



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

October 27, 2009

The Honorable Thad Cochran
U.S. Senate
113 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Cochran:

As you and your staff are aware, my office has been monitoring both the direct and indirect impacts of the various health care reform bills on the State of Mississippi and our citizens. On Friday I received an analysis of the effect of the Baucus bill on private health insurance rates for Mississippians, and it only hardens my opposition to the bills that have come out of the various Congressional committees.

The Blue Cross Blue Shield Association has made public an analysis that shows how the proposed insurance reforms in the Senate Finance Committee's bill would impact both the individual and small group markets. For Mississippi, in year five of the reforms (the first year the reforms will be fully implemented), premium costs for a new individual policy would increase by \$1,800 more than it would have without the bill; and a family policy in the individual market would increase by \$3,869 more than if the reforms were not enacted. For a small business owner purchasing new coverage, that increase would be \$1,111 for an individual employee and \$3,095 for a family. As you can see, individuals would have to pay \$150 more a month for their coverage and families nearly \$320 a month for family coverage with Baucus' bill in effect. Small businesses would pay nearly \$100 a month more for each employee and about \$250 a month extra for family coverage.

Obviously, these enormous cost increases are against the interests of Mississippi's families and small businesses. While some may criticize the fact that this analysis was done by Blue Cross Blue Shield, it is totally consistent with the history of states like New York, Massachusetts and Maine, which have mandated guaranteed issue, some form of community rating and a rich standard benefits package, all of which are common to the bills pending in Congress. Your Congressional Budget Office and Joint Committee on Taxation both have done studies that confirm the health care reform plans under consideration would make premiums go up. I urge you to vote against any reform legislation that would drive up the cost of health insurance for Mississippians.

Previously I sent you information about the effects of expanding Medicaid, as is proposed in all of these bills, on Mississippi's state budget. Regardless of which bill is chosen, Mississippians will face a tax increase to pay the state's share of the costs of expanding Medicaid; there simply is no money available in the state treasury or under any budget scenario that would make such funds available without a tax increase.



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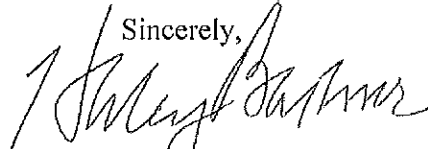
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It is our understanding that some negotiators are now leaning toward an expansion of Medicaid to all people below 150% of the federal poverty level, with the states bearing a 10% share. This would result in increasing the number of people on Medicaid by approximately half, to 900,000 or so, and the additional cost would be approximately \$200 million a year. Again, this would represent a \$200 million a year tax increase for Mississippi families and businesses.

Mississippians are rightly concerned about cuts to Medicare spending that would be used to help fund the new government-run health care system created by these reform bills. About one-fourth of Medicare recipients have chosen to have their Medicare benefits managed under a Medicare Advantage plan. All of the bills would have a negative impact of nearly \$15,000 on every Medicare Advantage senior beneficiary. Whether this would be achieved by raising rates or reducing benefits remains to be seen; however, I strenuously oppose any retaliation against the Mississippians who have chosen Medicare Advantage simply because they chose a private option for Medicare over the public option.

Let me reiterate, without going into detail, that small businesses and individuals who purchase insurance in the private market will see enormous increases in costs. The result will be those companies and individuals will not be able to afford insurance, and they and their employees will be thrown into the government pool. And the cost for the government pool will be very high for the same reasons that premiums for private insurance would be driven up by these reforms; and all these extra costs will either fall on premium payers or taxpayers.

The bills that are being considered all contain fatal flaws. If our goal is to reduce the cost of health insurance and medical care so that more Americans can afford it, this legislation is a step in the wrong direction. It is bad for Mississippi both as a state and for our citizens, and I ask you to oppose it.

