

Amid sweeping cuts in US budget

## Bush plans renewed assault on Medicaid

Joseph Kay  
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At the center of the sweeping domestic spending cuts unveiled by the Bush administration Monday is the proposal for a major assault on Medicaid, the main government program that pays for health care for the poor and disabled in the US.

The proposed federal budget calls for cutting \$60 billion from projected Medicaid spending over the course of the next decade. Overall, the austerity budget is directed at boosting military spending and extending tax cuts for the rich, while seeking to compensate for the resulting deficit by cutting back or eliminating funding for education, health care and other social programs that aid the most vulnerable layers of society.

Cuts in Medicaid will be one of the main ways that the administration restrains spending on non-discretionary programs, which include Social Security and Medicare. They account for nearly 45 percent of the total amount slated to be squeezed out of these programs.

On February 1, in his first speech since being confirmed as the administration's new secretary of health and human services, Michael Leavitt described the administration's planned assault on Medicaid. The new wave of cuts will have a severe impact on many of the 50 million elderly, children, poor and disabled people who depend on Medicaid to pay for needed health care.

Medicaid is funded jointly by the states and the federal government, with the federal government paying between 50 and 77 percent of the total bill, depending on the state. Medicaid now costs over \$300 billion a year, including both the state and federal portions. The share paid by the federal government is expected to reach \$190 billion this year, less than half of the defense budget.

Outlays for Medicaid have increased by 63 percent over the past five years, due largely to the economic downturn that has affected millions of working people and poor, increasing the number of people eligible for Medicaid. In 2004, total spending by all states on Medicaid surpassed total spending on education for the first time.

Each of the states manages and runs its own Medicaid program. So far, the main impetus for cuts has come from state governments. At the same time as Medicaid costs have increased, states have faced declining revenues due to a combination of tax cuts and the economic slowdown. State

governments are required by law to balance their budgets, meaning that any reduction in revenue must be met by a cut in spending.

The Medicaid law, passed in 1965, mandates that certain individuals must be covered and that certain services must be provided in all state Medicaid programs. These include health care to poor children and to elderly and disabled individuals who fall below very minimal income levels. However, these individuals account for only a third of total Medicaid spending. Most states provide "optional" services to other people in need, including many disabled and elderly people. These optional services are the immediate target of attack.

According to Families USA, a health care advocacy group, optional beneficiaries include 6 million working poor adults, 5 million children, 3 million seniors, 2 million people with severe chronic disabilities and 3.5 million additional adults and children with medical bills that take up most or all of their income.

In his February 1 speech, Leavitt indicated that the Bush administration plans to increase federal pressure on the states to carry out a far-reaching transformation of Medicaid programs. "For Medicaid, [the] window of opportunity is upon us," he declared. "The time to act is now." While giving a verbal pledge not to cut services for mandatory Medicaid recipients, Leavitt demanded that states take steps to cut services for optional patients.

In particular, he called on states to shift optional patients from the full services provided by Medicaid to private health insurance plans that require the patient to pay for more limited health care. Echoing the rhetoric used by the administration to push its Social Security proposals, Leavitt said, "The optional populations...may not need such a comprehensive solution [as provide by Medicaid]...We can transform our health care system so informed consumers own their own health records, own their health savings, and own their own health insurance. Ownership engages consumers, and engaged consumers get better results." He also called for more "flexibility" in the benefit packages offered to optional patients.

He claimed that individuals exploiting the system to get services they do not need are responsible for many of the problems in Medicaid funding. He specifically targeted elderly

people who transfer their assets to their children in order to qualify for the poverty requirements of Medicaid. This is one of the only ways that working class retirees can get funds for adequate nursing home care. Medicaid pays at least part of the bill for two-thirds of the 1.6 million Americans in nursing homes. Leavitt proposed to save the federal government \$4.5 billion over ten years by cutting out these “loopholes.”

“Medicaid must not become an inheritance protection plan,” Leavitt declared. “Right now, many older Americans take advantage of Medicaid loopholes to become eligible for Medicaid by giving away assets to their children.”

