

April 28, 2008

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leader Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner:

The undersigned organizations representing the interests of children's health and welfare are very concerned that due to current state budgetary crises, millions of American children will have their health care coverage cut or eliminated, and other services and programs they need and rely on will suffer the same fate. As the economy continues to deteriorate and more states are thrown into fiscal distress, Medicaid will be a major target for cuts, even as need increases. In addition, administrative policy changes in Medicaid and under the State Children's Health Insurance Program (SCHIP) will further strain state Medicaid programs. The state fiscal crisis impacting Medicaid and the adverse impact of the recent Medicaid regulations and SCHIP policy require urgent congressional action.

The recession has caused a \$39 billion shortfall for the states, and the cuts now being proposed will hurt children. Therefore, it is urgent that you prevent his harm by **(1) providing states with fiscal relief by temporarily augmenting the current level of federal support for state Medicaid programs; (2) placing moratoria on all the recent Medicaid regulations; and (3) placing moratoria on the August 17, 2007 SCHIP administrative policy shift before more children lose the opportunity to receive needed preventive and medical care.**

Nearly all states are bound by state law to maintain balanced budgets; currently states are confronting a budget shortfall totaling nearly \$39 billion in fiscal year 2009. Because Medicaid spending represents 21.5% of states' total expenditures and is the largest component of state spending overall, many states are looking at drastic cuts in Medicaid, SCHIP, and other safety net programs. This will greatly harm children and their families. To address their state fiscal crises, governors and state legislatures are considering proposals – many of which are draconian which particularly impact children such as:

- In **Florida**, budget cutting proposals include more than 2,000 children with a cleft lip or palate losing their chance to have their birth defect repaired; loss of 71 child protection jobs even though child abuse and neglect reports increase during difficult economic times; cuts to the program that helps foster children transition to independent living when they turn 18; loss of 200 caseworkers who process food stamp and Medicaid applications which

will greatly slow down children receiving food and medical care; cutting school readiness programs, including child care and before and after school programs, which would result in 7,000 children losing child care; K-12 education cuts; college bound graduates would lose scholarships.

- In **California**, the governor has proposed cutting its Healthy Families SCHIP program, including increasing co-payments and premiums and limiting annual dental services for children; reducing payments to doctors who serve low-income children, which certainly will reduce access; a loss of \$787 per student in aid to K-12 education when reduced matching funds are included; cutting funding for child care assistance for low-income working families by \$198 million and reducing the frequency of unannounced licensing visits to inspect child care facilities from once every three years to only once every seven years; restricting Temporary Assistance for Needy Families (TANF) eligibility; reducing free and reduced price meal reimbursements for child nutrition programs.
- In **New York**, \$1 billion in health care cuts, largely by reducing Medicaid provider rates; rolling back increases to schools having the hardest time improving test scores; cutting funding for higher education.
- In **South Carolina**, eliminating coverage under SCHIP for children with incomes between 150% and 200% of poverty.
- In **Arizona**, cutting SCHIP eligibility from 200% to 175% of poverty, which would eliminate coverage for 19,000 children; cutting funding for primary care in community health centers by a third, eliminating funding for 33,000 visits by both children and adults; cutting \$228 million in K-12 funding formula; reducing eligibility for child care subsidies from 165% to 145% of poverty; reducing child care licensing staff that ensure that facilities meet basic health and safety standards.
- In **Rhode Island**, eliminating state funding that allows 400 children to participate in Head Start; ending TANF cash assistance to an estimated 3,400 poor children; eliminating health insurance subsidies for child care providers and ending the biennial increases in reimbursement rates paid to child care providers serving low-income children; cutting funding for higher education.
- In **Nevada**, capping the state's SCHIP program at the current number of enrollees and establishing a waiting list; eliminating health services for some pregnant women; reducing K-12 spending by delaying expansion of full-day kindergarten which would affect over 5,800 children; reducing per pupil spending by \$400 per student.
- In **Maine**, cutting 6,200 hours of safety planning and support services to victims of domestic violence and their children; cuts that mean children with cerebral palsy will lose medications, adaptive equipment and other necessities; cuts to higher education; Gov. Baldacci recently said, "The hardest thing I'm going to have to do is face foster care parents, disabled adults and children."

