

**THE COUNCIL OF STATE GOVERNMENTS
EXECUTIVE COMMITTEE**

Resolution on Medicaid's State-Federal Financial Partnership

- WHEREAS,** Medicaid is operated and funded as a partnership between the states and the federal government to provide health care coverage for low-income families, children, seniors and people with disabilities;
- WHEREAS,** Medicaid accounts for 20 percent of state budgets on average, second only to education in spending, and is, therefore, consistently at the forefront of policy makers' agendas as one of the most important issues for States;
- WHEREAS,** Medicaid traditionally has played a less prominent role in the federal budget and the federal political agenda and has been overshadowed by the Medicare program, often resulting in differing expectations and conflicting policy goals between the States and the Federal government;
- WHEREAS,** Medicaid now constitutes the largest health care program in the United States in both enrollment and spending, and long term trends such as the aging of the population, increased longevity of life, the rise in the incidence of chronic disease, and increased obesity indicate continued rapid growth in Medicaid spending over the next thirty years;
- WHEREAS,** Medicaid costs are especially prone to increase significantly during periods of economic stagnation, due to higher unemployment and growing enrollment rates in Medicaid, forcing states to cut back on services, benefits and eligibility just when a growing number of individuals and families need health care coverage the most;
- WHEREAS,** States over the past three years have experienced their worst fiscal crisis since World War II due to slow economic growth, lower than expected state revenues and higher expenditures for programs such as Medicaid and homeland security;
- WHEREAS,** Recognizing the difficult fiscal conditions in the states and growing Medicaid costs, Congress admirably passed the Jobs Growth and Tax Relief Reconciliation Act of 2003, which included targeted fiscal assistance to state Medicaid programs through enhanced Federal Medicaid Assistance Percentage (FMAP) rates;
- WHEREAS,** The assistance enacted in 2003 has helped states maintain coverage levels and avoid deeper cuts in provider payments, benefits and eligibility in Medicaid, yet there is no consistent, formalized means for providing additional assistance to state Medicaid programs during periods of economic hardship and high unemployment;

WHEREAS, States must comply with complex federal requirements regarding eligibility, enrollment, benefits and other areas in Medicaid or apply for a waiver, many times a lengthy and resource-intensive process for states;

WHEREAS, Sizable regulatory hurdles and the lengthy waiver processes limit states' options for containing costs and hamper states efforts to deal quickly with state budget conditions;

WHEREAS, Often in lieu of making steep cuts in Medicaid during periods of economic hardship or undergoing cumbersome programmatic changes, states have used intergovernmental transfers (IGTs), disproportionate share hospital (DSH) payments and health care provider taxes to maintain payments and coverage under Medicaid;

WHEREAS, Since the establishment of the Medicaid program, states have organized the financing and delivery of Medicaid services in varying ways, with many states using county-based systems;

WHEREAS, Sections 1902(a)(2) and 1903(w)(6)(A) in Title XIX of the Social Security Act as well as federal regulations specifically authorize states to use funding from local sources, including units of government or public agencies under the states control, for the state share of Medicaid's cost;

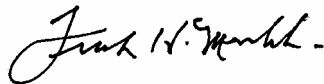
WHEREAS, Intergovernmental transfers from counties and other subgovernmental units have long been legitimate, legal means for states to finance their share of Medicaid's costs, and, further, these financing mechanisms recognize the important historic and ongoing contributions of counties and providers of financing care for the poor and the stake these entities have in the financial health of the Medicaid program; and

WHEREAS, Recently, the President's 2005 budget, actions by the Centers for Medicare and Medicaid Services, hearings, actions and statements by Congress regarding "program integrity" in Medicaid have raised concerns about the future character of Medicaid financing and the division of responsibilities between the states and the federal government;

BE IT NOW THEREFORE RESOLVED that The Council of State Governments urges the President, the Secretary of the U.S. Department of Health and Human Services (HHS), the Administrator of the Centers for Medicare and Medicaid Services (CMS) and Members of Congress to work with the States to address concerns regarding the financial partnership between states and the federal government in the Medicaid program. Furthermore, CSG urges all parties to recognize and adopt the following principles:

1. States are allies of the federal government in controlling the growth of Medicaid expenditures and ensuring the program's financial integrity. Both states and the federal government share the goals of predictability, flexibility and accountability in the financing of Medicaid. CSG and its members welcome the opportunity to work collaboratively with the Administration and Members of Congress to pursue joint cost containment strategies and enhance the efficiency and effectiveness of the Medicaid program.
2. Sudden shifts in federal policy or reporting requirements without due notice, opportunity for review and sufficient time for state comments do not serve the common goal outlined above and undermine the nature of the partnership between states and the federal government.
3. In pursuing financial accountability within the Medicaid program, the federal government does not have the authority to direct, veto or prospectively review the state budget process or state revenue generation. The federal government should not intervene in how states raise general revenue for states' portion of Medicaid expenditures. Any such plans would constitute a serious breach in the historic division of federal and state powers and would in practice be unworkable.
4. Congress and the Department of Health and Human Services should avoid enacting laws or regulations regarding Medicaid that result in unfunded mandates for states. At the very least, new laws or regulations that have the potential to affect state budgets, resources or allocation of staff time should not be pursued without reasonable and timely consultation and opportunity for comment by state and their representative organizations.
5. States welcome discussion of ways to make Medicaid financing more transparent, effective and equitable. However, the federal government should not restrict the use of intergovernmental transfers before policy changes are enacted. Placing restrictions on these means to finance health care services would place further fiscal strain on already overtaxed state Medicaid budgets and place access to health care services at risk for vulnerable populations. Furthermore, CMS should cease any efforts to compel states to change IGT, DSH or provider tax arrangements long approved by CMS in order to receive approval of unrelated state plan amendments or changes to state waivers.

Adopted this 18th Day of April, 2004, at the
CSG Spring Committee and Task Force Meeting
In St. Paul, Minnesota



Governor Frank Murkowski
2004 CSG President



State Senator John Hottinger
2004 CSG Chair