STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

September 8, 2009

The Honorable Roger Wicker
United States Senate
Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Wicker:

Governors across the nation are growing increasingly concerned about the financial strain rising healthcare costs are putting on state budgets. During the National Governors Association (NGA) meeting in July, governors – both Republicans and Democrats – formalized their opposition to current Congressional reform proposals by issuing a policy opposing unfunded mandates that shifts costs to the states. This will necessarily require almost all states to raise taxes to manage this burden. In Mississippi, the issue of Medicaid expansion hits close to home, since our state's share of the Medicaid program is currently $707 million, or 12 percent of a $5.87 billion state-supported budget, which includes temporary stimulus funds.

Nevertheless, the current proposals, both in the House and Senate, will expand the Medicaid program at additional costs paid not by the federal government, but passed down to the states. After a call with the governors representing the NGA Healthcare Task Force and the Senate Finance Committee, Chairman Baucus told the news media it would be impossible for the federal government to pick up all the costs for new Medicaid recipients; thus, states would have to bear some of the costs.

Why? Although CBO appears to estimate that H.R. 3200 will cost more than $1 trillion over the next ten years, the fine print reveals the true cost would be much higher. By imposing tax increases early in the budget window, before the bulk of the spending occurs, the true cost of the bill is hidden by budget gimmickry. Delaying the implementation of the program until the fourth year also uses budget tricks effectively to hide the immense long-term cost of this proposal. CBO has projected a 10-year deficit of more than $200 billion associated with the bill as is. However, when the full cost of the bill is taken into account after it is fully implemented, the spending in the bill skyrockets to nearly $2 trillion over 10 years (2014-23) with a deficit of more than $600 billion. I have included an attachment showing the scoring of H.R. 3200 the only comprehensive health care reform bill CBO has scored.

According to the National Association of State Budget Officers, Medicaid expenses in 2007 for federal and state government combined were $336 billion. This number is projected to reach $523 billion by 2013, a 56 percent increase in just six years. Should the reforms being debated in Congress become law, Mississippi would be saddled with an average increase of $360 million in additional costs, on top of the already $707 million it costs to fund Mississippi's annual state share of the Medicaid program. These proposals, which would cover all individuals at 133 percent federal poverty level (FPL), will burden state budgets, forcing states to raise taxes. In Mississippi, that would necessarily mean increases in our state income or sales tax rates. Mississippi, like so many states, simply can't afford to pick up the tab for another unfunded mandate passed by Congress.

Such state tax increases would be on top of the federal tax increases already included in the House and Senate bills, like huge tax increases on small businesses whether in the form of an additional 8 percent payroll tax or a 5.4 percent income tax surcharge. During a deep recession, when most people believe job creation and economic growth should be top priorities, huge tax increases will make it more expensive to employ people; consequently, employers will employ fewer people.

Medicare, the nation's largest provider of health coverage for the elderly and people with disabilities covering over 46 million Americans, is on the chopping block. CBO has estimated that provisions in H.R. 3200 would lead to a total of $162.2 billion in cuts being taken from Medicare Advantage plans. This $162.2 billion impacts 11 million people and represents nearly $15,000 in new costs passed to every Medicare Advantage senior beneficiary. These harmful and arbitrary cuts could result in Medicare Advantage plans dropping out of the program, harming beneficiary choice, and causing millions of seniors to lose their current coverage. Moreover, the bill grants federal bureaucrats the power to eliminate the Medicare Advantage program entirely, making the oft-repeated statement, "if you like your plan you can keep it," ring hollow for seniors.

Lastly, if we are trying to make health care more affordable, how do you leave out tort reform? After all, litigation and the resulting practice of defensive medicine add tens of billions to the cost of health care. In Mississippi we passed comprehensive tort reform in 2004, partially to stop lawsuit abuse in the area of medical liability. It worked. Medical liability insurance costs are down 42 percent, and doctors have received an average rebate of 20 percent of their annual paid premium. The number of medical liability lawsuits against Mississippi doctors fell almost 90 percent one year after tort reform went into effect. Doctors have quit leaving the state and limiting their practices to avoid lawsuit abuse.

With all the issues concerning a government-run health care system, I wanted to warn you of the state tax increases Mississippi will shoulder on top of the federal tax increases in the pending bills as well as my concern for the increased costs our senior citizens will face as Medicare Advantage is cut. Congress must slow down and work in a bipartisan manner. Everybody agrees that health reform is needed, but it should be done thoughtfully. I hope you'll keep this important information in mind when proposals that shift costs to states- or to our senior citizens- are considered.

Sincerely,

Haley Barbour

HB:mts:dhc
Enclosure

Preliminary Analysis of the Insurance Coverage Specifications Provided by the House Tri-Committee Group

EFFECTS ON THE FEDERAL DEFICIT / a,b,c (Billions of dollars, by fiscal year)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2019
Medicaid/CHIP Outlays /d,e	3	4	1	29	42	58	66	72	78	84	438
Exchange Subsidies	0	0	0	33	72	105	123	134	146	160	773
Payments by Employers to Exchanges /f,g	0	0	0	0	-3	-6	-8	-8	-9	-11	-45
Associated Effects on Tax Revenues /f	*	*	*	10	10	3	-1	-1	-2	-4	15
Subtotal	3	4	1	72	122	160	180	196	213	230	1,182
Small Employer Credits /h	0	0	0	4	7	8	8	8	10	10	53
Payments by Uninsured Individuals	0	0	0	0	-6	-5	-4	-5	-5	-5	-29
"Play-or-Pay" Payments by Employers /f,h	0	0	0	-7	-16	-21	-26	-29	-31	-33	-163
NET IMPACT OF COVERAGE SPECIFICATIONS	**3**	**4**	**1**	**69**	**107**	**141**	**158**	**171**	**187**	**202**	**1,042**

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Note: CHIP = Children's Health Insurance Program; * = between $0.5 billion and -$0.5 billion.

a. Does not include federal administrative costs or account for all effects on other federal programs.
b. Components may not sum to totals because of rounding.
c. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.
d. Includes effects of coverage provisions and the proposed increase in Medicaid payment rates for primary care physicians (see text).
e. Under current law, states have the flexibility to make programmatic and other budgetary changes to Medicaid and CHIP. CBO estimates that state spending on Medicaid and CHIP in the 2010-2019 period would be reduced by about $10 billion under the proposal (see text).
f. Increases in tax revenues reduce the deficit.
g. Employers would generally have to pay 8 percent of their average payroll per worker for each employee who received subsidies via an exchange (see text).
h. The effects on the deficit shown for this provision include the associated effects of changes in taxable compensation on tax revenues.