

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

July 15, 2010

The Honorable Kathleen G. Sebelius
Secretary
Department of Health and Human Services
200 Independence Ave, SW
Washington, D.C. 20201

Dear Secretary Sebelius:

The Senate Finance Committee has jurisdiction over the Medicaid program which provided health coverage to 61.9 million Americans in 2007 and serves as the critical safety net of our health care system. As the ranking member of the committee, I have a responsibility to the millions of Americans who receive coverage under Medicaid and rely on it to obtain vitally needed health care services. This responsibility includes monitoring its fiscal outlook. To that end, I am writing to request information about an overdue [report concerning a] statutorily mandated annual report to congress required under Section 506(c) of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), which was signed into law by President Obama on February 4, 2009. Specifically, section 506(c) OF CHIPRA requires that:

"Not later than January 1, 2010, and annually thereafter, the Secretary, in consultation with the Secretary of the Treasury, the Secretary of Labor, and the States (as defined for purposes of Medicaid), shall submit an annual report to Congress on the financial status of, enrollment in, and spending trends for, Medicaid for the fiscal year ending on September 30 of the preceding year."

As you know, on October 17, 2008, the Centers for Medicare and Medicaid Services (CMS) provided Congress with a report prepared by the Chief Actuary titled "Medicaid Actuarial Report on the Financial Outlook for Medicaid." This report provided vital information on the spending and enrollment of the Medicaid program. It was the intent of Congress that the annual report required in CHIPRA contain the same level of thoroughness and scope of this CMS report on Medicaid. For Congress to be able to use the information provided in these reports effectively, we need for them to be consistent from year-to-year. If CMS provides information in a format that is significantly different than the 2008 report, it will be completely undermining the purpose of the CHIPRA mandate.

The importance of this report at this time cannot be overstated. Currently, states are facing severe fiscal challenges and have been actively seeking additional support through the Federal Medical Assistance Percentage. In addition, the Patient Protection and Affordable Care Act (PPACA) mandates that states implement the largest expansion of the Medicaid program in its history, which will place an ongoing additional burden on federal and state budgets. This additional fiscal burden is in addition to the strained outlook for Medicaid prior to enactment of PPACA. The Congressional Budget Office estimates that this Medicaid expansion alone will add \$434 billion in federal spending and \$20 billion in state spending over the next decade. The fiscal pressures on the program are of importance as Medicaid is already the largest single source of entitlement spending for health care in both the federal budget and state budgets.

The fiscal pressures on Medicaid are compounded by structural strains and longstanding access problems for enrollees. The fiscal challenge facing Medicaid is of serious concern, yet these figures themselves overlook the strains already placed on the program that impede access to enrollees due to the lack of participation by health care providers. This reluctance of many health care providers to participate in the program is largely driven by reimbursement levels for providers that significantly lag reimbursement rates in Medicare and in private sector health coverage. Of course this is important for Congress to examine because PPACA mandates that individuals who will become eligible for Medicaid will not be offered assistance to obtain private coverage. As a result, these enrollees are locked into a system with some of the most serious access problems of any delivery system in the country with no option to purchase subsidized private coverage that other Americans and certain legal immigrants will be able to obtain.

These fiscal pressures underscore the need for this congressionally mandated report and it is disappointing that with the reliance that has been placed on Medicaid in health reform that this report is so long overdue. The implementation date for the mandatory expansion of Medicaid is but a few short years away. Providing Congress with this overdue report is critical. Accordingly, I would appreciate a status report from you on this overdue report by July 20 including an explanation of when this report might be expected and what obstacles are preventing the report from being issued in a timely manner and in compliance with statutory requirement.

As always, I appreciate your efforts as Secretary and look forward to working with you in the future.

Sincerely,


Charles E. Grassley
Ranking Member