MEMORANDUM

June 12, 1996

TO: Carol Rasco, Laura Tyson, and Marcia Hale

FR: Chris Jennings

RE: Democratic Governor's letter

cc: Jennifer Klein, Nancy-Ann Min

Attached is the letter from the three lead Democratic Governors on Medicaid criticizing the Republican Medicaid restructuring bill. The letter, which charges that the Republican bill does not incorporate the NGA Medicaid compromise, will be delivered tomorrow in conjunction with the Senate Finance Committee hearing and the House Commerce Committee mark-up on Medicaid.

The Democratic Governor's Association will be incorporating the contents of the letter into a broader set of testimony on welfare and Medicaid that will be submitted to the Senate Finance Committee tomorrow afternoon. (Because of the lack of agreement amongst the Governors, neither the House Commerce Committee nor the Senate Finance Committee invited any Governors to testify in person at the Medicaid hearings).

We hope to have a final copy of the testimony tomorrow afternoon. We will circulate it when it is available.

DRAFT

June 13, 1996

The Honorable William V. Roth, Jr.
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Roth:

We are writing this letter in response to separate letters you sent each of us on May 31, 1996, regarding Medicaid and S. 1795. We hope this letter will clarify how S. 1795 fails to match the NGA policy on Medicaid and make clear to you that we have no interest in abandoning bipartisan efforts to enact Medicaid and welfare reform.

In February a bipartisan group of governors representing the National Governors' Association (NGA) shared with your committee the outline of a Medicaid reform proposal that had been adopted unanimously at our winter meeting. That outline was developed after more than 100 hours of face-to-face negotiations by a group of six governors.

We want to say in the clearest terms possible: the bill before you (S. 1795) does not reflect the NGA agreement. We know; we were three of the governors who negotiated that agreement

Before we discuss how S. 1795 differs in critical and substantial ways from the NGA agreement, we must say that we are troubled by public statements that have been made about this proposal. The Congresional majority took our bipartisan work and spent more than three months developing legislation. During that period there was no contact either by members of the committees or staff with the bipartisan NGA, with Democratic Governors or our staff. While committee staff were drafting this bill, a bipartisan group of governors continued to meet to develop the details of the NGA proposal. We reached greater clarity on issues including the funding formula, the definition of disability, policies on comparability and state-wideness of benefits and policies related to amount, scope and duration of benefits. The results of these negotiations are not included in S. 1795.

We understand and respect the Finance Committee's responsibility and authority to draft Medicaid legislation. Our only objection is to the content of S. 1795 and efforts to describe that bill as the NGA proposal.

How the bill is inconsistent with the NGA agreement

The most obvious failing in the bill is in the financing formula. S. 1795 essentially recreates the block grants in earlier bills, thereby abandoning the NGA policy. The funding formula is critical because a guarantee to provide coverage without sufficient funding is a meaningless guarantee.

The NGA policy calls for a base allocation to each state using 1993, 1994 or 1995 actual Medicaid expenditures. The bill is inconsistent with the policy. The bill uses the 1996 numbers that appeared in the Medigrant bill. While these figures were generated with the input of Republican Governors, Democratic Governors were not invited to participate in

this process. Many states have discovered that the figures in the bill do not match any actual data for that state. Actual baselines must be used if the bill is to comply with the NGA policy.

The NGA policy says that the formula for growth must account for estimated changes each state's caseload. The growth portion of the formula in the bill is completely different. It has two serious flaws. First, the formula in the bill is not based upon an estimate of caseload or changes in case-mix. This is entirely inconsistent with the NGA policy which is based upon the principle that federal funds should follow the people served by the program.

Second, growth rates in the allocation to each state are severely constrained by floors and ceilings. These constraints prevent states from actually receiving the funds associated with expected caseloads. The floors and ceilings so completely overwhelm the so-called "needs-based formula" that states would not have their needs met at all. At least 15 states are fully capped in advance. No matter how much the expected caseload might increase in Florida or Nevada, those state's allocations will increase by no more than 7.22% per year because that is the program cap. Meanwhile, many other states are guaranteed a significant rate of growth (4.33%) even if they are losing population and caseload.

The NGA policy calls for an umbrella fund that guarantees states a per-beneficiary payment for actual enrollees who were not accounted for in the growth estimates. The fund in S. 1795 is entirely different and inadequate. First, it is impossible for the fund to cover enrollees not included in the estimates because, as noted above, there are no estimates of caseload in the bill's formula. In addition, the umbrella only covers unanticipated caseload for one year. If a state experiences a recession that lasts more than one year (not an uncommon event) the umbrella is of no use. It is inappropriate to require states to cover certain populations and then not provide one dollar of federal support for people whose coverage is "unanticipated."

The NGA policy says that disproportionate share hospital (DSH) funds will not grow for states where DSH accounts for more than 12 percent of the Medicaid program. The bill does not comply with this provision. Instead, even states with excessive DSH programs will have the full growth rate in the formula applied to their DSH funds.

The dynamics of a capped medical assistance program are very different from those of the current Medicaid program. Under current law, if one state receives excess money, either through the DSH program or other means, the burden falls on the federal taxpayer, but not on other states. Under the proposed Medicaid block grant, states would be in competition for limited resources. Where the bill diverges from NGA policy and provides a higher level of funding for certain states, those funds are taken directly from the citizens of another state where they may be needed simply to support a basic Medicaid program.

The NGA formula was crafted with great care to balance legitimate, competing needs. S. 1795 fails to adhere to that formula, and has upset that careful balance. Because the formula has been modified in a manner that will assist certain states, some governors will certainly support the formula in the bill. However, this committee should not interpret

support by those governors as a statement that S. 1795 is consistent with the NGA funding principles.

Committee staff has indicated they had no choice but to reject the NGA formula because GAO could not generate state-specific funding estimates using the NGA formula. That complaint rings hollow. The staff made no effort to work with us to clarify the formula. We can only interpret this excuse as a cover for the staff's desire to return to the block grant formula negotiated in a partisan process and rejected by the NGA.

While closer to the NGA proposal in some of its other features, the bill contains other serious flaws in its design of the program. The NGA proposal says that the guarantees of coverage and the set of benefits "remains" for certain populations and certain services. Some of the features of the bill so fundamentally change the nature of that guarantee that one cannot say that those guarantees remain -- certainly not in a form anything like what the NGA proposal contemplated. Specifically, permitting unlimited copayments and deductibles, residency requirements, family financial responsibility, and other similar provisions completely undermine the guarantee of health care services to our most needy citizens.

