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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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July 12, 2005

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BUD ALBRIGHT, STAFF DIRECTOR

Protect Your State Medicaid Funding From Arbitrary Formula-Driven Cuts in 2006

Dear Colleague:

In an effort to minimize the dramatic fluctuation among States in Federal Medicaid funding in the coming year, I am introducing legislation that would protect States from reduced funding for their Medicaid program. The legislation will limit the loss of Federal funding to States and will protect the vulnerable populations Medicaid serves, as well as essential safety net providers. Most of this bill is similar to S. 1007 introduced by Senators Bingaman, Snowe, Rockefeller, Hutchison, and Jeffords.

Next year, 29 States will see a decrease in their Federal Medicaid funding as a result of a technical calculation by the Centers for Medicare and Medicaid Services (CMS). Fifteen of these States are projected to have a decrease of greater than 1 percent. Changes of this magnitude are largely unprecedented and for most States are coming on top of cuts to funding in the two prior years as well. In addition, 11 States will see their Federal funds reduced due to unfunded employer pension obligations. These reductions are in addition to the Administration's proposed Medicaid cuts of \$10 billion over five years.

First, this legislation would limit the loss of States' Medicaid funding in 2006 to 0.5 percentage points, which restores \$442 million of the lost Medicaid dollars to 18 States. Second, the bill protects States from reductions in Federal funding as a result of CMS retroactively applying a change to the Medicaid funding formula for the years 2001 and 2002. This would provide approximately \$229 million for an additional 10 States. Third, the legislation would protect 11 States against reductions in funding as a result of employer pension transfers, providing an additional \$59 million. In all, the legislation would provide a total of \$730 million and will protect 34 States that stand to lose money as a result of these calculations. This legislation would not cause any States to receive less Federal money than is currently predicted for 2006.

I encourage you to cosponsor this legislation and work with me to shore up State Medicaid programs from these formula glitches that are beyond a State's control.

To cosponsor, please contact Jessica McNiece of the Committee on Energy and Commerce Democratic staff at ext. 6-3400. If you have additional questions about the legislation, contact Amy Hall of the Committee on Energy and Commerce Democratic staff at ext. 6-3400.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Dingell", with a long horizontal flourish extending to the right.

JOHN D. DINGELL
RANKING MEMBER