



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

**MAR 21 2007**

The Honorable Bart Stupak  
The Honorable Edward Whitfield  
Subcommittee on Oversight and Investigations  
Committee on Energy and Commerce  
House of Representatives  
Washington, DC 20515

Dear Chairman Stupak and Ranking Member Whitfield:

I appreciate your interest in the efforts the Department of Health and Human Services has made in response to Hurricanes Katrina and Rita. Specifically, I would like to take this opportunity to clarify the Department's position on rebuilding the health system in Louisiana and New Orleans. Further, I would like to provide you with a general outline of some work we still have ahead of us in the coming weeks and months.

As you know, I have been working extensively - including going to Louisiana eleven times in the year and a half since Hurricane Katrina hit - to encourage and assist local, regional, and state officials in developing a plan to rebuild the health care system that was devastated by the hurricanes that hit the Gulf Coast. During Acting CMS Administrator Leslie Norwalk's testimony before the Committee, it was noted that Louisiana, as one of the poorest states, provides health coverage through Medicaid and the State Children's Health Insurance Program to approximately 20% of the State's population while still ranking the highest in the nation for infant mortality rates, HIV/AIDS caseload and mortality due to diabetes. The destruction caused by the hurricanes worsened this circumstance by devastating the health care safety net system in New Orleans and contributed to increased physical and mental health problems. To address these significant problems, my goal has been to encourage the establishment of a health system that emphasizes expanding access for the uninsured, and particularly low-income people, to insurance coverage and high quality health care. This goal, which I shared with the Louisiana Healthcare Redesign Collaborative (the "Collaborative"), requires rethinking and reworking the flawed and inefficient system that was in place prior to the storm.

In October of last year, the Collaborative submitted a concept paper which served as the basis for subsequent discussions and interactions with the State and many stakeholders in Louisiana. I supported the reform concepts in their proposal. Following this submission, the Centers for Medicare and Medicaid Services (CMS) worked with the State to develop a financial model to facilitate the State's submission of a Medicaid demonstration application that accomplishes the goals of the Collaborative. The model used data provided by the State. To apply these reforms on a statewide basis, CMS made available its analysis - together with a financial modeling tool - that demonstrates how Louisiana could adopt the reforms laid out in the concept paper on a statewide basis. This tool is intended to be flexible, and can also be used to analyze local or regional proposals. CMS staff members also hold regular weekly calls with representatives from the State to provide assistance.

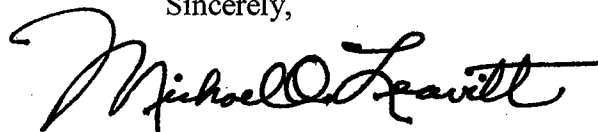
As Acting CMS Administrator Leslie Norwalk stated in response to your committee's questions last week, the Department of Health and Human Services is open to a demonstration application from the State of Louisiana that begins with plans for improving the health care system in the New Orleans region only. We support this Region I approach as an initial step that can more easily be achieved in a relatively short period of time. We would expect that such a submission would also indicate how it could be expanded on a state-wide basis in the future. Obviously, such a submission should address the special issues that could be presented by a "local or regional first" approach, such as variations in coverage in New Orleans and other parts of the State, differences in eligibility in New Orleans and the rest of the State, and the potential of fraudulent residency claims. Further, some concepts endorsed by the Collaborative could be implemented without a waiver or demonstration submission and the State has the option of submitting a State Plan Amendment immediately to provide additional coverage.

In addition to the Department's continued work with state and local officials on the development of a waiver submission, we continue our efforts to help the State to rebuild the health system in other ways in the short term. In February, we authorized use of \$160 million of the remaining funds under the Deficit Reduction Act for state payments to hospitals and skilled nursing facilities in Louisiana, Mississippi and Alabama because those facilities face increases in wage rates not reflected in current Medicare payment methodologies. We also authorized \$15 million of the remaining funds for state payments to recruit and retain professional healthcare workers in the Greater New Orleans area. We are in the process of reviewing how additional DRA fund distributions could be accomplished, and will keep the Committee informed as we proceed.

We are also reviewing Medicare Graduate Medical Education (GME) payments in light of the suggestion that more funding would assist in retaining sufficient numbers of interns and residents. Hospitals expressed concerns that existing regulations limiting Medicare GME affiliation agreements to hospitals in the same or a contiguous MSA, prohibited placement of residents who had been displaced by the hurricane. In response to those concerns CMS issued an Interim Final Notice (IFC) in April 2006 allowing hospitals affected by Hurricane Katrina to enter into an "emergency affiliation agreement" with hospitals located anywhere in the country, allowing the "host" hospitals to be paid GME payments for the affected residents for up to three years. The slots could return to the affected Louisiana hospital and those hospitals could be then be paid for GME based on those residents as soon as they were able to resume training. We continue to monitor whether the IFC has provided the intended relief to the affected hospitals.

I hope this provides additional insight into the response of the Department of Health and Human Services to the storms that have so dramatically affected the lives of so many in the Gulf Coast region, and I look forward to continuing to work with you and your colleagues to ensure the rebuilding of the health care system in New Orleans.

Sincerely,

A handwritten signature in black ink, reading "Michael O. Leavitt". The signature is written in a cursive, flowing style with a large initial "M".

Michael O. Leavitt