



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

December 17, 2007

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable John Boehner
Republican Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
U.S. Senate
S-221, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
S-230, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader Reid, Republican Leader Boehner, and Republican Leader McConnell:

I am writing out of concern for several proposed administrative actions by the Centers for Medicare and Medicaid Services (CMS) that will shift billions of dollars in Medicaid costs from the federal government to states, local governments and school districts. Texas relies on federal participation to provide quality health care to low-income citizens through a Medicaid program that accounts for more than \$21 billion dollars of the annual state budget. Texas is dedicated to upholding its commitment to Medicaid and I urge Congress to take action to ensure that the federal government does not abandon its financial responsibility to the program.

CMS' recent actions are a noteworthy departure from past practices and will place a significant new fiscal burden on states. At the same time, it will limit states' ability to maintain flexibility and authority over state programs. In particular, Texas has concerns about the following proposed CMS regulatory actions:

- Government Provider Cost Limit Regulation – This regulation imposes new restrictions on payments to providers operated by units of government and clarifies that those entities involved in the financing of the non-federal share of Medicaid payments must meet a restrictive new definition of unit of government.

The Honorable Nancy Pelosi
The Honorable Harry Reid
The Honorable John Boehner
The Honorable Mitch McConnell
December 17, 2007
Page 2 of 3

This rule will have serious consequences for public hospitals and safety net providers in Texas. The state estimates a potential impact to hospitals and other Medicaid providers of more than \$480 million in lost federal revenue due to the provisions in this rule.

- School-based Medicaid Services – Administration and Transportation – CMS is proposing to eliminate funding for school-based administration and transportation activities covered by Medicaid.

Texas independent school districts receive approximately \$12.6 million in annual federal funding for school-based administrative services. In addition, specialized transportation is the third largest claim total of all school-based medical services in Texas. Texas will lose a significant amount of federal funding for these programs with the implementation of this rule.

- Rehabilitation Services – CMS seeks to redefine the definition of rehabilitative services and to determine the difference between habilitative and rehabilitative services.

This rule would no longer allow reimbursement for a number of currently reimbursable Medicaid rehabilitative services. This action could result in an end to federal Medicaid funding for early childhood intervention services, rehabilitative mental health services, adult day health care, and other services in Texas.

- Eliminating Medicaid Reimbursement for Graduate Medical Education (GME) – CMS maintains that GME is not within the scope of medical assistance that is authorized for payment by Medicaid and would no longer allow Medicaid funding to be used for GME.

Texas has supported teaching hospitals in the past through the use of GME dollars. While the state does not currently have an active GME program, I understand the important role that teaching hospitals play in the training of doctors. Further, Texas may very well elect to implement a GME program in the future. It is imperative that the state maintains the flexibility it currently has to provide future financial support to facilities that train future medical professionals. Considering the shortage of medical professionals, this rule could not have come at a worse time.

- Targeted Case Management – CMS published an interim final rule on December 4, 2007, that clarifies the definition of targeted case management services (TCM) as required by Section 6052 of the Deficit Reduction Act (DRA).

The Honorable Nancy Pelosi
The Honorable Harry Reid
The Honorable John Boehner
The Honorable Mitch McConnell
December 17, 2007
Page 3 of 3

CMS' overreaching interpretation of the DRA provision will dramatically diminish access to a service used by the most vulnerable populations in the Texas Medicaid program.

The end result of these new federal regulations is to impose significant cost shifting to states while limiting states' flexibility to pursue innovative approaches to providing cost-effective and quality health care to Medicaid clients. Congress has been successful in enacting moratoriums on the implementation of a number of these provisions. However, the delays are temporary, and without further action, Texas and other states will face significant impacts to crucial components of the Medicaid program.

I urge you to take immediate congressional action to extend the current moratoriums on the government provider cost limit and graduate medical education rules, and to stop the implementation of the other proposed rules and rule changes. These policy changes require a more thorough and thoughtful review to ensure that a strong federal-state partnership continues to be the cornerstone of the Medicaid program. Congress should act quickly to restore the financial and programmatic flexibility for states to provide accessible, cost-effective health care to low-income citizens.

Sincerely,


Rick Perry
Governor

RP:jok

cc: Texas Delegation