We raise these issues not because we do not trust states or because we believe the federal government needs to tell states how to administer their programs. Rather, we believe these provisions are important to guarantee the continued commitment of the federal government to this program. If states in difficult budget times can dramatically scale back coverage while receiving the same amount of federal funds, political support for this program at the federal level will wane. We believe there is value in a federally-defined safety-net, while we desire the flexibility to administer our programs in the most appropriate manner. We believe that the flexibility to define away the guarantee of coverage will undermine the program and harm all states.

There are some areas where Democratic Governors fought for a position in the NGA policy, but we were not successful. We knew that, to achieve bipartisan consensus, we needed to give on some issues in order to gain on others. As we read S. 1795, it largely reflects the negotiating position of the Republican Governors when we began bipartisan discussions in November of 1995. Rather than retaining the balance the governors negotiated, the bill picks and chooses issues, adopting the positions Republican Governors felt were most critical, while rejecting the most important issues for the Democratic Governors. Since S. 1795 strays so far from our compromise, we think it is important to bring to the committee's attention some of the issues where Republican Governors prevailed.

S. 1795 changes the federal matching formula, creating the possibility that more than $120 billion of state funds will be withdrawn from the Medicaid program over the next seven years while states continue to draw federal matching funds. The bill eliminates the guarantee of coverage for poor children age 13 to 18 that is being phased in under current law. It eliminates the standard federal definition of disability that is used to establish Medicaid eligibility. All of these provisions are consistent with our policy, but warrant the

same reexamination that you have undertaken with respect to the formula. If the committee is going to consider legislation that is not based upon NGA policy, it should take a close look at each of these issues.

Mr. Chairman, you issued a press release criticizing Democratic Governors for abandoning efforts to reform Medicaid and welfare. This partisan attack was unfair. Governors negotiated a Medicaid policy in good faith. You chose to rewrite our agreement and to pin our bipartisan name on a bill that was written without the participation of a single Democratic Member of Congress or Democratic Governor. We would like very much to work with you on this issue. However, that work needs to proceed on the same bipartisan basis the Governors used. These important issues will never be resolved if partisan politics guide your work.

Sincerely,

Roy Romer	Lawton Chiles	Bob Miller
Governor of Colorado	Governor of Florida	Governor of Nevada

Jen Klein
F.Y.I.

MEMORANDUM

TO: Distribution

FR: Chris J.

RE: Talking Points for Conference Call with Governors' Chiles, Miller, and Romer

Attached are draft talking points for Leon's potential conversation with Governors' Chiles, Miller, and Romer about Medicaid developments. Call me if you have any major porblems.

p.s. The latest news is that the Republicans on the Hill are not likely to release their package before next week.

GOVERNORS' CONFERENCE CALL: TALKING POINTS

- **Introduction.** We wanted to compare notes on Medicaid developments as Congress comes back from recess.

- **Republican Plan Imminent.** Reports are that Republicans are contemplating releasing their Medicaid plan as soon as tomorrow, but certainly by next week.

- **CBO Medicaid Baseline Change Will Reduce the Scored Savings of the Republican Financing Formula from $85 billion to $61 billion.** This is because savings associated with a capped amount of spending is directly linked to the base you are starting from -- a $24 billion lower Medicaid baseline will therefore reduce savings by $24 billion. (Our $59 billion scoring should not change too much.)

- **Republicans Will Likely Misuse the CBO Scoring Development.** Whenever they release their Medicaid plan, Republicans are likely to inaccurately suggest they have given us a major concession on savings and push us to accept their formula. (Obviously this is a baseline issue -- not one more cent is going to the states.)

- **It is Time to Exit.** If Republicans (as expected) release a capped plan that does not accurately reflect the "dollars follow people" principle that you won at NGA, we must take this opportunity for you to immediately exit from this process and onto a bipartisan process, such as Breaux/Chafee. I think you would agree that we can no longer afford to have the Republicans use Democratic Governors for cover on a formula that you never agreed to and that we would have to veto.

- **Exit Options.** As soon as the plan comes out, we think we will need a strong statement from you opposing it and urging a bipartisan compromise. It probably would also be helpful to urge the Republicans to not hold the welfare bill hostage to the Medicaid debate. This could be combined with a letter to the Republican leadership that could raise explicit concerns about the proposal (particularly the financing component), as well as disappointment and dismay about the process. We have a Medicaid "swat" team ready to analyze whatever proposal they come out with and we would be happy to provide your staff with assistance in developing such a letter. How does that sound to you?

- **How are the Other Democratic Governors?** We want to make sure that the Republicans are not bypassing you three and going to the other Democratic Governors to gain their support for the Republican formula. Are you working with them to make certain that they understand that should not be tempted by Republicans promising special formula deals for a Medicaid plan that would have to be vetoed.

142810

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

LAWTON CHILES
GOVERNOR

December 1, 1995

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

As you proceed through the most intense and comprehensive budget negotiations on Reconciliation, I wanted to bring to your attention an issue that is of importance to Florida and other states concerning Medicare and the Physician Sponsored Organizations (PSOs).

I am referring to the language in Reconciliation (H.R.2491) which allows states to maintain their jurisdictions in regulating PSOs and other managed care providers under the Medicare program. As a former governor, you're well aware that states have had the jurisdiction of regulating the managed care industry and have done a decent job in ensuring that standards are maintained and adequate protection against insolvency is made. Keeping such regulatory control with the states is the prudent and right thing to do, in my view. We have the organization, experience and first-hand knowledge of our marketplace and health needs to do the job effectively.

Do we do this?

I know that you have a tough road ahead in round 2 of these negotiations and that hundreds of issues are on the table. But, I would hope that this one regulatory matter for states could be maintained as currently written in the Reconciliation package.

I wish you much success and endurance in the negotiations.

With warmest regards, I am

Sincerely,

Lawton Chiles

LAWTON CHILES

draft 12/7/95

PRESIDENT WILLIAM J. CLINTON
REMARKS AT MEETING WITH DEMOCRATIC GOVERNORS
December 8, 1995

I am delighted to be with many of our nation's Governors to discuss what's at stake in the great debate over how best to balance the budget. These governors have a special perspective. They know that we must balance the budget -- they have all produced balanced budgets. And they also know that we must balance the budget in a way that reflects our values: opportunity, responsibility, community, strong families and a strong America.

