State of Rhode Island and Providence Plantations
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Donald L. Carcieri
Governor

17 December 2009

The Honorable Sheldon Whitehouse
United States Senator
502 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Whitehouse:

I write to you with grave concern about the far-reaching and potentially devastating impact the current "Health Reform" bill will have on our state and on our nation. The local, adverse consequences will be felt by all Rhode Islanders.

As you are well aware, Rhode Island is facing mounting deficits for the current fiscal year, as well as for the next fiscal year. The State Budget Office released its report projecting a $220 million deficit for the balance of the current fiscal year. This is a worsening of nearly $224 million from the budget approved by the General Assembly in June of this year. Approximately $200 million of this amount was a result of the decline in the projected tax receipts, both income and sales.

For fiscal year 2011, the projected deficit will be $415 million. Resolving both these deficits will require very painful reductions in municipal aid, aid to education, human services and personnel reductions. These are real dollars affecting real people.

Our state is suffering disproportionately from the effects of this unprecedented economic downturn, with some 73,000 Rhode islanders out-of-work and many more worried about losing their jobs and income. My administration is working hard to steer our state through this turbulent time <u>without</u> increasing the tax burden on our citizens. State government <u>cannot</u> afford further Federal mandates from the proposed health reform bill, and our citizens and small business <u>cannot</u> afford higher taxes. The way to create new jobs is by lowering taxes, not raising them.

The current versions of the health care reform legislation leave several key matters of policy unresolved, including the 1) definition of the "newly eligible" population, 2) the maintenance of effort requirements, and 3) the federal matching rate for this expansion. Both the Senate and the House Bills expand Medicaid to cover low-income childless adults. Although there are provisions to provide an enhanced FMAP rate for these "newly eligible" individuals, it's a simple a fact that the state cannot afford to pay any additional costs in the short-term or the long-term.

Further, there are approximately 51,000 Rhode Islanders with income under 133% of the Federal Poverty Level who are eligible for Medicaid at present. They are not enrolled for a variety of reasons, including being in this country illegally. Both the House and Senate bills include an "individual mandate" that will extend to these individuals.

The Massachusetts experience indicates that the adoption of the individual mandate in that state had the net effect of increasing Medicaid enrollment of these eligible, but not enrolled, individuals by 97%. If these individuals are not included in the definition of "newly eligible" and, as such, the higher FMAP rate does not apply, the cost to the state will be enormous. Current estimates, based on a conservative take-up rate of 75%, show the potential cost to the state in general revenue will be about $237 million over the first five years of implementation. And that is just the impact on the state budget.

This is entirely unacceptable. We have spent the last several years reducing the growth rate of Medicaid costs, and late last year we completed an historic and unprecedented agreement with the Federal government – the Global Medicaid Waiver. The purpose of this agreement was to allow Rhode Island the flexibility to implement healthcare delivery reforms, manage costs and reduce their rate of growth. This legislation will undermine everything we have been working to achieve, and will add hundreds of millions of dollars to our state's budget.

I realize that these additional direct costs are not programmed to take effect until 2013, long after my tenure as Governor has ceased. However, I cannot support such an enormous burden that will affect our state so negatively in the future.

There will, however, be an immediate and damaging impact on our economy. The proposed tax increases on individuals, small businesses and corporations can only serve to kill any prospects for economic recovery, and will prolong the high rate of unemployment. Rhode Islanders are already struggling, and this additional tax burden will become the proverbial straw that breaks the back of our economy.

In the larger national context, this massive legislative initiative could not be coming at a worse time. We are fighting two wars in the midst of the "Great Recession." We are spending incomprehensible amounts of money on a so called "stimulus", resulting in a weak dollar and inflated commodity and oil prices. All of these factors will add to the tax burden and increase the cost of living for all Americans. Another $2 trillion healthcare spending program will push our economy over the precipice.

This legislation will add millions of people to an already unsustainable entitlement program. It will push states and the federal government further down the road to fiscal calamity. It will place millions of Americans who are content with their current healthcare coverage at risk to lose services, and it will raise premiums for the private commercial insurance market. In effect, it would largely nationalize health insurance regulation. And it will do all of this at same time when the number of Americans age 65 and older is projected to increase from 39 million to 76 million.

For the sake of our state, our nation, and our children — who will inherit this burden – I ask you to stop this legislation now. We cannot afford the cost nor endure the unintended consequences of this disastrous piece of legislation.

Sincerely,

Donald L. Carcieri
Governor