Partnership for Medicaid

March 19, 2012

The President
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear Mr. President,

On behalf of the Partnership for Medicaid – a nonpartisan, nationwide coalition of safety-net providers, counties, labor and health plans, we write in response to your proposed budget for Fiscal Year 2013.

The Partnership appreciates your efforts to decrease the deficit and create long-term fiscal stability in your proposed budget. However, we have serious concerns about your budget's proposals to cut Medicaid, funding for health care training, and other reimbursement critical to safety net providers. These cuts will damage our ability to care for our country's most vulnerable people. They come on top of substantial cuts to Medicaid already enacted at the state level – all of which have accrued savings to the federal government. While our country is rebuilding the economy, many Americans rely on access to the Medicaid program. We need our health care safety net to remain strong to keep our communities healthy and working. We urge you to reconsider several provisions within your budget, noting that not all Partnership member organizations have officially taken positions on every policy included in this document:

Blended federal Medicaid payments to states: This proposal would reduce the complexity of federal matching for state spending in Medicaid by providing a single matching rate to a state for all populations and services. We are very concerned that this proposal, making substantial cuts to federal funding for Medicaid, essentially represents a significant cost shift onto states, safety net providers, and beneficiaries. While the proposal would automatically enhance the federal Medicaid match during economic downturns and would provide an incentive for states to quickly enroll eligible Medicaid beneficiaries – both ideas that we support – it does not reduce the cost of care and will ultimately impact our ability to care for all patients, regardless of their ability to pay. We hope to talk to your staff about opportunities to simplify the federal-state Medicaid partnership without making arbitrary and damaging cuts to the program.

Limiting Medicaid provider taxes: Provider taxes are used by more than 40 states to fund their Medicaid programs. Limiting states' authority to use provider taxes creates a greater strain on their already stretched budgets, and denies states the flexibility they need. Ultimately this proposal forces states to make drastic cuts to the program, with safety net providers and beneficiaries ultimately bearing the costs.

Cutting funds for training physicians and other health care professionals: Your budget would reduce Medicare indirect medical education (IME) payments by 10 percent to teaching hospitals - many of which are safety net providers – which help to cover costs associated with training the next generation of physicians. Separately, the budget would cut Children's Hospitals Graduate Medical Education – a payment received by freestanding children's hospitals which otherwise receive virtually no Medicare training support – by nearly 70 percent. Both of these cuts would substantially aggravate existing gaps in access to care – particularly for low-income populations.

Your budget would also reduce funding for health professionals education programs under Title VII of the Public Health Service Act by 15 percent – a cut that would eliminate funding for the Health Careers Opportunity Program and the Area Health Education Centers programs. Most Title VIII nursing programs would also be cut. Insufficient funding for these programs could reverse the progress made recently in increasing the supply of primary care practitioners, increasing diversity of the workforce, and improving the distribution of health professionals.

Reducing Medicare Bad Debt Payments: Your budget would reduce Medicare payment for hospital, community health center and long term care facilities' bad debts from 65 percent to just 25 percent of costs in the future. Bad debt payments were just recently reduced (for some providers, from 100 percent of costs) under legislation enacted in February. This critical funding reimburses the costs of care when Medicare beneficiaries themselves cannot meet their cost-sharing obligations. It is critical that the Medicare program maintains its commitment to seniors and the providers that serve them.

Rebasing Medicaid Disproportionate Share Hospital (DSH) Payments: DSH payments are designed to help safety net hospitals fulfill their mission by reimbursing part of the uncompensated costs of care to uninsured patients and losses on those covered by Medicaid. The Affordable Care Act's DSH reductions are of significant concern to the safety net, as it will impact providers' ability to provide care to beneficiaries with limited resources.

States and Medicaid providers are working hard every day to provide health care to our country's most vulnerable populations. While reducing our national debt is essential for a healthy economy, without Medicaid we would not have a healthy country. 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. While we believe that state innovation and flexibility is a hallmark of what makes Medicaid work well, we know the importance of strong federal guidance to ensure that Medicaid beneficiaries have the best possible access to high quality care. To that end, we are also concerned about your proposal to accelerate state innovation waivers and would welcome the opportunity to discuss this concept with your advisors.

The Partnership is eager 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 speaking with a senior member of your Administration to discuss our concerns and thoughts moving forward.

Sincerely,

American Dental Association
American Public Health Association
Association for Community Affiliated Plans
Association of Clinicians for the Underserved
Children's Hospital Association
Catholic Health Association of the United States
Jewish Federations of North America
Medicaid Health Plans of America
National Association of Community Health Centers
National Association of Counties
National Association of Pediatric Nurse Practitioners
National Association of Public Hospitals and Health Systems
National Council for Community Behavioral Healthcare
National Health Care for the Homeless Council

cc: Jeffrey Zients, Acting Director, White House Office of Management and Budget
Ellen Murray, Chief Financial Officer, Department of Health and Human Services
Marilyn Tavenner, Acting Administrator, Centers for Medicare and Medicaid Services
Rep. Paul Ryan, Chair, House Committee on Budget
Rep. Chris Van Hollen, Ranking Member, House Committee on Budget
Sen. Kent Conrad, Chair, Senate Committee on Budget
Sen. Jeff Sessions, Ranking Member, Senate Committee on Budget
Rep. Fred Upton, Chair, House Committee on Energy and Commerce
Rep. Henry Waxman, Ranking Member, House Committee on Energy and Commerce
Sen. Max Baucus, Chair, Senate Committee on Finance
Sen. Orrin Hatch, Ranking Member, Senate Committee on Finance