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March 18, 2013

The Honorable Kathleen Sebelius
Secretary, US Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius:

Maine has worked diligently over these past months to understand exactly how the Affordable Care Act (ACA) will affect our state and our Medicaid program. Even as we move forward with compliance and implementation of non-optional portions of the law, many questions remain about the efficacy of Maine pursuing the optional Medicaid expansion under the ACA.

Ultimately, we must make the decision that is best for the people of Maine. While we share the common goal of increasing access to affordable health care, we have serious concerns about the sustainability of the Medicaid expansion as proposed.

Maine has seen its share of Medicaid costs grow exponentially in recent years. Maine's Medicaid enrollment has increased nearly 80% since 2002. We currently face a \$270 million hole in our two-year budget as a result of increased cost in the program and the latest reduction to the federal reimbursement rate of our existing Medicaid program. Our hospitals are owed \$484 million in unpaid Medicaid bills.

The uncertainties in funding and unsustainability create financial crisis in budgeting that hinder us from focusing our efforts where they should be—on improving the Medicaid program to be more efficient and providing better patient outcomes for our members. We truly believe that in order to provide high-quality health coverage we must reinvent our Medicaid program through innovations that ensure a patient-centered approach and hold providers and payors accountable for quality outcomes.

We are aggressively pursuing innovations that will transform our Medicaid program and address the underlying affordability issue. As you know, Maine was recently awarded a State Innovation Model grant to further support our efforts in this area. We appreciate the federal government partnering with us on these efforts and we look forward to continuing to work with regional staff and others on these reforms.

A new partnership between our state and the federal government like Medicaid expansion must include flexibility and the room to truly innovate. For Maine to consider expanding its Medicaid program, we would need to provide for our current populations under a more flexible structure, like a global waiver. This would provide us with the independence that is necessary to make holistic changes to our Medicaid program that would best serve Medicaid populations.

Maine is in a unique position as a result of our decision a decade ago to extend Medicaid coverage to the ACA's "newly eligible" populations. Unfortunately, by considering Maine an "expansion state," the federal government penalizes us for this previous generosity by offering less than 100% funding to cover the "newly eligible" populations that we chose to cover in the past.

The Honorable Kathleen Sebelius
March 18, 2013
Page Two

The reduced rate being offered to Maine creates a dismal financial reality. While some argue the state cannot afford to turn down the expansion of Medicaid, the simple truth is that by accepting a lower rate of federal funding than other states are being offered, Maine would continue down an unsustainable and unaffordable path. For the expansion of Medicaid to be a viable option to consider, we would need for this penalty to be lifted, creating parity between Maine and the non-expansion states with regards to the federal match rate.

Additionally, for expansion to be a plausible consideration, it would be essential to attain stable financial footing. With the addition of tens of thousands of new members under expansion, it would be critical to the success of our innovation and reform projects to have security while we work towards creating an improved Medicaid program. We believe that if the federal government funds 100% of our Medicaid costs for expansion populations for 10 years, we can put our Medicaid program on a track to succeed in the long term. Maine's last decade was marked by unsustainable growth in our Medicaid program, and our taxpayers have shouldered the burden of early expansion. We want the hallmark of the coming decade to be financial stability, with flexibility and innovation leading to affordable health care for the long term. Our taxpayers should be acknowledged, not penalized, for their generosity.

We are committed to improving our Medicaid program through innovative reforms to create better health care access for all Mainers. When you are able to provide us with the flexibility and finances required to support these efforts in an expansion environment, we will consider the expansion of Medicaid as a viable option for our state.

Sincerely,

Mary C. Mayhew
Commissioner

MCM/klv

cc: Senator Susan Collins
Senator Angus King
Representative Michael Michaud
Representative Chellie Pingree
Richard McGreal, CMS
Stefanie Nadeau, Maine DHHS