



OFFICE OF THE GOVERNOR

June 27, 2011

The President
The White House
Washington, DC 20500

Dear Mr. President:

I write to object strongly to two Medicaid budget reduction proposals under consideration by your administration: (1) curtailing or eliminating Medicaid provider taxes; and (2) creating a single, or blended, federal matching rate for Medicaid and the Children's Health Insurance Program (CHIP) with a resulting reduction in federal financial participation.

Provider taxes are a critical source of revenue used by California and the majority of states to help meet ever-growing Medicaid costs. This revenue is essential to compensate for the significant cost-control constraints imposed by federal maintenance-of-effort provisions, mandatory eligibility and benefits requirements, and mandatory cost-based reimbursement for some providers. We are further constrained by ever-present litigation that challenges our reductions to provider payment rates and optional benefits.

The proposal to create a blended federal matching rate for Medicaid and CHIP cannot achieve the planned savings without a blatant cost shift to states. California is already disadvantaged by the current Medicaid matching rate based on per capita income that does not account for the significant percentage of Californians living in poverty. We will be further disadvantaged under the Medicaid expansions mandated under the Affordable Care Act because we will get no credit for our leadership on previous Medicaid eligibility expansions. And despite operating one of the most cost-efficient Medicaid programs in the nation, California continues to struggle under the current Medicaid funding formula. We simply cannot sustain further reductions in federal support.

California has enacted huge and extraordinarily painful spending cuts to close our multi-billion dollar budget gap. We did our part to reduce state and federal Medicaid spending by eliminating optional benefits, reducing provider payments and requiring beneficiary cost sharing. However, none of our requests to implement these actions has yet been acted on by your administration.

President Obama

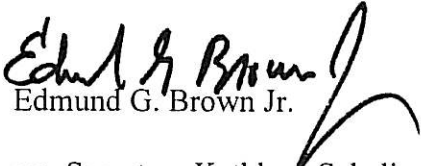
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The Medicaid reduction proposals you are now considering would not only cripple California's Medicaid program but would have disastrous ramifications for education, public safety and other critical state programs.

I thoroughly understand the need to address deficits at the state and federal level, but these proposals to shift several billion dollars in Medicaid costs to California would be devastating and would clearly move us in the wrong direction.

Respectfully yours,


Edmund G. Brown Jr.

cc: Secretary Kathleen Sebelius