



STATE OF SOUTH DAKOTA
M. MICHAEL ROUNDS, GOVERNOR

March 11, 2010

The Honorable Stephanie Herseth Sandlin
United States House of Representatives
Washington, DC 20515

VIA Fax: 202.225.5823

Dear Ms. Herseth Sandlin,

A handwritten signature in black ink, appearing to read "Stephanie", written over the name "Stephanie" in the address block.

Thank you for your recent visit. I appreciated our discussion on health reform and the flooding South Dakotans are facing. During our visit, you indicated you would vote no on the Senate Bill and you were not supportive of the Senate Reconciliation process. I am writing today to encourage you to remain a no on the current proposals for health reform, including the modifications proposed by the President.

The President's proposal reduces the unfunded Medicaid mandate to South Dakota from \$53.7 to \$34.5 million over the 10-year budget window. While the impact for this budget window is limited, we have significant exposure in the next budget window. We estimate that, in 2020 and beyond, this proposal will cost us around \$36 million a year, plus inflation. I am very concerned about our ability to sustain coverage for the newly mandated populations and those who enroll of Medicaid because of the woodwork effect. Additionally, the proposal adds 52,000 individuals to the Medicaid program. As you know, Medicaid pays our providers about half of billed charges. Our provider network cannot sustain the dramatic increases in enrollees, without increases to their provider reimbursement.

The reform proposals need to do a better job of addressing the cost drivers. We need to address those cost drivers by making our system more efficient through care coordination, thus providing the right care the first time. We also need to reform our payment systems to reward quality, not quantity. Additionally, we need to work toward a healthier population. We need to make sure our chronically ill get the care they need, and we need to keep the remainder of our population from becoming chronically ill.

I also have significant concerns about the President's proposal to add a Federal Rate Review Authority. South Dakota has been a leader in insurance reform and has worked to make sure insurance companies doing business in South Dakota abide by our rules. This is a one-size-fits-all proposal, which overrides our state authority and ignores the unique circumstances of our individual state market. The Federal Rate Review Authority adds an unnecessary bureaucracy to a proposal which already preempts state authority in a number of areas and imposes strict new federal rules which supersede state statute.

The health reform proposals are a substantial departure from the way the states do business. Implementation of these changes and responsibility for their success will be the responsibility of the states. Therefore, governors should be brought into the process so we can help affect change that would be meaningful to the residents of each state.

In the end, these proposals will not help South Dakotans. While it may offer coverage to some individuals who currently do not have coverage, it will do so by risking the coverage of those currently insured. The hidden costs of the new Medicaid population, the new taxes, and the new regulations will all be shifted into higher premiums, thus threatening the ability of South Dakotans to afford insurance.

I encourage you to continue to fight for reform that will impact the health care cost drivers and that is sustainable for generations to come. The proposed reform effort does not fix the existing system, or improve it.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Michael Rounds". The signature is stylized and cursive.

M. Michael Rounds

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