Congress of the United States
Washington, DC 20515

March 7, 2005

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Over the last four years, more than 5 million people have joined the ranks of the uninsured. That number would more than double if it were not for the Medicaid program. Thanks to Medicaid, more than 6 million additional people received coverage over the same period. As a result of families losing employer health coverage and increasing long-term care needs for the growing number of elderly, Medicaid enrollment is projected to increase over the next five years. We are concerned that the $60 billion cut in federal Medicaid funding would hurt the most vulnerable among us including children, pregnant women, the elderly, and people with disabilities. Changes to Medicaid must not be guided by arbitrary goals for savings and reconciliation targets.

The Governors are our partners in this program; they struggle with the increasing demand for Medicaid each year as they balance their budgets. States cannot support any additional cost shifts from the federal government without raising taxes or jeopardizing health coverage for the almost 60 million beneficiaries currently enrolled in the Medicaid program. Instead of trying to limit federal responsibility for Medicaid, the federal government should uphold its end of the partnership and help states meet the challenges they face in providing health coverage for vulnerable families.

Medicaid spending growth is due to factors affecting our entire health system, including higher health care and prescription drug costs. The ranks of the uninsured have been growing, in part because employers are dropping coverage. This, along with higher health care and drug costs, leads to greater Medicaid enrollment and expenditures. Even as it has expanded to meet the growing need for coverage, Medicaid costs per person are growing at 6.9 percent, more slowly than private health insurance costs which are growing at 12.6 percent.

Another major factor driving Medicaid cost growth is its coverage of over 6 million elderly and people with disabilities who are dually eligible for Medicare and Medicaid. Almost 45 percent of all Medicaid spending is for their benefits. Medicaid acts as an essential supplement for these beneficiaries, assisting them with their Medicare premiums and co-insurance, wrap-around benefits, and, in most states, the costs of nursing home care that Medicare does not cover.

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This year, the states face new challenges, particularly the implementation of the Medicare prescription drug law. Many of states simultaneously face a decline in federal Medicaid assistance in fiscal year 2006 as a result of the formula for determining these payments. In this atmosphere, it would be irresponsible to cut federal funding for Medicaid and exacerbate the strain on the states' budgets.

As Congress considers budget proposals over the coming weeks, we hope any discussion of Medicaid will help both the federal and state governments better manage health care costs without shifting the burden to states, beneficiaries, or community hospitals, nursing homes and other providers. Certainly, we can make important improvements to the Medicaid program that will be beneficial to all parties involved.

We stand ready to work with you and the Governors to strengthen and increase the efficiency of the Medicaid program so it can continue to provide quality health and long-term care services to American families. As we do so, we ask that you commit to pursuing improvements that do not shift costs to the states, that protect beneficiaries from losing access to needed and affordable benefits, and that preserve the fundamental guarantee of health insurance coverage for eligible Americans.

Sincerely,

Hon. Nancy Pelosi
House Democratic Leader

Hon. Harry Reid
Senate Democratic Leader

Hon. John D. Dingell, Ranking Member,
Committee on Energy and Commerce

Hon. Max Baucus, Ranking Member,
Committee on Finance

Hon. Sherrod Brown, Ranking Member,
Subcommittee on Health,
Committee on Energy and Commerce

Hon. John Rockefeller, Ranking Member,
Subcommittee on Health Care,
Committee on Finance