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April 4, 2011

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Majority Leader Reid, Minority Leader McConnell, Speaker Boehner, and Minority Leader Pelosi:

We strongly oppose a congressionally-mandated block grant of federal Medicaid spending, which would shift costs and risk to states. Such a cost shift would severely undercut our ability to provide health care to our residents and adequately pay providers.

The current Medicaid financing structure is a partnership between federal and state governments that provides basic access to health care for the poor and disabled. The cost of providing this care has grown as a percentage of both federal and state budgets as health care costs have increased and as the economy faltered making more Americans unable to provide for their basic health needs. As Governors managing budgets in a difficult fiscal environment, we have pursued strategies to reduce Medicaid costs while still preserving the integrity of the program. We are concerned that Congress, in an attempt to reduce the federal deficit, may pursue the exact opposite course of action by creating a mandated block grant which would do little to address cost growth while shifting costs to states and threatening program integrity.

A Medicaid block grant imposed unilaterally by Congress on all states that would cap the federal government's share of costs and provide fixed annual funding below the projected growth of program costs is simply unacceptable. The inadequacy of funding would grow over time and would be exacerbated by unanticipated increases in health care costs or enrollment. The costs of population increases, aging populations, economic downturns, natural disasters, new diseases or epidemics would all be shouldered by states. States would be forced to bear all costs after hitting the annual cap just as the "baby boom" generation is entering their retirement years with a likely steep increase in their health care and long term care costs over the next few decades. The ensuing funding shortfall would leave states with an untenable choice between increasing taxes, cutting other state programs, or cutting eligibility, benefits, or provider payments.

In the face of state and federal budget pressures and rising health care costs, we need federal policy that creates cost savings, not cost shifting. States are already innovating within Medicaid, and the current financing system provides ample room to manage our Medicaid programs to provide increasingly efficient quality care.

We continue to seek greater flexibility to improve our Medicaid programs in ways that work for our individual states and we welcome a productive conversation about how the federal government can maintain its critical role in funding the safety net and maintaining national standards while facilitating state-level innovation. Still, we reject the notion that flexibility can only be provided to states if it is tied to a transformation of the Medicaid program's finances that significantly shifts costs and risks to states.

Sincerely,

Governor Mike Beebe
Arkansas

Governor Edmund G. Brown, Jr.
California

Governor John Hickenlooper
Colorado

Governor Dan Malloy
Connecticut

Governor Jack Markell
Delaware

Governor Neil Abercrombie
Hawaii

Governor Pat Quinn
Illinois

Governor Steven L. Beshear
Kentucky

Governor Martin O'Malley
Maryland

Governor Deval Patrick
Massachusetts

Governor Mark Dayton
Minnesota

Governor Bev Perdue
North Carolina

Governor John A. Kitzhaber, M.D.
Oregon

Governor Peter Shumlin
Vermont

Governor John P. deJongh, Jr.
Virgin Islands

Governor Christine O. Gregoire
Washington

Governor Earl Ray Tomblin
West Virginia