

June 13, 2011

The Honorable Orrin Hatch  
Ranking Member, Senate Committee on Finance  
104 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Fred Upton  
Chair, House Committee on Energy and Commerce  
2183 Rayburn House Office Building  
Washington, D.C. 20515

Dear Senator Hatch and Chairman Upton:

Thank you for your May 23, 2011, letter regarding the challenges states face with our Medicaid programs. We agree that Medicaid should be reformed in a comprehensive and sustainable manner, not only to improve care for our nation's vulnerable citizens, but also to address the inequities, inefficiencies, excess costs, fraud, waste and abuse that are unfortunately far too prevalent in the "all or nothing" approach to Medicaid programs nationwide.

The first step for a successful Medicaid transformation is the full repeal of the Patient Protection and Affordable Care Act ("PPACA"). The delivery of health care ultimately is personal and local. However, we have witnessed over the years as federal funding has expanded, so has federal control. Time and again, states have been caught in more intensive federal constraints that add little to the value or quality of services being delivered and thwart the creativity of the states. Indeed, states have proven themselves to be the real innovators in health care delivery while the federal government has operated Medicaid in a very prescriptive manner. This, plus extensive federal mandates, has forced states to manage their programs through one cumbersome, time consuming waiver at a time. States should not have to seek waivers to manage their unique programs. We must reassess and focus our efforts on reshaping how health care is delivered through innovation, creativity and responsibility—all demonstrated capabilities of states. We must bring the antiquated Medicaid program into the 21<sup>st</sup> century and secure the program's long-term integrity. This will only be made more difficult under the PPACA.

Even prior to the PPACA, Medicaid had become one of the most challenging components of the budget puzzle, consuming between 15 to 25 percent of most state spending. Moreover, a study published last year by the Deloitte Center for Health Solutions predicted, in a best case scenario, Medicaid's proportion of state budgets by 2030 will consume up to 35 percent of spending in some states. At worst, it could nearly triple current spending levels. This consumption of state resources is crowding out other essential services such as education, public safety and even public health. This is not sustainable.

As Congress reviews the Medicaid program, it should provide states and territories a general healthcare framework where we can make necessary adjustments without constantly seeking permission from the federal government for changes that we already know work. Governors

must be able to provide quality healthcare for our most vulnerable citizens while containing costs. As the economy changes year to year, Governors also must be able to make program adjustments in a timely manner in order to maintain a healthcare safety net. The following principles provide a pathway for true innovation in our Medicaid programs as we begin our conversation:

### **Guiding Principles**

1. States and territories are best able to make decisions about the design of their healthcare systems based on the respective needs, culture and values of each state.
2. States and territories should also have the opportunity to innovate by using flexible, accountable financing mechanisms that are transparent and that hold states accountable for efficiency and quality healthcare. Such mechanisms may include a block grant, a capped allotment outside of a waiver, or other accountable and transparent financing approaches.
3. Medicaid should be focused on quality, value-based and patient-centered programs that work in concert to improve the health of our states' citizens and drive value over volume, quality over quantity, at the same time containing costs.
4. States and territories must be able to streamline and simplify the eligibility process to ensure coverage for those most in need, and states must be able to enforce reasonable cost sharing for those able to pay.
5. States and territories can provide Medicaid recipients a choice in their healthcare coverage plans, just as many have in the private market, if they are able to leverage the existing insurance marketplace through innovative support mechanisms.
6. Territories must be ensured full integration into the federal healthcare system so they can provide healthcare coverage to those in need with the flexibility afforded to the states.
7. States must have greater flexibility in eligibility, financing and service delivery in order to provide long-term services and support that keep pace with the people Medicaid serves. New federal requirements threaten to stifle state innovation and investment. In addition, since dual eligible now constitute 39 percent of Medicaid spending, Medicare policies that shift costs to the states must be reversed and the innovative power of states should be rewarded by a shared-savings program that allows full flexibility to target and deliver services, which are cost-effective for both state and federal taxpayers.

We gladly accept the invitation to provide input regarding legislation which would improve Medicaid and secure this important program into the future. We appreciate your recognition that states have pioneered good ideas for years. We could do much more to improve quality and delivery while reducing costs with the right reforms, starting with repeal of the PPACA and based on the principles we offer herein. We look forward to working with you.

Sincerely,



Governor Robert J. Bentley  
Alabama



Governor Terry E. Branstad  
Iowa



Governor Sean Parnell  
Alaska



Governor Sam Brownback  
Kansas



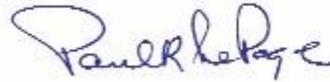
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Arizona



Governor Bobby Jindal  
Louisiana



Governor Rick Scott  
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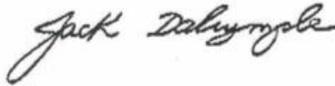
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Governor Susana Martinez  
New Mexico



Governor Bill Haslam  
Tennessee



Governor Jack Dalrymple  
North Dakota



Governor Rick Perry  
Texas



Governor John R. Kasich  
Ohio



Governor Gary R. Herbert  
Utah



Governor Mary Fallin  
Oklahoma



Governor Robert F. McDonnell  
Virginia



Governor Tom Corbett  
Pennsylvania



Governor Scott Walker  
Wisconsin



Governor Nikki Haley  
South Carolina



Governor Matthew H. Mead  
Wyoming

A handwritten signature in black ink, appearing to read "Luis Fortuño". The signature is fluid and cursive, with the first name "Luis" being more prominent than the last name "Fortuño".

Governor Luis Fortuño  
Puerto Rico

CC: President Obama, Secretary Sebelius, Speaker Boehner, Leader Reid, Leader McConnell,  
Leader Pelosi