



Center for Public Policy Priorities



August 5, 2009

To: Harlingen Chamber of Commerce, Ruthie Ewers, Chairman
Brownsville Chamber of Commerce, Angela R. Burton, President/CEO
McAllen Chamber of Commerce, Steve Ahlenius, President & CEO
Rio Grande Valley Partnership, Bill Summers, President/CEO

We write today on behalf of our four organizations: Texas Impact, the Center for Public Policy Priorities, Methodist Healthcare Ministries, and La Fe Policy Research and Education Center. We are astonished that Chambers of Commerce in Texas' Rio Grande Valley, of all places, would make public statements opposing national health care reform. No area in the United States needs health care reform more than the counties that make up the Rio Grande Valley.

The proposed national health care reforms before Congress today will guarantee access to high-quality coverage that is affordable for working families, provide flexible options for small businesses, protect existing coverage, and protect and strengthen Medicare for future generations.

The proposed reforms include both incentives and protections for small employers and their employees. For example, the House bill does not require employers with a payroll under \$500,000 to contribute at all to health coverage, and it makes tax credits to small firms if they choose to provide health benefits. Over 35,000 South Texas businesses are projected to qualify for these tax credits.

Even larger and wealthier businesses could still choose not to provide insurance and keep their costs far below the full cost of health coverage. For example, under the House bill, a business with 30 full-time employees that pays its workers \$750,000 a year could either sponsor health benefits at a cost of around \$108,000 a year, or pay \$60,000 (8 percent of payroll), which will help support premium assistance for their workers.

The Rio Grande Valley counties have some of the highest uninsured rates in the U.S., with more than half of the adults in some counties lacking any kind of health insurance. There are more uninsured adults in Texas Congressional District 28 alone than there are people in the entire state of Vermont. The House's health reform bill would provide affordable health insurance and protection from high out-of-pocket costs to the vast majority of uninsured in the Rio Grande Valley. Families with income up to about \$88,000 for a family of four would qualify for these low premiums and limited out-of-pocket costs.

The one thing in very short supply today in South Texas is private market health insurance. Health reform will give every American whose job does not provide health care the right to buy good coverage that can't be

taken away at a price they can afford, no matter what happen to their health status or their income. For most of us, that coverage will be purchased from private insurers.

In addition to high uninsured rates, the Valley is also home to high rates of coverage under Medicaid and CHIP because of its high poverty rates, even though Texas Medicaid covers very few able-bodied adults (except during pregnancy). Under health reform, most parents whose children get Medicaid today will also qualify for that coverage, as will other adults with similarly low incomes. At least 1 million uninsured Texas adults are expected to qualify for Medicaid for the first time under Health reform.

The high uninsured rates in the Valley today have negative financial consequences for businesses and residents, other Texans, and all American taxpayers. Reforms being discussed in both houses of Congress would result in a very large infusion of health insurance-related funds into the Valley economy, diminishing the need for other kinds of assistance and improving the well-being and productivity of the entire region. The Center for Public Policy Priorities estimates that the Medicaid expansion envisioned in national reform proposals would add at least \$5 billion a year in new federal dollars to the Texas economy, and potentially end Texas' long-standing status as a "donor state" that sends more federal tax money to Washington than we receive back in federal programs. These new federal Medicaid dollars would flow disproportionately to the Valley. Texas Economist Ray Perryman estimates that every \$1 in Medicaid spending generates \$3.25 in overall economic activity, so increased Medicaid coverage would improve not only the health of Valley residents, but also the health of the local economy. Add to this the additional millions in annual Valley health care spending from providing premium-assisted insurance to nearly every citizen, and the economic impact becomes even more impressive.

Every county in the Valley today is either partially or wholly designated as a medically underserved area. This means that medical students who practice in the Valley can have their education loans forgiven—at taxpayer expense. Health reform will increase federal support for medical education. Also, a recent article in a national magazine highlighted the high spending per Medicare recipient in McAllen, attributing the costs to excessive medical procedures prescribed to boost providers' profits in a community with very little private insurance. Increasing the availability of quality, affordable insurance will make medical practice in Valley communities financially viable for doctors who serve all residents, not just those with Medicaid and Medicare.

Guaranteeing affordable health care for every American will require some level of personal responsibility from all but the poorest Americans and the smallest businesses. Texas Impact, the Center for Public Policy Priorities, Methodist Healthcare Ministries, and La Fe Policy Research and Education Center join together to urge Valley Chambers to take a more thoughtful look at national health reform bills, and to recognize the enormous and potentially transformative effect that providing access to and funding for health care for the vast majority of residents will have on both the Valley economy and the well-being and future of Valley residents.

Sincerely,

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