

November 15, 2012

The Honorable Mitchell E. Daniels, Jr.
Governor of the State of Indiana
Office of the Governor
State House, Second Floor
Indianapolis, IN 46204

Dear Governor Daniels,

Thank you for seeking my input on key decisions regarding the implementation of the Patient Protection and Affordable Care Act (ACA) by the State of Indiana. With the national election behind us, I have taken a fresh look at the facts and circumstances and would respectfully offer the following recommendation.

I do not believe the State of Indiana should establish a state-based health insurance exchange because doing so will cost taxpayers millions of dollars and it is not clear that Hoosiers would benefit from incurring the cost of implementing this new federal healthcare bureaucracy. Without knowing more details on the cost and nature of state-based exchanges, it is possible that our state could be placed in the untenable position of serving as the administrator of a new federal healthcare bureaucracy over which we have little control.

It is estimated that establishing a state-based exchange under the regulations developed by the U.S. Department of Health and Human Services will cost taxpayers in our state approximately fifty million dollars per year.

Despite this investment, there is no evidence that such an exchange would benefit Hoosiers, give us significantly more control over our healthcare choices or lower the cost of insurance premiums. In fact, the State's actuaries are predicting significant

premium increases for the individual and small group market, regardless of whether the State or federal government operates an exchange. In addition to uncertainty about costs and benefits, there are legal uncertainties such as whether the employer tax penalty even applies to businesses in the absence of a state-based exchange.

With the certainty of higher taxes and higher premiums for Hoosiers, along with the uncertainty concerning costs and regulations, I am firmly convinced that refraining from establishing a state-based exchange is the proper course at this time.

Furthermore, I remain opposed to our state pursuing a partnership exchange with the federal government and, absent new information, will make that known to the proper federal authorities by the deadline of February 16, 2013.

Health care will be an important issue for my administration. Hoosiers may be assured that we will continue to evaluate the best course of action for the people of our state and will make every effort to continue to develop locally-based, innovative solutions to make insurance more affordable and increase access to care for all Hoosiers.

Once again, I sincerely thank you for requesting my input.

Sincerely,

Mike Pence

Governor-elect, State of Indiana