

Congress of the United States
Washington, DC 20515

May 5, 2011

The Honorable David Camp
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Camp and Upton:

On April 15, 2011 Republican members of the House overwhelmingly voted in favor of Budget Chairman Paul Ryan's FY 2012 Budget Resolution, which ends the Medicare program and replaces it with a voucher and ends the Medicaid guarantee of healthcare by turning the program into a block grant that permanently unravels the Federal-State partnership. As Chairmen of the Committees that have jurisdiction over Medicare and Medicaid, we are confident that you carefully analyzed the Republican Budget's impact on these programs before joining your Republican colleagues to vote in favor of the plan. We request a hearing in the committees of jurisdiction to review this analysis and to provide for an opportunity to hear directly from those who would be affected.

In casting our votes, Democrats concluded that a yea vote would have a devastating impact on the nation's seniors, individuals living with disabilities, and low-income populations. In fact, not one Democratic Member voted in favor of the Republican budget. The Republican budget destroys the Medicare program for those under age 55 by ending Medicare's historic guaranteed benefits and converting the program into an under-funded defined contribution voucher that beneficiaries would use to shop for insurance that would cost more and deliver less. Indeed, using history as a guide, insurers may opt not to participate or may use clever tactics to avoid the oldest and sickest people. This very model ignores the fact that Medicare was created in large measure because these populations had difficulty obtaining adequate, affordable private insurance.

The Republican budget would also dramatically increase health care costs for seniors. For example, a typical 65-year-old retiring in 2022 would be expected to devote nearly half their monthly Social Security checks toward health care costs, more than double what they would spend under current Medicare law. In addition, despite Republican rhetoric that current Medicare beneficiaries would not be affected, the Congressional Budget Office's analysis clearly states that the Republican budget would repeal the new Medicare drug coverage that closed the Medicare Part D donut hole. It also appears to assume elimination of the other benefit improvements from the Affordable Care Act (ACA), including provisions that eliminate cost-sharing for most preventive benefits. The provisions slashing Medicaid would have a detrimental impact on the nine million Medicare beneficiaries who rely on Medicaid to help with their hospital, doctor, and nursing home bills.

By turning Medicare into a voucher program, the Republican budget also eliminates Medicare's proven ability to serve as a leader in driving development and adoption of innovative delivery and payment system reforms that have improved efficiency, accountability and quality of care across payors. Medicare led the move away from cost-based reimbursement with Congress's creation of the inpatient prospective payment system in 1983. That landmark change shifted reimbursement policy from one that created financial incentives for the provision of care without regard to cost toward one that rewards the efficient provision of care. As Medicare leads, private payers have followed, and Medicare, under Congressional direction, has continued to be at the forefront of developing prospective payment systems for a variety of health care providers.

Likewise, Medicare's role in driving improvement in the delivery of health care is evidenced by the American Recovery and Reinvestment Act incentives that will push adoption and use of electronic health records by hospitals and physicians. Meaningful use of electronic health records will dramatically improve our ability to reduce medical errors, improve quality, save billions of dollars and combat waste, fraud and abuse.

The ACA continues Medicare's longstanding role as a leader in improving the delivery of health care. In fact, according to 272 economists, the ACA "contains essentially every cost-containment provision policy analysts have considered effective in reducing the rate of medical spending." These provisions include testing of a variety of new payment systems that encourage better coordination of care, such as shared savings programs and bundled payments, and other incentives to improve quality, including provisions to reduce preventable hospital readmissions.

In contrast, the Republican budget does nothing to improve the delivery of health care or reduce health spending for the Medicare population. In fact, just the opposite is true. Medicare has historically leveraged its considerable market presence and low administrative costs to drive lower prices while protecting access. Indeed, CBO has been clear in its analysis of the Republican budget that relying on more expensive private plans and eliminating Medicare's ability to leverage its considerable market presence will actually *increase* total costs for people on Medicare, even if it lowers the government's share by setting the voucher below inflation. Ironically, the Republican budget actually increases costs, but shifts all those new costs onto seniors and individuals with disabilities.

The Republican budget is similarly devastating for the Medicaid program and the 60 million people it serves. The Republican budget cuts Medicaid by almost \$800 billion over the next decade and in half by 2022, shifts these massive costs onto states, beneficiaries, and providers, and ends the Medicaid assurance of coverage beginning in 2013.

The Republican budget restructures Medicaid into a block grant where states receive a capped amount of money for the program. Medicaid is currently structured to provide more help when states need it most, for example, when unemployment increases or there is a natural disaster where citizens lose insurance coverage. A block grant shifts all risks to the States, including risks of future recessions, healthcare cost increases, and disasters. The federal government would no longer be a partner responding to such changes. This is not a cost savings to the program, but a cost shift from the federal budget to states, Medicaid beneficiaries and providers. In the end, vulnerable recipients will lose care, and state budgets will suffer.

In addition to block granting the program, the Republican budget cuts Medicaid by \$771 billion over the next decade. The capped amount of money states receive would not account for innovation in healthcare, enrollment growth, and health needs. The result would be inevitable cutbacks for beneficiaries and providers. In addition, in 2022 the proposal eliminates spending for nine million low-income Medicare beneficiaries' premiums, cost sharing, and acute care services not covered by Medicare. It replaces the coverage with an inadequate voucher payment referred to as a medical savings account.

The effects of all these cuts would be devastating on low-income senior citizens, women, children and people with disabilities. Coverage for one million nursing home residents would be lost for many, and quality and staffing in nursing homes would suffer. Benefits allowing three million elderly and disabled individuals to remain independent and in their homes would be in danger. Benefits such as prescription drugs for patients with HIV/AIDS and therapies such as behavioral health therapy for autistic children could be cut. The 30 million children depending on Medicaid for a healthy start in life would lose essential coverage.

The Republican budget's massive cost shift to states could exacerbate difficulties in paying adequate provider rates and attracting the participation of doctors, dentists, hospitals, nursing homes, and many others health providers. According to CBO, "given that payment rates for providers under Medicaid are already generally lower than they are under Medicare and private insurance, if states lowered payment rates even further, providers might be less willing to treat Medicaid enrollees."

Given the far-reaching changes to the Medicare and Medicaid programs included in the Republican budget, it is absolutely essential that the Committees of jurisdiction conduct hearings to assess the budget's effects on these vital programs and the populations they serve. As Ranking Members of these Committees, we respectfully request that these hearings be conducted as soon as possible. Thank you for your attention to this matter. We look forward to your prompt response.

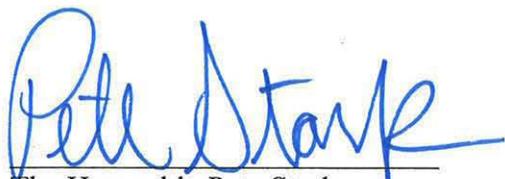
Sincerely,



The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means



The Honorable Henry A. Waxman
Ranking Member
Committee on Energy and Commerce



The Honorable Pete Stark
Ranking Member
Subcommittee on Health
Committee on Ways and Means



The Honorable Frank Pallone
Ranking Member
Subcommittee on Health
Committee on Energy and Commerce