



January 18, 2017

Governor John Kasich
Riffe Center, 30th Floor
77 South High St.
Columbus, OH 43215

CC: County Commissioners Association of Ohio
209 E State St.
Columbus, OH 43215

House Finance Chairman Ryan Smith

Senate Finance Chairman Scott Oelslager

Dear Governor Kasich,

We write as a delegation to express our serious concerns about the impending deadline by which the state must remedy its Medicaid Managed Care Organizations (MCO) tax formulation. It is our understanding that you plan to include a fix to this issue in this year's upcoming biennial budget. On behalf of all our local communities and everyone they serve, we strongly urge you to find a workable solution that fully preserves the revenue local governments and public transit systems currently receive from the MCO tax.

As you well know, Ohio's current MCO tax is out of compliance with current policy from the Centers for Medicare & Medicaid Services (CMS). A 2014 letter from the Centers clarified that the MCO tax must be broad-based, uniform and hold no payer harmless from the impact of the tax. According to CMS, our state's tax still does not meet the broad-based requirement because the fact that it is embedded into the larger sales tax base does not exempt it from the obligation to apply to non-Medicaid providers. Should Ohio fail to fix its formula by June 30, 2017, we risk losing not only critical state matching funds, but a fundamental revenue stream that local governments and transportation systems cannot do without.

Other states previously in violation of this rule have found CMS-approved solutions to the problem, including broadening the MCO tax base while lowering other taxes to offset the impact, and changing the scope of distribution for MCO tax funds while implementing new financing arrangements for matching funds. Regardless of what the specifics of the solution Ohio reaches are, we believe it is imperative that the fix maintain the current funding streams that local governments rely on from this tax. Not doing so will inevitably cripple our local communities in what will be yet another unbearable hit to their revenues since the beginning of this administration. Our local governments cannot shoulder further losses to their already depleted funds without having local schools and basic services suffer as a result.

Thus, as you find a solution to this issue that will affect our tax structure for years to come, we urge you to maintain the current MCO tax revenue streams that our local governments and critical transportation services so greatly depend on.

Thank you for your consideration and we look forward to working with you on this important statewide issue.

Sincerely,



JOHN BOCCIERI
State Representative
59th House District



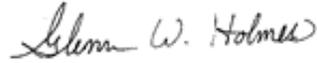
MICHELE LEPORE-HAGAN
State Representative
58th House District



JOE SCHIAVONI
State Senator
33rd Senate District



MIKE O'BRIEN
State Representative
64th House District



GLENN HOLMES
State Representative
63rd House District



SEAN O'BRIEN
State Senator
32nd Senate District