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April 12, 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 write to strongly urge you to oppose any attempt to dismantle Medicaid, such as converting Medicaid into a block grant or setting a cap on overall federal spending that would inevitably result in deep cuts to Medicaid. Either of these proposals would mean devastating cuts to a program that provides cost-effective health coverage for our country's lowest-income individuals. The cuts will shift the burden to the states and indeed fall most heavily on the most vulnerable—the elderly, people with disabilities, pregnant women and children. The National Health Law Program (NHLP) works with and on behalf of limited income people, people with disabilities, pregnant women and children to improve their access to quality health care, and to enforce their legal rights to health.

For over 40 years, Medicaid has provided essential health services for the elderly, people with disabilities, children, parents and pregnant women. Medicaid offers health coverage for nearly 60 million low-income people—half of whom are children. Approximately 30 million children rely on Medicaid's comprehensive pediatric benefit package, Early and Periodic Screening, Diagnostic and Treatment Services (EPSDT), which provides children with the care they need to grow up healthy and to lead productive lives. For millions of seniors and people with disabilities, Medicaid is a vital safety net that provides access to services that Medicare does not cover, such as long-term care in the community or nursing facilities. Currently, seniors and people with disabilities account for three-quarters of all Medicaid expenditures.

Medicaid provides benefits which are tailored to meet the needs of vulnerable populations. These benefits, such as case management and mental health care, are often not covered by private insurers. The average cost per Medicaid beneficiary is significantly lower than under private insurance. In 2007, the estimated per capita cost of covering a child in Medicaid was \$2,100 and \$2,500 for an adult. The cost of coverage through private insurance is, on average, 29.5% higher. Further, the average costs per enrollee in the Medicaid program rise less rapidly than costs in private insurance. Medicaid program administration costs only 4.5% compared to 16-26% at private insurers.

Congress created Medicaid to include open-ended federal matching so that states could meet their residents' needs. Through joint-funding, the federal government currently covers between 50-75% of each state's Medicaid costs. If Medicaid was converted to a block grant, states would get a fixed federal amount to spend, instead of the current matching structure where states continue to draw funds for each eligible person enrolled in Medicaid. The current Ryan budget proposal would fund the block grant well below the current matching

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amounts. Further, the federal amount would likely be adjusted upwards over time by a formula that increases the block grant far less than current spending trends, so the underfunding would worsen with each year.

With inadequate federal funding, states will be forced to absorb additional costs. This would be especially problematic during downturns in the economy as we know that a recession increases Medicaid enrollment. From December 2007 to December 2009, an additional 6 million people enrolled in Medicaid. Under a block grant, however, states would be forced to cover the costs associated with increased enrollment without help from the federal government. Regardless of how many more individuals qualified for Medicaid, the amount of federal funding would be capped.

States already have significant flexibility over their Medicaid programs. Proponents of the block grant have argued that it will give states more “flexibility.” Currently, however, states have considerable flexibility in administering their programs in terms of defining benefits, choosing delivery care models, and adjusting how providers and plans are paid. Block grants are not needed to provide more flexibility to the states. A block grant does nothing more than shift the costs and risk to the states and place a large burden on Governors and legislatures to address shortages, especially during this time of economic recession.

Given the vital role that the Medicaid program plays with the elderly, people with disabilities, women and children, we strongly urge you to oppose explicit proposals that would change Medicaid’s structure to a block grant, cap federal spending, or roll-back or weaken the Medicaid expansion provisions in the Affordable Care Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Emily Spitzer".

Emily Spitzer
Executive Director