Yesterday, I put forward a plan that balances the budget in seven years, without devastating cuts in Medicare, Medicaid, education and the environment -- and without raising taxes on working people. This balanced budget plan reflects the agreement I reached with Congress: we would balance the budget in seven years, but we would do so in a way that protects our priorities and reflects our values. This 7 year balanced budget secures Medicare, but without new costs on beneficiaries; the Republican plan includes the biggest Medicare cut in history. My 7 year budget protects education and the environment; the Republican plan deeply cuts these programs. My 7 year balanced budget gives working families a tax cut; the Republican plan actually raises taxes on 8 million of our hardest pressed working families.

Perhaps the starkest contrast is Medicaid. The Republican budget would be a disaster for the states. It would ask states to do much more with much less help. It would force them to make unconscionable and unnecessary choices between senior citizens and disabled people, between AIDS patients and nursing home residents.

The Republican plan would end the guarantee of quality medical care for 26 million Americans -- a guarantee that has been on the books for three decades. The Republicans are insisting that we repeal the guarantee that no poor child, pregnant woman, poor senior citizen, or disabled person will be denied quality medical care. It would eliminate the guarantee of nursing home coverage for as many as 300,000 people. All told, some 8 million people could be denied Medicaid coverage, nearly half of them children.

Let me be clear: I will not permit the repeal of guaranteed medical coverage for senior citizens, disabled people, pregnant women, poor children. That would violate our values as a country. I vetoed that budget earlier this week, and if necessary, I will do it again.

I have submitted my 7 year plan. Now it is up to the Congress to show the American people how they would balance the budget while protecting our priorities.

I am determined that we reach agreement on a balanced budget that reflects our values. My 7 year balanced budget represented a good faith effort to bridge differences and find common ground with the Congress. I truly believe that we can come together and resolve these disagreements. That's what's in the interest of the American people.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 8, 1995

REMARKS BY THE PRESIDENT
IN MEETING WITH DEMOCRATIC GOVERNORS

The Cabinet Room

9:38 A.M. EST

THE PRESIDENT: Good morning. I am delighted to be here with a number of governors from around our country to talk about the budget debate now in Washington. All these governors who are here present and all those who are not have to balance the budget, but they're accountable for doing so in a way that increases opportunity for their people and holds the people together, maintains the bonds of community. That's what we're trying to do here.

Yesterday I gave the Congress a budget that balances in seven years without devastating cuts in Medicare and Medicaid, education and the environment and that does not raise taxes on working families.

There are many differences between the budget that I vetoed, which Congress passed, and the one that I've presented. But perhaps the starkest one of all is the different treatment of Medicaid. The Republican budget would be a disaster for states and for the people who depend upon Medicaid. It would ask the states to do more and more and more for the elderly, for the disabled, for poor children and pregnant women and give them less help to do it. It would force them to make unconscionable and unnecessary choices between senior citizens and disabled people, between people with AIDS and nursing home residents.

The plan would end the guarantee of quality medical care that now exists for 26 million Americans, a guarantee that has been on the books for three decades now. The Republicans are insisting that we repeal the guarantee that no poor child, pregnant mother, poor senior citizen or disabled person will be denied quality medical care. That would eliminate the guarantee of nursing home care for as many as 300,000 people. All told, if current patterns of coverage prevail, some 8 million people could be denied health care coverage under Medicaid; nearly half of them children. No one would want to

do this in any state, but many states would have no choice under the budget now pending.

So I just want to be clear about this. I very much want to work with the Republican Congress to get a balanced budget. But I will not -- I will not permit the repeal of guaranteed medical coverage for senior citizens, for disabled people, for poor children and pregnant women. That would violate our values, it is not necessary, and therefore, if it continues to be a part of the budget, if necessary I would veto it again.

We cannot, we must not do this. This would do more harm to more people and do more to undermine the stability of state governments and the life of the states in our country than any other provision of this budget, in all probability, and we just cannot do

MORE

it. So I want to make that clear.

MORE

On the other hand, let me say again, I am reaching out the hand of cooperation to Congress; I did yesterday, I do so again today. But there are some things that we cannot and should not change and back away from. That resolution that was passed that permitted the government to go forward said that we would protect Medicare, Medicaid, education and the environment. That's what it said. I've done my part. I've offered a seven-year budget. We cannot destroy Medicaid.

Q Mr. President, are you going to reappoint Alan Greenspan, as The New York Times says?

THE PRESIDENT: Did they say that? (Laughter.) To be honest with you, that's very premature. I haven't even given much thought to it, one way or the other. We've had a few other things on the griddle here.

Q Speaking of that, Mr. President, do you think you'll have a resolution of support on Bosnia before the treaty signing in Paris next week?

THE PRESIDENT: Will we have one? Well, I hope so. I don't know; I'm working on it, but I hope so.

Q What do you think about half of the House members signing a letter opposing the deployment?

THE PRESIDENT: I hope that both Houses will vote to do it. It's the responsible thing to do, and those who paid any attention to the trip that I made to Europe last week know that all of the people in Europe are looking to see whether the United States will continue our 50-year partnership with Europe for security, will continue our leadership in NATO, and will do our part. They have only asked us to do a part. They, after all, are doing two-thirds of the work on the ground in Bosnia. They have asked us as the leader of NATO and the Alliance to send about a third of the troops. And in every nation I visited, people came up to me and said that America had been able to make peace in Bosnia and they were desperately hoping we would participate so that we could prevent any kind of a resumption of the slaughter there, prevent the conflict from spreading, and prove that Europe and the United States are still partners for security in the post-Cold War era. I feel far more strongly about it even than I did before I went last week.

It's clear to me that our nation's ability to work with these European countries on every other security issue -- reducing the nuclear threat, fighting terrorism, you name it -- depends upon our partnership here. That is the issue of the day for them and for millions and millions and millions of them. And I think we have to do our part, and I'm going to do what I can to persuade the Congress of that.

Q Is there any possibility, sir, that the Paris signing next week will slide because of what's going on there?

THE PRESIDENT: I know of no plans to delay it. I believe it's going to go forward on time.

