



May 16, 2012

Dear Governor:

We have continued to make great progress this year improving health care for all Americans. Thanks to the Affordable Care Act, we recently announced awards of more than \$728 million to help build, expand, and improve community health centers nationwide. Medicare beneficiaries have already saved \$5.1 billion through prescription drug discounts. And an estimated 16 million Americans will receive more than \$1 billion in rebates this summer due to the medical loss ratio policy.

We have also continued to release guidance and information to states on Affordable Insurance Exchanges, Essential Health Benefits, expanded Medicaid eligibility, and much more. These new policies have been shaped with substantial input from states, and the Department of Health & Human Services (HHS) appreciates your willingness to work with us to continually improve our health care system.

The Affordable Care Act is built on the belief that individual states best understand their own health insurance markets. Consistent with that belief, the Administration wants to enable states to establish their own Affordable Insurance Exchanges, the state-based marketplaces that will allow individuals and small businesses to pool their purchasing power and expand their benefit choices. We are making several announcements today to that end. First, we are releasing the Exchange Blueprint, which outlines the materials to apply for certification of a state-based Exchange or approval for a state to participate in a Partnership Exchange. The Blueprint is due no later than November 16, 2012, which is 30 business days before the Exchange certification deadline of January 1, 2013. I am pleased that today we are also awarding six more Exchange Establishment Grants, bringing the total awardees to 34 states plus the District of Columbia. These grants assist states in developing strategies, systems, and human resources to implement Exchanges that fit the unique needs of each state.

At the same time, some states will need additional time and assistance before they are ready to run their own Exchange. In those states, HHS will operate a Partnership Exchange or Federally-facilitated Exchange to ensure that all Americans in all states will be able to purchase insurance in an Exchange. Today, we are releasing guidance on these types of Exchanges. In the guidance, we outline a high-level vision of the business processes and operational approach we plan for the Federally-facilitated Exchange. The guidance also contains information on state responsibilities in the context of the Partnership models, where the state operates some Exchange functions on behalf of the Federally-facilitated Exchange. We encourage states not operating their own Exchange to participate in a Partnership Exchange. We believe that this range of options provides maximum flexibility for states, while ensuring access to quality, affordable coverage for all Americans.

Additionally, HHS will host a series of regional forums on Exchange planning and Affordable Care Act implementation next steps in July and August of this year. We hope you will encourage your team and other stakeholders to attend.

I look forward to working in continued partnership with you to improve the health of our nation and provide affordable and accessible health coverage to the residents of your state.

Sincerely,

/s/

Kathleen Sebelius