

Congress of the United States
House of Representatives
Washington, DC 20515

April 13, 2005

The Honorable Joshua B. Bolten
Director
Office of Management and Budget
725 17th Street, N.W.
Washington, D.C. 20503

Dear Director Bolten:

We are writing to request further details of the Medicaid policies contained in the President's fiscal year 2006 budget request. As you know, both the House and Senate have passed their versions of the budget resolution, and while the House has not yet appointed conferees, pre-conference discussions are underway. One of the most important issues facing conferees is whether to include reconciliation instructions to direct the House Committee on Energy and Commerce and the Senate Finance Committee to cut Medicaid, pursuant to the President's request.

Medicaid is the largest health insurance program in the country, providing essential health care and long-term care services to more than 50 million low-income children, pregnant women, parents, individuals with disabilities, and senior citizens. Before making changes to the program, it is incumbent upon us to understand the effect these cuts would have on beneficiaries, providers, and states.

The Congressional Budget Office (CBO) was unable to provide estimates for several of the President's Medicaid proposals due to a lack of information. Specifically, the President's budget proposed Medicaid cuts of \$60 billion over ten years (FY2006-2015) and \$20 billion over five years (FY2006-2010), as scored by the Administration. These cuts are offset by some new spending in Medicaid and the State Children's Health Insurance Program (SCHIP), for net cuts of \$45 billion over ten years and \$13 billion over five years.

However, in the *Analysis of the President's Budgetary Proposals for Fiscal Year 2006*, CBO stated that "the Administration has not provided enough details for CBO to prepare its own estimates for some of the proposals..." Specifically, CBO was unable to estimate Administration proposals relating to intergovernmental transfers, cost-based reimbursement to providers, and restrictions on targeted case management. In addition, lack of detail led to an estimate of zero for the proposal to block-grant administrative claims.

For the remaining proposals, CBO estimated ten-year gross savings of \$37 billion, and five-year savings of \$14 billion. Taking into account the proposals for new Medicaid and SCHIP spending, CBO estimated ten-year net savings of \$26 billion and five-year savings of \$8 billion.

The Senate rejected the President's proposal to cut Medicaid, approving an amendment by Senators Smith and Bingaman to strike reconciliation instructions directing the Finance Committee to cut spending by \$15 billion over five years. By striking the reconciliation instructions, the amendment protected Medicaid.

In contrast, the House-passed budget resolution (H. Con. Res. 95) responded to the President's proposals by directing the Committee on Energy and Commerce to cut spending on programs within its jurisdiction by \$20 billion over five years. Every indication from the Administration and the Congressional Republican leadership is that Medicare is excluded from reconciliation. Once Medicare is excluded, Medicaid constitutes 94 percent of the Committee's remaining mandatory spending, so the bulk or all of this \$20 billion in spending cuts will fall on Medicaid. This amount far exceeds the net five-year Medicaid cut in the President's budget, which CBO estimated at \$8 billion, as discussed above. This discrepancy between CBO's estimates of the President's Medicaid proposals and the potential cuts to Medicaid in the budget resolution make a better understanding of the President's proposals all that much more imperative.

We are concerned that Congress does not have the information necessary to assess the Medicaid policies in the President's budget. The lack of details provided thus far raise questions as to whether the overall Medicaid number was set as part of a larger deficit reduction goal, or was driven by explicit Medicaid policies.


Therefore, if there are explicit policies behind the numbers in the President's budget, we request that the Administration provide further sufficient details to allow an informed assessment of the proposals' effects on beneficiaries and individual states. To that end, please provide the following information by Wednesday, April 20, 2005:

1. Estimates of the loss of Federal Medicaid funding by state for each of the President's Medicaid proposals. This same request was sent to Secretary Leavitt on February 15, 2005. A state-by-state analysis showing the actual amount of cuts proposed, as well as the additional analyses requested below, are necessary for effective Congressional deliberations as the budget process moves forward, particularly since the effect of some proposals may not be proportional to current Medicaid spending.
2. An explanation of the methodology used by the Administration to estimate the savings from its proposals to (1) restrict intergovernmental transfers; (2) limit reimbursement levels to government providers to cost; and (3) avoid cost-shifting of targeted case management; and (4) convert funding for administrative claims to a block grant. As discussed above, CBO was unable to estimate, or arrived at estimates of zero, for these proposals.

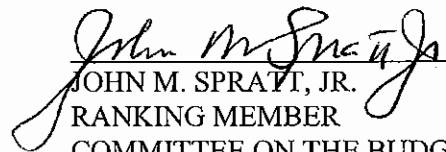
3. An explanation of the policies underlying each of these proposals, including an explanation of permissible intergovernmental transfers, an explanation of how "cost," "payment," and "government providers" will be defined for purposes of allowable provider payments, an explanation of which services will be allowed under the TCM benefit, and the formula for distributing funding under the administrative services block grant proposal.
4. An analysis of the effect of each of these proposals on coverage, out-of-pocket costs, and benefits provided to individuals under the program.
5. An analysis of which providers will be affected by each proposal and potential revenue loss or access problems resulting from the proposed changes.

Thank you for your assistance. We look forward to hearing from you. If you have any questions regarding this request, please contact us or have your staff contact Bridgett Taylor and Amy Hall with the Committee on Energy and Commerce Democratic staff at (202) 226-3400, or Jennifer Friedman with the Committee on the Budget Democratic staff at (202) 226-7200.

Sincerely,



JOHN D. DINGELL
RANKING MEMBER
COMMITTEE ON ENERGY AND COMMERCE



JOHN M. SPRATT, JR.
RANKING MEMBER
COMMITTEE ON THE BUDGET

cc: The Honorable Michael Leavitt, Secretary,
U.S. Department of Health and Human Services