THE PRESS: Thank you.

END 9:43 A.M. EST

Emily -
Please share
w/ network.
Wendy

GRAY DAVIS
Lieutenant Governor
State of California

HAND DELIVERED

November 2, 1995

The Honorable Pete Wilson
Governor of California
State Capitol
Sacramento, CA 95814

Dear ~~Governor Wilson~~ Pete:

I am writing to urge you to exert your influence with the Republican leadership in the U.S. Senate to reconsider the precipitous cuts in the State's Medicaid funding contained in the Budget Reconciliation Bill passed last Friday night by the Senate.

During the past three years, you have consistently pressured the federal government -- and the Clinton Administration in particular – to treat California fairly. You have rightly made demands which I have largely supported, for sufficient federal funds to pay for services the federal government and the courts mandate that the State provide.

Yet you have been strangely silent as your political allies and former Republican Senate colleagues have played games with California and stolen money from the State to reward other states. Recently, you publicly commended Speaker Gingrich when he pledged that California would receive full reimbursement for the cost of medical care provided to illegal immigrants. But your own Department of Finance must know that this reimbursement -- if it ever comes -- will be cancelled out more than 10 times over by the $18 billion in total Medicaid cuts that are in store for California.

We all agree that California should do its share to balance the federal budget. But the Senate's middle-of-the-night transfer of $4.2 billion in Medicaid funds from California to Texas is a grossly unjust sacrifice we should not have to bear.

As you know, Governor, the federal Health Care Financing Administration has indicated although California has the highest number of Medicaid recipients, our per-person costs are the lowest of the largest 15 states and second lowest among all 50 states. In addition, although we are the largest state, we receive just 9 percent of all federal Medicaid dollars, while New York -- the fourth highest per-cost state -- receives 13 percent.

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Clearly, we have already achieved substantial efficiencies in our delivery of Medicaid services. Yet the net effect of the proposed cuts would be to penalize California for our successful cost-control efforts. California's case is very compelling, but frankly we need your leadership to make this case to the Congress and the nation.

I believe it is time for California's elected officials, both Democratic and Republican, to come together to protect California's interests. I therefore implore you to use your good offices as a former U.S. Senator, and the good will that I am confident has been generated by your recent endorsement of Senate Majority Leader Dole for President, to reverse these cuts and restore the Medicaid funds to which California is entitled.

I look forward to working with you in that effort.

Sincerely,

Gray

GRAY DAVIS

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To Steven Allen	From Randy J.
Co. Lt. Gov's Office	Co. CAP NEWS
Dept.	Phone # 446-6336
Fax # 323-4998	Fax #

MEDICAID, Nov. 2, 1995

DAVIS PRODS WILSON TO FIGHT FOR LARGER MEDICAID REIMBURSEMENT

News

By Pamela Martineau
Capitol News Service

SACRAMENTO (CAPITOL) -- Lt. Gov. Gray Davis has urged Gov. Pete Wilson to pressure the Republican leadership in the U.S. Senate to reconsider its vote to cut projected Medicaid spending and instead restore more funding to California.

Davis, speaking to reporters Nov. 2 during an informal press conference in his Capitol office, called on Wilson to "exert his influence" with the Republican leadership to scale back what he termed "cuts" in Medicaid contained in the Senate budget bill passed Oct. 27.

Medicaid is the state-administered federal program which pays for medical care for the poor. In California, the program is known as Medi-Cal.

Under the Senate budget plan, California would lose $18 billion in previously scheduled Medicaid increases over the next seven years.

"You have been strangely silent as your political allies and former Republican Senate colleagues have played games with California and stolen money from the state to reward other states," Davis said in a letter to Wilson.

Davis said he was especially angered by a late shift by Senate leaders of $4.2 billion in Medicaid funds from California to Texas. The Democratic lieutenant governor called the move a "grossly unjust sacrifice we should not have to bear."

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MEDICAID **CNS**

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"The state is still reeling from recession," Davis said. "We need the benefit of all the federal money to which we're entitled."

The Senate's budget bill, which passed with no Democratic support, also would cut federal taxes $224 billion, reduce projected Medicare spending more than $250 billion and reduce previously scheduled increases in almost all major social programs.

Davis applauded California's health-care system for the poor, saying the state is particularly efficient with its Medicaid funds, spending the least per person of the nation's 15 major states.

Under the Senate plan, by 2002, 1.2 million Californians would lose federally subsidized health coverage, according to figures compiled by the lieutenant governor. He said this figure would include 95,000 seniors, 145,800 disabled people, and 34,400 recipients of long-term care.

"California's case is very compelling, but frankly we need your leadership to make this case to the Congress and the nation," Davis said to the governor.

Davis noted that Wilson in the past has lobbied for greater federal reimbursement for the cost of providing benefits to illegal immigrants. These requests, however, were for money which California already had spent on services required by federal law.

Jesus Arredondo, an aide to Wilson, said it is not the governor's job to lobby for greater reimbursement.

"Who really should be pursuing all of that would be our U.S. senators and congressional representatives," Arredondo said.

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REPUBLICAN GOVERNORS ASSOCIATION
NOW AMERICA'S MAJORITY

October 6, 1995

The Honorable Robert Dole
Majority Leader
United States Senate
S-230 Capitol Bldg.
Washington, DC 20510

Dear Senator Dole:

Collectively we desire to express our gratitude for the working relationship with you and Republican governors. We share your commitment to balancing the budget and returning responsibilities to the states. Your leadership on these matters is acknowledged and admired. We are writing to you to convey our deep concern with provisions that were included in the Medicaid portion of the reconciliation bill approved by the Senate Finance Committee on September 30.

Since January of this year, Republican governors have worked in good faith with Republican leadership on concepts to bring meaningful, urgently needed reforms to the Medicaid program while achieving the Congressional budget targets. As governors representing the unique needs of our individual states, we have not been in total agreement on all aspects of the program. However, throughout this lengthy partnership, we have consistently argued that the fiscal and functional integrity of the program demand freedom from individual and provider entitlements and other mandates on states. The Senate Finance Committee bill ignores this principle.

The bill includes a number of overly prescriptive and onerous provisions that will militate against the states' ability to implement reforms. Among these are individual entitlements, which create both a huge potential cost shift to states and unlimited potential for litigation; a set-aside for one class of providers; and mandated federal requirements on spousal asset protection.

