



February 22, 2006

The Honorable Michael O. Leavitt
Secretary of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201
Sent Via Facsimile: (202) 690-7203

Dear Secretary Leavitt:

On behalf of the National Association of Community Health Centers I am writing regarding Section 6201 of the Deficit Reduction Act of 2005 (DRA) which authorizes additional federal payments for health care services provided to Hurricane Katrina victims. As you well know, the \$2 billion in federal funding available through the DRA represents much anticipated and greatly needed relief for the many providers who willingly cared for Hurricane Katrina victims, despite the tremendous costs they incurred, with the understanding that they would later be reimbursed.

NACHC understands that the Centers for Medicare and Medicaid Services (CMS) now has the difficult task of developing the guidelines for reimbursement from the uncompensated care pool funds and distribution of this relief funding. As such, we look forward to working together with you to ensure that all providers, including federally qualified health centers (FQHCs), are adequately reimbursed through the uncompensated care pool funds.

In the Gulf Coast states of Mississippi, Alabama, and Louisiana, approximately 54 health center grantees in 302 communities serve nearly 750,000 patients. As you know, health centers across the country – but especially those in America's Gulf Coast – responded to immediate health care needs following Hurricane Katrina. True to their mission and the spirit of the FQHC program, they continue to serve increased numbers of Gulf Coast evacuees who are either seeking care at their centers or who are being seen at evacuee shelters and sites by health center personnel. In addition, as resettlement efforts continue, health centers in states such as Texas, Arkansas, and Tennessee are seeing additional patients at their sites.

FQHCs have worked closely with their respective states to ensure that they are reimbursed according to their appropriate Medicaid PPS rate for Medicaid-covered victims of the Hurricanes. As previously mentioned, FQHCs also are seeing an unexpectedly large increase in the number of uninsured patients as a direct result of Hurricane Katrina. For example, in the state of Mississippi alone health centers saw an additional 13,000 uninsured patients who were victims of Hurricane Katrina. Although Section 330 federal grant funds cover the costs of health care services for the uninsured, such funding was never designed or intended to address a significant influx of patients due to emergencies such as Hurricane Katrina. Thus the grant funding available is wholly inadequate to meet the health care needs of Hurricane Katrina victims.

The Honorable Michael O. Leavitt
Secretary of Health and Human Services

Page 2 -

Health centers report that they are rapidly drawing down their limited grant funding to cover the cost of delivering health care services, both to their regular patients and to uninsured Hurricane Katrina victims; in fact, some are doing so at a faster rate compared to previous years and to their original budget estimates. As a result, these health centers could deplete their grant dollars well before the end of their grant cycle. Even the best efforts of efficient managers to offset the cost increases are insufficient to meet the challenges facing them as a result of additional demand for service from the newly uninsured population. In turn, we are concerned that this could threaten the financial stability of these health centers, undermine their capacity to provide essential primary and preventive care to all those who need it, and unnecessarily force people to seek care at higher cost hospital emergency departments.

During the February 17, 2006 House Energy and Commerce Committee hearing, you stated that the Administration wants to use health centers to give the people of New Orleans a "medical home." We are prepared to work with you to accomplish this significant goal, and the first step must be ensuring that health centers are appropriately reimbursed for the health care services they provided to Hurricane Katrina victims. On this issue, however, we wish to note that NACHC would be deeply concerned were CMS to consider either excluding, or allowing States to exclude, FQHCs from receiving funding from the uncompensated care pool funds. If the basis for consideration of such a policy were Section 6201(d)(3) of the Act, which provides that payments may not be made to an "organization that provided services as part of a public or private hurricane relief effort," we must point out that health centers' treatment of Hurricane victims was not carried out in the context of a public hurricane relief effort. Rather, the care was a product of both their mission and their federally-mandated requirement to treat all in need regardless of ability to pay. We firmly believe that Congress would never intend to financially penalize health centers that adhered to their mission and grant requirements by providing services to victims of this disaster.

We appreciate your willingness to work with us. If you should have any questions about the concerns raised in this letter, please do not hesitate to call me. I also would be happy to meet with you at any time that may be convenient.

Sincerely,



Daniel R. Hawkins, Jr.
Vice President for Federal, State, and Public Affairs

cc: Mark McClellan, MD, PhD., Administrator, Centers for Medicare and Medicaid Services
Dennis Smith, Director, CMS Center for Medicaid and State Operations
State Primary Care Associations