THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

July 10, 2012

Dear Governor:

As you know, the Supreme Court issued a historic decision upholding the Affordable Care Act. American families can now look forward to new health insurance markets offering the security of affordable health care coverage. I am mindful of the concerns that some governors have shared about the law, but I also believe that we are all committed to providing our nation's citizens with access to quality health care at an affordable price.

As the President has said, it is time to move forward. I want to take this opportunity to let you know how my Department will continue to work with you and your state officials to implement the health care law. As I have emphasized in previous letters, we are committed to providing states with as much flexibility as we can to achieve successful implementation of the many important opportunities provided by this legislation.

Over the past two years, we have worked 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. I appreciate the hard work states have engaged in over the past months to begin laying the foundation for the Exchanges. In May, I wrote you about several new resources, including guidance on the different models of Exchanges, to help states establish Exchanges by 2014. We informed states about a range of options and significant flexibility for building the marketplace that best meets their needs while offering quality, affordable coverage to their residents.

On June 29, I announced a new funding opportunity to help you deliver these new health insurance markets to your residents. This funding will be available to states, no matter where they are in the process of establishing a marketplace, and no matter whether a state plans on running its own Exchange, partnering with another state, or partnering with the federal government. As many governors have requested, states will now have until the end of 2014 to apply for such funds and may use such funds for building Exchanges and for start-up costs. I encourage your state to take advantage of these additional resources.

I also appreciate that many states have questions about how the Court's decision will affect their Medicaid programs. As you know, beginning in 2014, the Affordable Care Act provides for the expansion of Medicaid eligibility to those adults under the age of 65 with incomes up to 133 percent of the federal poverty level who were not previously eligible for Medicaid. The Supreme Court held that, if a state chooses not to participate in this expansion of Medicaid eligibility for low-income adults, the state may not, as a consequence, lose federal funding for its existing Medicaid program. The Court's decision did not affect other provisions of the law. For example, the decision did not change the fact that the federal government will completely pay for coverage under the eligibility expansion in 2014-2016, and for at least 90 percent of such costs

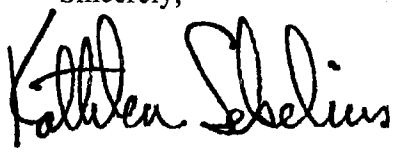
thereafter, or that states have flexibility to design the benefit package for the individuals covered.

Ultimately, I am hopeful that state leaders will take advantage of the opportunity provided to insure their poorest working families with the unusually generous federal resources while dramatically reducing the burden of uncompensated care on their hospitals and other health care providers. If any state were to choose not to do so, the Affordable Care Act exempts individuals who Congress determined cannot afford coverage from the individual responsibility provision. As to the very small number of affected individuals who would not qualify for the statutory exemption, Congress provided additional authority, which we intend to exercise as appropriate, to establish any hardship exemption that may be needed.

As we move forward with implementation of the law, we want to work closely with you, providing timely information and listening to feedback and concerns. To that end, this summer, we will be holding meetings around the country that will bring together officials from our Department with state officials and stakeholders to address challenges, answer questions, and talk about how we will continue moving forward. I urge you to send state officials to these forums and ask them to continue participating in our regular state conference calls. The schedule of meetings is attached.

Now that the Supreme Court has issued a decision, we want to work with you to achieve our ultimate shared goal of ensuring that every American has access to affordable, quality health care. I look forward to continuing our work to implement the Affordable Care Act and invite you to share your thoughts on how we can improve the law and our strategies in the months ahead.

Sincerely,



Kathleen Sebelius

Enclosure

Affordable Care Act Regional Implementation Forums

During July and August, the US Department of Health and Human Services will be hosting Affordable Care Act implementation forums across the country. These sessions are intended to provide an opportunity for states and stakeholders to learn more about the next steps in implementing the health care law and ask questions about work needed to build Affordable Insurance Exchanges in every state. HHS leadership will provide an overview of topics related to coverage provisions of the Affordable Care Act effective in 2014.

July 31: Washington, DC
Hubert H. Humphrey Building, Great Hall
200 Independence Ave., SW
Washington, DC 20201

August 2: Chicago
Social Security Administration, Center Auditorium
600 West Madison Street
Chicago, IL 60661

August 10: Denver
Davis Auditorium in Sturm Hall, University of Denver
2000 E. Asbury Ave.
Denver, CO 80208

August 15: Atlanta
National Archives at Atlanta
5780 Jonesboro Road
Morrow, GA 30260