

ONE HUNDRED FOURTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

April 29, 2015

Commissioners
The Medicaid and CHIP Payment and Access Commission
1800 M Street NW
Suite 650 South
Washington, DC 20036

Dear Commissioners,

The Medicaid program, originally created to provide health coverage to low-income Americans and the most vulnerable, turns 50 this year. Since its inception, Medicaid has become the world's largest health insurance program—it covers more Americans, and receives more general revenue from the federal government, than even Medicare. Today, Medicaid covers more than 70 million Americans, and as many as 83 million people may be covered by the program at some point this year. We are requesting your assistance in developing policy options to ensure the sustainability of the Medicaid program so it can continue to provide essential coverage and services to vulnerable populations.

According to the Congressional Budget Office (CBO), the federal share of Medicaid outlays are expected roughly to double over the coming decade, increasing from \$299 billion in 2014 to more than \$576 billion in 2024. Over the next ten years, Medicaid will cost federal taxpayers \$4.8 trillion dollars. Based on current government data, by 2025, *each year* Medicaid will cost federal and state taxpayers more than \$1 trillion and will cover more than 90 million Americans.

We believe Medicaid is a very important safety net for the most vulnerable. Yet, a range of literature shows that many Medicaid beneficiaries already face challenges related to access and quality. We are concerned that the rapid growth in the program over the coming years could cause further access and health care quality problems for beneficiaries.

We are also concerned that the current Medicaid trajectory is not sustainable in the mid-term range. Medicaid was the fastest growing spending item for states in FY2013 and FY2014. Nationally, Medicaid accounted for more than one in four state dollars in 2014 according to the National Association of State Budget Officers. Since 1988, state spending on Medicaid has increased from 10 percent to 26 percent of total state expenditures.

Spending on Medicaid, elementary and secondary education, and higher education now constitutes almost *two-thirds* of states' general fund spending. Because Medicaid spending growth is tied to federal mandates, states have less ability to control their Medicaid budgets. This forces states to cut spending on other priorities, effectively shifting the costs of federal mandates onto their citizens.

According to CBO data, by 2030, the entire federal budget will be consumed by spending on mandatory entitlements and service on the national debt. Without action, the unrestrained spending on Medicaid could crowd out funding for important state and federal policy priorities like education, criminal justice enforcement, and transportation. Therefore, we believe Congress will be forced to take necessary steps to restrain Medicaid's growth to curb federal spending and help states. It is our desire that Congress have high-quality, detailed empirical policy analysis to inform such future policy decisions.

Today the Medicaid and CHIP Payment and Access Commission (MACPAC) exists as a non-partisan legislative branch agency to provide policy analysis and recommendations to Congress on issues impacting Medicaid and the State Children's Health Insurance Program (CHIP). The commission's authorizing federal statute, 42 U.S.C. 1396, outlines a number of areas for analysis, including payment, access to care, and the programs' interaction with Medicare and the health care system generally.

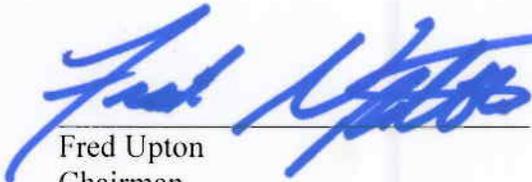
Therefore, given MACPAC's general mandate and Medicaid expertise, we are writing to request that the commission undertake serious and sustained analytical work over the coming years to advise Congress about potential policies and needed financing reforms and incentives to ensure the sustainability of the program. Specifically, we request MACPAC immediately begin developing a work plan to analyze and evaluate:

1. Financing reforms which would reduce federal and/or state outlays on the program;
2. Past reform proposals from presidents' budgets, blue ribbon policy commissions, think tanks, governors' associations and Medicaid commissions;
3. Options to provide states with flexibility to manage and design their program to enhance efficiency, reduce costs, and improve health care quality;
4. Considerations and options related to transitioning the program to a capped allotment financing structure, similar to the CHIP financing and program management model; and
5. Other potential program changes to ensure that federal and state Medicaid resources are prioritized to meet the needs of the most vulnerable populations.

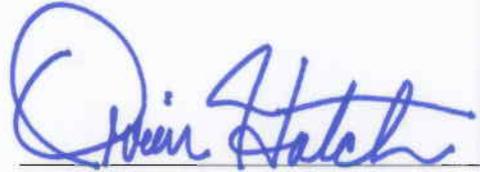
In addition, given the federal budgetary pressures Congress faces, going forward, we request that any recommendations provided by the commission that would increase Medicaid program costs be accompanied by suggestions for other Medicaid program changes to offset those added costs. We believe this would help increase the practical utility of future policy recommendations from MACPAC.

Thank you for consideration of our request. We look forward to continuing to work with you and the talented MACPAC staff on policy analysis and recommendations on Medicaid and CHIP.

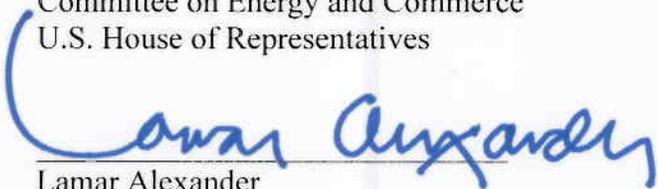
Sincerely,



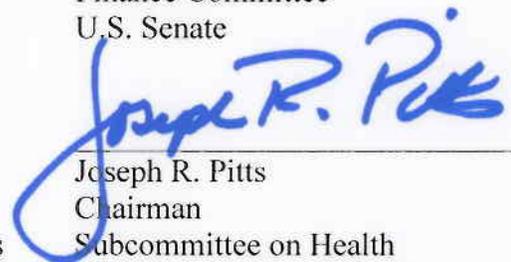
Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives



Orrin G. Hatch
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Finance Committee
U.S. Senate



Lamar Alexander
Chairman
Committee on Health, Education, Labor, and Pensions
U.S. Senate



Joseph R. Pitts
Chairman
Subcommittee on Health
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Commerce
U.S. House of Representatives

CC: Anne Schwartz, PhD, Executive Director