



American Academy of Family Physicians

March 15, 2007

The Honorable Leslie V. Norwalk
Acting Administrator
Centers for Medicare and Medicaid Services (CMS)
Department of Health and Human Services
Attention: CMS-2258-P
P.O. Box 8017
Baltimore, MD 21244-8017

Dear Ms. Norwalk:

I am writing on behalf of the American Academy of Family Physicians, which represents more than 93,800 family physicians, family medicine residents, and medical students nationwide. Specifically, I am writing to offer our comments on the proposed rule "Medicaid Program; Cost Limit for Providers Operated by Units of Government and Provisions To Ensure the Integrity of Federal-State Financial Partnership," as published in the *Federal Register* on January 18, 2007.

CMS indicates that this NPRM addresses a number of key Medicaid financing issues. CMS states that the proposed rule seeks to ensure that statutory requirements within the Medicaid program are met. The proposed rule: (1) reiterates that only units of government are able to participate in the financing of the non-Federal share of Medicaid payments; (2) establishes minimum requirements for documenting cost when using a certified public expenditure; (3) limits providers operated by units of government to reimbursement that does not exceed the cost of providing covered services to eligible Medicaid recipients; (4) provides that providers receive and retain the total computable amount of their Medicaid payments; and (5) makes appropriate conforming changes to the State Child Health Insurance Program (SCHIP) regulations.

The regulation seeks to redefine three types of Medicaid financing mechanisms: intergovernmental transfers; certified public expenditures; and the use of state and local tax revenue.

We are disappointed that CMS chose to issue this new rule on the heels of the *Deficit Reduction Act of 2005 (DRA)*. The various and sundry changes to Medicaid contained in the DRA still are being implemented by the states, District of Columbia and U.S. insular areas participating in the program. Implementation of this rule would pose an undue financial burden on states while they are in the midst of reorganizing programs designed to support the sickest and poorest of this nation as a result of DRA requirements.

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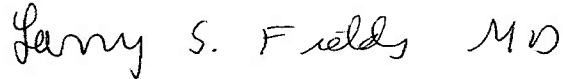
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Such a large cost shift to the states, at this time, will hamper state efforts to expand access to care for all children qualifying for Medicaid and SCHIP, as well as threaten access to, and quality of, care to disabled, chronically ill, and elderly confined to nursing facilities. Community health centers, the backbone of care to the medically disenfranchised, as well as local, regional and state hospitals all will be hurt by implementation of this rule during the midst of significant state reorganization of Medicaid due to new federal requirements.

We hope CMS will allow states to implement changes to Medicaid both authorized and mandated under the DRA before making such a significant alteration to established state health care financing practices. Family physicians share CMS' goal of clear and fair funding of Medicaid for all states and territories. However, the proposed rule will have an adverse effect on the most vulnerable patients.

In closing, we appreciate the opportunity to comment on this proposed regulation. As always, the American Academy of Family Physicians looks forward to working with CMS in its continued efforts to ensure access to care for our most vulnerable patients.

Sincerely,

Handwritten signature of Larry S. Fields MD in cursive script.

Larry S. Fields, MD, FAAFP
Board Chair

cc: Secretary Michael O. Leavitt