

**Congress of the United States**  
**Washington, DC 20515**

July 8, 2011

The President  
The White House  
Washington, DC 20500

Dear President Obama:

The \$100 billion or more in Medicaid and Children's Health Insurance Program (CHIP) cuts under consideration as a part of the negotiations to raise the debt ceiling would undermine the future of the Medicaid program. Moreover, it would be harmful to the 11 million people California covers in Medicaid and CHIP. We share Governor Brown's opposition to these cuts and urge you to reject them.

We understand that as you work to address the long-term budget deficit you are faced with extremely challenging decisions. However, these cuts will severely impact healthcare coverage for senior citizens, poor and disabled children, and others with disabilities. Moreover, they will dampen economic recovery efforts in the state and in the nation.

Among the proposals we understand you are considering for achieving the cuts are establishing and then cutting a single "blended rate" for federal matching funds (replacing previously established differential matching rates for different populations) as well as eliminating the ability of states to use provider taxes as a source of financial support for Medicaid. These proposals shift the burden of cuts to the states by reducing federal payments to states or eliminating long approved revenue sources to finance the program. California has the second largest Medicaid expenditures in the country representing 13% of the total program. Reductions in the match rate alone could mean over a \$5 billion loss in federal dollars for California.

We made a commitment to states to support them as a part of the Affordable Care Act in the expansion of healthcare to all Americans. This includes expansion of Medicaid to nearly 17 million new individuals over the next decade. We established incentives for states to find the uninsured made newly eligible for the program by covering their full cost initially and 90% permanently. This proposal would retreat on that promise and undermine the health reform effort that we together worked so hard to achieve.

Provider taxes are a legitimate and long established source of funding for the Medicaid program and relied on by virtually every state. They provide states a critical source of revenue to support the Medicaid program and are vital to avoid further provider payment reductions or benefit cuts in times of economic stress in states. Eliminating the provider tax, which is estimated to reduce federal expenditures by \$40 billion, is multiplied in its effect on states by eliminating the available state dollars as well. Provider taxes are especially critical for California where they are providing for \$4.4 billion in Medicaid funding in the current year.

California has already had to put a plan in place to cut services, increase beneficiary cost sharing, and cut funding from providers because of the current fiscal situation. To cut billions more will severely impact low-income families and individuals with disabilities, and access to critical

services, including nursing home and community care services. In California, Medicaid and CHIP provide healthcare coverage to 40% of the state's children and nearly 2 million disabled and elderly individuals. Such cuts will further damage the California economy and adversely affect our efforts to get people jobs.

We want to continue to work with you to address our long-term deficit issue, but shifting the problem onto states and the most vulnerable populations served by Medicaid and CHIP is not the answer.

Sincerely,

John G. Wapner

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Pete Stark

Lois Capps

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