- In **Wisconsin**, officials are preparing to cut state Medicaid spending by 20% because of the budget crisis.
- In **New Jersey**, cutting funds for charity care in hospitals by 15% and imposing co-payments for Medicaid services.
- In **Minnesota**, the governor has proposed cuts in children's health care funding which means almost 30,000 Minnesota children will remain uninsured and not gain access to health coverage.

States must also respond to recent Department of Health and Human Services (HHS) regulatory actions over the past year that exacerbate the state budgetary crisis and will greatly harm children. The HHS regulations do not save Medicaid dollars but simply transfer significant federal Medicaid costs onto state budgets. Even in a healthy economy, these regulations would adversely affect state budgets. With our weakening economy, it is urgent that Congress delay the implementation of these regulations to maintain current long-standing policies of the federal-state Medicaid cost-sharing partnership.

While all the regulations weaken the Medicaid program and will shift federal costs onto the states, we are particularly concerned about the regulations that will harm children most directly. These include: 1) prohibiting federal Medicaid matching funds for rehabilitation services, including therapeutic foster care which states now use as an alternative to institutional placements for these children; 2) prohibiting federal Medicaid payments for all administrative activities performed by schools, including school nurses, and for specialized transportation for Medicaid-eligible children; 3) restricting access to case management and targeted case management services, including prohibiting child welfare agencies and their contractors from serving as Medicaid case managers and restricting school-based case management services for some children with disabilities; and 4) cutting federal Medicaid funds to public safety-net and teaching hospitals. **We urge Congress to pass moratoria on all the recent Medicaid regulations.**

When HHS issued a directive last August on SCHIP, our economy was not in a recession. The so-called "August 17 directive" sets up a number of hurdles for states already covering or planning to expand health insurance coverage for lower-income children. This policy shift did not go through standard rule making procedures and has significant policy implications for 23 states. In the few short months since it was issued, the August 17 directive has caused thousands of uninsured children to lose coverage their state determined they needed. Tens of thousands more are at risk as states comply with the new policy. With states in fiscal crises, now is not the time to deprive uninsured children of health care coverage. **We urge you to place a moratorium on the August 17, 2007 SCHIP administrative policy shift before more children lose the opportunity to receive needed preventive and medical care.**

State fiscal relief is additionally required to avert the drastic cuts states are considering to Medicaid due to state budget shortfalls. Just as you acted quickly to pass an initial economic stimulus package, **we urge you to act expeditiously again to provide states with fiscal relief by temporarily augmenting the current level of federal support for state Medicaid programs.**

When Congress provided states with temporary fiscal relief in 2003, the infusion of new federal Medicaid dollars into state economies had a significant positive effect on states' business activity and wages. For each dollar of cost, state aid generated \$1.36 of positive economic activity. Temporarily raising federal Medicaid match rates is a targeted, temporary, quick and proven economic stimulus which would stimulate the economy and help prevent states from taking actions that would jeopardize the health care and other programs and services millions of America's children need.

We thank you for considering our views as you move forward to protect Medicaid, SCHIP, and the millions of low-income children who rely on these health care programs.

Sincerely,

AFL-CIO
American Academy of Pediatrics
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers (AFT)
American Music Therapy Association
American Occupational Therapy Association
American Physical Therapy Association
The Arc
Association of University Centers on Disabilities (AUCD)
Bazelon Center for Mental Health Law
Child Welfare League of America
Children's Defense Fund
Coalition on Human Needs
Easter Seals
Families USA
NASDSE
National Alliance on Mental Illness
National Association of Social Workers
National Down Syndrome Congress
Service Employees International Union
United Cerebral Palsy
United Spinal Association
YWCA USA