



July 18, 2019

The Honorable Seema Verma  
 Administrator  
 Centers for Medicare & Medicaid Services  
 Department of Health and Human Services  
 P.O. Box 8016  
 Baltimore, MD 21244-1850

Dear Administrator Verma:

The undersigned organizations represent more than one hundred million Americans living with chronic or serious health conditions, including many who rely on Medicaid as their primary source of healthcare coverage. Together and separately, our non-profit, non-partisan organizations are dedicated to working with the Administration, Members of Congress and State Governments on a bipartisan basis to ensure coverage is affordable, accessible and adequate for the patients we represent.

The purpose of Medicaid is to provide healthcare for low-income individuals and families. Over the last two and a half years, many of our organizations have reached out to you regarding our concerns with policies included in the Administration’s guidance to states and approvals of Section 1115 demonstration waivers that would create substantial barriers to care for patients and families, including the work and community engagement requirements outlined in your letter to state Medicaid directors in January 2018.<sup>1</sup> We write to you today to express our strong opposition to policies that would encourage, invite or allow states to apply for block grants or per

capita caps for their Medicaid programs.

Per capita caps and block grants are designed to reduce federal funding for Medicaid, forcing states to either make up the difference with their own funds or make cuts to their programs that would reduce access to care for the patients we represent. With support from the Centers for Medicare and Medicaid Services (CMS), states like Utah and Tennessee are already moving forward with deeply troubling proposals in anticipation of new federal guidance promoting such capped financing arrangements. While still lacking many key details, these proposals confirm that some states are actively working to pursue policies such as enrollment caps and changes to prescription drug benefits as part of block grant or per capita cap proposals.

The effects of these cuts are very serious for the patients we represent. States under a block grant or per capita cap would struggle to respond to changes in standards of care, such as the development of a ground-breaking but expensive treatment, and would have a greater incentive to impose additional barriers for treatments to manage their overall costs. Our communities have already had experiences, some dire, in which Medicaid programs have denied patients needed therapies because of budget constraints. Additionally, per capita caps and block grants would cut Medicaid most deeply when the need is greatest, as these financing structures do not protect either states or patients from financial risk as the result of an economic downturn or other unexpected event. As the gap between the capped allotment and actual costs of patient care increases over time, states will likely limit enrollment, reduce benefits, lower provider payments or increase cost-sharing for patients.

Moving to a block grant or per capita cap would also have widespread negative impacts on state economies. Cuts to Medicaid will not only impact those enrolled, but the entire healthcare system, as many critical healthcare entities, such as children's hospitals, rely on Medicaid financing for their financial stability. The Affordable Care Act's Medicaid expansion has led to significant reductions in uncompensated care costs and reduced the likelihood of hospital closures, especially in rural areas – progress that could be lost under block grant and per capita cap policies.<sup>2,3</sup> Our organizations are concerned that CMS has not adequately considered these negative impacts.

Finally, our organizations believe that the Administration does not have the authority to allow states to implement block grants or per capita caps through the 1115 waiver process. The Secretary is not permitted to waive Sections 1903 and 1905, where the financing structure of the Medicaid program is located, through these types of waivers.<sup>4</sup> Such a change would require congressional authority, yet Congress has repeatedly declined to pass legislation on this issue, most recently during the debate over repealing and replacing the Affordable Care Act in 2017.

Simply put, block grants and per capita caps will reduce access to quality and affordable healthcare for patients with serious and chronic health conditions and are therefore unacceptable to our organizations. We would appreciate the opportunity to meet with you to discuss these concerns and how we can work together to improve coverage in the Medicaid program. Erika Sward with the American Lung Association will follow-up with your office shortly regarding scheduling.

Sincerely,

Alpha-1 Foundation  
ALS Association  
American Cancer Society Cancer Action Network  
American Diabetes Association  
American Heart Association  
American Liver Foundation  
American Lung Association  
Arthritis Foundation  
Chronic Disease Coalition  
COPD Foundation  
Cystic Fibrosis Foundation  
Epilepsy Foundation  
Family Voices  
Hemophilia Federation of America  
Leukemia and Lymphoma Society  
Lutheran Services in America  
March of Dimes  
Muscular Dystrophy Association  
National Alliance on Mental Illness  
National Coalition for Cancer Survivorship  
National Hemophilia Foundation  
National Multiple Sclerosis Society  
National Organization for Rare Disorders  
National Patient Advocate Foundation  
Pulmonary Hypertension Association  
Susan G. Komen  
United Way Worldwide

CC: The Honorable Alex Azar, Secretary  
Department of Health and Human Services

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<sup>1</sup> Letter to Administrator Verma Re: Work Requirement Policies, May 14, 2018, Available at <http://www.lung.org/assets/documents/advocacy-archive/letter-to-cms-admin-re-medicare-work-req.pdf>; Letter to Administrator Verma Re: Kentucky Decision, July 24, 2018, Available at:

<https://www.lung.org/assets/documents/advocacy-archive/partners-letter-to-cms-re-ky-1115-decision.pdf>.

<sup>2</sup> Larisa Antonisse, Rachel Garfield, Robin Rudowitz and Samantha Artiga. The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review. Kaiser Family Foundation, March 28, 2018. Available at: <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicare-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>

<sup>3</sup> Richard Lindrooth, Marcelo Perraiillon, Rose Hardy, and Gregory Tung, Understanding the Relationship Between Medicaid Expansions and Hospital Closures, Health Affairs 27, no. 1, January 2018. Available at <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2017.0976>.

<sup>4</sup> Joan Alker. Pending CMS Guidance on Medicaid Block Grants: Executive Overreach Strikes Again. Georgetown University Center for Children and Families. June 27, 2019. Available at: <https://ccf.georgetown.edu/2019/06/27/pending-cms-guidance-on-medicare-block-grants-executive-overreach-strikes-again/>.