**Missouri Budget Project E-News**
**State and Federal Policy Update**
**January 7, 2011**

## State Issues



## Federal Issues



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### 1. 96th General Assembly Convenes, State of the State Address Scheduled

The first regular session of the 96th General Assembly convened and members were officially sworn in on Wednesday, January 5th.

Among the ranks were thirteen new senators and 79 new representatives. Republicans hold a 26-8 seat majority in the Senate, and a 106-57 majority in the House. Each chamber officially elected its leaders, naming Senator Rob Mayer as president pro tem, and Representative Steve Tilley as House speaker.

### 2. State of the State Address Scheduled for January 19th

Governor Nixon will deliver the annual state of the state address on Wednesday, January 19th at 7 p.m. In the address, which will be streamed live at www.MO.gov, the Governor will release his budget and legislative priorities for the year.

### 3. Paperwork to be Filed to Circulate Ballot Measure to Eliminate State Income Tax, Greatly Expand Sales Tax

According to reports, initial paperwork will be filed today to circulate a ballot measure proposal to eliminate the state's income tax and replace it with a greatly expanded sales tax. Missourians know if it sounds too good to be true, it probably is.

In order to make up for revenue lost from the income tax, sales taxes would be applied to a much broader range of goods and services than are currently taxed. The new, expanded sales tax would apply to nearly everything that is purchased, including food, prescription medicine, new cars, and even new homes. *And* it would also apply to *all* services, like child care, nursing homes and assisted living for seniors, doctor's office visits, legal counseling, and financial services, and much, much more — even funerals.

The new sales tax would be like no other nationwide, and would result in an overall tax increase for 95 percent of Missourians. Middle-income Missourians, including senior citizens on fixed incomes, would be hardest hit because they have to spend a higher proportion of their incomes on essential products and services than do the wealthy.

Moreover, if the sales tax rate is capped at 7 percent as reports indicate, the services and infrastructure that provide the foundation for our economy would be jeopardized. Critical programs that represent the state's investment in its workforce, such as education, transportation, and health services would face further cuts, endangering the state's economic recovery. Research on comparable proposals has indicated that a sales tax of 10 to 11 percent would be required to be revenue neutral. All state rates are in addition to local sales tax rates, which are around 2 percent.

To see the full Missouri Budget Project press release, visit http://mobudget.org/articles/show/164-New_Ballot_Initiative_Will_Have_Dire_Consequences_for_Missourians

### 4. State Releases December General Revenue Report

The State released it December 2010 General Revenue report this week. Net General Revenue (GR) collections increased 9.4 percent for the month, and for fiscal year 2011 overall, net GR collections are up 4.6 percent. Should net GR growth continue at this level, the state should be able to avoid additional budget cuts during the second half of FY 2011. However, even with this revenue growth, the state budget for FY 2012 is in a very difficult position and budget reductions in the $700 to $800 million range remain likely.

To read the Missouri Budget Project's analysis of the revenue report, visit http://mobudget.org/articles/show/163-Missouri_General_Revenue_Growth_Improves_Again_in_December A copy of the State's press release can be found at: http://oa.mo.gov/co/releases/2011/State_Releases_December_2010_General_Revenue_Report

### 5. Senate Announces Seven Working Groups to "Reboot Government;" Citizens Can Submit Ideas Online

Continuing an effort started last year, the Senate announced seven working groups that will examine the state's programs "to reduce costs and maximize efficiencies." The groups include Courts & Public Safety; Education; General Government & Office Administration; Retirement & Employee Structure; Social Programs; Tax Structure & Economic Development; and Agriculture, Outdoors, Department of Natural Resources & Transportation.

The groups are collecting ideas from citizens on how to streamline government. To submit an idea, visit http://www.senate.mo.gov/RebootMO/RebootMOMain.html.

More information about the working groups, including the groups' members, can be found at: *http://www.senate.mo.gov/Newsroom/Documents/PressReleases/2011/RebootingGovernmentWorkgroups-010311.htm*

### 6. Insurance Companies Seek to Weaken Consumer Protections Enacted in the Affordable Care Act

One of the goals of the Affordable Care Act passed last year is to strengthen protection for consumers and to assure a good value for their health dollar. The Department of Health and Human Services issued regulations that set minimum Medical Loss Ratios for insurance companies in large group and small group markets. The Medical Loss Ratio (MLR) is the percent of collected premiums that is spent on actual health care. The minimum MLR is 80 percent for the small and individual group market, and 85 percent for the large group market.

