



DEMOCRATIC GOVERNORS ASSOCIATION
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October 13, 2011

Gov. Martin O'Malley
Maryland
Chair

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
U.S. Senate
Washington, D.C. 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
U.S. House of Representatives
Washington, D.C. 20515

Gov. Bev Perdue
North Carolina
Vice Chair

EXECUTIVE COMMITTEE

Gov. Mike Beebe
Arkansas

Dear Chairwoman Murray and Chairman Hensarling:

Gov. Jerry Brown
California

As governors, we understand the difficult choices faced by the Joint Select Committee on Deficit Reduction. In our states, we are working to create jobs, balance budgets, and make the modern investments necessary to expand opportunity and move forward – all at the same time. To create jobs and move our country forward, we must find the will to make similar choices at the national level.

Gov. Andrew Cuomo
New York

Gov. Chris Gregoire
Washington
NGA Chair

In all the many difficult decisions we have to make as a country, job creation must be our top priority. We will only get out of the Bush recession, and retire the Bush deficit, if we employ more of our people.

Gov. Dan Malloy
Connecticut
Business Roundtable
Chair

Democratic Governors urge you to *act* according to the following principles:

Gov. Jack Markell
Delaware
Chair Emeritus

- **Focus on job creation.** Job creation initiatives like infrastructure investments are ultimately the most effective tools we have that are reducing deficits. America needs the work, Americans need the jobs.
- **Avoid job killing cuts and cost shifts to the states.** Deeper federal cuts would kill our fragile jobs recovery and reverse the positive progress made so far in stabilizing our economies as states and as a nation. The fact of our shared economic circumstance is that public sector job losses and job cuts are undermining the positive private sector job gains for the national jobs recovery.
- **Protect Medicaid.** Democratic Governors remain committed to protecting Medicaid for low and moderate income populations. Unfortunately, the Medicaid program is a prime target for cuts to achieve deficit reduction, and we are prepared to help you come up with reasonable ways to achieve savings. Many of the proposals to reduce federal Medicaid costs, such as those related to state use of provider taxes and “blended rates” would simply shift the burden from the federal government to the states. These reductions will require states to fill in funding shortfalls with state resources, leading to damaging cuts that affect eligibility, benefits and provider payment rates. Instead, policy makers should find a way to implement patient-focused management tools such as integrated care models like medical homes and other delivery system reforms that could improve quality of care and lower cost.

Gov. Jay Nixon
Missouri

Gov. Pat Quinn
Illinois
Finance Chair

Gov. Brian Schweitzer
Montana
Chair Emeritus

Richard Sullivan
Treasurer

Colm O'Comartun
Executive Director

We strongly oppose any block grant approach, especially the one contained in the House-passed budget resolution. The Congressional Budget Office estimated that this proposal would reduce federal funding for Medicaid by 35% in 2022 and 49% by 2030, compared to the existing funding formula. Federal funding shortfalls for Medicaid could be even larger in

certain years under a block grant because the proposal would not provide for any funding increases in during economic downturns. Such draconian cuts to a program that serves as the last line of defense for many hard-working Americans in need of critical health care services will increase the number of uninsured and emergency room costs.

Like you, we believe that there are responsible ways to preserve the integrity of Medicaid while producing savings, by improving the way we serve the “dual eligible” population by providing better care coordination. This is a very complex population with multiple health service needs, and this complexity is further exacerbated by the split nature of Medicare and Medicaid programs. Medicaid-based efforts can create considerable savings in the care of dual-eligibles, but much of that cost-reduction accrues to Medicare. Shared savings models would align financial incentives for both programs. We stand ready to work with you to achieve savings while ensuring access to care for this vulnerable dual eligible population. We also support more flexibility for states to design effective patient-focused management tools.

- **Apply a balanced approach.** It is an economic and historic truth that to create jobs, a modern economy requires modern investments. Already faced with billions of dollars in federal and state spending cuts and the potential for billions more, Democratic Governors urge the Joint Committee to explore every avenue for deficit reduction, including revenue increases.

Our global competitors are investing in their infrastructure and in the skills and education of their workforce. To create jobs we must be willing to do the same.

An approach to the national deficit comprised mostly of cuts would kill the jobs recovery by thwarting our efforts to repair our crumbling infrastructure, spur job creation through regional growth areas, or invest in educating the leaders of tomorrow and those who will keep America competitive.

The American people work hard at their jobs, now their government must do its job. Democratic Governors are ready to share their ideas about how you can achieve this goal and restore confidence in our economy and our future.

There is nothing more important for a family than a job, and nothing more important for our country, in these challenging times. Thank you for your consideration. We look forward to working together to put America on a sustainable path to recovery.

Sincerely,



Chairman
Governor, State of Maryland

cc: The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable John Boehner
The Honorable Nancy Pelosi
The Honorable Max Baucus
The Honorable John F. Kerry
The Honorable John Kyl

The Honorable Robert J. Portman
The Honorable Patrick Joseph Toomey, Jr.
The Honorable Dave Camp
The Honorable Fred Upton
The Honorable Jim Clyburn
The Honorable Xavier Becerra
The Honorable Chris Van Hollen