Sincerely,

Haley Barbour

HRB:dk
Attachment



Premiums Will Go Up

The number one concern voters want addressed by health care reform is cost. Americans want reforms that will bring their premiums down while protecting their quality of care. Instead, study after study shows that the reform plans under consideration will drive premiums and overall health care spending up. These studies, by the Congressional Budget Office (CBO), the Joint Committee on Taxation (JCT), the Chief Actuary at the Department of Health and Human Services (HHS), and independent actuaries show that the Democrats' legislation will drive premiums and overall health care spending up faster than in the absence of reforms. That is exactly the wrong direction for health care reform.

JCTⁱ and CBOⁱⁱ reinforce what six other studiesⁱⁱⁱ have shown: The Democrats' health care plan will make premiums go up. These independent analyses show that premiums will go up as taxes are passed on to consumers. The studies also show that because so many people remain uninsured under the proposals, market reforms will act to drive up the cost of health insurance as healthier and younger workers are forced to subsidize the costs of sicker workers.^{iv}

- Individuals and families buying their own insurance could see premiums increase as much as 73 percent.^v
- Small businesses will see premium increases of almost 20 percent.^{vi}
- Young and healthy individuals would see the biggest increase.^{vii}

In 2010, everyone who is insured will immediately see their premiums and cost of care go up: While the taxes under the Democrats' plan go into effect immediately, the major reforms won't take place until July 2013.^{viii} The JCT and CBO both testified that the excise taxes on health insurance companies and new fees on devices and pharmaceuticals will be passed on to consumers, increasing the price of health care coverage.^{ix}

As a result of the Democrats' plan, health care spending will actually increase by three-quarters of a trillion dollars—this is above and beyond already out-of-control health care spending: The United States already spends a far greater percentage of its GDP on health care than any other country, but that amount will increase by \$750 billion (2.1 percent over current projections) because of the changes in the House bill.^x As a result, health care spending as a percent of GDP is projected to be 21.3 percent in 2019—more than one out of every five dollars spent. This is bending the cost-curve up, not down.

Even if subsidies are included, they will be available to less than eight percent of Americans—and not to people who receive health care from their employer: The Democrats' main response to actuarial studies showing increasing premiums has been to claim that the studies don't take account of subsidies made available under the legislation.^{xi} However, according to data from CBO, only 18 million of 282 million non-elderly Americans in 2019 will be eligible for subsidies.^{xii} Importantly, if you receive health care through your employer—as the vast majority of Americans do—you aren't eligible for a subsidy under the Democrats' plan. But you will pay the higher taxes that will drive up your premiums.

ⁱ JCT Memorandum on the high cost plans excise tax, September 29, 2009 (“The imposition of the excise tax on insurers can be expected to lead health insurance providers and consumers to take measures to minimize their burden from the tax. As insurers pass along the cost to the consumer by increasing price, the cost of employer provided insurance will increase.”)

ⁱⁱ CBO Director Elmendorf testified to the Finance Committee that insurance fees “would raise insurance premiums by roughly the amount of the money collected.” Finance Committee, U.S. Senate, Hearing on September 22, 2009. Additionally, CBO wrote that because of increased regulations, “premiums in the new insurance exchanges would tend to be higher than the average premiums in the current-law individual market...” CBO letter to Senator Max Baucus, September 22, 2009, available at: http://cbo.gov/ftpdocs/106xx/doc10618/09-22-Analysis_of_Premiums.pdf

ⁱⁱⁱ CMS Office of the Actuary Memorandum, October 21, 2009; Oliver Wyman Analysis, October 14, 2009 (Oliver Wyman also released a separate age rating analysis on September 28, 2009); PriceWaterhouseCoopers Report, October 2009; HayGroup Analysis, October 5, 2009; Milliman Analysis, July 13, 2009; WellPoint Analysis of 14 States, October 22, 2009.

