

IAB D - ACCOMPLISHMENTS
LETTER TO ALL GOVERNORS



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

Honorable Jim Folsom, Jr.
Governor of Alabama
State Capitol
Montgomery, Alabama 36130-0001

Dear Governor Folsom:

Strengthening the relationship between the states and the Department of Health and Human Services is one of my highest priorities as Secretary. So much of what we do depends upon building a strong and creative partnership with states so that our joint programs operate more efficiently and effectively for the people we all serve.

As a former Governor, President Clinton personally understands the important role that states play in our health and human services programs. As part of his commitment to maintaining and strengthening that role, he has asked the Department of Health and Human Services (HHS) to forge a strong bond with state governments in a variety of areas, including reform of the waiver process.

I am pleased to report that we have made progress in our first seven months. Let me take this opportunity to provide a brief update on several items which may be of interest:

Medicaid and AFDC Waiver Processes: In keeping with the President's promise to the governors earlier this year, we are moving quickly to make more "user friendly" the Medicaid and Aid to Families with Dependent Children (AFDC) waiver processes established by the Social Security Act. We have worked closely with representatives of the National Governors' Association and other organizations, including the National Conference of State Legislatures, in developing, for the first time, a statement of principles to guide consideration of major Medicaid and AFDC research and demonstration proposals. Among the changes we plan to make are:

- o substantially increasing early consultation with and technical assistance to states to help them in designing and developing waiver proposals;
- o assessing cost neutrality over the life of the proposed demonstration program instead of year by year;

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- o approving waivers to test the same or related policy considerations in more than one state;
- o speeding up the review and decision process through concurrent, rather than sequential, review of waivers.
- o considering joint Medicaid-Medicare waivers, as well as joint AFDC-Medicaid waivers.

In addition, we expect to implement improvements to the Medicaid Home and Community-Based Service and Freedom of Choice waiver programs to further simplify the application and approval process.

Medicaid Provider Taxes and Disproportionate Share Hospital Payments: At his meeting with governors at the NGA Winter Meeting in February, the President directed HHS and our Health Care Financing Administration (HCFA) to reopen discussions with NGA regarding the Department's provider tax and disproportionate share hospital (DSH) payment regulations. These discussions, which concluded in May, have led to new regulations, to be published in the Federal Register on August 13, which in part:

- o provide for growth in allotments for low-DSH states;
- o add additional classes of health care providers and services on which a state may impose permissible taxes; and
- o clarify that HCFA will not apply the 75/75 "hold harmless" test to taxes that are at or below 6 percent of provider revenue.

Welfare Reform: As you may know, President Clinton has created an interagency Working Group on Welfare Reform, Family Support and Independence, co-chaired by senior White House and HHS staff. Although the Working Group is primarily focused upon gathering information at this time, it has already begun discussions with the NGA and other organizations representing state and local government officials. The Working Group is also committed to actively soliciting state input throughout the policy development process.

Midwest Flood Relief: Over the past several weeks, the relationship between the federal government and states has become even more important as we have worked together to respond to the Midwest flood crisis. I accompanied the President to Missouri recently to meet with governors and learn first-hand how my Department could help with the recovery. Like other federal agencies, HHS has been providing substantial assistance to the flood-affected areas, including extensive support to state and local health departments by our Public Health Service. Our

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Social Security Administration has worked with the U.S. Postal Service to ensure that Social Security checks continue to be delivered promptly and efficiently. We will continue to assist these states in whatever way we can during the weeks and months ahead.

I hope these accomplishments encourage you as much as they do me about the future of the state-federal partnership. Clearly, there is much more to be done to address the major health and human services issues facing our nation. Yet I believe the foundation of cooperation and trust that we are striving so hard to build will serve us well in meeting these future challenges. If there is any way I can be of assistance, please call on me. I look forward to working with you during the rest of this Administration as we meet those challenges.

Best wishes on your NGA Annual Meeting in Tulsa.

Sincerely,

Donna E. Shalala