

**Congress of the United States**  
Washington, DC 20510

May 23, 2011

The Honorable Haley Barbour  
Governor  
Post Office Box 139  
Jackson, Mississippi 39205

Dear Governor Barbour:

The Medicaid program has served as an important safety net for more than 45 years, but in order to continue serving the most vulnerable in our society, the program must be modernized. We are concerned that the program is failing patients; is a target for waste, fraud, and abuse; and is bankrupting both state and federal governments. We are committed to comprehensive program reform so that Medicaid better serves both beneficiaries and taxpayers.

We are concerned about the quality of care in the Medicaid program. According to data from the National Center for Health Statistics, Medicaid patients were more likely to end up in the emergency room than privately insured and even uninsured patients. Additionally, peer-reviewed medical literature consistently shows that Medicaid patients fare worse than privately insured patients. For example, a 2005 study in the *Journal of the American College of Cardiology* revealed Medicaid patients were nearly 50 percent more likely to die after heart surgery than patients who had either private coverage or Medicare. We believe Medicaid beneficiaries deserve better. We are especially concerned about this inequity given the fact that the Patient Protection and Affordable Care Act (PPACA) sets up a two-tiered system where lower income Americans will get Medicaid and wealthier Americans will have private coverage.

We also have serious concerns about the levels of fraud, waste, and abuse in the Medicaid program. The Government Accountability Office (GAO) has consistently put Medicaid on its list of high-risk programs. Specifically, GAO found, "This Medicaid improper payment estimate represents the largest amount that any federal agency reported for a program in fiscal year 2008." Considering the fact that hundreds of billions of taxpayer dollars are at risk every year, we believe that the public deserves real solutions.

Finally, the Medicaid program is bankrupting both federal and state budgets. Over the next ten years, the federal government will spend \$4.6 trillion on Medicaid—a substantial contributor to the growing \$14 trillion in publicly-held debt. At the state level, Medicaid spending now consumes nearly a quarter of state government budgets—a significant driver of the current \$175 billion collective state budget shortfall. Medicaid spending routinely crowds out other state priorities such as education and law enforcement. Fewer than five million individuals used Medicaid services in the program's first year, but today nearly one in four Americans is on

Medicaid and half those newly covered by PPACA will be on Medicaid. The Medicaid program has simply expanded beyond its original charter: to serve as a safety-net for the truly vulnerable. In order to continue serving the country's most vulnerable citizens, the Medicaid program must return to being the safety net it was originally designed to be.

We have heard many governors – both Democrat and Republican - express the need for Medicaid reform. Former Governor Phil Bredesen (D-TN) has called the Medicaid program “an obsolete and broken system.” Former Governor Jeb Bush (R-FL) said, "We're left with a broken system that creates barriers for patients, removes incentives for compassionate high-quality health care and encourages fraud and abuse by some vendors who have learned how to gain from the system rather than take care of Florida's most vulnerable citizens." As Chairman of the House Energy and Commerce Committee and Ranking Member of the Senate Finance Committee, we agree. We ask for your help as we seek to develop specific solutions for Medicaid.


We believe that the bipartisan Personal Responsibility and Work Opportunity Reconciliation Act (welfare reform) of the 1990s serves as a successful model for entitlement reform. Solutions for sustainable welfare reform came from the states – not just Washington – and the same model will work to fix Medicaid. Many states have pioneered Medicaid reforms – such as West Virginia's personal responsibility emphasis, New York's efforts to better coordinate care for dual eligible beneficiaries, and Florida's patient choice improvements – and we hope to learn from you what has worked and what has not. Our goal is to empower the states to design and implement innovative Medicaid solutions that work for their states. Medicaid must be reformed to better serve its beneficiaries and to better use taxpayer dollars, and we ask you to join us in a comprehensive effort.

You have run a Medicaid program and are in the best position to tell Washington how to fix Medicaid. We ask for your feedback on both the challenges you have faced and for your ideas on how to make Medicaid work better. We ask for your ideas in writing and also hope to meet with you. We look forward to working together to develop comprehensive and sustainable Medicaid reform.

Sincerely,



Fred Upton  
Chairman  
U.S. House of Representatives  
Committee on Energy and Commerce



Orrin Hatch  
Ranking Member  
U.S. Senate  
Committee on Finance