



April 11, 2006

Secretary Michael Leavitt  
Department of Health and Human Services  
200 Independence Ave., S.W.  
Room 615-F  
Washington, DC 20201

Dear Secretary Leavitt:

We are writing to express the deep interest and concern shared by the National Association of Counties (NACo) and the National Association of County Behavioral Health and Developmental Disability Directors (NACBHD) over potential changes the U.S. Department of Health and Human Services is considering regarding the Medicaid Rehabilitation Option.

The National Association of Counties (NACo) has a membership of more than 2,000 counties, representing over 80 percent of the nation's population. NACBHD, an affiliate of NACo, is comprised of county/city government officials and locally based authorities charged with oversight and management of behavioral health and developmental disability services throughout the nation.

The fiscal year 2007 budget request for the Department proposes to save \$225 million in FY 2007, and \$2.3 billion over five years, as a result of "clarifications" regarding this Medicaid state plan service option. The NACo and NACBHD members urge you to share with us the proposed changes or guidance, prior to their adoption, so that we can provide input to your Department's consideration.

Locally based directors are, in most states, responsible for the front line of service delivery to over 70% of children and adults with the most serious mental illnesses and addictions, and to those who experience the onset of disabilities at birth or during childhood. Medicaid coverage is one of the foundation stones of access to community-based services for these vulnerable populations. Locally generated tax revenues are also used to support the non-federal share of Medicaid reimbursement, typically as certified public expenditures.

The critical role that Medicaid plays and the subsequent contribution made by county/city governments and other local authorities in financing systems of care for children and adults means that the NACo and NACBHD memberships – and more importantly our clients and communities - have a critical stake in the policy direction set for Medicaid.

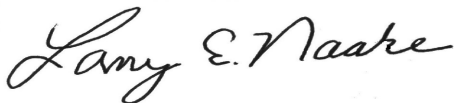
The Rehabilitation Option in state Medicaid programs provides access to critical community-based services, which not only enhances patient quality of life, but also reduces direct and indirect costs to the taxpayer. The availability of these services to low-income persons and those with disabilities helps reduce the need for costly emergency and inpatient services, as well as the cost of incarceration, homelessness, school truancy and foster care. The loss of access, which will result if coverage for community-based services is inappropriately limited, will force many of those most in need to rely on general hospitals and nursing homes for care especially since most states have permanently reduced inpatient capacity at state hospitals in response to changes in clinical practice. This will result in higher costs to Medicare and Medicaid, and less effective treatment for vulnerable citizens.

Furthermore, community-based services that reflect consumer needs and preferences are an important support for full community integration for those with disabilities. Access to consumer-driven, evidence-based community services is critical to a successful recovery for those who have mental illness. These are important goals of a transformed mental health system for America, as envisioned by the President's New Freedom Commission on Mental Health.

NACo and NACBHD urge you to assure that the Medicaid program remains a committed partner with state and local efforts to effectively serve children and adults with mental illness and developmental disabilities. We stand ready as an organization to work with HHS and the Center for Medicare and Medicaid Services to achieve regulatory clarity, including an expert-informed approach to defining medical necessity in community-based services, without undermining access to effective care for those in need.

Lastly, NACo and NACBHD would welcome the opportunity to engage with HHS to explore how the Medicaid approach to mental health treatment services could be re-imagined to more effectively support implementation of the President's New Freedom Commission's vision for mental health care. Providing state and local agencies with the ability to design more effective services under Medicaid will result in improved outcomes for Medicaid consumers' quality of life. Given the dramatic impact that mental illness has on the cost of physical health care for Medicare and Medicaid consumers, improved mental health treatment options have the potential to significantly reduce the cost of acute and long term care services for this population as well. Your leadership in pursuing this reform would be widely welcomed.

Sincerely,



Larry Naake, Executive Director  
NACo

Melissa Staats, President and CEO  
NACBHD

cc Mark McClellan, Administrator  
Charles Curie, Administrator  
Kathryn Power, Director  
Matt Salo, NGA  
Martha Roherty, Director