

March 9, 2011

Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
200 Independence Avenue
Washington DC, 20201

Dear Secretary Sebelius:

Kansas faces huge challenges in its Medicaid program that require swift and effective policy changes to continue serving the most needy in our state. Kansans have many innovative solutions to better serve the medical needs of the disabled, the elderly, and the needy, but they will be blocked and slowed down by the traditional federal Medicaid approval process. We need to address all aspects of Medicaid—eligibility, benefits, administrative structure, and regulations. In addition, Kansas faces a large and growing budget deficit due in large part to the growing costs of Medicaid. Therefore, I am asking you and your team to provide maximum flexibility for Kansas with a global block grant for Medicaid and a complete waiver of the Maintenance of Effort (MOE) requirements.

Kansas has a proud history of responsibly and creatively meeting the health needs of children, the elderly, the disabled and the poor. We have used the flexibility available in Medicaid to their benefit, rising into the top tier of programs around the country on several key measures. However, with the permanent extension of the Medicaid MOE requirements in the Patient Protection and Affordable Care Act, Kansas' progressive approach may be penalized and our flexibility to meet the needs of our citizens stripped.

In Kansas from 2002-2008, Kansas Medicaid spending grew 33%, from \$1.8 billion to \$2.4 billion, while the number of Kansans enrolled in Medicaid increased 25%, from 234,000 to 293,000. This occurred as Kansas tax revenues remained strong. Since the maintenance of effort went into effect in 2008 - 2010, enrollment grew nearly 18% to 345,000 and spending will reach nearly \$2.8 billion, an almost 17% increase. These numbers are not sustainable in the world of balancing state budgets.

In the new FY 2012 budget I submitted last month, I proposed to increase Medicaid spending by \$265 million to a total of \$1.14 billion in state funds, cutting and borrowing nearly a half billion to sustain Medicaid for one more year. This would provide Kansas the time to completely rewrite its Medicaid program to better serve the needy and maintain fiscal responsibility. However, that one-time borrowing cannot be repeated, and we face deficits of more than half a billion dollars largely due to continued increases in Medicaid.

Given the unyielding budget constraints we face, we have no choice but to make significant changes in Kansas' Medicaid program. Yet an over-reaching federal MOE will lock Kansas into an out-of-date, oversized, and unaffordable program. Most concerning to me is that the huge increases render the MOE standard

unachievable, threatening the loss of the Medicaid program for vulnerable Kansans who are already in the program. This is an unsustainable path, and I believe there are workable alternatives.

I acknowledge the offer you have made to me and my counterparts around the country to help identify savings opportunities and maximize flexibility in the Medicaid program. My staff has followed up with yours and we will take full advantage of this offer. I am convinced, though, that the accumulation of 45 years of rules and limitations in Title 19 of the Social Security Act, culminating in the new MOE, is too great a hurdle.

For this reason, I am asking for your commitment to work with Kansas as we develop a global waiver to establish a more efficient, effective, and sustainable Medicaid program in the state of Kansas through a global block grant and a waiver of the maintenance of effort requirement.

Kansans have embraced the responsibilities associated with providing health care to the Medicaid population. To succeed in meeting those obligations in the future, we will need the kind of meaningful flexibility that only a block grant and relief from the maintenance of effort requirements can provide. With that flexibility, our state will be able to provide superior service to our neediest citizens.

Sincerely,

A handwritten signature in black ink that reads "Sam Brownback". The signature is written in a cursive, slightly slanted style.

Sam Brownback
Governor of Kansas