards  
Director  
Missouri HealthNet Division  
Missouri Department of Social Services  
P.O. BOX 6500  
Jefferson City, MO 65102-6500

Dear Director Richards:

Thank you for your letter regarding the Centers for Medicare & Medicaid Services' (CMS) policy in the January 2021 State Medicaid Director Letter ("SMDL") #21-001 about Medicaid managed care contract requirements that are considered state directed payments per the federal regulations at 42 C.F.R. § 438.6(c) and (d).

CMS intends to continue working with states on implementing Medicaid managed care payment policies that promote access to care and value for Medicaid beneficiaries, improve the fiscal integrity of the Medicaid managed care program, and ensure the actuarial soundness of Medicaid managed care rates. However, we appreciate the specific concerns raised by the Missouri Department of Social Services during a meeting on April 11, 2022 about the timeline for transitioning these existing contract requirements to state directed payments in alignment with the January 2021 guidance for the state's fiscal year 2022 contract rating period beginning on July 1, 2021.

To avoid any disruption to the state's safety-net Medicaid providers and critical services provided to Medicaid managed care enrollees, CMS is granting the state an additional one-year period to align all Medicaid managed care contract requirements with the January 2021 guidance. This one-year delay will provide the state additional time to develop and implement state directed payments for the state's fiscal year 2023 contract rating period that begins on July 1, 2022. Further, notwithstanding this one-year delay, the state understands and agrees that the capitation rates must comply with the requirements at 42 C.F.R. §§ 438.4 through 438.8 for all Medicaid managed care capitation rates to be actuarially sound. Approval of the state directed payments do not constitute approval of any Medicaid managed care plan contracts or rate certifications, or any specific Medicaid financing mechanism used to support the non-federal share of the provider payment arrangement.

CMS is committed to providing technical assistance to Missouri during this transition period. Our CMS team will continue working directly with your Missouri team to find solutions that are workable for the state on this issue. I believe that our teams working collaboratively together can resolve the issues raised in your letter and ensure that critical Medicaid funding remains available for safety-net Medicaid providers during this transition period for these payments.

Page 2 - Mr. Todd Richards

Thank you again for your letter, and for taking the time to share your views on this complex issue. Should you have additional questions or concerns, please contact John Giles, Director of the Division of Managed Care Policy, at 240-904-2341, or by e-mail at [John.Giles1@cms.hhs.gov](mailto:John.Giles1@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink, appearing to be 'Daniel Tsai', with a large, stylized initial 'D' and a horizontal line extending to the right.

Daniel Tsai  
Deputy Administrator and Director