



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

June 5, 2009

The Honorable Joe L. Barton
U.S. Representative, District 6
U.S. House of Representatives
2109 Rayburn House Office Building
Washington, DC 20515-4306

Dear Representative Barton:

As Congress continues to grapple with the daunting challenge of enacting significant health care reform measures before the August recess, I urge you to contemplate the effects of certain policy considerations on our great state.

Government-run health care is not the solution to fix a broken health care system, and is financially unsustainable. At today's costs, extending Medicaid benefits to uninsured citizens at or below 100 percent of the federal poverty level would cost Texas an additional \$4.6 billion in general revenue per year (equal to a 2.3 cent, or 27 percent, sales tax increase), on top of the \$19 billion in general revenue the state expects to spend on Medicaid in the 2010-11 biennium. This type of federal government spending mandate would erode the state's economic viability without containing health care costs or improving health care quality and access.

Health and human services general revenue spending in Texas for the 2010-11 biennium is projected to grow almost 13 percent, to \$25.3 billion. The Texas Health and Human Services Commission already projects a Medicaid-related shortfall of more than \$1 billion in general revenue in the coming biennium, and combined Medicaid and Children's Health Insurance Program caseloads will exceed 3 million people. The number of uninsured Texans also continues to grow, and the state continues efforts to address a critical primary care physician shortage in many areas of the state.

In 2007, I set forth a comprehensive plan to transform health care in Texas. This reform waiver has been languishing before the Centers for Medicare and Medicaid Services for more than a year. My plan would provide more people with insurance, reduce expensive emergency room visits for basic care, and make it easier for the working poor to buy into employer-sponsored insurance. I am pleased to note that many of the policy proposals in this waiver are surfacing in Congressional discussions on health care reform, including programs that emphasize quality preventive care and reforms that promote a robust, competitive private insurance market centered on consumer choice and affordability.

The Texas waiver proposal reflected strong bipartisan acknowledgement of the need for reform. Improving quality of care, controlling escalating health care costs and addressing access-to-care

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issues requires collaboration among federal, state and local governments. A one-size-fits-all federal government mandate will not achieve significant reform. Rather, allowing states and local governments the flexibility to restructure the way health care is financed and delivered is critical to significant reform.

Texas just concluded its 81st Legislative Session, which was marked by the passage of a biennial state budget with less than 1 percent growth in general revenue spending, leaving intact the state's Rainy Day Fund, which will provide an expected balance of \$9.1 billion to address future state needs. However, despite the many legislative accomplishments that will continue to position Texas as an economic leader in this country, the state faces significant financial burdens ahead due to rapidly increasing Medicaid caseload and health care cost growth.

I urge you to ensure that the momentum surrounding the current health care reform debate is informed by the effect on Texas in a way that protects state flexibility and innovation while guarding against growing federally mandated programs that will be financially unsustainable, not only for Texas, but for most other states and the federal government, as well. No government has ever taxed, or borrowed, its way to prosperity, no matter how laudable the spending goal may have been. I hope you will resist the temptation to finance an item as basic as health care with deficit financing that cannot be maintained.

Sincerely,

A handwritten signature in black ink that reads "Rick Perry". The signature is written in a cursive, slightly slanted style.

Rick Perry
Governor

RP:jop

cc: Mr. Albert Hawkins, III, Executive Commissioner, Texas Health and Human Services
Commission