

U.S. House of Representatives
Energy and Commerce Committee
Remarks by Governor Haley Barbour
February 26, 2008

Mr. Chairman, Congressman Deal, and members of the subcommittee:

I am happy to be before you today to discuss important issues surrounding the State Children's Health Insurance Program and Medicaid. Together, these two programs provide health coverage to approximately 626,000 Mississippians and they are an essential component of our health care safety net, especially for our most vulnerable children.

I thank you for your continued work on the reauthorization of the SCHIP program. As you proceed, I ask you to remember the intent of the S-CHIP program: to cover low-income uninsured children.

That's what we are focused on in Mississippi. Our S-CHIP program covers only children at under 200% of the Federal Poverty Level. For a family of four, this means an annual income of less than \$42,400.

For several years, the current distribution formula has resulted in Mississippi being consistently shortchanged. Flaws in the formula have resulted in an inequitable distribution of funds and a redistribution allotment has been needed to cover costs. The current formula does not provide enough money for even half of the children in Mississippi below 200% of the federal poverty level.

In Mississippi, the total cost of covering the 63,000 kids in our S-CHIP program is \$133 million. According to current law, the

federal government is supposed to pay 83% of these costs, which means the federal government should be giving us \$111 million for S-CHIP. But our state's S-CHIP allotment for federal Fiscal Year 2008 is only \$61,687,048, leaving us \$50 million short.

In past years, to make up this difference, we have depended upon redistributed funds from other states. These redistributions from other states were possible because their allocation was more than they needed to run their S-CHIP program.

Not surprisingly, instead of sending that money back to Washington, other states started expanding their S-CHIP programs. Instead of covering low-income children, as Congress intended when you created the program, other states began covering adults, even adults that did not have any kids!

Since then, the pool of funds available to be redistributed to states such as mine has shrunk and we are faced with significant shortfalls and much uncertainty.

The bill Congress sent to the President last fall would not have funded Mississippi's SCHIP program at an amount adequate to cover all children at or below 200% of the federal poverty level, even though it would have allowed other states to expand coverage. I cannot support a bill that does not give Mississippi enough money to fulfill the original intent of the program while allowing other states the opportunity to expand their programs to cover higher-income children and adults who don't have any children.

Even with the additional money Congress proposed for S-CHIP, the proposed formula still causes serious concern for those of us charged with actually administering the program. According to the U.S. Census Bureau 2006 survey, there are 71,851 children in Mississippi under 200% of the Federal Poverty Level who are

uninsured. With rare exception, all of these children likely are eligible for Medicaid or S-CHIP.

In order to cover all children under 200% of the federal poverty level eligible for S-CHIP, Mississippi would require a federal allotment of \$232 million. But under the proposed new formula, Mississippi's FY 2008 allotment would have been \$142 million. In other words, our state would still be shortchanged by \$90 million, or nearly 40%. Even the "Child Enrollment Contingency Fund" you included in the bill for states that significantly increase enrollment only would provide a maximum of an extra \$28 million, leaving us 27% under-funded.

Again, I cannot support an SCHIP bill that shortchanges Mississippi to such a degree we cannot even provide insurance to all our children at 200% of federal poverty level, but that allows wealthy states to provide insurance under SCHIP to children in families with an income of \$85,000/year.

To that end, I agree with the guidance issued by CMS on August 17, 2007, which will ensure that before states expand their S-CHIP coverage beyond 250% of the Federal Poverty Level, they should have enrolled at least 95% of the eligible children in their state below 200% of the Federal Poverty Level in either Medicaid or S-CHIP.

I urge you to enact an S-CHIP reauthorization bill which will provide states like Mississippi the federal support necessary for us to enroll all of our eligible kids.

In addition to S-CHIP, I am glad to have the opportunity today to visit with you about the status of our state's Medicaid program. Since I have been Governor, we have made significant progress in saving Medicaid for the nearly 600,000 Mississippians who rely on it. We have enacted reforms because we know it is wrong for a

family to work hard at two or three jobs, to raise their kids and pay for their healthcare, and then have to turn around and pay extra taxes so others who are able to work and take care of themselves choose not to but instead get free healthcare at taxpayers' expense. That's not right.

Under my Administration, the Division of Medicaid checks people's eligibility face-to-face, and the Medicaid rolls have decreased. This drop is what you should expect when the number of people employed has increased by more than 50,000 as it has in the last four years in Mississippi.

We've changed our prescription drug program to better utilize generic drugs. That, along with Medicare Part D, is saving taxpayers tens of millions of dollars on pharmaceuticals with no negative effect on beneficiary health.

But even with these common-sense, successful savings efforts, our Medicaid budget faces a large shortfall this year. This is primarily because the federal government has forced us to stop using certain funds to cover the state Medicaid match requirement.

For example, we have to replace the \$90 million of state match that was previously provided by public hospitals through an inter-governmental transfer program. Considering the fact that our state appropriation for Medicaid is \$513 million for the current fiscal year, this is a significant budget challenge.

Now, CMS is proposing more changes to the state-federal relationship that will have additional fiscal consequences. Given the straight-jacket of federal rules on how we can run our Medicaid program, these changes, if allowed to proceed, will likely result in reduced reimbursement rates for providers or reduced services for the beneficiaries. This morning, I will highlight two rules changes

that would be especially harmful to the Mississippi Medicaid program.

First, CMS has issued a rule which changes the definition of a public hospital, thereby putting new restrictions on payments to hospitals in my state. In effect, this rule change would eliminate hospitals from the governmental classification if they are non-profit corporations that receive a government appropriation. The result would be that our county-owned public hospitals, mostly in rural areas, would be negatively impacted. This would be another \$90 million hit to our Medicaid program.

Congress has approved a moratorium that delays implementation of this rule until May 25, 2008. CMS should either reconsider this rule, or Congress should act again.

Secondly, CMS has proposed to eliminate Medicaid payments for Graduate Medical Education. In an attempt to justify this proposal, a CMS official testified on November 1, 2007, to the House Committee on Oversight and Government Reform that training doctors “is outside the scope of Medicaid’s role, which is to provide medical care to low-income populations.”

In the case of the University of Mississippi Medical Center, the GME program makes it possible to train 200 residents a year and it has proved to be an effective physician retention program. If a doctor does his or her residency in Mississippi, there is an 85% chance he or she will live and practice in Mississippi afterwards.

Having doctors in under-served rural areas is necessary for there to even be a Medicaid program. Enacting the CMS proposal would cost the University of Mississippi Medical Center \$15 million in FY 09 and would threaten future access to care.

In addition, the University Medical Center is our state's largest Medicaid provider. If the GME program is eliminated, UMC's ability to provide care for our Medicaid beneficiaries will be threatened.

Thank you again for allowing me the opportunity to be here today. I look forward to any questions you may have.