

United States Senate
WASHINGTON, DC 20510

September 23, 2008

The Honorable Michael O. Leavitt
Secretary
Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Leavitt,

We write concerning the State of Rhode Island's proposal for a federal global Medicaid waiver, submitted to the Centers for Medicare and Medicaid Services (CMS) on August 8, 2008. It is our understanding that the proposal replaces the well-established federal commitment to match state spending on an as-needed basis with a fixed cap on federal contributions. This new arrangement would fundamentally alter the nature of the Medicaid program's 43-year federal-state partnership.

While we recognize that the proposal is not yet final at the present time, we have significant concern about this proposed funding arrangement. Significant shortfalls may emerge if enrollment or health care costs grow faster than projected due to a prolonged economic downturn, further erosion in employer-based coverage, an epidemic, a natural disaster, or legislation that expands coverage of mandatory populations or benefits. Under any of these circumstances, Rhode Island would be forced either to bear the full cost above the cap, or to cut benefits, eligibility, or payments to providers. Considering the dire fiscal situation that led the State to seek this waiver in the first place, we have little doubt that Rhode Island would be forced into the latter option.

What is more, there is nothing we see in the proposal to prevent the State from front-loading the federal contribution – which it is likely to do to cover a shortfall – and emptying the federal pool of dollars before the end of the waiver. Again, the State would be left without the funding to provide health insurance to those in need.

Finally, we continue to be extremely troubled by the lack of transparency in the Department's procedure and the seemingly hurried process for public review and comment. Rhode Island's proposal is unprecedented, and therefore requires careful review and consideration. The waiver contains sweeping authority to revise eligibility, benefits and cost-sharing, and to establish waiting lists, but the details are almost entirely unspecified. In our view, this omission inhibits meaningful review, and we urge you to seek additional details and schedules from the State further defining the proposal.

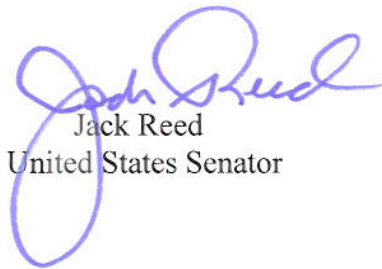
Since it was enacted by Congress in 1965, the Medicaid program has provided a critical health care safety net for seniors, persons with disabilities, and thousands of low-income families. With the ongoing economic downturn and erosion in employer-based coverage, this safety net is more

important than ever. Moreover, providing health care to people when they need it reduces costs to families, businesses, and the government in the future.

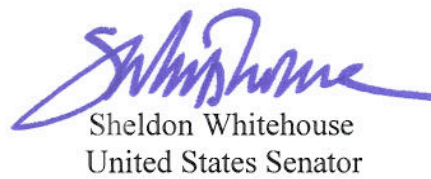
Going forward, we ask that you keep us apprised of the progress of the negotiation on the waiver. In particular, we request that you inform us when CMS will send the State a Request for Additional Information (RAI), and we request a briefing after CMS has received the State's response to the RAI and prior to approval of the proposal.

In a preliminary briefing for staff on September 17, CMS indicated that it was considering convening public meetings on waiver proposals in its regional offices, in an effort to improve the transparency of the negotiation process. We think that this is a positive development, and request such a meeting for interested Rhode Islanders after CMS has received the State's response to the RAI and prior to approval of the proposal.

Sincerely,



Jack Reed
United States Senator



Sheldon Whitehouse
United States Senator