Leavitt declared that under his watch, the federal government will take a harder line on states, thus increasing the pressure on the states to cut services. He denounced the “Seven Harmful Habits of Highly Desperate States,” which he said were used to shift financial costs to the federal level.

In order to facilitate spending cuts, the Bush administration is proposing to eliminate a provision that requires states to get federal government approval before cutting individuals or services from their Medicaid programs.

Over the past five years, every state in the country has either cut services to some patients or cut some patients from Medicaid rolls. Several states have recently announced major reductions in their Medicaid spending.

Tennessee governor Phil Bredesen, a Democrat and former managed-care executive, announced in January that the state would cut 323,000 poor adults from its program, known as TennCare. The state will reduce services for 400,000 additional patients. TennCare has been one of the broadest state programs, covering nearly 25 percent of the state’s population, mainly people who are too poor to afford private health insurance. Bredesen’s cuts would eliminate most of those categorized as optional recipients.

New York Governor George Pataki is proposing to cut \$1.1 billion in Medicaid spending by reducing services provided to some recipients, particularly for mental health care, and increasing co-pays for drugs. Pataki is also calling for closing the “loophole” used by elderly people to qualify for nursing home care under Medicaid.

Ohio Governor Bob Taft is expected to unveil a proposal this week to purge 25,000 people from the state’s Medicaid rolls by decreasing the income-eligibility requirement to 90 percent of the poverty level. His proposal would also eliminate a program for homeless and poor residents who suffer from severe health problems and would cut out optional services such as dental and vision care.

Florida Governor Jeb Bush has advanced one of the most far-reaching proposals for cutting traditional Medicaid services. Bush is essentially proposing to privatize Medicaid. Instead of paying for services directly, the state would provide grants to eligible Medicaid recipients to buy private health insurance. This would place the decision of what services to provide in the hands of private corporations, while vastly reducing

government expenditures.

Joan Laker, a senior researcher for the Health Policy Institute at Georgetown University, noted, “The intent [of the Jeb Bush plan] is really based on the notion that the HMOs and private insurers will have substantial flexibility to make a profit at the expense of the Medicaid beneficiary, who essentially assumes the risk of not getting the services they need. This is unprecedented for Medicaid.”

Jeb Bush’s plan is the one favored by those who would like to see the elimination of Medicaid as an entitlement program that provides a secure safety net for the neediest sections of the population. Bush’s plan goes even further than Leavitt’s proposal to shift optional patients to private insurance.

An editorial in the *Wall Street Journal*, “Medicaid Rx,” published on February 2, 2005, stated that the most promising answer to the Medicaid problem comes from Florida. “In the best case,” the *Journal* wrote, “it could lead to a remaking of Medicaid in the same way that reforms in the early 1990s in Wisconsin and elsewhere paved the way for an historic and hugely successfully national welfare reform.” The Florida system would start “with letting participants decide how to spend the money allocated on their behalf.”

Welfare reform, implemented during the Clinton administration, has sharply reduced welfare rolls by placing severe restrictions on who is eligible to receive aid. The Bush administration is now pushing for a similar radical restructuring of the Medicaid program, with cutting optional services as a first step. In 2003, the administration introduced a proposal for a form of block grant from the federal government to the states, replacing the percentage allocations currently in place.

By capping the amount that the federal government contributes to the Medicaid program, block grants place enormous pressure on states to cut services. The proposal never got through Congress and block grants are not currently on the table; however, they may come up in the course of the budget negotiations between Congress and the White House.

The drug benefit added to Medicare in the administration’s 2004 budget is intended to force Medicare recipients to switch to managed care and private insurers.

The main aim of the administration is to undermine the basic concept behind not only Medicaid, but Medicare and Social Security as well: that the government should provide those most in need with services and income. The attack on Medicaid is part of a systematic campaign to drastically curtail and eventually eliminate all of the limited welfare state programs enacted in the 1930s and 1960s.



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