

## AMERICA'S HOSPITALS AND HEALTH SYSTEMS

February 27, 2007

Dear Member of Congress:

We, the undersigned hospital organizations that serve the 57 million Americans who rely on the Medicaid program and the nation's nearly 47 million uninsured citizens, are writing to express our strong opposition to two proposed Medicaid regulations. We urge you to prevent the Centers for Medicare & Medicaid Services (CMS) from moving forward with these proposals.

At issue: the January 18, 2006, proposed rule entitled, "Medicaid Program; Cost Limit for Providers Operated by Units of Government and Provisions to Ensure the Integrity of the Federal-State Financial Partnership" [CMS-2258-P]; and the proposed regulatory change in the President's FY 2008 budget related to Medicaid payments for graduate medical education.

The proposed regulation CMS-2258-P singles out safety-net hospitals for drastic reductions in reimbursement, thus jeopardizing care for millions of needy Americans with no other place to turn for their health care services. Our hospitals fulfill a unique and critical role in the health care system by providing high intensity services – such as trauma, neonatal intensive care, and burn care – to the entire community while also ensuring that Medicaid recipients and the uninsured have access to all medical services. This regulation would also, for the first time, impose a new and narrow national definition of a "unit of government" that could exclude many essential safety-net providers by substantially limiting the types of entities authorized to provide non-federal share funding under the Medicaid program.

Other providers as well as the states themselves would be hurt by the proposed regulation. Medicaid revenues, and in particular Medicaid supplemental payments, are a crucial source of funding for nursing homes, intermediate care facilities, and school-based clinics. This regulation would impose significant strain on some state budgets and leave them with gaping holes in their Medicaid budgets that could be plugged only by diverting resources from other important state priorities.

Some claim that CMS-2258-P is needed to ensure the fiscal integrity of the Medicaid program. Our organizations wholeheartedly share the goal of a healthy Medicaid program, but the proposed regulation goes far beyond what is needed to attain financial stability. We firmly believe that the proposal would undermine the already fragile viability of the nation's health care safety net and reduce or eliminate access to health care services for millions of low-income patients.

In addition, we strongly oppose the President's FY 2008 budget proposal to eliminate federal Medicaid funding for graduate medical education. Medicaid has an important responsibility to support care for patients in the safety-net institutions that participate in graduate medical education. This funding supports the additional cost of providing care to patients with more complex health care needs in a teaching setting.

We ask you to prevent CMS from implementing the proposed regulation CMS-2258-P and to halt development of the proposal to eliminate graduate medical education funding. We hope to work with you on alternative ways to strengthen and reform the Medicaid program.

Sincerely,

American Hospital Association  
Association of American Medical Colleges  
Catholic Health Association of the United States  
Federation of American Hospitals  
National Association of Children's Hospitals  
National Association of Public Hospitals and Health Systems  
Premier  
VHA Inc.