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Medicaid - State
Numbers

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

August 11, 1993

MEMORANDUM TO: Christine Varney
Cabinet Secretary

FROM: Kevin Thurm
Chief of Staff

REGARDING: President Clinton's Meeting with the National Governors' Association on August 16, 1993.

During the President's meeting with the National Governors' Association (NGA), issues may be raised regarding programs of the Department of Health and Human Services (HHS), particularly Medicaid and Aid to Families with Dependent Children (AFDC).

Attached you will find materials prepared to assist the President and White House staff in responding to inquiries, including a background memorandum describing major NGA issues before HHS (Tab A), and status reports on each Medicaid and AFDC waiver currently under consideration by HHS (Tabs B).

During the week of August 9th, Secretary Shalala will send a status report to each governor who has submitted a major waiver proposal to the Department (Tab C), and will transmit to all governors a letter updating them on efforts undertaken at HHS since the Inauguration to improve the Department's relationship with the states (Tab D).

Here are several major HHS developments on issues important to the states:

- In close consultation with the NGA and state Medicaid directors, HHS is planning to issue for the first time a statement of principles to guide consideration of major Medicaid and AFDC reform proposals. The consultations were concluded, as promised, within 90 days of the HCFA Administrator's appointment. **Please note, NGA has given staff level signoff on the new policy, but we are waiting for official NGA organizational endorsement.** Key features:

  - Budget neutrality will be measured over the life of the project, not on an annual basis.
  - Review process will be greatly expedited.
  - Greater flexibility in the types of proposals to be considered, project length, and evaluation design.
  - Reduced barriers to providing home and community-based long-term care under Medicaid, e.g., repeal of the "cold bed" rule.
  - Increased flexibility on managed care waivers.

- Secretary Shalala has granted several major waivers since January, has expedited the review process for all Medicaid and AFDC waivers and other administrative program changes, and has made HHS more "user friendly" to states (Tabs E and F). For example HHS has:

- Approved the Oregon health reform plan in April, which had languished for more than 16 months under the previous Administration.
- Approved Vermont's welfare reform plan in April, which was received in late October 1992.
- Approved Hawaii's health reform proposal in less than 90 days.
- Approved Iowa's welfare reform plan, received on April 29th, the week of August 9th.

- HHS substantially eased Medicaid regulations relating to provider taxes and disproportionate share hospital payments (Tab G). Key features:

  - Permits growth for low-DSH payment states.
  - Expands the classes of providers that could be subject to taxation.
  - Clarifies that HCFA will not look behind permissible taxes that are at or below 6 percent of provider revenue for purposes of applying the 75/75 "hold-harmless" test.

In addition, we would urge caution on several matters that may be raised at the NGA meeting:

- Comments regarding the outcome of particular waiver requests could be problematic. Instead, governors can be assured that all waiver submissions will be reviewed as expeditiously as possible.

- The Secretary's waiver authority for major health and welfare initiatives is limited to projects that are legitimate, time-limited, budget-neutral experiments that include meaningful evaluations. This understanding was reflected in the NGA/HHS waiver discussions.

- Cost estimation of all types of waiver proposals must be rigorous in order to control federal expenditures and to prevent cost-shifting by states.

- Emergency Assistance (EA) program funding to states. We are extremely concerned about a steady trend by states to shift costs to the EA program and strongly recommend against making state specific comments on this issue.

The President may wish to:

- express appreciation to the governors for the time, effort, and creativity NGA and state staffs have devoted to achieving so much progress in such a brief period;

- commit the Department to continuing and broadening these discussions; and

- encourage the governors to give these changes a reasonable trial, providing feedback to HHS on successes and limitations.

Attachments