



County of Los Angeles
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May 24, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

WASHINGTON, D.C. UPDATE

Moratorium on Proposed Rule Limiting Medicaid Payments to Government Providers

The Congress cleared H.R. 2206, the Federal Fiscal Year (FFY) 2007 Supplemental Appropriations bill, which would fund Iraq military operations, other defense activities, and some non-defense needs, on May 24, 2007. The President is expected to sign it because Congress removed Iraq troop withdrawal and other language to which the White House strongly objected. Of major interest to the County, the bill includes a provision which would prohibit the Department of Health and Human Services from finalizing or otherwise implementing a rule limiting Medicaid payments to government providers for one year after the bill's enactment. Under a proposed rule, published on January 18, 2007, Medicaid payments to government providers, including public hospitals, would be limited to the cost of providing medical care to Medicaid recipients. If implemented, the proposed rule would result in an estimated annual Medicaid revenue loss of at least \$200 million to the County.

Enactment of this one-year moratorium language is especially important because, yesterday, the Office of Management and Budget (OMB) received the final Medicaid rule for its final review and clearance. Under the bill's moratorium language, HHS is prohibited from implementing the rule for one year even if the final Medicaid rule is issued before the President signs the bill into law.

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It is noteworthy that, on May 24, 2007, Representative Waxman and Senator Feinstein had succeeded in inserting bill language to prohibit the sale, commercial development, disposal, or reduction of any acreage from the West Los Angeles Veterans Medical Center property. Due to last-minute pressure from the White House, however, this language was stripped from the final version of the supplemental appropriations bill.

We will continue to keep you advised.

DEJ:GK
MAL:MT:acn

c: All Department Heads
Legislative Strategist