



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 20 2003

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

I am respectfully submitting our Report to Congress on state payment limitations for Medicare cost sharing, as required by section 125 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA). For reasons set forth below, I regret that this report could not have been submitted by the prescribed statutory due date of December 31, 2001.

State Medicaid agencies are required to assist low-income Medicare beneficiaries, including qualified Medicare beneficiaries (QMBs), in paying for Medicare cost sharing, defined as premiums, deductibles, and coinsurance. States have historically had flexibility in what they paid towards Medicare cost sharing so long as their payment policy was written in their state plan. Section 4714 of the Balanced Budget Act of 1997 (BBA) explicitly upholds the right of states to limit their liability for Medicare cost sharing. As a result, since the enactment of BBA, a number of states have reduced their provider payment rates for QMBs and aligned them more closely with Medicaid payment rates. Section 125 of BIPA mandates a study to determine if access to services for QMBs has been affected by limitation on a state's payment for Medicare cost sharing and the effects of such payment limitation on providers who serve a disproportionate share of QMBs.

In order to meet the requirements of section 125 of BIPA, the Centers for Medicare & Medicaid Services (CMS) initiated two research projects to determine the impact of changes in state reimbursement of Medicare cost sharing on dually eligible beneficiaries and their providers. Those projects are described in the enclosed report. BIPA also asked for recommendations for changes necessary to state payment limits under section 1902(n) of the Social Security Act to ensure appropriate access to services for QMBs. The analysis done for this report, based on data from nine states, found a statistically significant correlation between reductions in state payment limits and utilization, but those impacts are relatively small and their effect on health outcomes is unknown. Moreover, any statutory change mandating that states pay full Medicare cost sharing on behalf of QMBs and/or dually eligible beneficiaries would have a substantial budgetary impact. For individual states, the size of the impact would depend not only on their current cost-sharing policies but also the size of their dually eligible populations, the number of Medicare services used by these populations and the state's federal match rate. Given those considerations, the Secretary does not recommend any statutory changes.

Page 2 – The Honorable Richard B. Cheney

This report was due to Congress in December 2001. The Administrator of CMS sent a letter to Congress on December 11, 2001, on the status of the study indicating that the report would be ready in early 2002. However, additional time was needed than originally anticipated to conduct supplemental analyses on the overall Medicare population, i.e., non-dually eligible beneficiaries, and on a nationwide sample.

I am also sending a copy of this letter to the Speaker of the House.

Sincerely,



Tommy G. Thompson

Enclosure

