



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

HALEY BARBOUR
GOVERNOR

August 6, 2009

The Honorable Gregg Harper
307 Cannon HOB
Washington, D.C. 20515

Dear Congressman Harper:

As Congress debates healthcare reform, I want to raise a few issues of concern with the policies being considered in both House and Senate bills. Healthcare reform is truly a bipartisan issue; after all, Republicans and Democrats understand that our healthcare system faces significant challenges – from steadily increasing medical costs to confusing insurance provisions. As the national debate continues, it is important that everyone realizes the severe impact the proposed legislation would have on states like Mississippi.

As Governor, I am particularly concerned about the direction the Senate and House are taking in regards to Medicaid expansion. Instead of discussing policies to reform a broken system, the debate in Congress has shifted to finding ways to fund an expanded Medicaid program at the state level. At the end of the day, both the Senate and House proposals are unfunded mandates, which, for states like Mississippi, would result in burdensome and costly changes to the system. For example, when we talk about sharing the cost of an expanded Medicaid program, Mississippi would pay another \$333 million annually under a larger program covering up to 150 percent below the Federal Poverty Level (FPL). A Medicaid program covering up to 133 percent FPL expansion would cost an extra \$297 million. In many states, funding the current Medicaid programs robs other critical programs. The same is true for us. Each year we struggle to cover our Medicaid expenses while providing for essential services including public education and public safety.

While there has been some discussion at the federal level to assist states in paying for this expansion, my staff learned last week that the Senate Finance Committee is proposing to cap the amount of federal money distributed to the states to pay for this expansion at \$40 billion over 10 years. Estimates show the cost of expanding the Medicaid system to all states at the lowest level, or 133 percent FPL, is \$30 billion per year. At 133 percent FPL, states would be saddled with Medicaid expansion costs in the second year of expansion.

These projections are overwhelming as Mississippi, like all states, continues to grapple with budget realities. Our General Fund Revenue collections for July 2009 are 11.27 percent below our estimate. Compared to the prior year, collections for this July are 21.43 percent or \$56.3 million below what was collected in July 2008. During Fiscal Year 2009, Mississippi's revenue was \$390 million short of the revenue estimate, causing most of state government, except for education and Medicaid, to take approximately a 6 percent cut in the Fiscal Year 2010 budget. Our Fiscal Year 2010 budget included \$523 million in stimulus funds; otherwise, we would have

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faced even more significant cuts. It will take our state years to catch up, and that's without a \$297 million or \$333 million Medicaid state-share increase.

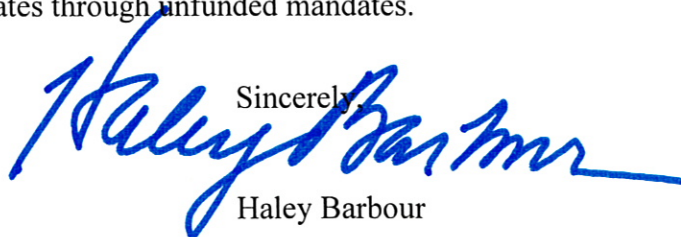
Further, the proposed healthcare reform legislation also includes numerous tax increases to finance significant expansions of government-run healthcare. Different versions of the House legislation incorporate a payroll tax on small businesses. Although the recent House Energy and Commerce Committee agreement included an 8 percent payroll tax for small businesses with an annual payroll of \$500,000, previous versions taxed small businesses with a payroll of \$250,000. This tax will do nothing more than punish wage and job growth, especially when you consider that the tax rate increases as the size of payroll increases. According to the National Federation of Independent Businesses (NFIB), such employer mandates could cost 1.6 million jobs with more than 1 million of those jobs lost in the small business sector. That means higher taxes for Mississippians, since 96.7 percent of our employers are small businesses. In addition, the Senate HELP Committee proposal requires employers to offer health coverage to their employees and contribute at least 60 percent of the premium cost or pay \$750 for each employee that is not offered coverage.

Language in the proposed legislation also would mandate an individual to purchase health insurance and, should he be unable to afford such coverage, he'll be slapped with a 2.5 percent additional income tax for the coverage. But the proposed legislation goes even further, taxing higher income individuals beginning at \$280,000 and families at \$350,000 on a sliding scale. This language generates a massive tax increase on high income filers, more than half of whom are small business owners already being taxed if they do not provide health insurance to their employees. A tax increase in the middle of a recession, with unemployment rising, is not the answer.

Besides increasing taxes, the House bill cuts Medicare nearly \$500 billion. These cuts include reductions to Medicare providers and hospitals, while gutting Medicare Advantage by \$150 billion to \$160 billion. Admittedly, I am baffled as to why Congress would propose slicing funding for a program that our seniors support and that provides for their health and well-being.

As Congress heads home for the recess, I urge Members to review the proposed legislation with their state leadership. I am primarily concerned about the effect this legislation may have on Mississippi's financial stability, both now and in the future. These so-called "reforms" would severely impact Mississippi's budget and our ability to fund other important priorities, like education and public safety. Before Congress makes such sweeping reforms to our healthcare system, I implore you to first ensure that these changes are efficient and beneficial to our citizens, without burdening our states through unfunded mandates.

Sincerely,



Haley Barbour