Partnership for Medicaid

May 2, 2011

Senate Majority Leader Harry Reid
522 Hart Senate Office Building
Washington, DC 20510

Re: "Gang of Six" Deficit Reduction Efforts and Medicaid Impacts

Dear Majority Leader Reid:

As you tackle the ongoing need to reduce the federal deficit, the Partnership for Medicaid – a non-partisan, nationwide coalition of safety-net providers and other key organizations with a role in delivering services to Medicaid enrollees – urges you to protect the Medicaid program's long-term viability and role as a safety net for our nation's most vulnerable populations. While we recognize the importance of reducing the deficit, some of the structural changes to the Medicaid program being discussed could simply shift costs to states and local governments, providers, or beneficiaries without actually slowing growth in underlying health care costs. The Partnership believes that any deficit reduction proposal, as a fundamental principle, must not jeopardize access to care for already vulnerable populations. In fact, deficit reduction packages passed in 1990, 1993, and 1997 all specifically exempted Medicaid from automatic spending caps and the Partnership believes the same consideration should be included in any moving deficit reduction legislation this Congress.

In particular, the Partnership is very concerned about either a block grant or upper limit spending cap for the Federal share of Medicaid, in which the Federal government would pay a fixed dollar amount to the states rather than a fixed percentage, leaving states and local governments responsible for all remaining health care costs for low-income populations, including poor children, individuals with disabilities, pregnant women and seniors. Caps on spending have not historically kept pace with the cost of health care, and would likely result in an arbitrary cut-off of benefits and services, a precipitous decrease in provider rates, or limit on eligibility. While some argue that a block grant or cap on spending would mean improved predictability of costs, it is improved predictability for the Federal government only—in fact it would make costs *less* predictable for states and for recipients, who can least afford such increases.

During economic downturns, periods of increased unemployment, public health emergencies, or other unexpected events, more people rely on Medicaid. At a time when our economy is still recovering from the recent downturn, and while unemployment levels are still high in some areas, Medicaid continues to play an important safety net role. Medicaid's current financing structure gives it the flexibility to respond to increased need.

Additionally, we are concerned that changing the fundamental financing and entitlement structure of Medicaid would further undermine provider rates and access to care. House Budget Committee Chairman Ryan notes in his Path to Prosperity that Medicaid payments to providers are already so low that many doctors refuse to take Medicaid patients. However, in reference to the Medicaid

block grant provision included in the House-passed budget, the Congressional Budget Office (CBO) said H. Con. Res. 34 would "…probably require states to decrease payments to Medicaid providers, reduce eligibility for Medicaid, provide less extensive coverage to beneficiaries, or pay more themselves than would be the case under current law." While the Partnership is committed to serving Medicaid patients, we are concerned proposals to institute a block grant or cap federal spending would leave states with few options other than reducing already low provider payment rates or eroding our current system of care by cutting benefits or limiting eligibility.

Inappropriate restrictions and reductions in Medicaid eligibility and services will lead to increased utilization of emergency rooms for non-emergency services and uncoordinated care for high-cost populations. It is well-documented that utilization of the emergency room in this manner not only shifts costs to other areas of the health care sector (such as providers and individuals with private insurance), but that the cost of providing care in the emergency room is actually more expensive and less effective for patients.

Medicaid plays a critical role in supporting vulnerable populations and new policies should focus on strengthening linkages among preventive, primary, acute, and long-term care services and supports. The Partnership is prepared to work with you to develop sound policy for Medicaid that achieves these goals, such as prioritizing protections for vulnerable populations, improved quality and reduced health care costs using managed care, care coordination and other models of care integration, elimination of waste, fraud and abuse, and appropriate accountability and performance measures. We look forward to working with you and your staffs in the coming weeks as you develop a plan for tackling our nation's budget deficit.

Sincerely,

American Academy of Family Physicians
American Academy of Pediatrics
American Congress of Obstetricians and Gynecologists
American Dental Education Association
American Health Care Association
American Public Health Association
Association for Community Affiliated Plans
Association of Clinicians for the Underserved
Medicaid Health Plans of America
National Association of Children's Hospitals
National Association of Community Health Centers
National Association of Counties
National Association of Public Hospitals and Health Systems
National Center for Assisted Living
National Council for Community Behavioral Healthcare
National Health Care for the Homeless Council
National Hispanic Medical Association

cc: Majority Leader Reid, Republican Leader McConnell, Gang of Six, Senator Sessions