February 22, 2008

Kevin T. Casey  
Deputy Secretary for Developmental Programs  
Pennsylvania Department of Public Welfare  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105-2675

Re: Pennsylvania’s Home and Community Based Services (HCBS) Person/Family Directed Support (PFDS) Waiver (CMS Control #0354.02.00)

Dear Mr. Casey:

I am pleased to inform you that your application to renew your Medicaid Home and Community Based Services (HCBS) Person/Family Directed Support (PFDS) Waiver has been approved. This renewal is listed with the Centers for Medicare & Medicaid Services (CMS) as Control number #0354.02.00. Please refer to this number in all future correspondence regarding this waiver. The waiver will enable the State to continue serving individuals aged 3 and over with mental retardation in home and community based settings in lieu of an intermediate care facility for the mentally retarded. The effective date is July 1, 2007.

The waiver, authorized under the provisions of 1915(c) of the Social Security Act, will enable the State to provide the following home and community-based services: Home and Community Habilitation, Homemaker/Chore, Licensed Day Habilitation, Prevocational Services, Respite, Supported Employment, Supports Coordination (Case Management), Therapies and Nursing, Personal Support Services, Adaptive Appliances and Equipment, Environmental Accessibility Adaptations, Transitional Work Services, and Transportation. The State will provide community-based care to approximately 10,739 to 12,045 individuals as detailed below.

This approval is based on the assurances and information that the State has provided. It is subject to your agreement to provide home and community-based services, on an annual basis, to no more than those indicated as the value of “C” in your approved per capita expenditure estimates (shown below). In these estimates, “C” represents the unduplicated number of individuals served under the waiver during each waiver year. Factors “D” and “G” represent the estimated average annual per capita costs of waiver and institutional services, respectively.
<table>
<thead>
<tr>
<th>Year</th>
<th>(Factor C)</th>
<th>D Factor Estimates</th>
<th>D' Factor Estimates</th>
<th>G Factor Estimates</th>
<th>G' Factor Estimates</th>
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<tr>
<td>Year 1</td>
<td>$10,739.00</td>
<td>$13,193.55</td>
<td>$10,275.00</td>
<td>$135,888.00</td>
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<td>Year 2</td>
<td>$12,045.00</td>
<td>$13,366.38</td>
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<td>$10,690.00</td>
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<td>$15,345.76</td>
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<td>$144,205.00</td>
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<td>$15,652.83</td>
<td>$11,122.00</td>
<td>$147,089.00</td>
<td>$6,409.00</td>
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</table>

In the August 31, 2006 final PFDS Waiver review report, Pennsylvania substantially met the assurances, but recommendations for improvements were provided in all areas. Most of the recommendations were related to state administrative authority. We applaud you for the positive changes that you have already made in the operation of this waiver, including an improved process for monitoring counties and implementation of a standard provider contract. We recognize, however, that other recommendations, including implementation of a statewide rate setting methodology, are still in the development phase, and are addressed in the work plan that is attached to the waiver as an addendum. CMS will continue to conduct work plan monitoring calls on a quarterly basis.

We deeply appreciate the assistance and cooperation provided by your staff, especially Kelly Svalbonas, throughout the renewal process and wish you every success in the operation of this waiver program. If you have any questions regarding this waiver renewal, please contact Nancy Klimon at (215) 861-4735.

Sincerely,

Ted Gallagher /s/

Ted Gallagher
Associate Regional Administrator