COUNCIL FOR CITIZENS AGAINST GOVERNMENT WASTE

Thomas A. Schatz
President

June 7, 2011

U.S. Senate
Washington, D.C. 20510

Dear Senator,

Senators Richard Burr (R-N.C), Tom Coburn (R-Okla.) and Saxby Chambliss (R-Ga.) recently introduced S. 1031, the Medicaid Improvement and State Empowerment Act. On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to support this legislation.

In January, 33 governors and governors-elect sent a letter to President Obama and congressional leaders requesting "flexibility and relief" from "excessive constraints placed on us by healthcare-related federal mandates." With a $175 billion collective budget shortfall through 2013, states are looking for viable ways to trim excess spending, reduce deficits and restore fiscal discipline. This cannot be accomplished without making reforms to Medicaid, an entitlement program that is jointly funded by the state and federal governments.

Although Medicaid was first established as a limited state-federal partnership program, it has grown dramatically since its inception. Today, nearly one out of every four Americans is enrolled in Medicaid, with program spending absorbing nearly one-quarter of all state government budgets. Over the next 10 years, the Congressional Budget Office (CBO) projects the federal government will spend more than $4 trillion on Medicaid.

S. 1031 would reform the Medicaid program to improve care for patients while giving states the flexibility and financial predictability necessary to strengthen their programs. The legislation would transition to taxpayer-provided pass-through health grants to provide medical assistance for low-income, uninsured individuals rather than relying on the unsustainable Federal Medical Assistance Percentages (FMAP) model which has perpetuated inequities in the system. States would also be better able to predict and manage their patients' long-term care needs through these pass-through grants.

As part of the Obama administration's 2009 economic stimulus package, Maintenance of Effort (MOE) requirements were imposed on the states, requiring any state with Medicaid programs in effect on July 1, 2008 to keep in place its current standards of eligibility, methodologies, or procedures through the end of June 2011. The Patient Protection and Affordable Care Act (PPACA) expanded these MOE provisions to require states with Medicaid programs in place on March 23, 2010 to maintain these programs through 2013. Failure to comply with these requirements results in

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the loss of matching federal funding for a state's Medicaid program. Unfunded Medicaid expansion mandates under the PPACA are estimated to cost state taxpayers at least $118 billion through 2023.

S. 1031, however, would free states from unaffordable PPACA mandates, allowing them to implement innovative reforms that will improve health outcomes and decrease costs. Additionally, some of the savings generated from these reforms will be given back to states that have achieved meaningful medical malpractice reforms, encouraging states to make even more substantial healthcare cost reductions. Finally, while this legislation seeks to restore Medicaid to its original, limited, state-managed intent, it preserves acute care for individuals with disabilities and "dual eligibles" to ensure that the benefits of the most vulnerable patients are protected.

The federal government has loaded the states with gigantic Medicaid burdens, while at the same time restricting governors from tackling their states' fiscal problems. States must be allowed to evaluate program needs and root out waste where necessary. Granting states more flexibility and freeing them from stringent mandates will cut costs at both the federal and state level, improve access to care, and increase program efficiency. All votes on S. 1031 will be among those considered in CCAGW's *2011 Congressional Ratings.*

Sincerely,

Thomas Schatz