



March 10, 2017

The Honorable Kevin McCarthy
Majority Leader
U.S. House of Representatives
Rayburn House Office Building, Room 2421
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Cannon House Office Building, Room 233
Washington, DC 20515

RE: American Health Care Act – Please Do Not Cap Medicaid for Children

Dear Congressman McCarthy and Congresswoman Pelosi:

On behalf of the California Children's Hospital Association (CCHA), an organization committed to advancing the health and well-being of children, I am writing to express our concerns about the American Health Care Act (AHCA) and the negative impact this bill could have on California's children, and in particular, children with special health care needs.

California has more people living in poverty than any other state in the nation. As a result, over half of California's children -- nearly six million children -- receive health care through the state's Medicaid Program, called Medi-Cal. An estimated 9 percent of these children are disabled or suffer from chronic health conditions.

Under the AHCA, future federal funding for the program would be capped based on 2016 spending adjusted for medical inflation. Over time, the cap would create a large and growing funding shortfall to Medi-Cal, a program that has already undergone substantial belt-tightening over the last twenty years. It is important to note in this respect that California was one of the earliest states to adopt aggressive fiscal management techniques for Medicaid – including mandatory supplemental drug rebates for manufacturers, selective contracting and diagnostic related grouping (DRG) payment methodologies to hospitals, and mandatory enrollment in managed care for virtually all beneficiaries. The result is that California's per capita Medi-Cal expenditures are already some of the lowest in the country and provider reimbursement rates are significantly below cost.

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Rather than rewarding California's efficiency, the AHCA penalizes California by locking in the federal match at this below-average level and capping federal funding in future years. The program cannot sustain significant and growing federal funding shortfalls without cuts either to eligibility or benefits. Either would put children's access to medical care at risk. California's children could be further harmed in the event of an epidemic, natural disaster, or other unforeseen event that cannot be reflected in a capped funding structure.

The impact of a federal funding cap goes beyond Medi-Cal. Because pediatric health conditions such as spinal bifida, cystic fibrosis, and sickle cell disease can be relatively rare and difficult to treat, children with these kinds of life-threatening, complex conditions rely on the same pediatric specialists, regardless of how their medical care is funded. The stability of the regionalized network of pediatric experts depends on both public and private payers. In other words, a federal cap on Medi-Cal doesn't just pose risks to children in the Medi-Cal program. It poses risks for *all* children with complex medical needs.

Research indicates that Medicaid is a smart investment that pays lifelong dividends for children, families, and taxpayers. National studies indicate that Medicaid coverage reduces infant mortality and morbidity. Moreover, research shows that children with coverage through the program are less likely to miss school, are healthier into adulthood, earn more in wages and pay more in taxes over the course of their lives.

We recognize that Congress is working hard to find solutions to improve health care. Rather than helping children, however, we believe that a Medicaid cap would hurt them. For this reason, we respectfully urge you not to cap Medicaid funding for children.

Thank you for the opportunity to provide our perspective on this important bill and how it may affect our patients. We look forward to the opportunity to work with you as this discussion unfolds. Please let us know how we can be helpful to you and your staff. If you should have any questions, please do not hesitate to contact me at (916) 552-7111 or at akuhns@ccha.org.

Sincerely,



Ann-Louise Kuhns
President and CEO

cc: Members of the California Congressional Delegation