Missouri is one of just 16 states that do not have minimum MLRs or other rate reporting requirements. It is also one of only three states that do not require health insurance companies to even file rate increases with the Department of Insurance.

The federal regulations require insurance companies that do not meet the required MLR to pay rebates to consumers. It also allows states to ask for an adjustment to the minimum MLR in the small group market if data show that meeting the MLR will destabilize the small group market.

The Missouri Department of Insurance held a hearing about the MLR on December 28 at the request of insurance companies. While only one insurance company was present to testify, the Department of Insurance must now review 85 pages of written testimony submitted for the hearing.

The Missouri Budget Project and seven other advocates/consumers testified against seeking an adjustment, since no data has been offered by insurance companies showing it would destabilize the market or have a negative impact on consumers. To read the Missouri Budget Project's testimony regarding this issue, visit: http://mobudget.org/articles/show/162-Missouri_Budget_Project_Presents_Testimony_to_the_Department_of_Insurance

Only one insurance company was present to testify. It offered no data, and according to information on the Department of Insurance's web site, insures one-tenth of one percent of the small group market. The deadline for written comments was December 31, 2010.

The Department will now assess whether they have sufficient data to determine whether the current MLR standard will have a destabilizing impact on the small group market.

**Federal Issues**

### 1. U.S. House Weakens Rules Pay-as-You-Go Requirement, Making it Easier to Pass Tax Cuts

As the U.S. Congress convened on Wednesday, the House of Representatives passed new rules that would require any spending increases to be offset by cuts elsewhere, but would allow tax cuts without such reductions. Prior House rules had a pay-as-you-go requirement that necessitated any spending increase or tax cut be paid for by tax increases or cuts in other spending.

Center on Budget and Policy Priorities Executive Director Robert Greenstein released a statement ) criticizing the rule change, stating that it "marks a significant step away from fiscal discipline and toward the kind of rules that helped pave the way for the return of large deficits in the years after 2001." Greenstein also notes that the changes will mean that the House cannot, for example, bolster an entitlement program that would assist working families and pay for it by closing tax loopholes.

Greenstein's statement is posted at www.cbpp.org/cms/index.cfm?fa=view&id=3360, and the Center's analysis of these rules can be found at www.cbpp.org/cms/index.cfm?fa=view&id=3359

### 2. States Receive Bonuses for Increasing CHIP Enrollment

In late December, 15 states received Medicaid bonuses worth $206 million for enrolling additional children already eligible for Medicaid. The bonus payments, which were included in the Reauthorization of the Children's Health Insurance Program (CHIPRA) in 2009, were awarded to states that boosted enrollment by a certain percentage and adopted at least 5 of 8 "best practices" for enrollment.

The best practice strategies are: Presumptive eligibility; 12-month continuous eligibility; a joint application and verification process for the Medicaid and CHIP programs; eliminating or simplifying the asset test; express lane eligibility (using information from other public programs such as food stamps, WIC, school lunches etc. to verify eligibility for Medicaid/CHIP and to enroll); waiving the face-to-face interview; administrative or Ex parte renewal; and premium assistance in CHIP. Missouri does 4 of these to some extent.

SB583, signed into law in 2010, requires the Department of Social Services to provide information about eligibility for Medicaid/CHIP to licensed child care providers and public schools. While a step in the right direction, Missouri lags behind many states in outreach efforts. Money in the FY2010 budget to provide health care to children went unused, and was cut from the FY2011 budget, even though many of the uninsured children in Missouri are eligible for either Medicaid or CHIP.

Alabama received the largest share of the bonus award, at $55 million. Other states receiving bonuses for boosting enrollment include Alaska, Colorado, Illinois, Iowa, Kansas, Louisiana, Maryland, Michigan, New Jersey, New Mexico, Ohio, Washington and Wisconsin.