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July 15, 2011

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable John Boehner  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

Dear Senator Reid, Senator McConnell, Speaker Boehner, and Leader Pelosi:

I write to urge Congress to raise the statutory borrowing limit immediately so that the United States Treasury can fulfill its financial obligations. As you know, these obligations include interest payments to U.S. bondholders; payments to Social Security recipients; salary and wages for U.S. military personnel; and Medicaid payments. Massachusetts draws down over \$200 million in federal reimbursements weekly for programs ranging from Medicaid to food assistance. Failure by the U.S. government to meet its obligations to the Commonwealth for even a short period of time could create a serious state cash flow issue. As demonstrated in the latest jobs report, state governments are still reeling from the recession and can ill afford to bear the brunt of such a preventable crisis.

While it is imperative that Congress provide Treasury with the authority to pay our current obligations immediately, it is also necessary for the federal government to get serious about reducing our nation's future obligations. Even so, the means are just as important as the ends.

I understand that you are considering reducing funding for entitlement programs – particularly Medicaid and Medicare – as a means to reduce the deficit. Specifically, I understand that you may be considering eliminating state healthcare provider assessments and revising the federal matching rate for Medicaid and CHIP in a way that would provide less federal funding than under current law. A prohibition on provider assessments would be an infringement on the authority of states to levy taxes and would cause Massachusetts to lose \$400 million of annual revenue. This would seriously threaten the ability of Massachusetts (and the 45 other states that rely on these assessments) to finance our Medicaid program.

Similarly, proposals that would lessen the proportion of Medicaid expenditures covered by the federal government under the auspices of administrative simplification would directly increase the proportion of Medicaid expenditures covered by states. Like the provider tax prohibition, this proposal fails to meet the goal of improving the government's fiscal position at every level, ignores the root causes of system wide health care spending growth, and would simply shift costs to states. Right now, 33 states are projecting a cumulative budget gap of \$75.1 billion or more in FY2012. We are in no position to absorb direct Medicaid cost shifts from the federal balance sheet onto ours.

One additional area of great concern is proposed Medicare reductions in funding for graduate medical education. At a time of significant physician shortages, proposed cuts to Medicare graduate medical education will undermine much of the progress we have made here in Massachusetts and hope to make nationally. Support for medical education has never been more critical and I urge you to resist cuts in this area.

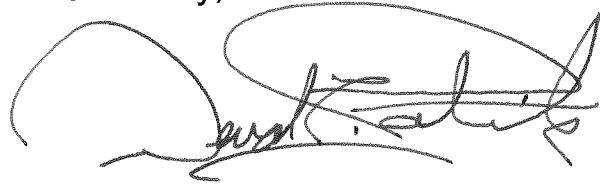
Instead of simply reducing all Medicaid and Medicare spending, Congress should focus its efforts on partnering with states to deliver better, less expensive care to the highest cost patient populations. For example, dual eligibles account for 40% of Medicaid's national spending even though they only make up 15% of its members. Massachusetts is currently engaged in a demonstration program with CMS which integrates the delivery of care for dual eligibles which we estimate will save Medicaid \$80 million in the first year of the program. I am encouraged that just last week Secretary Sebelius announced two new programs to help states coordinate care among the dual eligible population. Greater coordination between the federal government and the states will reduce both Medicare and Medicaid spending on this population (which is currently \$300 billion annually) without negatively impacting beneficiaries or benefits.

Congress could also work with states on payment reform strategies aimed at curtailing health care cost growth due to preventable complications and hospital readmissions. Potentially preventable hospitalizations accounted for nearly 13% of adult inpatient admissions in Massachusetts in FY08, accounting for \$639 million in health care costs. A recent study in California and Maryland found that 64 specific preventable events account for more than 9% of total inpatient hospital cost – which, if extrapolated, translates to \$88 billion dollars nationally spent on the cost of potentially preventable complications. Federal and state spending on preventable complications and readmissions is wasteful spending that increases costs and rewards harmful health outcomes. Congress should partner with states to recalibrate Medicaid and Medicare payments in such a way that would decrease payments to all health care organizations that on a risk adjusted basis have higher than expected rates of potentially avoidable readmissions and complications. It is estimated that enacting such payment reforms could potentially save the federal government more than \$100 billion over 10 years.

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As Governor, I have to make tough choices to balance my budget every year and so I know that the task before you is not an easy one. I encourage you to meet the challenge by raising the debt limit as soon as possible and to work with Governors to enact healthcare spending reforms that reduce the deficit while preserving the safety net.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Walby". The signature is written in a cursive style with a large, sweeping initial "M" and a long, horizontal flourish extending to the right.

cc: President Barack Obama  
Vice President Joseph Biden  
Health and Human Services Secretary Kathleen Sebelius