US Congress withholds billions from Medicaid, jobless benefits

Tom Eley
1 July 2010

The failure of Congress to pass a bill containing Medicaid relief to the states and jobless benefit extensions to millions of long-term unemployed workers ensures that the social crisis will intensify in the coming weeks and months.

The decision will result in a new wave of foreclosures, evictions, homelessness and hunger, while states will be compelled to further slash social spending.

The $33 billion bill would have extended federal long-term unemployment benefits and provided states with $24 billion in emergency funding for Medicaid, the joint federal-state medical insurance program for the poor. Most commentators believe that final passage of the bill, which has been delayed for a month, is unlikely.

US Senate Majority Leader Harry Reid and fellow Democrats blamed the bill’s all but inevitable demise on opposition from minority Republicans. However, Democratic support for the measure has been tepid at best. The *New York Times* acknowledged, “The Obama administration has not fought aggressively for the legislation.” One only has to compare the administration’s campaign for “health care reform, ” designed to cut costs for business, with its promotion of the extension of unemployment benefits. In any event, since the Democrats accept the framework of austerity policies, they are in no position to argue convincingly.

Washington’s *The Hill* noted, “The failure [of the bill to extend benefits] would also illustrate the extent to which fears about the deficit are now dominating the legislative process. … Worries about the record public debt now seem to have overcome the desire in Congress to spur along the economy and help the unemployed.”

A consensus has emerged in the ruling class, signaled by Obama’s three-year freeze on discretionary social spending, that costs not related to the military and the ongoing bailout of the finance industry must be curtailed. In contrast, House Speaker Nancy Pelosi has guaranteed passage of another $33 billion bill by summer recess—this one a short-term funding bill for the war in Afghanistan.

By last Friday, 1.2 million workers had lost unemployment benefits since the beginning of June. By this weekend, the figure will swell to 1.63 million, and by mid-July the number will reach two million. These two million workers and the millions of children who depend on them will be thrown off the rolls into an economy in which the average length of unemployment is now six months (twice the previous record duration), where one in six workers is unemployed or underemployed, and where there are at least five job-seekers for every opening. They will join the millions of Americans—6 million last year—who survive only on food stamps, with no cash income.

Until last month, unemployed workers who had surpassed the 26-week cap on state unemployment benefits could extend their benefits to just under two years by virtue of federal money appropriated through the stimulus bill, the American Recovery and Reinvestment Act of 2009.

The US jobless benefit system is, by design, among the worst in the developed world. All sorts of hurdles are put in place to prevent workers from accessing the shamefully low benefits, including degrading requirements that force workers to prove they are “actively seeking” jobs. These rules have their effect—nationally, less than half of unemployed workers receive benefits; in 11 states less than 30 percent of the jobless receive checks.

Congress’ failure to extend special Medicaid assistance to the states, which was part of the same bill, will be just as punishing. The stimulus act apportioned $87 billion in additional funding for Medicaid to cope with high levels of unemployment and a decline in employer health insurance subsidization. These funds are expected to run out at the end of the year. The $24 billion would have offset this cut for an extra six months, through the end of the 2011 budget year.

State governments—already confronting massive fiscal crises—had based their budgets on the supposition that the extended federal assistance would be realized. The thirty states, plus Washington D.C., that budgeted on receiving an extension of the funds will meet the new fiscal year, set to begin on July 1 for most, facing the prospect of making hundreds of millions of dollars in new cuts.

In California the loss of the increased federal contribution to the state's Medicaid program, Medi-Cal, will require $1.8 billion in new cuts. Virtually every portion of the most populous state's infrastructure, once one of the country's most highly developed, has already been savaged.

In New York, $1 billion must be eliminated, and Governor David Paterson has promised to take the knife to social spending once again. In Illinois, which now faces one of the most acute budget deficits, $700 million in further cuts will be enacted. Massachusetts will also face the loss of $700 million. Michigan will confront a $560 million shortfall, while Georgia and Maryland will each face about $400 million in new cuts. Colorado, Alabama and Washington state will face $200 million in new deficits.

Not surprisingly, the leading target for resulting state-level cuts will be Medicaid. Nothing could more clearly expose the character of Obama's "health care reform." Medicaid and related public health systems that benefit poor and working class families will be further starved, even though Obama's plan envisions these programs absorbing millions of new customers. As a result, states will inevitably reduce the payments they make to hospitals and doctors who treat Medicaid patients. Health care providers will, in turn, increasingly refuse service, jettisoning Medicaid patients to low-cost treatment facilities—to the extent that medical treatment is available to the poor at all.

On June 1, Congress let expire a program that allowed unemployed workers to register for federal subsidies to realize COBRA health benefits that maintain, at considerable personal expense, their former employers' insurance plans. As a result, each month at least 144,000 households lose out on the option of continuing their health care coverage under COBRA.

Both Democratic and Republican governors have lobbied Washington for passage of the Medicaid portion of the bill. But even if some Medicaid assistance bill is eventually passed—the possibility appears increasingly remote—it will almost certainly be far less than $24 billion budgeted. A "compromise" jobs bill including $15 billion in Medicaid funding also failed to make it out of committee in the US Senate last week.

The decision to withhold federal Medicaid assistance to the states will ripple across all aspects of social spending, including education, transportation and infrastructure, and will jeopardize the jobs and pay of state workers. For example, Kansas Governor Mark Parkinson, whose state faces a loss of $130 million in budgeted Medicaid funding from the federal government, said the shortfall would result in the layoff of 3,600 teachers.

One particularly cruel aspect of state funding cuts has been highlighted by a new study from the Food Research and Action Center: a sharp decline in the use of low-cost public school lunches by children during the summer months. Last summer, only one-sixth of 17.5 million financially eligible children were able to make use of reduced price and free school lunches—for many children the only square meal in the course of the day. The numbers of children taking part in the National School Lunch Program or the Summer Food Service Program fell by 2.5 percent between 2008 and 2009, according to the report, "Hunger Doesn't Take a Vacation." The decline is not owed to fewer hungry children, but to state budget cutbacks.

The cutting of extended jobless benefits and the failure to provide Medicaid funding to the states comes in the midst of what is already the worst social crisis since the Great Depression.

A new study by the Pew Research Center's Social and Demographic Trends Project confirms the breadth of the catastrophe. Over 55 percent of surveyed workers report that they have suffered layoffs, wage cuts, or hour reductions since the economic crisis began 24 months ago. Fifty percent said they are suffering financially, and just under half said that the value of their home—the main source of wealth for most US families—has fallen. Sixty percent of Americans between the ages of 50 and 61 believe they will not have enough money to retire as planned. One quarter of workers aged 18 to 29 say they have moved back home with their parents to make ends meet.

"This recession has left a mark on a lot of things," said project director Paul Taylor. "It's changed behaviors and it's changed expectations."