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Governor Sean Parnell
STATE OF ALASKA

September 8, 2009

The Honorable Max Baucus
Chairman, Senate Finance Committee
511 Hart Senate Office Building
Washington, D.C., 20510

The Honorable Charles Grassley
Ranking Member, Senate Finance Committee
135 Hart Senate Office Building
Washington, D.C., 20510

Re: Proposed Expansion of Medicaid Benefits
H.R. 3200 / Senate HELP Committee Legislation

Dear Chairman Baucus and Ranking Member Grassley,

States cannot afford to carry the huge costs of health care reform. States (and their businesses and residents) are struggling to recover financially. The National Conference of State Legislatures (NCSL) reports states had a \$113 billion dollar budget shortfall in 2009 and the situation is getting worse. NCSL estimates state budget shortfalls will increase to \$142 billion in 2010. I am also concerned with the proposed new federal mandates that would undercut state authority over the Medicaid program.

On fiscal impact, H.R. 3200 expands Medicaid coverage to all citizens under 133 percent of the Federal Poverty Level (FPL) while the Senate HELP committee legislation assumes an expansion to 150 percent of the FPL. The Congressional Budget Office estimates these proposed expansions would require spending hundreds of billions of dollars in new public funds. While the proposals would initially place responsibility on the federal government to pay for expanding Medicaid coverage, a shift would later occur to state treasuries and the impact would be significant. For Alaska, the National Governors Association estimates it would cost \$140 million in state general funds to expand Medicaid for all Alaskans up to 133 percent of FPL in 2015. (Assuming there is full federal funding the first two years.) This amount would increase to \$168 million by 2019, with new state expenditures amounting to billions over time.

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This fiscal hit to states would come on top of the Medicaid funding cliff created by Congress in American Recovery and Reinvestment Act (ARRA). ARRA established a temporary increase in the Federal Medical Assistance Percentage (FMAP) rate to help states deal with Medicaid costs. This higher FMAP rate is set to expire on December 31, 2010. If the higher FMAP rate is not extended, states will face an immediate and significant increase in costs to operate Medicaid programs. In Alaska, approximately \$120 million more in state general funds will be needed to operate the Medicaid program for just one year.

Further, proposals in Congress would give the federal government a stronger role in administering Medicaid and undercut state authority. Coverage would have to be expanded to childless adults who qualify and would replace the current state option to cover parents of low-income children with a federal mandate to provide coverage to qualifying adults. Maintenance of effort requirements would prevent states from adjusting eligibility to meet ever-changing fiscal conditions. Lower limits of practitioner reimbursement and coverage limits would be imposed. New services and the coverage of additional provider groups would be mandated and state flexibility in the eligibility process would be constrained. All these mandates limit state control and flexibility to control the Medicaid program.

While I am sympathetic to the dilemma of health care reform and I applaud your efforts to find a solution, I cannot support legislation from Congress that imposes costly unfunded federal mandates on Alaska and other states. Instead, the federal government should be looking for ways to give the states increased flexibility with federal funding to meet the unique needs of each state's population. This tact would lead to innovation and cost-containment as compared to the current rout pursued in existing health care legislation.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive style with a large, sweeping initial "S".

Sean Parnell
Governor