



Janet Napolitano
Governor of Arizona
Chair

Tim Pawlenty
Governor of Minnesota
Vice Chair

Raymond C. Scheppach
Executive Director

February 23, 2007

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Majority Leader Reid, Senator McConnell, Speaker Pelosi and Representative Boehner:

The nation's governors recognize the importance of a strong state-federal partnership in the Medicaid program. However, the Medicaid administrative changes contained in the proposed rule [CMS-2258-P] are a significant cost shift to states that governors strongly oppose. The proposed policies represent a significant Medicaid policy change that will result in cuts of approximately \$5 billion in federal Medicaid spending over five years. The Administration is moving forward with these proposed changes without any input from Congress or governors.

The proposed rule includes imposing a cost limit for public health care providers and altering the definition of "public" status. These fundamental policy changes would diminish long-standing, legitimate state funding mechanisms that the Centers for Medicare and Medicaid Services (CMS) has previously approved. Such changes in state plans would also impose a huge administrative burden on states, providers and school-based health clinics. In addition, the proposals overstep statutory authority by defining what subunits of state government may contribute to and what financing sources states may utilize in financing the non-federal share of Medicaid – discretion that has been left to state governments since Medicaid was created in 1965. These proposals would further impede our progress in implementing reform options and expanding affordable health insurance coverage.

Last year, the governors, in addition to 300 bipartisan members of Congress and 55 Senators sent letters to Secretary Leavitt urging that he not move forward via the regulatory process with the proposed cuts. Despite these objections, we are now faced with a proposed rule, which is slated to go into effect on September 1, 2007. Therefore, governors urge you to consider and pass legislation to prevent CMS from moving forward with this proposed rule.

Thank you for your ongoing support of states and for your attention to this important issue.

Sincerely,

Governor Jon S. Corzine
Chair, Health and Human Services Committee

Governor Jim Douglas
Vice Chair, Health and Human Services Committee