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June 29, 2017

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230 U.S. Capitol
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
S-221 U.S. Capitol
Washington, D.C. 20510

Dear Majority Leader McConnell and Leader Schumer:

The Coalition of State Medical Societies, representing physicians from coast to coast and comprising 10 state medical associations with more than 180,000 physician and medical student members, is writing to express our serious concerns with the Medicaid cost shift to states and physicians in the discussion draft of the Better Care Reconciliation Act (BRCA) released on June 22, 2017. Specifically, we are concerned that the Medicaid per-capita cap and block grant growth index will not keep pace with rising costs beyond our control. The proposal places an untenable burden on state budgets and an uncompensated care burden on physicians who are on the front lines caring for these patients every day. We need Congress' help to better care for our patients.

Given the Senate's decision to delay a vote on the BRCA, we respectfully request that you consider our recommendations before moving forward. We believe we can help you craft a better bill that will engender broader support from your colleagues and the American public.

The Better Care Reconciliation Act converts federal Medicaid financing to a per-capita cap or a block grant beginning in 2020. It sets the total medical assistance expenditures for a state as the sum of the per-enrollee amounts for five groups — the elderly, people with disabilities, children, and pregnant women under the per-capita cap and nondisabled adults for block grants. Under the per-capita cap, the base-year expenditure amount is based on spending between January 2014 and September 2017. The per-enrollee per-capita amounts would increase by medical Consumer Price Index (CPI) for adults and children and medical CPI plus 1 percent for elderly and people with

disabilities for 2020-24. For FY 2025 and beyond, it increases per-enrollee amounts by the CPI for urban areas. The block grant is increased similarly by CPI urban.

The CPI-medical inflation rate in 2016 was 2.5 percent. Over the past five years, it averaged 2.9 percent (Consumer Price Index-Bureau of Labor Statistics). In comparison, the U.S. average annual growth in Medicaid spending since 2007 has been about 6 percent (Centers for Medicare & Medicaid Services). This would result in an average 3-percent cut to Medicaid every year. In only five years, the cumulative cut could total 15 percent. The CPI-urban is even less than CPI-medical, further exacerbating an already underfunded program. Moreover, prescription drug costs are increasing at double-digit rates and threaten to consume a disproportionate share of state Medicaid budgets.

These inflation-based Medicaid growth rates are unsustainable for states and physicians. States cannot absorb these tremendous costs. They will be forced to reduce physician payment rates that already are 50 percent less than Medicare rates in many of our states. Access to care is a challenge for Medicaid patients now, and this proposal will only make it worse. Moreover, a public health crisis, such as a Zika virus outbreak or another Hurricane Katrina, could devastate state Medicaid budgets under a cap.

Rather than imposing across-the-board funding cuts, we urge you to consider alternatives to promote efficient Medicaid models of care, such as medical homes, that more effectively address rising health care costs, and better address patient needs.

We stand ready to work with you to improve our health care system and ensure access to high quality, affordable care and coverage.

Sincerely,

Coalition of State Medical Societies

These state medical associations comprise the Coalition of State Medical Societies:

Arizona Medical Association ★ California Medical Association ★ Florida Medical Association
Louisiana State Medical Society ★ Medical Society of New Jersey ★ Medical Society of the
State of New York ★ North Carolina Medical Society ★ Oklahoma State Medical Association
South Carolina Medical Association ★ Texas Medical Association