



National Association of State Medicaid Directors

an affiliate of the American Public Human Services Association

June 16, 2009

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Dear Chairman Baucus,

On behalf of the National Association of State Medicaid Directors (NASMD) I am writing to urge you to support extending Section 6051(b)(2) of the Deficit Reduction Act (DRA) of 2005, which provides continuing authority for certain states to tax managed care organizations (MCOs) for purposes of Medicaid financing. This policy applies to eight states that were utilizing a Medicaid MCO provider tax on December 8, 2005. We respectfully request a two-year extension of the grandfather provision to allow states more time to develop alternative financing arrangements.

In 2005, the DRA limited future use of the Medicaid MCO provider tax by requiring that states apply the assessment broadly to revenue generated by all health plans, including commercial MCOs. In the past, the MCO tax could be applied only to revenue generated by Medicaid MCOs. Recognizing the severe impact this change would have on the eight states that were utilizing the tax - California, Georgia, Kentucky, Michigan, Missouri, Ohio, Oregon, and Pennsylvania - the new requirement was delayed for these states until October 1, 2009.

Despite earnest attempts to replace the funding, at least seven of these states have been unable to find a state approved alternative financing stream to replace the Medicaid MCO tax revenue. On October 1, 2009, the remaining seven states are poised to lose \$1.8 billion collectively due to the expiration of this provision. Coming at a time when state budgets are already facing substantial budget shortfalls, we are concerned this loss in Medicaid funding will have a negative impact on the health of low-income pregnant women, children, seniors and disabled residents in our states. Therefore, we respectfully request a two-year extension of the grandfather provision to allow the impacted states

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additional time to consider alternatives and to work with the Centers for Medicare and Medicaid Services to gain approval of replacement Medicaid funding mechanisms.

Thank you for your consideration. Should you have any questions please feel free to contact me at 202-682-0100 x299.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ann Clemency Kohler".

Ann Clemency Kohler
NASMD Director

cc: Cindy Mann
Jackie Garner