

Congress of the United States
House of Representatives
Washington, DC 20515

July 26, 2006

The Honorable Michael O. Leavitt
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Leavitt:

We are writing to urge that the Department of Health and Human Services not implement regulatory changes referenced in President Bush's fiscal year 2007 budget that would result in severe cuts to Medicaid. Given the magnitude and scope of these cuts, we have grave concerns about their effect on access to health services for low and moderate income Americans as well as the providers that serve them.

As you know, the Medicaid regulatory proposals in the President's FY 2007 budget would reduce federal Medicaid expenditures by \$30.4 billion over the next 10 years. Ninety-eight percent of these cuts represents a shift of costs from the Federal Government to the States, severely limiting the ability of States to continue providing current levels of service in Medicaid. Moreover, the President's proposed cuts follow on the heels of significant Federal Medicaid cuts of \$28 billion over the next 10 years that were enacted as part of the Deficit Reduction Act this year. These regulatory changes include cutting Medicaid coverage of administrative and transportation costs associated with treating children with disabilities who are covered by the Individuals with Disabilities Education Act; cutting Medicaid payments for certain kinds of rehabilitation services, such as therapy and special instruction for individuals with mental illness and developmental disabilities; limiting the ability of States to pay State and local hospitals to help cover the cost of serving uninsured patients; and restricting the ability of States to use provider taxes under Medicaid.

The proposed regulatory cut in payments to schools for providing healthcare services includes limits on reimbursement for administrative costs, transportation and healthcare services. These cuts would severely limit the ability of schools to help families enroll their children in Medicaid and to ensure that children enrolled in Medicaid get all necessary healthcare services at the school or outside the school setting when services are not available on site. The cuts would have a particularly severe impact on the ability of children with special healthcare needs to get care through school-based health programs and maintain their ability to stay in school.

Since 1986 Federal Medicaid policy has explicitly recognized the essential nature of the link between Medicaid and health care for children whose special needs make access to treatment and management in school settings an imperative. These cuts would not only harm the ability of children with serious and chronic conditions to get the care they need in mainstream, community settings (a priority of this Administration) but also would undermine longstanding efforts by schools to ensure children are mentally and physically able to learn in the most appropriate setting.

Rather than discouraging health care in schools, CMS should provide extensive technical assistance to States that seek to optimize children's opportunities to receive the health care they need in order to learn in community educational settings instead of being forced to remain at home. All of this is fully permitted under the current law.

In addition, the Administration's proposed reductions in rehabilitation services, on top of the cuts to school-based care, would strike a second blow for children living with disabilities. This proposed regulatory cut would restrict access to critical services that all people with disabilities, who rely on Medicaid for their care, require to retain or regain maximum function.

The Administration's budget has a third regulatory change that greatly limits States' ability to use provider assessments to fund their Medicaid program. In spite of the fact that the Congress considered, and rejected, this proposed change in 2005 during the Deficit Reduction Act, we understand that the Administration still wishes to press forward with this change through regulation. This proposed regulatory change would reduce by up to half the amount of provider-paid revenues that a State could use to help finance its Medicaid program. It is unclear why the current law provisions that were adopted by the first Bush Administration and has been in place for the past 13 years is no longer appropriate.

States need revenues to pay their share of Medicaid costs, costs that are driven by the number of low-income families and elderly or disabled people enrolled in a State's Medicaid program, their need for health care or long-term care services, and the cost of purchasing those services from hospitals, nursing homes, physicians, and other healthcare providers. The Administration's regulatory change would do nothing to lower those costs, but would instead place additional fiscal pressures on States to either cut back their Medicaid expenditures through such means as lowering eligibility limits, reducing the health benefits that are covered, and/or scaling back payment rates to providers or raise taxes. In States that opt to cut their Medicaid programs, low-income families, people with disabilities, and seniors will be at risk.

In more than a decade of policy stability, more than two-thirds of the States have come to rely on at least one type of provider tax to help finance their Medicaid programs, and it is not uncommon for States to impose provider taxes under the first Bush administration's limits. If the current Administration reduces these limits, many of these States will encounter difficulty. Moreover, revenues from these taxes are often used to increase traditionally low Medicaid payment rates, helping to improve quality and access in the program overall.

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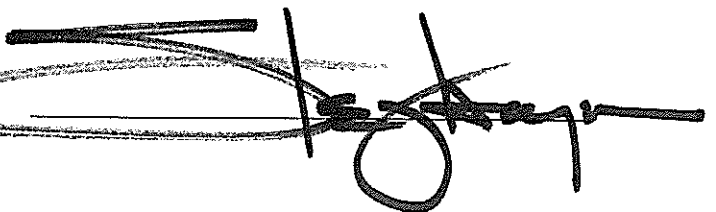
The Administration's fourth regulatory proposal would cap payments to government providers. Since Medicaid pays for most services provided by governmental safety net hospitals, limiting their ability to receive payments that achieve even a nominal return on services would undermine quality of care and impair their ability to provide subsidized care for those uninsured they now serve. Government providers do not traditionally see many privately insured individuals where they might see some profit to make improvements in the quality of care for example. Governmental hospital systems are principal healthcare providers for the Medicaid population and the uninsured throughout the country—in some areas they are the only such provider. They also provide critical and expensive services to all residents across counties and States—including trauma care, emergency preparedness, neo-natal care, HIV AIDS, burn care and other highly specialized medical services.

This proposal to restrict Medicaid payments to government providers to no more than Medicaid's actual cost to provide the service does not take into account the extraordinary costs related to the provision of these services, the shortfalls related to covering the Medicaid population generally, or the uninsured. If implemented, these proposals will result in major service reductions by public hospitals that cannot simply be absorbed by the private sector.

