

Letter sent to President Obama with signatures of more than half of Senate Democrats.
Signatures still being added.

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. President:

We are writing to express our opposition to proposals that would arbitrarily cap or deeply cut federal Medicaid spending, or otherwise eliminate the fundamental guarantee to Medicaid coverage for our nation's most vulnerable citizens, including low-income children, parents, pregnant women, people with disabilities, and senior citizens.

Since 1965, the federal government has helped states pay for the basic health care and long-term services low-income Americans need. A cap on federal funding or block grant would undermine this federal commitment. We are unwilling to allow the federal government to walk away from Medicaid's 68 million beneficiaries, the providers that serve them, and the urban and rural communities in which they live.

Block grants and other arbitrary limits on federal Medicaid spending fail to automatically adjust for economic recessions, demographic changes, health care inflation, medical breakthroughs, epidemics, or disasters, including terrorism. Such limits cannot account for the multitude of factors that affect Medicaid costs at different times in different parts of the country. Block grants and caps simply shift the costs of such changes onto states, localities, beneficiaries and health care providers. As the governors of 16 states recently recognized, "the ensuing funding shortfall would leave states with an untenable choice between increasing taxes, cutting other state programs, or cutting eligibility, benefits, or provider payments."

We also strongly oppose emerging proposals to arbitrarily cap total federal spending. Just like a block grant, a total spending cap fails to account for trends like the aging of the population and rising health care costs. It would require such unprecedented and draconian cuts to Medicaid over time that it would inevitably result in a block grant, spending caps or other radical changes to the Medicaid program.

Medicaid, like all federal and state health care spending, is subject to the same underlying cost drivers as the private sector, but has been able to control costs better. The average cost per Medicaid beneficiary is significantly lower than under private insurance after accounting for health differences, even with Medicaid's more comprehensive benefits and significantly lower cost-sharing. Medicaid's costs per beneficiary have also been growing more slowly in recent years than private insurance costs.

We stand ready to work with you on policies that would improve quality and reduce costs within the program, including policies directed at better coordinating care for dual eligibles covered by both Medicare and Medicaid, identifying changes that would enhance state flexibility without compromising the health and well-being of beneficiaries, and ways to reduce waste, fraud, and abuse in the program. Indeed, Medicaid currently provides Governors with the flexibility necessary to be innovative, and respond to the unique needs of Medicaid beneficiaries in each state. These reforms include, but are not limited to: improved care coordination, delivery system reform, payment reform, and rebalancing long-term care. Moreover, these reforms are the most effective way to bring down costs while ensuring the provision of quality, effective, efficient care.

With the number of uninsured growing in the nation due to the economic recession and the growing need for health care services of an aging population, we should take steps to stabilize and improve health coverage rather than undermine it and undo the promise of health reform in this nation.

Just as past efforts to undermine Medicaid coverage and health security to millions of Americans have been defeated, we look forward to working with you to oppose such efforts in the near future.