



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

February 5, 2013

The Honorable Kathleen Sebelius
Secretary
United States Department of Health and Human Services
200 Independence Avenue SW
Washington, D.C. 20201

Dear Secretary Sebelius:

For the past two years, my administration has worked to analyze and understand what impacts the Affordable Care Act (ACA), including changes to the Medicaid program, will have on Pennsylvania. We have sent you numerous letters and have yet to receive a response or answers to many of the questions we raised. However, we continue to ask questions in the hopes of being provided the details we need to make informed decisions.

Despite the lack of detailed guidance from Washington, states are now being asked to make a decision on whether or not to expand our Medicaid program. The Pennsylvania Medicaid program provides a comprehensive array of health and long-term care services to over 2.2 million Pennsylvanians, including children, pregnant women, low-income families, people with disabilities and seniors. As it stands today 1 out of every 6 citizens in Pennsylvania receives Medicaid benefits.

These programs represent important and vital services to many of Pennsylvania's most vulnerable citizens. However, it is important to note that these programs continue not only to struggle in providing true quality care and positive outcomes, but also – in some cases completely fail the very people they are supposed to protect.

The Medicaid program in Pennsylvania is on an unsustainable path. The cost of the current program is over 30 percent of the entire Pennsylvania General Fund budget and continues to grow. For Fiscal Year 2013-2014 the Department of Public Welfare's costs are projected to grow by over \$400 million in **new** state only dollars. Annual growth of this magnitude places an increased strain and burden on the Commonwealth budget as a whole, and makes it more difficult to invest in true health care improvement, let alone other important programs for our citizens.

Our initial estimates show that a Medicaid expansion under the ACA would cost Pennsylvania almost \$1 billion of new state taxpayer dollars through fiscal year 2015-2016 -- ultimately rising to a total cost of over \$4.1 billion of new state taxpayer dollars by the end of fiscal year 2020-2021. Without reform, the only way to support these costs would be a large tax increase on Pennsylvania families.

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In referring to Medicaid, President Obama recognized in 2009, "we can't simply put more people into a broken system that doesn't work." However, the President is asking us to do exactly that by expanding Medicaid without true reforms. In fact, a recent study by the Government Accountability Office (GAO) raised numerous concerns with the management of the current Medicaid program nationally – including that, in 2009, \$43 billion could not be traced directly back to Medicaid beneficiaries. Instead of insisting that states put more people into a broken system, you should examine and propose solutions that empower states to make the program work for their citizens and become sustainable for taxpayers. Again, we simply cannot build on a broken system led by mandates from Washington.


In order for Medicaid to work more effectively for beneficiaries and states we must drive innovation, best practices and ensure the program is focused on quality and cost containment. History has shown that most innovative and successful programs, such as the Children's Health Insurance Program (CHIP), start at the state level. Pennsylvania is proud that our CHIP program has served as the national model. Washington needs to stop treating Medicaid as a one size fits all mandate and start granting states true flexibility to successfully reform and build a system that works for them. This request is not new. I, as well as many other Governors, have been attempting to engage with you about reforms for several years.

A successful Medicaid program should promote independence, not dependence. We must align benefits to meet individual needs and closer resemble coverage provided by employers. Meaningful reforms will increase consumer choice and promote personal responsibility. To ensure a path to independence, there also must be appropriate incentives for participants to seek and retain employment.

I want to be clear, I firmly believe we can serve more of our citizens in Pennsylvania, but only if we are given the independence and flexibility to do so. My goal is to preserve a health safety net for our most vulnerable citizens, while maintaining fiscal stability for our taxpayers so that our economy will grow and prosper. At this time, and without serious reforms, it would be financially unsustainable for Pennsylvania taxpayers, and I cannot recommend a dramatic Medicaid expansion. Affordable health coverage is an important issue for all Pennsylvania families. As Governor, I will continue to work toward policies that will provide Pennsylvanians greater access to quality care and coverage.

The time has come for real flexibility and reform. It is imperative that the Medicaid program be designed to meet the unique needs and diversity of each state's citizens. I again ask you to engage in discussions with me and other Governors to reach this important goal.

Sincerely,



TOM CORBETT

Governor