

US: states, federal government prepare massive Medicaid cuts

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As part of ongoing budget negotiations, states in the US are developing proposals for deep cuts in Medicaid, the health care program that serves over 50 million low-income Americans, including children, the disabled and the elderly. The attack on Medicaid is a major component of the systematic destruction of social programs in the United States.

The proposals include cuts in the number of people who will be eligible for benefits, as well as reductions in the services provided to those who are covered. Some states are planning to drive hundreds thousands of people off their Medicaid rolls and force even the poorest of recipients to pay premiums on essential services such as emergency room care.

The *New York Times* reported in a May 9 article (“States Propose Sweeping Changes to Trim Medicaid by Billions” by Robert Pear) that the National Governors Association and the National Conference of State Legislatures are developing proposals to cut state spending. The *Times* report was based on draft proposals that have not yet been publicly released.

These proposals are part of negotiations between the states and the US Congress, which last month approved a budget outline that foresees a federal savings of \$10 billion by reining in spending on Medicaid between 2006 and 2010. The Bush administration has proposed a far higher cost reduction.

Medicaid costs are shared between the states and the federal government, with the federal government paying between 50 and 77 percent of the total costs of state programs, depending on the state. Each state runs its own Medicaid program, with variations on who is covered and what services they receive, subject to certain federally mandated requirements.

Due to tax cuts implemented in the late 1990s, combined with the economic slowdown of the past several years, state budgets are under increasing strain. Every state has already implemented cuts in coverage or services to balance state budgets, and most states are planning further reductions.

The combined federal and states costs for Medicaid have risen to more than \$300 billion annually. This is due mainly to an increase in enrollment as a result of the economic slowdown, in addition to increases in drug prices and the cost of medical care.

A recent study by the Congressional Budget Office found that the number of Medicaid recipients rose by one-third between

2000 and 2004, largely as a result of employers eliminating or severely curtailing private health insurance programs in order to cut labor costs.

Since federal spending on Medicaid is a function of state programs, the aim of the Bush administration is to sharply reduce federal spending by pressuring the states to cut enrollment and services. Meanwhile, the individual state governments, seeking to cut their own budgets, are urging Washington to repeal or curtail existing federal requirements designed to ensure that certain minimum health care benefits are provided under these programs.

Together with Republicans and the Bush administration, The Democratic Party has participated in calling for cuts. The *Times* quotes John Adams Hurson, a member of the Maryland House of Delegates and president of the National Conference of State Legislatures, as declaring, “I am a Democrat, a liberal Democrat, but we can’t sustain the current Medicaid program. It’s fiscal madness. It doesn’t guarantee good care, and it’s a budget buster. We need to instill a greater sense of personal responsibility so people understand that this care is not free.”

In Tennessee, a Democratic governor is overseeing some of the most sweeping Medicaid reductions.

Medicaid currently covers about 60 percent of nursing home residents in the US, and these elderly Americans are a principal target of the reform proposals. According to the *Times*, “State officials generally support Mr. Bush’s proposal to limit the ability of elderly people to qualify for Medicaid coverage of nursing home care by transferring assets to their children. The governors say such restrictions ‘should be encouraged,’ because ‘Medicaid can no longer be the financing mechanism for the nation’s long-term-care costs.’”

Hurson is quoted as saying, “Medicaid was never intended to be a middle-class entitlement program for nursing home care.”

The Bush administration has denounced elderly working class Americans for transferring assets to their children in order to qualify for assistance from Medicaid in paying for nursing home care that they would otherwise be unable to afford. Secretary for Health and Human Services Michael Leavitt recently said that Medicaid cannot be used as an “inheritance protection plan.” This from an administration that has made one of its priorities the permanent repeal of the estate tax—a tax

on inheritance that applies only to the very wealthiest Americans!

One proposal would be to set up block grants to states for funding long-term care. The Bush administration has previously proposed transforming all Medicaid funding into a block-grant system. The move has engendered widespread public opposition because it would represent a repudiation of the fundamental concept of the program—that individuals are entitled to services based on need, and not on available funding.

Besides slashing nursing home care, the states are proposing other sweeping cutbacks. “Under current law,” notes the *Times*, “Medicaid officials cannot charge co-payments to pregnant women and cannot charge for specific services like family planning and emergency care. For other services, the maximum co-payment is generally \$3. ‘These rules, which have not been updated since 1982, prevent Medicaid from utilizing market forces for personal responsibility to improve health care delivery,’ the governors say in the latest version of their policy statement.”

The move to implement required co-payments for emergency room care is designed to close a “loophole” by which many poorer Americans, unable to afford health care or co-payments for regular care, turn to the emergency room as a last resort. In a recent article, the *Detroit News* quoted one Detroit resident as noting, “Health care for my baby means taking her to the emergency room.”

The *Times* continues: “A more modest proposal, the governors say, is to charge higher co-payments to families with incomes above certain levels, say \$22,000 a year for a family of three.... State officials also want to change what they see as one of the most onerous requirements of the Medicaid law. Under this provision, states must treat any health problems discovered in periodic examinations of children under the age of 21.... The National Conference of State Legislatures says Congress should ‘provide more flexibility for states’ to limit this benefit.”

If the worth of a society is to be judged by the way it treats its most vulnerable citizens, then these plans stand as a damning indictment of American capitalism. Health care for poor children is regarded as “onerous”; elderly people are portrayed as devious schemers trying to defraud the government in order to get into old-age homes; and everything is being done to scrape away life-and-death services for millions of Americans who have no other way of getting care.

Some individual states have gone far beyond these proposals. In Missouri, the state government recently passed a budget that will eliminate an estimated 65,000 to 100,000 people from its rolls, including about 24,000 children.

Analyzing the proposals that were finally passed by the Missouri state legislature last week, the health advocacy group Families USA wrote in March that those suffering the brunt of the cuts will be poor parents. These parents can qualify for coverage if their income is below a certain amount, usually defined as a percentage of the federal poverty level. The group

notes, “In 2002, Missouri rolled back parent coverage to 77 percent of poverty, and in 2004, it reduced parent coverage to 75 percent of poverty. Now, Governor [Matt] Blunt proposes reducing the income limit for Medicaid once more—this time to a mere 30 percent of the federal poverty level (just over \$400 a month for a family of three in 2005). This move would eliminate coverage for more than 60,000 working parents.”

Missouri’s new Medicaid standard will require a single mother who makes \$23,000 a year or more to pay co-payments of up to 5 percent of her income in premiums if she wants to cover her children. The budget will also roll back eligibility levels for the elderly and people with disabilities to the minimum level—74 percent of the federal poverty level (\$579 per month for an individual in 2005). According to Families USA, “This would eliminate coverage for 15,000 people who are elderly or have disabilities, leaving them without access to critical health care services.”

Tennessee is scheduled to push 300,000 beneficiaries off its Medicaid rolls, and the governors of South Carolina and Florida have advanced proposals for the complete privatization of Medicaid. Florida Governor Jeb Bush has called for the implementation of a voucher system, in which recipients would be given a fixed sum to purchase private health coverage. This would mean the end of Medicaid as an entitlement program.

In New Hampshire, under a proposal that would require federal approval if it passed the state legislature, all Medicaid recipients would have to pay premiums for their coverage, even families without any income. Families with no income would have to pay \$10 per child per month, and the extremely poor would have to pay \$20 per child. The effect of this proposal would be to force the most impoverished off Medicaid altogether.



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