Medicaid, which provides health and long-term care insurance to more than 60 million low-income Americans, is a joint Federal-State responsibility. Unfortunately, of late the Administration is moving away from its Federal responsibility, shifting more of the burden on to the states. Ironically, rather than giving them more flexibility, this will leave States with less, the only option being to cut benefits, shift more costs to families of modest means, or eliminate coverage, thus increasing the number of uninsured.

While there are always actions that can be taken to improve the efficiency of any program, the proposed administrative changes are not the correct approach, and could in fact even impede or reduce program efficiency and effectiveness in some instances. Implementation of the Administration's proposals by regulation would be a clear violation of the will of the legislative branch, Congress. Eighty-five Republican members of the House have written you to oppose these actions, and along with the Democratic signatories of this letter, as well as the bipartisan letter in the Senate, it is clear these Medicaid cuts are not widely supported in the Congress. Likewise, the bipartisan National Governors Association has indicated their opposition to these proposals. Numerous Democratic and Republican governors individually have also weighed in to oppose these changes. We urge you, in the interest of protecting the health and health coverage for 20 percent of our nation's population, not to move forward with these administrative cuts.

Sincerely,

James E. Cybur
Alvin H. Hogue

J. B. Ramey
Shelton

Henry A. Wagner

George Miller

Ed Manning

Rick Boucher

Steve

Fred Patton, Jr.

Bart Gordon

Bobby H. Lush

nm shoo

Bart Sypak

Ernie L. Engel

Ken Ken

Albert R. Agnew

Red Strickland

Emanuel

Barbara Lee

Tim Ryan

Kick Lansen

Anthony

Patrick J. Kennedy

Grace F. Napolitano

Dennis J. Kucinich

Danny K. Davis

Devin

Nicholas E. Espinoza

John T. Salazar

Bob Alford

Alyson G. Schwartz

Steve Israel

Mark Udall

Robert Wexler

John F. Tierney

Dana Attkle

Michelle

Jim Davis

Hilda L. Solis

Anna

Mike Row

Peter J. Varelony

Louis M. Slaughter

John D.

Lois Cupps

Tom Allen

Jan Lehty

Chuck A. B. B.

Tamy Baldwin

Jan M. Hunter

Rosa L. De Laros

Mario Benz

Corrine Brown

Ed B. Siff

Walter H. H. H.

Stephen J. Pusey

Rail M. Gijah

William J. McTully

Walter H. H. H.

Jim B. B.

Joe B. B.

Pete Stark

Joe L. L.

Wm. Lacy Clay

Ron Kind

Tom Lantos

Joe P. Lantos

Pat O. O.

Hendrick B. Meek

Russ Holt

Tim Holden

Careyn McCentley

Atyeh D. Lynch

Medeline J. Randall

Gary L. Ackerman

Doris O. Matsui

Bob Fulin

Debra Rose Schultz

Sam Hill

Jim Whittell

Jim McReith

Sam Farr

Kalun Emanuel

R.

Ben Cardin

Donald M. Payne

Noon Dick

Alan B. Walden

Cleaves H. Noster

Lucille Russell Allard

Mary Kaptur

Bill Delahunt

Bill Pasarell Jr.

Stephen Piths Jones

Nike McIntyre

Yann Sommer

Charlie Helmsen

Don O'Carroll

Scott R.

Hyland Dossitt

Jane Harmon

Al & Brady

Paul Kayinski

Edward Shea

Heidi

Miss V. Fitzmaurice

Henry Cuellar

John Spratt

C.A. Duke Rupp

John Lewis

Rita M. Sauer

Colgate of

Maup Water

Jim Moran

John P.

W. J. M.

Edward F. Berman

W. H. F.

Cole E. Gildee

Heidi Johnson Lee

Earl Berman

Aris Van Hollen

Daniel L. J.

Neil Abernombie

Cecily C. Kilpatrick

~~Augy Clark~~

Ben Chandler

Tom Clark

~~Bob Clark~~

Betty McCallum

Tom Z

Sanford Bishop

~~Bill~~

Julia Sanchez

Bob Smith

~~John~~

Leonard L. Howell

John W. Oliver

~~Bill~~

Ann Paris

Julia Carson

Shelley Berkeley

Chet Edwards

Elijah E. Cummings

Buray Frank

W. D. Smith

Wm. H. Galt

John Brown

Charles B. Rangel

Alex. Hasty

Stewart Nash

Gene Taylor

Gerald Randle

Klaine E. Watson

Paul Carter

Uie Snyder

Am. Peterson

Steve

Eddie Dennis Johnson

Arinda J. Sanchez

John P. Murr

Artha Davis

Alma Smith

Pauline Hooley

Melissa L. Bean

Robert Hill

David Price

Bonnie Dyer

Jim Oberstar

Rubin Hingora

Janet Hillard F. Howell

Allen

Allen Boyd

Michael H. Michael

Wick Granger

Ellen Dauscher

Falecia Wray

Dee Decker

Chau Fawak

David Scott

James Langford

Bennie A. Thompson

Major R. Owens

James Gump

Al Rehall

Hooper

Ann - Ann

Harold

Paul Sherr

Lynn Woolsey

OK Butterfield

David W

Martin Olan Baker

Cynthia McKinney

Jim Post

Ydine A. Valenzuela

J. Mather

Lane Evans

Carlson

Ed Pastor

Earl Pomeroy

Bud CRAMER

Bing Bird