



Senators Feinstein and Boxer Seek Assurances that California's Intergovernmental Transfers are Legitimate

March 18, 2005

Washington, DC – U.S. Senators Dianne Feinstein and Barbara Boxer (D-Calif.) today called on the Centers for Medicare and Medicaid services to let them know whether California's use of intergovernmental transfers (IGT) – especially with regard to safety net hospitals -- complies with statutory requirements.

Members of the Texas congressional delegation have been informed that their State's plan to use IGTs for their Disproportionate Share Hospital-payment program is legitimate and legal. The Senators' asked if California's program differs from Texas', and, if so, how.

Following is the text of the Senators' letter to CMS Administration Mark McClellan:

March 17, 2005

Mark B. McClellan, M.D., Ph.D.
Administrator
Centers for Medicare and Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244-1850

Dear Dr. McClellan:

We are writing today to inquire about the State of California's use of intergovernmental transfers (IGTs) to finance the state component of Medicaid spending. We understand that President Bush has proposed a restriction on the use of IGTs and a cap on Federal payments to individual State and local government providers in an effort to reduce or eliminate "waste, fraud and abuse" in Medicaid. As the President's proposal to restrict the use of IGTs will have a disproportionate impact on California's approximately \$34 billion Medicaid program, we would like to know whether IGT use in California, particularly IGT use for our Disproportionate Share Hospital (DSH) payment program, complies with the necessary statutory requirements.

It has come to our attention that in a letter to members of the Texas Congressional delegation, you indicated that Texas's State plan amendment to use IGTs for their DSH program was legitimate and legal. We would like to know whether the use of IGTs in California's DSH program differs from Texas and, if so, exactly how.

In fiscal year 2004, California spent more than \$13 billion on Medicaid services. California utilizes IGTs to bring about \$3 billion in combined federal and state supplemental payments both through the DSH program and the SB 1255 program to public hospitals in acknowledgement of their broad role as safety net providers, serving Medi-Cal patients, the uninsured, indigent and immigrants. We would also like to know whether the use of these IGTs to fund these supplemental payments to safety net providers violates the law and falls into the category of “waste, fraud and abuse.”

We are extremely concerned for California’s 6 million Medicaid recipients, its more than 6.5 million uninsured people, and the doctors and hospitals who provide their health care. If there are specific problems with California’s use of IGTs we would like you to make us aware of them.

Thank you for your consideration of our request. We look forward to hearing from you.

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