Further, we are concerned that the bill reported out by the Senate Finance Committee will be amended on the Senate floor with additional mandates on states. While we support efforts to reduce the deficit and balance the federal budget we will not sit idly by while the costs associated with this program are shifted to the states.

We have kept our commitments to Republican leadership throughout a difficult process of negotiating reforms that states can implement, while protecting the interests of all of our citizens. We are fully prepared to provide health care for our most vulnerable populations, without

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prescriptions and mandates from the federal government. We are pleased with the flexibility provisions incorporated in the House measure and intend to work for inclusion of such provisions in the final bill.

We are hopeful that we can work with the Senate leadership on this most important issue. We urge you to remove mandates and other prescriptive provisions from the Senate bill.

It is our sincere hope that we can resolve these issues quickly. As those charged with the actual administration of these programs, we cannot support a combination of individual entitlements and mandate provisions that will subject us to unlimited litigation, and still meet the budget targets.

Sincerely,

cc: Senate Finance Committee

NEWS

STATE OF DELAWARE
OFFICE OF THE GOVERNOR

THOMAS R. CARPER
GOVERNOR
LEGISLATIVE HALL
DOVER, DELAWARE 19901
(302) 739-4101
(302) 577-3210

FOR IMMEDIATE RELEASE
Friday, September 22, 1995

FOR FURTHER INFORMATION
CONTACT: Sheri L. Woodruff
(302) 577-3711 Wilm
(302) 575-6800 Beeper
(302) 378-7800 Home

CARPER WARNS OF CATASTROPHIC CUTS IN MEDICAID

(Wilmington, Del.) -- Governor Thomas R. Carper today sounded the alarm on what could be a $470 million cut in federal Medicaid funding to the State of Delaware over the next seven years -- eliminating health care coverage for more than 40,000 eligible children, elderly, and disabled Delawareans. Carper and officials from Delaware Health and Social Services have concluded that the U.S. House Republicans' proposal to cut national Medicaid costs by as much as $182 billion would dump a disproportionate share of federal cuts on Delaware's doorstep.

According to Carper, "I have serious concerns about this proposal's impact on our progress in extending health care access to Delawareans. Not only would it prevent additional people from gaining the health care access made possible under our managed care for Medicaid plan, but we would actually be faced with cutting thousands of people from our rolls who already receive coverage. This proposal would pull the rug out from under one our most vulnerable populations because the lion's share of Medicaid funding in Delaware is spent on long-term care for poor elderly people."

Carper continued. "Because the proposal would lead to the loss of medical coverage for thousands of Delawareans, we would further exacerbate the problem of cost-shifting in our state -- the practice of health care providers passing along the cost of care for the uninsured to those who have insurance. Delaware taxpayers who enjoy health

-- more --

care access would now have to pick up a greater portion of the tab to compensate for

those who lack medical coverage. We have made great strides in Delaware to reduce that problem and the House Republicans' proposal would put a significant damper on that success."

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ek stay tion of ruling

e to end busing students move to a neighborhood-hool assignment plan.
a lawyer for the state f Education said the coali-'t prove that students will ned because all four dis-esidents have said they an to make changes dur-school year.
're not going to make any without thorough study," odman Ward Jr., adding such plans would be dis-n public meetings.
one student, a 10th-grader, immediately affected by n's ruling, Ward said.
Circuit Judge Anthony J. said that if no changes are l, "what's the problem unting a stay?"
said a stay is an injunc-t "has to be earned" and e coalition admits it know if any changes will take place.
disagreed. He said Robin-ling means an immediate requirements that the dis-le monthly statistical re-also means the districts op recruiting and hiring y teachers, which they been doing very well on " Barr said.
ured the judges that ricts keep statistics even court supervision. As for hiring, he said the pool rity applicants is always d that New Castle Coun-ord is better than other around the country.

Special to The News Journal/ROBERT CRAIG

Scott Smith, 7, shows off his winning entry in the Middletown contest. Scott credits his mom for help with the idea.

n Midd e own, it's a in fami y

Brother, sister take top prizes in slogan for new water tower

By EDWARD L. KENNEY
Staff reporter

"Leave the fuss, come visit us. Middletown."

Those words — posted above the town name — will soon be seen for miles atop Middletown's new water tower.

You can thank 7-year-old Scott Smith for the slogan — but don't thank him for the colors.

"He had purple and orange," said Middletown councilwoman Catherine Kelly. "We're thinking about changing that."

Scott's slogan was the winner in a contest to decorate the 1.5 million-gallon tower that will be built on Broad Street near the Middletown Square Shopping Center. Groundbreaking is a couple of months away, Kelly said.

Why a new tower? "We need to have more water in the area, because the development is just unbelievable," Kelly said.

The contest was announced at the town council's August meeting, and winners received their prizes in a ceremony last week at town hall. There were 15 entries.

Scott won a $250 savings bond. His older sister, Tiffany, 12, got a $100 bond for her second-place entry: "Where history is found," with the words circling the town's name.

Evidently, there was a little bit of sibling rivalry involved. "She said she should have won the $250," Scott said.

Scott's entry was a collaboration. "My mom thought of leave the fuss and I thought of come visit us," he said.

Taking third place and a $50 savings bond was Kay Hampson, a grownup. Her design was sports oriented, with drawings of a ball, bat and other objects, and the words "Experience America" below the town name.

"The funny thing is, she was the lady who brought in the Smith kids' entries," said Kelly of Hampson. "They all live on Crawford Street."

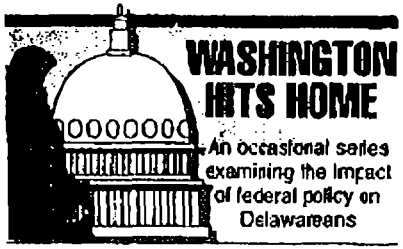
Carper: Medicaid plan would hurt Del.

By NANCY KESLER
Dover Bureau chief

If Republicans in the House of Representatives have their way with Medicaid cuts, it would be the equivalent of 41,000 Delawareans losing their health insurance coverage, Gov. Carper said Monday.

Carper and his health-care planners released data that estimates Delaware would lose $450 million in Medicaid funding over seven years, part of a proposed $182 billion cut nationally. Delaware splits the cost of Medicaid with the federal government.

