

*Administrator*

Washington, DC 20201

JUL 13 2012

The Honorable Robert McDonnell
Chairman
Republican Governors Association
1747 Pennsylvania Ave., NW
Washington, DC 20006

Dear Governor McDonnell:

I am responding to your July 10, 2012 letter. Since the passage of the Affordable Care Act on March 23, 2010, the Administration has worked steadily with states, including Virginia, to implement the law and ensure that hard-working middle class families have the security of affordable health coverage and care they deserve. We have issued a number of guidance documents and answers to frequently asked questions. We have hosted dozens of meetings at the national and regional levels, conference calls, and webinars to directly engage state officials. We will have staff at the National Governors Association conference to answer any questions, as we have for the past three years. And we intend to do more of the same, with four new regional implementation sessions announced just this week. Our door is open.

A big part of our effort has been working closely with states to begin building new health insurance marketplaces, the Affordable Insurance Exchanges, where Americans will be able to choose private health insurance plans based on price and quality. These marketplaces will open in 2014, the same time when insurance companies will no longer be able to discriminate against Americans with a preexisting health condition. Insurance companies also will not be able to charge more just because an enrollee is a woman or bill insured people into bankruptcy. Exchanges will help ensure millions of consumers get quality, affordable health care.

The Affordable Care Act gives states significant flexibility in how these Exchanges are set up and run. States can run Exchanges on their own, in collaboration with other states, or in a transitional or permanent partnership with our Department. And, already, well before the November deadline, 13 states where a third of Americans live have committed to establishing an Exchange. With the Supreme Court's clear and final ruling on the Affordable Care Act, all other states should do the same.

Another way that the Affordable Care Act improved the affordability of health care is by extending eligibility for Medicaid to help hard-working, responsible Americans struggling to make ends meet. This expansion of coverage is 100 percent federally funded for the first three years and at least 90 percent federally funded thereafter. The Supreme Court's decision leaves in place all aspects of the law affecting Medicaid, including this funding, with one exception: A state may not, as a consequence of not participating in this expansion, lose federal funding for its existing Medicaid program. The Court's decision did not affect other provisions of the law.

States have asked some questions about their choices going forward in light of the decision. To answer some of the major ones, there is no deadline for a state to tell our Department its plans on the Medicaid eligibility expansion. A state can receive extra funding for Medicaid IT costs and Exchange implementation costs even if it has not yet decided whether to expand Medicaid eligibility or to run its own Exchange. And, if a state ultimately decides not to do so, it will not have to pay those resources back. More guidance will be issued in the year and a half before the Medicaid eligibility expansion and the Exchanges begin.

We expect that, as states study their options, they will recognize that this is a good deal. Significant new federal funding will flow to their states. Their hospitals will get paid for what would otherwise be uncompensated care provided to uninsured patients. Their local economies will benefit and jobs will be created when their hospitals remain viable and their workers remain healthy. And the improved health of their residents who gain access to health care will be invaluable.

We hope that states will not turn down the resources and flexibility offered in the Affordable Care Act, and will put aside old political battles to move forward with implementation. We stand ready to help.

Sincerely,

A handwritten signature in black ink that reads "Marilyn Tavenner". The signature is written in a cursive style with a large, sweeping initial "M".

Marilyn Tavenner
Acting Administrator

cc: The Honorable Dave Heineman, Chair, National Governors Association
The Honorable Martin O'Malley, Chair, Democratic Governors Association