

United States Senate
WASHINGTON, DC 20510

June 29, 2006

The Honorable Michael O. Leavitt
Secretary
U.S. Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Leavitt:

Medicaid provides health and long-term care to more than 50 million low-income, elderly and disabled Americans, ensuring their health and safety. We know you share our commitment to protecting access to Medicaid, our nation's health care safety net. However, we are concerned that the Department's plan to implement the President's Fiscal Year 2007 budget proposals reducing Medicaid spending by \$12.2 billion over five years through changes to Medicaid provider reimbursement rates puts this vital safety net at risk. Last year, Congress rejected these proposals, choosing not to include them in the Deficit Reduction Act of 2005 (DRA). We do not believe it is appropriate for the Department, under the administrative authority of the Centers for Medicare and Medicaid Services (CMS), to make these changes.

The Administration is considering administrative proposals to cut states' ability to use a provider assessment to fund their Medicaid program by reducing the allowable assessment from six percent to three percent. States utilize provider assessments on nursing homes, hospitals and intermediate care facilities for the mentally retarded (ICF/MR) as a means to fund their Medicaid programs. For example, cutting the nursing home provider assessment in half would result in a nationwide loss of \$1.57 billion in funding that now goes to provide much needed long term care.


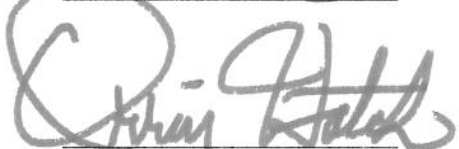
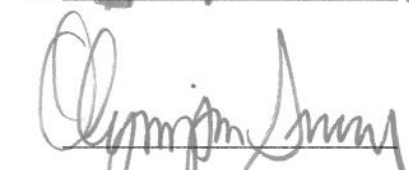
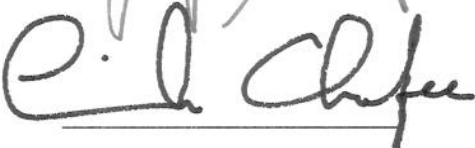
In many states, these funding cuts will have a disproportionate impact on rural nursing homes and some hospitals, which tend to have a greater share of Medicaid patients. Cuts of the magnitude anticipated in the President's budget could force rural nursing homes to close their doors, cutting off local access to vital long-term care services for elderly and disabled individuals and their families. Most of America's seniors, and those with mental retardation and developmental disabilities who need long term care, rely on Medicaid or other entitlement programs to pay for those services. Enacting changes that would drastically reduce funding for the assessment would eliminate access to this important safety-net program and ultimately harm frail, elderly and disabled Americans.


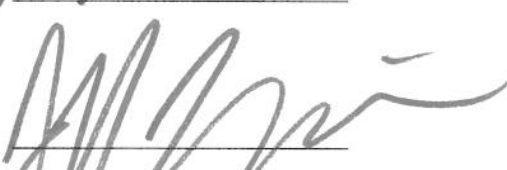

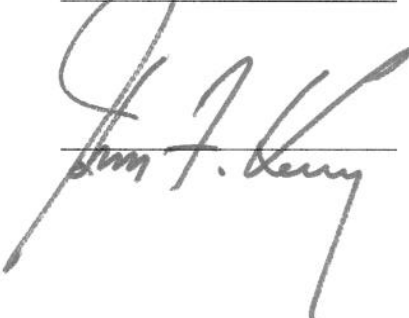
The Administration also is seeking to cap payments to government providers to no more than the cost of furnishing services to Medicaid beneficiaries. Since Medicaid pays for most services provided by governmental safety net hospitals, limiting their ability to achieve even a nominal return on the services provided would undermine the quality of care these hospitals provide and impair their ability to provide subsidized care for the uninsured populations they now serve. These changes could have an adverse impact on access to critical health services for millions of vulnerable Americans.

It is clear that Medicaid and other entitlement programs can be improved and made more efficient; however, proposed administrative changes that lower provider reimbursement rates are not the correct approach. We should instead be focusing our efforts on making Medicaid a smarter and better payer for health care services. Improving health care quality through care coordination and information technology and reducing medical errors could promote greater efficiency without undermining access to care. We urge you to work with us to achieve Medicaid reform that addresses the core issues facing states as they provide health care for our aging population.

We respectfully request that the Administration refrain from proceeding with implementation of these administrative proposals.

Sincerely,

Allen Reed
Provider
Assessment

Samuel Reed

Jeffrey Reed

Pat Roberts

Arson Collins

Mike Dewri

Norm Coleman

Frank Frank

Stephen

Saxby Chambliss

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