



www.labudget.org

Mailing:

P.O. Box 3808

Baton Rouge, LA 70821

Physical:

8281 Goodwood Blvd.

Baton Rouge, LA 70806

Phone: 225-929-5266

Fax: 225-925-2711

November 13, 2009

Sen. John Breaux
The Breaux Lott Leadership Group
607 14th Street, NW
Washington, DC 20005

Dear Senator Breaux:

The Louisiana Budget Project (LBP) recently sent the attached letter to Louisiana's Congressional delegation calling for relief from the pending crisis in Medicaid funding for our state. We were delighted to read in today's Advocate that you and your firm have been engaged to assist our state in developing a solution to this problem.

As you know, Louisiana faces a two-pronged problem. Like all other states, the expiration of the stimulus program, American Recovery and Reinvestment Act of 2009 (ARRA), will lead to a drastic reduction in Medicaid funding beginning in 2011. Louisiana also faces a more significant loss of federal Medicaid funding due to the artificial increase in its per capita income resulting, in part, from the influx of disaster recovery dollars from Hurricanes Katrina and Rita. In dollar terms, Louisiana will lose hundreds of millions of dollars in federal Medicaid funding annually. If this funding is not restored, the state has announced that it will have to scale back or eliminate pharmacy services, programs that serve persons with developmental disabilities and the elderly, and healthcare for 125,000 children, among others.

Out of the total projected 17 percent reduction in the federal government's share of Louisiana's Medicaid program beginning in 2011, approximately 9 percent is due to the increase in Louisiana's per capita income. Congressman Anh "Joseph" Cao has introduced House Bill 4047 that seeks to remedy this problem by requiring the use of the historical per capita income in computing a state's federal Medicaid match rate in any year that the increase in income exceeds 8 percent and in which there has been a Stafford Act emergency declaration within the past two years. The Louisiana Budget Project would also encourage the Department of Health and Human Services (DHHS) to look at using median incomes from the Census Bureau rather than the Bureau of Economic Analysis state per

*An initiative of the
Louisiana Association of
Nonprofit Organizations
(LANO) www.LANO.org*



www.labudget.org

Mailing:

P.O. Box 3808
Baton Rouge, LA 70821

Physical:

8281 Goodwood Blvd.
Baton Rouge, LA 70806

Phone: 225-929-5266

Fax: 225-925-2711

capita income. Below is a comparison of Louisiana's income using the two methods:

BEA Per Capita Personal Income

| | 2005 | 2006 | 2007 | 2008 |
|-----------|----------|----------|----------|----------|
| Louisiana | \$30,100 | \$33,750 | \$35,363 | \$36,424 |

Source: Bureau of Economic Analysis, SA1-3 - Per capita personal income, October 2009

Census Median Household Income

| | 2005 | 2006 | 2007 | 2008 |
|-----------|----------|----------|----------|----------|
| Louisiana | \$36,729 | \$39,337 | \$40,926 | \$43,733 |

Source: U.S. Census Bureau, American Community Survey, 2005, 2006, 2007, 2008

As you can see, the median income provides a smoother year-to-year trend that is significantly less affected by extraordinary events such as the economic impact of Hurricanes Katrina and Rita. Below is a comparison of Louisiana's FMAP rates using the current method and using Census' median incomes.

| | FY08 | FY09 | FY10 | FY11 |
|-----------------------|--------|--------|--------|--------|
| BEA Per Capita Income | 72.47% | 71.31% | 67.61% | 63.16% |
| Census Median Income | 72.06% | 71.37% | 70.88% | 69.74% |

Thus, using the Census median income data solves over two-thirds of Louisiana's unique FMAP problem due to the influx of federal disaster recovery funds.

If the Louisiana Budget Project can provide additional assistance to you or the state in avoiding these drastic cuts in the federal share of Louisiana's Medicaid program, please do not hesitate to call on us.

Very truly yours,

Edward Ashworth
Director

Cc: Alan Levine
Rep. Anh "Joseph" Cao