



October 24, 2011

The Honorable Patty Murray
448 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
129 Cannon HOB
Washington, D.C. 20515

Dear Chairwoman Murray and Chairman Hensarling:

Thank you for your important work leading the Joint Committee to help restore fiscal health to our great nation. We write to offer a few ideas on how to accomplish your goals. On September 28, the Republican Governors Public Policy Committee (RGPPC) submitted 31 policy solutions from our report, *A New Medicaid: A Flexible, Innovative and Accountable Future*, for the Joint Committee to consider when crafting proposals to address our nation's Medicaid problems. Identifying ways to improve quality of care, while reducing cost, is critically important to governors, and these solutions achieve both goals for many states. In fact, RGPPC is hosting a conference in Washington with governors' staff, congressional staff and various healthcare stakeholders on October 24 and 25 to discuss implementation of these solutions.

We offered our report to you and your colleagues because governors want to help Congress and the President meet or exceed the targets for federal savings and deficit reductions set out as your charge.

As we share in our report, with new flexibility, states can save themselves and the federal government billions on Medicaid, our largest entitlement program. We are prepared to do so, if you will give us that flexibility.

Governors are opposed, however, to cost shifting as a way for the federal government to reduce Medicaid spending. Going to a new "blended rate" for FMAP and reducing provider fees collected by states are unfair cost-shifting measures that increase the burden to states. We are willing to do our share to save federal Medicaid dollars, but let us do it in a way that will reduce state taxpayer cost, too.

We believe our Medicaid report makes clear that savings can be achieved in entitlement programs, and we urge you to achieve such savings not only in Medicaid but also in other entitlement programs. Indeed, with spending on entitlement programs consuming 56 percent of the federal budget and 87 percent of all federal revenue this year, it is impossible to solve our fiscal problems without addressing entitlement spending.

We are willing to work with you on savings in non-entitlement spending, including those programs which help states. Reform of federal programs, like the dozens of workforce training programs, would provide major savings in administrative costs. Similar savings can be made in a number of programs, but states need the ability to absorb those reductions through flexibility that achieves savings at the state level.

We believe less federal spending will benefit the private economy rather than more federal spending, and we believe economic growth and job creation in the private sector is the way to increase federal revenue. Therefore, we combine our view that raising taxes is the enemy of controlling spending with our belief that excessive regulations and tax increases, especially on employers, are the largest barriers to job creation and economic growth.

We recommend the first goal for federal policy should be strong economic growth and greater job creation. A significant portion of the record deficits and skyrocketing debt results from the low revenue generated by the weak economy. That is why we believe implementing tax reform and reducing excessive regulation will increase federal revenue by stimulating economic growth and job creation. That approach is far preferable to tax rate increases and more regulation being imposed on an already beleaguered economy, as that will make it even more difficult for potential employers to hire new workers and for entrepreneurs to become new employers.

You and your colleagues have a difficult and most critical task. We encourage you because it is so important for our country, but also because we governors, both Democrats and Republicans, must balance our budgets every year. You can do it.

Sincerely,



Governor Bob McDonnell
Virginia



Governor Chris Christie
New Jersey



Governor Haley Barbour
Mississippi



Governor Mitch Daniels
Indiana