Last week, Carper told eastern state budget officers that the GOP plan would force some poor, elderly people from nursing homes.



It would also hurt his welfare reform plans to ease the transition from welfare to work by providing insurance for a limited time while welfare recipients settle into jobs.

Loss of insurance would also affect workers and their employers who pay for private insurance.

Poor Delawareans cut off from Medicaid would have to be treated at no charge and the cost shifted to private insurers by raising prices.

"One moment I'm depressed and crying, and the next I'm furious and ready to fight," said Carmen Nazario, secretary of the Department of Health and Social Services. "It's too much of a loss."

Confusion has surrounded the plan since it was unveiled last week.

"It was all played so close to chest," Nazario said, that it has been hard for states to analyze. "It's such a complicated formula, it's hard to even understand it."

Elaine F. Archangelo, director of the Division of Social Services, said the 41,000-person figure assumes no reduction in services or payments for care by 2002, when about 118,000 Delawareans would be eligible for Medicaid under current rules.

The Republican plan retains some mandates, such as requiring states to assist the elderly, disabled, women and children, although it allows the states to set income eligibility levels.

But the proposed cuts are so deep, Archangelo said, that even if everyone but the elderly and disabled were taken off Medicaid, costs would still outstrip the amount of federal money available.

Although the Carper administration has used the 41,000 figure to dramatize the impact, Archangelo said, "everything would be on the table" if House Republicans win.

NJ 9/26/95

NJ
9/22/95

Carper says GOP Medicaid proposal would hurt Delaware

By JAMES MERRIWEATHER
Dover Bureau reporter

DEWEY BEACH — A proposed Republican restructuring of the Medicaid program would force poor and elderly people from Delaware nursing homes and undermine the state's welfare reform plan, Gov. Carper said Thursday.

Early estimates show that the new plan would cost Delaware more than $250 million over the next seven years — part of $182 billion House Republicans expect to save under their proposal.

Under the proposal, the state's Medicaid allotment would see a 7.24 percent increase during the fiscal year that begins Oct. 1. But increases would be limited to 2 percent for each of the six succeeding years.

"The 2 percent cap .... will mean that people who are on long-term care in the nursing homes may lose that care," Carper said.

"And those people who are on the welfare rolls who we are now compelling to go to work with the understanding that we would help them with health care are likely to find that an empty promise."

Carper offered his case to about 60 members and guests here at the fall eastern regional conference of the National Association of State Budget Officers. Participants from the eight member states were urged to sound similar alarms when they return home.

The two-day meeting ends today.

House Republicans want to turn administration of the Medicaid program over to the states. Their measure, now under consideration by the House Commerce Committee, is intended to cut the annual growth rate from 10 percent to 4 percent.

Carper said the Delaware's 2 percent growth rate would be outstripped by growing populations of elderly poor people and welfare recipients expecting health care as they try to move into the job market. "The increase in health care costs have slowed dramatically in recent years," Carper said after his talk.

"But the elderly population continues to grow ... and we know that unless we help welfare recipients with child and health care, they're going to fail in many instances to make the transition to work."

While the perception is that poor families on welfare run up the tab, Carper said, the truth is that nursing home care accounts for 70 percent of the state's Medicaid costs. A similar plan is under development by the Senate Finance Committee, chaired by Delaware's William V. Roth Jr.

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Staff reporter Mike Billington contributed to this article.

STATE OF DELAWARE
OFFICE OF THE GOVERNOR

THOMAS R. CARPER
GOVERNOR

September 22, 1995

Senator William V. Roth, Jr.
104 Hart Senate Office Building
Washington, D.C. 20510

Dear ~~Senator~~ Roth: Bill

As you begin deliberations on how to restructure the Medicaid program in the Senate Finance Committee, I would like to make you aware of my serious concerns about the House Commerce Committee proposal's impact on Delaware's Medicaid program. I hope that you and I will have an opportunity to discuss your committee's proposal and its potential impact on our efforts to expand health care coverage in Delaware.

After a brief review, my staff has concluded that the House Commerce Committee's proposal would reduce federal assistance to Delaware in the Medicaid program by nearly $470 million by the year 2002. The impact of this reduction on Delaware's Medicaid program would be devastating. We would be unable to implement our federal waiver -- which would provide health care coverage to 9,000 Delawareans who are not covered today. Even more devastating is the fact that we would be forced to eliminate health care coverage for nearly 41,500 eligible children, elderly and disabled persons in our state.

What is so disturbing about this bill is the harm that it inflicts on Delaware -- without achieving any higher savings than had been projected. Comparing Delaware's share of the $182 billion reduction in overall federal Medicaid spending to other states, Delaware receives a disproportionate share of the federal cuts in several significant ways. While the bill mentions a 14.8 percent initial growth rate for all states, and a 2 percent growth rate per year through 2002 for Delaware, the reality is that by picking 1994 as the base year, Delaware sustains a dramatic cut from the very beginning. From 1994 to 1995 alone, Delaware's growth rate was 26.3 percent. Under the proposed grant, Delaware would sustain an immediate $15 million cut from its current base. While Delaware is only permitted little or no growth -- 2 percent each year for six years over a reduced base -- other states are permitted a 6-9 percent growth rate. Dollars that should be going to provide health coverage in Delaware will actually go to other states.

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By denying benefits to so many who would be eligible for health care coverage and even worse, cutting off health care coverage to people who are receiving it today, we would regress in our efforts to increase access to health care and reduce the cost-shifting that plagues all taxpayers. Not only would Delaware have to subsidize other states so that they could expand their health coverage, our taxpayers who have health insurance would be picking up the tab for those who would be left without any health care coverage at all. In effect, Delaware would be widening the gap for health care coverage -- rather than closing it.

In addition, I understand that the House proposal would eliminate the Vaccines for Children Program, including the state optional use clause. I know that you have been an ardent supporter of our efforts to immunize children in Delaware, and I urge you to reinstate this provision in the Senate proposal.

I implore you to consider this inequitable and disproportionate impact on Delaware's Medicaid program during your committee's deliberations on restructuring the Medicaid program.

I look forward to further discussion with you and your staff as you develop the Senate Finance Committee proposal.

Sincerely,

Bill, the House proposal looks like a disaster for Delaware. We need your active intervention, please!