^{iv} “We note that that piece of the legislation would raise premiums for—on average... Those who are healthier than average would experience an increase in premiums, from bringing these sicker people in to the pool and covering their medical expenses.” Statement by CBO Director Doug Elmendorf in the Finance Committee, U.S. Senate, Hearing on September 22, 2009.

^v “Assuming 89 percent of the total population has health insurance, Oliver Wyman expects: Claims in the individual market could be 50 percent higher than they are today; claims are expected to be even higher in some states, ranging between 60-73 percent higher than today. This translates into premium increases of roughly \$1,500 a year for single coverage and premium increases of roughly \$3,300 a year for family coverage.” Oliver-Wyman analysis, October 14, 2009. Available at: <http://www.bcbs.com/issues/uninsured/background/Oliver-Wyman-Report-Showing-Impact-of-Healthcare-Reform-on-Premiums-pdf.pdf>.

^{vi} “Oliver Wyman, Inc. finds that small employers purchasing new policies in the reformed market, with an ineffective mandate, will experience premiums that are up to 19 percent higher in Year 5 of reform.” Oliver-Wyman analysis, October 14, 2009.

^{vii} “Even with the Senate Finance Committee provision of a 4:1 age band, premiums will increase for younger purchasers, reducing the likelihood that some will purchase coverage.” Oliver-Wyman analysis, October 14, 2009.

^{viii} Committee Report of the America’s Healthy Futures Act, October 19, 2009.

^{ix} “Those projected premium amounts include the effect of the fees that would be imposed under the proposal on manufacturers and importers of brand name drugs and medical devices, on health insurance providers, and on clinical laboratories. Those fees would increase costs for the affected firms, which would be passed on to purchasers and ultimately would raise insurance fees by a corresponding amount.” Doug Elmendorf, CBO’s Analysis of Premiums under the Chairman’s Mark of the America’s Healthy Future Act, CBO Blog, September 23, 2009.

^x CMS Office of the Actuary Memorandum, October 21, 2009 (“In aggregate, we estimate that for calendar years 2010 through 2019 national health expenditures would increase by \$750 billion, or 2.1 percent, over the updated baseline projection that was released on June 29, 2009. As a result, the NHE share of GDP is projected to be 21.3 percent in 2019, compared to 20.8 percent under current law.”). Available at:

[http://republicans.waysandmeans.house.gov/UploadedFiles/OACT_Memorandum_on_Financial_Impact_of_H_R_3200 .pdf](http://republicans.waysandmeans.house.gov/UploadedFiles/OACT_Memorandum_on_Financial_Impact_of_H_R_3200.pdf).

^{xi} In response to the studies from the independent actuaries, the Democrats cited one report from MIT economist Jon Gruber, who said that the reports failed to take into account the subsidies. Gruber also said that premiums would decline on average for individuals purchasing insurance. However, Gruber acknowledged that his report did not take into account employer-sponsored plans or group plans. (See *New York Times*, Prescriptions, “MIT Economist Rebutts Insurance Industry Report,” October 13, 2009). Gruber’s model predicts that overhead would “fall enormously” once insurance policies are sold through the exchange. Notably, Gruber had similar predictions for the exchange in the Massachusetts health care plan, although premiums there are predicted to rise by ten percent a year. *Wall Street Journal*, “Mandated Health Insurance Squeezes Those in the Middle,” September 16, 2009.

^{xii} Preliminary Analysis of the Chairman’s Mark for the America’s Healthy Future Act, As Amended, Congressional Budget Office, October 7, 2009, available at: http://cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf; note that while there will be 282 million non-elderly Americans in 2019, 185 million of them will be insured through their employer or non-exchange non-group insurance and therefore ineligible to receive the subsidy. CBO says that 5 million of the 23 million individuals eligible for the exchange will be “unsubsidized.” That leaves 18 million people eligible for subsidies through the exchange. CBO Letter to Senator Baucus, October 7, 2009. Elderly Americans are excluded from this analysis since they receive health coverage through Medicare.