



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

MAR 22 2005

The Honorable Thomas J. Vilsack
Governor
State of Iowa
State Capitol
Des Moines, IA 50319

Dear Governor Vilsack:

I am pleased to inform you that, based on our discussions regarding your proposed plan to expand health care coverage and reform Medicaid financing, we are eager to partner with you in carrying out Iowa's program.

We look forward to working with you on aspects of Iowa's proposal, such as differential benefit packages and service delivery improvements. Managing care for persons with mental illness and emphasizing community based care alternatives is an important area. CMS would like to learn more about Iowa's plans to provide care for the mentally ill while restructuring the State's financing of the Medicaid program.

It is critically important that Iowa demonstrate that it can achieve its goals; otherwise we will have missed the opportunity for real reform. Therefore, our final approval of your proposal must be based on Iowa's clear demonstration that these initiatives can realistically move forward, with all required statutory, budget, and other supports in place.

I have directed CMS to work with you on the necessary terms and conditions of a waiver that will permit us to provide Iowa with the necessary flexibility to reform its Medicaid program. These terms and conditions will include positive steps to bring the State's financing of the Medicaid program into compliance and a prohibition of provider taxes for the duration of the waiver.

We welcome the opportunity to work with Iowa on ways to improve access to quality health insurance while achieving greater value for tax payer dollars. We believe that working together, we can arrive at a mutually agreeable plan that moves forward toward providing care in the most appropriate and least restrictive setting. I look forward to working together with you.

Sincerely,

Michael O. Leavitt