Thomas R. Carper
Governor

cc: Senator Joseph Biden
Representative Michael Castle

DEMOCRATIC GOVERNORS' ASSOCIATION

September 19, 1995

The Honorable Richard A. Gephardt
Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Mr. Leader:

As the Congress takes up consideration of legislation to restructure the Medicaid program, we want to take this opportunity to share a statement unanimously adopted by Democratic Governors at the National Governors' Association annual meeting in Burlington, Vermont in July 1995.

Sincerely,

Governor Mel Carnahan
State of Missouri
Chairman

Governor Gaston Caperton
State of West Virginia
Vice Chairman

Attachment

430 South Capitol Street, S.E. · Washington, D.C. 20003 · (202) 479-5153 · FAX (202) 479-5156

DEMOCRATIC GOVERNORS' ASSOCIATION

DEMOCRATIC GOVERNORS' ASSOCIATION POLICY STATEMENT ON MEDICAID

Adopted Saturday, July 29, 1995, Burlington, Vermont

Democratic Governors support efforts to balance the federal budget but oppose Medicaid cuts in Congress because these cuts destroy the safety net for our most vulnerable citizens, will do nothing to reduce rising health care costs and will hurt our children and elderly by reducing their health care coverage.

Democratic Governors oppose the Congressional budget resolution as it applies to Medicaid for two important reasons:

- First, the cuts proposed by Congress are simply too large. Medicaid provides a critical safety net of services to a broad range of Americans. If it were not for Medicaid, 25 percent of the children in this country would have no health insurance, 65 percent of the people in nursing homes would be turned away or forced into bankruptcy, and four million elderly Americans would be unable to afford prescription drugs and doctors' visits. No matter how aggressive states are at holding down costs, using managed care, and improving our programs, most states will be forced to deny needed services and cut people off the program. While some Governors have said they can maintain current services even if dramatic cuts are made, this does not represent reality for most of America. The fact is, Medicaid serves more of our children, elderly and disabled because these populations are growing rapidly. The cuts proposed by Congress will leave many states with no alternative but to take health insurance away from our most vulnerable citizens.

- Second, the current proposal to "block grant" Medicaid as suggested by some in Congress would have the federal government walk away from its long-standing commitment to provide a safety net for children, the elderly, disabled, and low-income families. The costs not covered when the federal government walks away will be shifted to state taxpayers and to businesses paying for employees' health insurance.

The federal-state partnership needs retooling, but should be preserved.

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DGA POLICY STATEMENT ON MEDICAID CONTINUED
PAGE 2

Democratic Governors believe there is a much better approach to reforming Medicaid. This approach has three components:

- First, Democratic Governors support increased administrative flexibility for states. For example, states should be able to use managed care in Medicaid without seeking a waiver from the federal government and should be allowed to more aggressively negotiate with health care providers to lower costs.

- Second, rather than placing an artificial cap on the program that may have little to do with actual needs, we support President Clinton's approach for limiting the rate of growth to a reasonable rate for each person in the program. This way, states with growing populations will have their costs covered and all states will have an incentive to keep their costs down.

- Third, funds paid by the federal government to states to support hospitals and other providers that serve a large, uninsured population should be more carefully targeted.

We believe that efforts in these three areas can lead to real savings in Medicaid without destroying the safety net that provides basic services to millions of Americans.

President Clinton has promised a number of Medicaid reforms that we believe take the program in the right direction. We applaud the President's thoughtful approach to meeting the health care needs of America's neediest families while controlling costs.

Democratic Governors continue to invest in our children by making progress in reforming the welfare system and expanding health care coverage in our states. These issues deserve to be resolved in open and bipartisan debate. Democratic Governors look forward to working closely with our Republican colleagues, the President and Congress to achieve meaningful Medicaid reform without hurting our citizens and our children.

- END -

STATE OF COLORADO

EXECUTIVE CHAMBERS
136 State Capitol
Denver, Colorado 80203-1792
Phone (303) 866-2471

August 31, 1995

Roy Romer
Governor

Dear Colleague:

When we left the annual governors' meeting in Burlington earlier this month, we agreed to pursue a bipartisan effort to make recommendations regarding the Medicaid program. As I examine this issue, however, I find it practically impossible to make credible recommendations within the current framework of the Congressional Budget Resolution.

Therefore, I am suggesting to you that the first feature of our bipartisan agreement be a statement that the proposed cuts in Medicaid are too large and any participation by the governors in modifying the Medicaid program can only be realized if the size of the cuts is more reasonable and responsible.

As you recall, the budget resolution calls for a reduction of $182 billion (and that number may well increase) from the Medicaid baseline over the next seven years.

I asked my staff to analyze the effects of such a cut in Colorado. The conclusion is simple: we will be able to cover inflation or the growth in need among our low-income elders, people with disabilities and families. But we will not be able to do both. Even if we adopt the most aggressive cost-saving measures imaginable, thousands of low-income Coloradans will be left without health insurance under these budget cuts.

I have enclosed a graph which shows what Colorado could face. Knowing that there is very little detail available about how Medicaid will be restructured, I asked my staff to make conservative assumptions. They found that in the year 2002, almost one-third of the need for health care services for low-income Coloradans who would be eligible for Medicaid under current rules will go unmet. I suspect that if you were to do a similar analysis in your state, you would reach a similar conclusion.

I have long supported a balanced federal budget. You may recall that bipartisan efforts to control the federal budget were my first priority during my tenure as chairman of NGA. I served on the bipartisan Entitlement Commission last year because of my commitment to this issue. I'm willing to take my share of the cuts. But there is a right way and a wrong way to achieve a balanced federal budget. I am convinced that the Medicaid portion of the congressional effort is the wrong way.

Page Two

As governors, I think we must make clear to those of both parties in Washington that the proposed cuts in Medicaid, and the burden they will place on states, are simply too great. We must also make clear that if members of Congress want our participation in modifying the Medicaid program, they must maintain the federal-state partnership in Medicaid, and they must make the size of the cuts more reasonable.

We must also insist that the Congress -- both parties -- look harder at other alternatives for balancing the federal budget. For example, there are real savings that can come from the Medicare program. So-called corporate welfare programs need to take their fair share of reductions. The conservative CATO Institute estimates that $500 billion can be saved from these kinds of programs and eliminating tax loopholes over the next five years. The Progressive Policy Institute advocates a similar effort. Finally, the proposed tax cut -- primarily for the wealthiest Americans -- must be re-examined in the context of overall deficit reduction.

