



October 26, 2005

The Honorable Joe Barton
Chairman
House Energy and Commerce Committee
2125 Rayburn Building
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of America's Health Insurance Plans (AHIP), I am writing regarding a provision of your budget reconciliation bill, section 3142, that would require provider taxes imposed on Medicaid managed care organizations (MCOs) to meet the same requirements as those applied to other health care providers.

As you know, this provision includes a grandfather clause that would allow existing arrangements to remain in place through September 2007. We are asking you to modify this clause to cover all states that have enacted Medicaid MCO provider taxes as of December 31, 2005 and, additionally, allow these existing arrangements to remain in place permanently in states that qualify for the grandfather clause.

While we respectfully oppose the expansion of Medicaid MCO provider taxes, we believe that a broad-based application of section 3142 would be particularly unfair to those states that have enacted MCO provider taxes in order to generate revenues to support their Medicaid programs. Four states – California, Michigan, Oregon, Pennsylvania – would be covered by the grandfathering provision in your bill. However, three other states – Georgia, Missouri, and Ohio – recently have enacted MCO provider taxes, but have not yet implemented them. Under the current draft bill, these states would be forced to suspend these taxes and, as a result, would be left with fewer resources for meeting the needs of their Medicaid beneficiaries. This outcome would force these states to make difficult decisions about reducing benefits and eligibility. Another possibility might be reduced payments to Medicaid providers – which could lead to additional cost shifting and increased costs for employers and other payers in the private sector.

We also want to emphasize that Medicaid MCOs have a strong track record of improving health care for Medicaid beneficiaries. Our members do this by coordinating care, placing a strong emphasis on preventive health care services, providing disease management services for chronically ill patients, and offering innovative programs to promote the health and well being of Medicaid enrollees. As a result of these private sector innovations, our members are helping to ensure that federal and state governments receive maximum value for the dollars they spend on Medicaid. We believe any future Medicaid legislation should build upon this success.

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For all of these reasons, we strongly urge you to change section 3142 to address the unique circumstances of all states that have enacted Medicaid MCO provider taxes.

Thank you for considering our request on this important provision. We stand ready to work with you on this and any other issues in your budget bill.

Sincerely,



Karen Ignagni