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Cynthia Wainscott, **Chair of the Board** ▪ Michael M. Faenza, **President and CEO**

December 16, 2004

The Honorable George W. Bush
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the National Mental Health Association (NMHA), I am writing to express our grave concerns regarding any possible proposals in your FY2006 budget that would result in capping or cutting Medicaid funding or eligibility. In light of the restrictive budget realities facing our nation, NMHA urges you to consider not only the importance of Medicaid for people with mental illness, but also the wider fiscal impact of denying this population access to healthcare through any Medicaid restructuring.

The Medicaid program is a critical source of support for people with mental illness. It is the single largest source of financing for mental health care and encompasses over half of state and local spending on mental health services. Medicaid provides millions of low-income people critical mental health services ranging from inpatient hospital care, to psychologist services, psychosocial rehabilitation, and prescription drug coverage including coverage of psychotropic medications.

From a fiscal perspective, many of the services and benefits that Medicaid covers enable individuals to remain in their homes and communities and avoid costly institutionalization. Furthermore, limiting Medicaid services would not reduce costs, it would merely transfer them to already overburdened hospital emergency rooms or criminal justice systems. Under law, emergency rooms cannot turn away someone in crisis, and emergency care is one of the most expensive types of healthcare and far more costly than routine mental health treatment. Individuals unable to get suitable mental health treatment often end up in the criminal justice system, increasing legal and prison costs in a system that is neither designed to nor capable of meeting their needs.

Given the Medicaid program's critical role in providing needed access to mental health care for low income populations, we have been alarmed by recent state cutbacks in Medicaid coverage prompted by widespread state budget deficits and Medicaid funding

shortfalls. Among the very disturbing steps already taken across the country, states have reduced benefits, increased cost-sharing, and restricted access to medications through prior authorization requirements and preferred drug lists. As states continue to struggle with very difficult fiscal conditions and the need to absorb unexpected additional Medicaid costs as they help to implement the new Medicare law, any proposals that would put additional healthcare cost burdens on the states would prove disastrous. Given the already fragile state of the vitally important safety net that Medicaid provides, additional cuts in federal Medicaid funding will mean fewer low-income people will receive mental health services and more restrictions will apply on those services that are available.

As you work to craft the FY2006 budget proposal, we urge you to reject any structural changes to the Medicaid program. We also ask that you work with Congress during its budget process to ensure that the integrity of the Medicaid program is protected.

Sincerely,

Michael M. Faenza, MSSW
President and CEO

Cc: Joshua B. Bolton, Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503