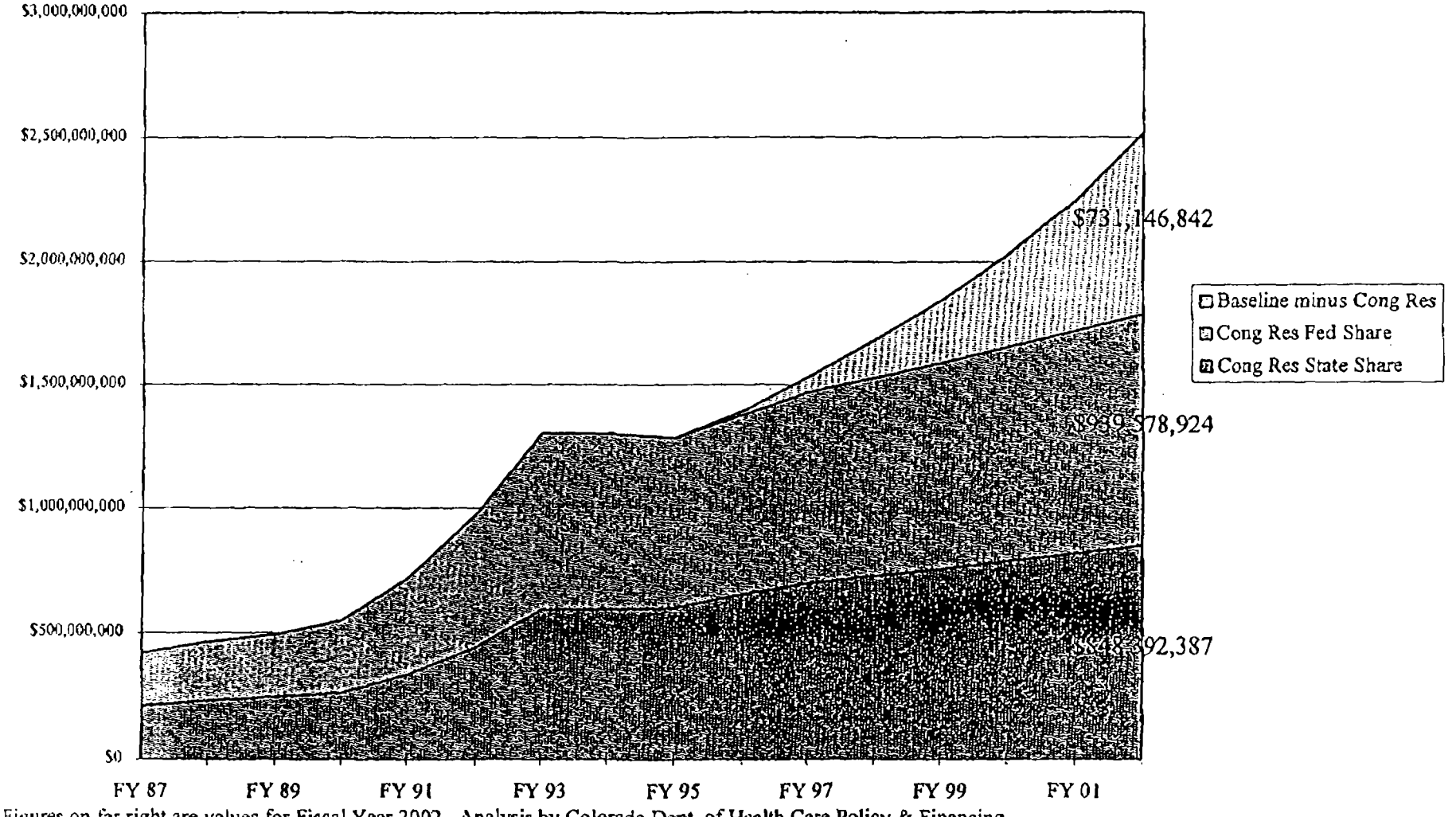
As governors, the cornerstone of our answer to proposed Medicaid changes ought to be this: we cannot tolerate the approach currently contemplated, in which states have to bear the cost of Medicaid growth, while other fair and rational alternatives to achieving a balanced budget are ignored. If we can agree to this, I believe that we can reach reasonable and consensus and compromise on other federal-state fiscal and budgetary issues.

Sincerely,

Roy Romer
Governor

Enclosure

Colorado Medicaid Actual and Projected, showing effects of Congressional Budget Resolution, and assuming continued state match of federal effort



Figures on far right are values for Fiscal Year 2002. Analysis by Colorado Dept. of Health Care Policy & Financing

Assumptions associated with Colorado Medicaid analysis prepared by the Colorado Department of Health Care Policy & Financing.

Baseline

Baseline costs per enrollee are projected to increase at the estimated rate of general inflation (a number substantially lower than historical medical inflation or private premium growth).

Baseline enrollment is projected using standard statistical models relying upon historical enrollment trends.

Overall baseline growth using this method yields estimates consistent with the major national estimates for Medicaid growth.

Disproportionate Share Hospital program payments are assumed to grow at 4%. This rate leaves Colorado significantly below its current DSH cap.

Congressional Budget Resolution

Colorado Medicaid growth is assumed to be allowed to be the aggregate national rates of 7.2% in FY96, 6.8% in FY97, and 4% thereafter. Colorado might be permitted a higher rate of growth under certain distribution formulas, but, since none have been suggested, using the national rates seemed appropriate.

Disproportionate Share Hospital program payments are assumed to be allowed to grow at the same rate as program growth. That is, the budget resolution is assumed to permit DSH growth at a faster rate than baseline.

Fiscal Year 95 is assumed to be the base year for all calculations. We are using our best estimates for FY95 as the base.

There is assumed to continue to be a federal financial participation match rate, and that rate is assumed to remain constant at its current level.

Current Colorado budget provisions relating to matching federal funds are assumed to remain in place. Those provisions require that, in the event of a reduction in federal funds, the state funds used to generate the match are reduced as well. In effect, the assumption is that the state will continue to match federal expenditures at the current rate in order receive federal funds up to the amount allowed under the budget resolution cap.