

## Missouri Budget Project E-News Federal and State Policy Update January 15, 2010

### In this issue:

1. **Federal health care reform negotiations moving toward resolution**
2. **Unwise proposal for mega sales tax to get more attention in 2010**
3. **Continuing to “just say no” to health care reform**
4. **Governor to deliver State of State and budget priorities on January 20**
5. **Action on health care bills begins**
6. **Committee hearings scheduled**

#### 1. **Federal health care reform negotiations moving toward resolution**

Reports indicate that the House and Senate negotiations to resolve differences in the Senate and House proposals are moving toward a close.

An important agreement was reached regarding an excise tax on “Cadillac” (very expensive health plans that have few if any cost-sharing provisions) health plans. The impact of this on collective bargaining groups that negotiated high cost plans in lieu of salary increases was a primary concern. The agreement raises the threshold of plans that will be taxed from \$23,000 to \$24,000 (family plans), and the taxes on the plans of those groups won’t be imposed until 2017. Dental and vision plans are not considered as part of the plans. Some adjustment will be made for increased cost due to gender and age, and perhaps for varying costs in geographic areas.

While this agreement is critically important, it decreases the funding available for other parts of reform, particularly for addressing affordability issues for those with incomes under 250 percent of federal poverty level. It may also affect benefit packages for those covered by Medicaid. If States have the choice to provide less rich benefit packages to some populations, this could save money.

We believe that the Senate has said categorically rejected raising Medicaid eligibility up to 150 percent of federal poverty level and to a national insurance exchange.

A number of Governors have weighed in, asking for the inclusion of a provision that extends the higher Medicaid match (enacted in the American Recovery and Reinvestment Act) for 6 months. If this doesn’t happen, the enhanced match will end in December 2010, leaving states in the lurch in the middle of their fiscal year.

As reported last week, it appears that the sweet deal for Nebraska (100% federal funding for Medicaid expansion) is out. Senator Nelson is pushing for more federal money for all states. While this might be desirable, it would cost additional money.

### **What’s next?**

It appears that negotiations may be finished by tonight. It will likely take the Congressional Budget Office a week to score the bill. The House may take it up as early as the end of next week, and the Senate early the following week.

#### 2. **Unwise proposal for mega sales tax to get more attention in 2010**

Senator Shields convened a seminar for Senators on January 12, 2010 to learn more about a constitutional amendment to eliminate personal and corporate income taxes and replace them with a sales tax. Current proposals include HJR56 (Emery), HJR71 (Koenig and Guernsey) and SJR29 (Purgason and Cunningham).

This sales tax would include not only a higher rate (at least 6.8% according to Missouri Budget Project estimates), but also a tax on all services. Seven states do not have income tax, and 2 tax only dividends and interest income, but none of them tax the wide array of services that would be taxed under HJR56.

Joe Haslag, an economist at the University of Missouri-Columbia who does research for the Show Me Institute, and Arthur Laffer, also an economist, laid out arguments in support of the sales tax. Amy Blouin, representing the Missouri Budget Project, and Jim Moody, a consultant representing himself, offered arguments opposing it. To see Blouin's presentation, [click here](#).

Last year this proposal passed the House, but was not taken up by the Senate. This year there is a companion Senate bill, and Senator Engler said that he would allow the bill to be debated.

The Missouri Budget Project is gearing up efforts to organize a very broad coalition of organizations to oppose these constitutional amendments that would negatively affect almost all Missourians, and which create tremendous uncertainty about available revenue to fund education, health care, transportation and other services that are important to Missourians. If your organization would like to be part of this coalition, please contact Heather Lasher Todd at [hlashertodd@mobudget.org](mailto:hlashertodd@mobudget.org).

If you would like to hear a debate about this issue, the Missouri Budget Project is participating in an event sponsored by the Show-Me Institute on February 1 from noon to 1:30 PM. The event will be held in Room 208A in the Reynolds Alumni Center, University of Missouri in Columbia. Parking is available at meters on the street or in the Turner Garage. Price is \$20 for the general public, \$15 for Show-Me Institute members, and \$10 for students. Lunch is included. For more information, or to reserve a seat if you do not [register online](#), please contact Breck Frerking at (573)424-1713 or email at [Breck.Frerking@showmeinstitute.org](mailto:Breck.Frerking@showmeinstitute.org).

### **3. Continuing to "just say no" to health care reform**

Yet another constitutional amendment was proposed to prohibit Missourians from participating in federal health care reform, **HJR74 (Gatshenberger)**. **HJR57 (Jones-89)** was referred to the H Committee on General Laws. We can assume it will get support from this Committee. On January 12, the Committee heard and voted out a House Concurrent Resolution that urges Missouri's congressional delegation to vote "no" on federal health care reform (in spite of not knowing what a final proposal will be).

**SB587(Nodler)**, which creates a Tenth Amendment commission, has been assigned to the S Committee on General Laws.

### **4. Governor to deliver State of State and budget priorities on January 20**

Linda Luebbering, the budget director, presented the consensus revenue estimate to the House Budget Committee on January 12. Based on a growth of 3.6 percent, General revenue is expected to be about \$7.2 billion in FY2011. If that is true, the budget shortfall for 2011 will likely be close to \$500 million (assuming the Governor will announce additional withholds of \$200 mil during his January 20 address. Estimates indicate that general revenue will fall by 6.4 percent in FY 2010.

Governor Nixon will give the State of the State address at 7 PM on January 20.

### **5. Action on health care bills begins**

A large number of bills related to health care, private and public insurance have been filed. At this point, in addition to bills related to insurance coverage for autism, only 2 have been referred to Committees. **SB639 (Schmitt)**, which strengthens Missouri's false claims act (efforts to identify Medicaid fraud and recoup money) was assigned to S Committee on Judiciary and Civil/Criminal Jurisprudence. The Missouri Budget Project is not tracking the bills related to autism.

**SB642 (Wright-Jones)**, which requires health insurers to devote a percentage of the money collected through health insurance premiums for health care services, was referred to the S Committee on Small Businesses, Insurance and Industrial Relations. This would limit the amount that insurance companies could spend on administration, marketing and other non-health care related costs.

The Missouri Budget Project supports both bills.

### **6. Committee hearings scheduled**

**In the House**

The House Appropriations Committee on Health, Mental Health and Social Services will hear Department overviews in HR 5 on January 19 at noon, 1/20 at 1 PM, and 1/21 at 8 AM

The House Budget Committee will hear public testimony 1/12 upon morning adjournment in HR3.

**In the Senate**

Joint Committee on Tax Policy, on 1/19 at 4:30 PM or upon adjournment in SCR1

Senate Appropriations Committee on 1/25 at 12:30PM in SCR2. Will discuss the Governor's FY2011 recommendations, FY2010 Supplemental Appropriations, and statewide issues.

The same Committee will hold hearings at 8 AM on 1/26 (Department of Revenue) and 1/27 (Department of Labor and Industrial Relations) in SCR 2