



# OFFICES OF THE GOVERNORS

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CALIFORNIA

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NEW YORK

August 29, 2007

The President  
The White House  
Washington, DC 20500

Dear Mr. President,

The federal Centers for Medicare and Medicaid Services (CMS) is proposing new rules that will set Medicaid and state programs back forty years. These rules, which are being promulgated without proper review, impose eligibility standards that would both deny health care to vulnerable children and pregnant women *and* greatly restrict the flexibility of states to reach your administration's stated goals of efficiently providing coverage. The rules must be withdrawn.

Since Medicaid's inception four decades ago, states and the federal government have worked as partners to help provide health care for those who do not have access to affordable coverage or who have chronic diseases.

California and New York cover more than 1.4 million children and pregnant women using State Children's Health Insurance Program (SCHIP) funds – nearly one out of every four SCHIP recipients in the country. We have a long and productive relationship with CMS in leveraging SCHIP to innovatively provide maximum benefit with minimum resources.

We agree with your push for states to be a force for change in the delivery of health care to tens of millions of our fellow Americans who remain without meaningful coverage. But as you rally governors to do more to help fix our broken health care system, your administration has repeatedly modified existing Medicaid and SCHIP rules, harming states' capacity to help you achieve our shared objectives.

The recently proposed SCHIP rules will reverse longstanding agreements with the states and *reduce* the number of children who receive health care. We strongly urge you to reconsider these recent policy changes, which simply diminish state flexibility.

We agree with your administration's goal of trying to deter families from dropping private coverage in favor of SCHIP, which is why most states have adopted reasonable waiting periods with limited exceptions for involuntary loss of coverage. But the rules proposed by CMS would install thresholds that are impossible to meet for nearly every state and impose a one-size-fits-all solution to a dynamic and complex problem. As examples, the CMS SCHIP rules would:

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- Require children to go without coverage for a full year. This is an incredibly harsh standard inconsistent with the goal of getting uninsured children health care they need. CMS will allow no exceptions. Thus, even if a parent dies or loses their job, a child must wait twelve months before she can apply for affordable health insurance under SCHIP.
- Ban state SCHIP expansion unless there has been less than a 2 percent decline in employer-sponsored insurance. This fails to recognize that employer-based coverage is declining for lower income families, but not because public coverage is available for children.
- Levy a costly administrative burden. One rule would require cost-sharing to be established on a family-by-family basis. Another requires enrollment of 95 percent of eligible children under 200 percent of the federal poverty level. While we are committed to enrolling all eligible children, achieving a standard of 95 percent is virtually impossible. This is not a static population, and there is no valid way to measure this standard.

The administration should maintain the innovative responsibility granted to governors under SCHIP, thereby continuing the enormous success of the program. Flexibility in benefit design and administration under SCHIP, as well as Medicaid, has improved efficiency and contributed to a one-third reduction in the rate of uninsured low-income children since 1997.

Millions of Americans, including some of the most vulnerable, have seen real help through SCHIP funding over the years. These rule changes would make it that much harder to help millions more. We ask that you carefully consider changes that would undermine an incredibly valuable program, and we stand ready if California and New York can be of any assistance.

Sincerely,



Governor Arnold Schwarzenegger



Governor Eliot Spitzer