



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

March 5, 2013

Dear Governor:

I enjoyed seeing and meeting with many governors last month during the National Governors Association Winter Meeting. I know that in my sessions with individual governors, as well as at the larger meetings, there was much discussion about the Medicaid program and about cost containment options in Medicaid. In that vein, I wanted to draw to your attention a report just released by the Office of the Actuary at the Centers for Medicare & Medicaid Services, entitled "2012 Actuarial Report on the Financial Outlook for Medicaid."

The report states that Medicaid benefit spending per beneficiary is estimated to have decreased by 1.9 percent from 2011 to 2012. Furthermore, over the next decade, the Medicaid spending growth per beneficiary is projected to be less than the rate of growth of the per capita Gross Domestic Product and lower than projected growth in overall per person health spending. The expansion of Medicaid to large numbers of relatively low cost adults is part of the reason that per beneficiary costs are projected to grow slowly; but even if there were no expansion, Medicaid spending per beneficiary is projected to grow somewhat more slowly than overall health spending per person. These results can be interpreted to suggest that governors have managed to control Medicaid spending growth effectively in 2012. And, as you know, states have substantial flexibility to manage Medicaid spending growth in the future.

I continue to be committed to supporting state flexibility and working with you to design Medicaid programs that work for your state, within the confines of the law. I have recently outlined a number of available Medicaid options for states, including benefit design, cost sharing, premium assistance, and delivery system and payment reforms that are currently available for your consideration. A number of governors have come to us with innovative strategies for controlling costs within the Medicaid program, and I invite other governors to consider doing the same. I also want to highlight a new report entitled "Medicaid Moving Forward," which underscores the innovative efforts states and HHS have already undertaken to improve care and lower costs in their Medicaid programs. This report, along with other helpful information, can be found on the www.Medicaid.gov website.

It is my hope that all states will fully expand their Medicaid programs and take advantage of the generous federal matching funds to cover many of their currently uninsured residents. This report from the Office of the Actuary not only confirms some very positive cost trends but makes it clear that Medicaid is a highly cost-effective program for delivering health benefits.

Regardless of a state's decision on the expansion decision, my Department stands ready to work with governors to explore options that improve care and lower costs in the Medicaid program. I invite you to contact me or our Director of Intergovernmental and External Affairs, Paul

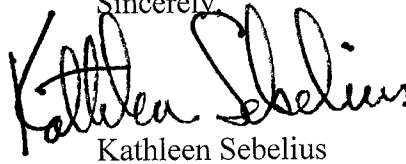
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Dioguardi, to begin a dialogue. Paul can be reached at (202) 690-6060 or at paul.dioguardi@hhs.gov.

I look forward to our continued partnership to strengthen the Medicaid program for our nation's most vulnerable citizens while better managing its costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Sebelius". The signature is fluid and cursive, with the first name "Kathleen" and last name "Sebelius" clearly distinguishable.

Kathleen Sebelius