

Congress of the United States
House of Representatives
Washington, D.C. 20515

July 18, 2012

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Ave., S.W.
Washington, D.C. 20101

Dear Secretary Sebelius:

As Chairman of the House Energy and Commerce Committee and Ranking Member of the Senate Finance Committee with jurisdiction over the Medicaid program, we are writing to address the growing concerns from our nation's governors with the unprecedented expansion of the Medicaid program in the President's health care law.

Just weeks ago, the Supreme Court ruled that the Federal government could not withhold Federal Medicaid funds from those States choosing to not participate in the expansions, scheduled to begin in 2014. While this important decision protects States' rights by rejecting the coercive nature of the President's health care law, it raises new questions about the cost and construct of the Medicaid expansion on both the Federal government and States.

While your Administration has often claimed the Medicaid expansion is a "good deal" for States, a 2011 report published by our Committees concluded the cost of the Medicaid expansion would be a significant financial burden on States – costing them at least an additional \$118 billion over 10 years. Such analysis assumed the States would receive full Federal funding for their newly eligible beneficiaries through 2017 and then a phased down Federal match through 2020 when States would receive a 90 percent Federal match for such populations in perpetuity.

Under the Obama Administration, the Federal debt has reached an all-time high of nearly \$16 trillion – levels that when considered as a percentage of our total economic output clearly hurt economic growth and stability. With the Medicaid program expected to contribute to that debt by more than \$5 trillion over the next 10 years – not to mention trillions more in taxpayer spending at the State level -- it is understandable that governors are concerned about the Federal government's ability to maintain its commitment to such a high Federal match for the long term. As one governor recently noted: "This is just another government program where the federal government will run out of money and they'll put it on the states again."

The President's FY2013 budget proposal reinforces those concerns from the governors. In his FY2013 Budget plan, the President outlined a provision that would ultimately decrease the Federal match for the newly eligible Medicaid beneficiaries. The President calls for the application of a single blended rate to Medicaid and CHIP that would save nearly \$18 billion over 10 years. A similar policy was included in the President's deficit reduction recommendations in 2011, which called for up to \$100 billion in Federal Medicaid savings over 10 years.

As you know, a blended Federal Medicaid rate that reduces Medicaid spending over time is a policy that would reduce Federal funding to States through a reduced Federal match, notably a reduction to the enhanced match to States for the newly eligible Medicaid beneficiaries. This policy could have a dramatic effect on how much a Medicaid expansion could cost State governments after 2014. We believe the Administration should release all the legislative and policy specifications for its blended rate proposal as governors and State legislatures prepare to make a decision on whether or not to implement the largest expansion of Medicaid in history.

In response to these concerns, we ask that you provide us with all the legislative and policy specifications on how the President's Medicaid blended rate proposal would work by Friday, July 27, 2012. Specifically, we request the data and formula used to calculate savings on a State-by-State basis so that every State has a clear understanding of what the President's intentions are in decreasing their Federal Medicaid match after 2014. If you have specific questions regarding this request, please contact Monica Popp with the Energy and Commerce Committee at (202) 225-2927, or Stephanie Carlton with the Senate Finance Committee at (202) 224-4515.

Sincerely,



Fred Upton
Chairman
House Energy and Commerce Committee



Orrin Hatch
Ranking Member
Senate Finance Committee

cc: The Honorable Max Baucus, Chairman
Senate Committee on Finance

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