

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

October 12, 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
United States House of Representatives
Washington, DC 20515

Dear Senator Murray and Congressman Hensarling:

On behalf of the undersigned organizations representing the nation's hospitals and health systems, we are writing to recommend that the Joint Select Committee on Deficit Reduction reject proposals that would undermine the Medicaid program. Medicaid provides high-quality health coverage to nearly 60 million people across the nation, serving a disproportionate number of people with multiple, chronic conditions and paying for long-term care for the nation's most vulnerable seniors.

The nation's hospital systems recognize that Medicaid costs are putting significant pressure on federal and state budgets as millions have lost their jobs and now need this critical safety net. We would like to work with you to find positive solutions to alleviate this pressure while maintaining a strong safety net. Sound policy changes would reduce the overall costs in the health care system—not simply shift existing and growing costs onto states, providers and beneficiaries, and damaging the nation's already fragile economy. Two proposals likely under consideration by the Joint Select Committee, unfortunately, do not meet this test.

One proposal would combine the various Medicaid Federal Medical Assistance Percentages (FMAPs) provided to states into a single "blended rate" for all populations and services, then make an across-the-board cut to the overall rate. While we do not oppose a blended rate in principle, there is no basis in sound public policy for the federal government to arbitrarily reduce its share of Medicaid spending. The proposal simply shifts costs onto states, which will further pass those costs to providers and beneficiaries. It also establishes a dangerous precedent in which the federal government can subjectively provide less Medicaid funding to states whenever it seeks to save money.

A separate proposal would limit states' use of provider taxes (also known as provider assessments) to help fund the non-federal share of Medicaid costs. Provider taxes, which are paid by health care providers, are tax revenues that are widely used by states to pay for the state share of Medicaid costs. Provider taxes allow states to maintain a functioning Medicaid program. Cutting state use of provider taxes limits states' flexibility in financing their Medicaid program and will hurt patients.

Medicaid has already been substantially cut in the last several years by policymakers at the state level. According to a recent Kaiser Commission on Medicaid and the Uninsured report, 39 states implemented a Medicaid payment rate cut or freeze in Fiscal Year (FY) 2010, and 27 states had planned rate cuts or freezes in FY 2011. All of these cuts have resulted in federal budget savings. The Office of Management and Budget (OMB) recently projected that federal Medicaid costs

would be \$3 billion lower in 2011 and \$98 billion lower over the next 10 years than previously estimated. The OMB attributed this adjustment, in part, to lower than projected payment rates. Further cuts, instigated at the federal level, would not only harm patients' access to care, but also would hurt local economies.

The nation's hospitals and health systems look forward to working with Congress to find innovative solutions to limit Medicaid cost growth while protecting the nation's most vulnerable people.

Sincerely,

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

cc: Senator Max Baucus, Member, Joint Select Committee on Deficit Reduction
Representative Xavier Becerra, Member, Joint Select Committee on Deficit Reduction
Representative Dave Camp, Member, Joint Select Committee on Deficit Reduction
Representative James Clyburn, Member, Joint Select Committee on Deficit Reduction
Senator John Kerry, Member, Joint Select Committee on Deficit Reduction
Senator John Kyl, Member, Joint Select Committee on Deficit Reduction
Senator Rob Portman, Member, Joint Select Committee on Deficit Reduction
Senator Pat Toomey, Member, Joint Select Committee on Deficit Reduction
Representative Fred Upton, Member, Joint Select Committee on Deficit Reduction
Representative Chris Van Hollen, Member, Joint Select Committee on Deficit Reduction