

HEALTHCARE FACTSHEET

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BETTER
TEXAS™

PROPOSED STATE BUDGET
PART FIVE IN A FIVE PART
PRIMER SERIES

Threats to Health Care: Attacks on Medicaid, Medicare, CHIP, and Health Reform in Austin and Washington

Health Care in the Crosshairs

Since 1975, Medicaid costs have grown at the same pace as private insurance, and at a much slower pace than Medicare, according to the Congressional Budget Office (CBO). Though not the biggest health cost drivers, Medicaid and the Children's Health Insurance Program (CHIP) are targeted for extreme cuts in Austin and Washington, because states must pay a share of their costs, but do not contribute to Medicare or private coverage. And the poor and low-to-moderate income people who rely on Medicaid and CHIP for health care do not have the same political clout as Medicare beneficiaries or privately-insured Americans.

Congress is also debating sweeping cut-backs and placing caps on spending for Medicare's seniors and adults with disabilities—and Texas has passed a new law asking for those changes.

Washington: Medicare, Medicaid, CHIP, and Health Reform Threats

MEDICARE

U.S. House Budget Committee Chairman Paul Ryan's budget resolution—approved by the U.S. House but not the Senate—would convert Medicare to a voucher program in which Medicare will pay less for care, but seniors would have to pay twice as much out of pocket to get the same coverage.

That plan would also end today's sliding-scale help for very low-income Medicare beneficiaries, and replace it with a new program that would leave the average senior in poverty (less than \$10,890/yr.) spending \$4,700 in annual out-of-pocket costs—43 percent of their income.

MEDICAID

The Ryan plan would turn Texas Medicaid into a block grant, and threaten health care for the poorest Texans. By 2030, this budget plan would cut Medicaid funding in half, lock in today's Texas Medicaid spending per enrollee at \$600 below the national average, and end our current protection of increased federal support in disasters and recessions.

The budget plan takes two-thirds of its spending cuts from low-income programs, and then uses those cuts to offset the cost of making the Bush tax cuts permanent and prevent defense cuts, not to reduce the deficit.

TEXANS AND MEDICAID, CHIP AND MEDICARE

- Over 4 million Texans—3 million children and 1 million seniors, adults with disabilities, expectant mothers, and very poor parents—rely on Medicaid or CHIP for the critical health care and community supports they need.
- About 3 million Texans are covered by Medicare (2.6 million seniors and 450,000 disabled adults). For more background on Medicaid and CHIP, see [Part Two of Our Primer Series](#).

No Affordability Gains, No Relief for the Uninsured

The Ryan plan would also repeal the Affordable Care Act (health reform). In 2014, it would cancel new sliding-scale federal premium assistance to help low-to-moderate-income Texans buy private insurance and cancel new federal funding to pay 90 percent (or more) of the costs of covering parents of the children on Texas Medicaid and other working poor adults.

CHIP Cut or Abolished, Too

The U.S. House Energy and Commerce Subcommittee on Health voted in May 2011 to repeal the federal stability protections (also known as "maintenance-of-effort rules") now keeping states from cutting off Medicaid and CHIP coverage for low-income children, seniors, pregnant women, and adults with disabilities.



The independent CBO calculates that if this protection is repealed, by 2013 states will drop Medicaid and CHIP coverage for about 400,000 people, about two-thirds of them children. CBO projects that three-quarters or 300,000 of those children and adults would become uninsured, and only a quarter would gain job-based coverage.

Because the Ryan plan would repeal the ACA, it would also eliminate the CHIP program, because CHIP's funding and authorization are part of the health reform law.

Spending Caps Alone Can Cut Medicare and Medicaid Just as Deeply

Several other proposals in Washington for hard caps on spending—whether for total federal spending, for Social Security, Medicare, and Medicaid, or for federal health spending—all have been calculated to cut Medicare and Medicaid just as deeply or even deeper than the Ryan plan. These cap proposals and Balanced Budget Amendment (BBA) proposals are being pushed hard in the ongoing Congressional debate over deficit and debt reduction measures.

These federal proposals have not become law yet, but they are being pushed hard in Washington, and concerned Texans must speak out and stay on the alert.

Texas Legislature Votes to Dismantle Medicare, Medicaid, and CHIP

The Texas Legislature has passed a new law asking the federal government to convert Medicare, Medicaid, CHIP and most other federal health spending (only military and native American care are exempt) into a capped block grant, and then let Texas run the programs. If Congress approved, it would end all federal rules about which children, seniors, pregnant women, and Texans with disabilities get covered, along with rules guaranteeing basic minimum standards for health care benefits.

Keys to Taming Health Spending Responsibly

Control of federal debt and deficit is critical and will demand serious attention to controlling health care costs. But this can be done while still protecting access and quality in Medicare and Medicaid and without adding to the ranks of the uninsured.

- Just capping funding in a block grant does not control health care costs – it only shifts them to local governments, charities, and families.
- Real health care spending control will require smart changes over the next two decades across our whole U.S. health care system: Medicare, Medicaid, and private insurance. Reducing federal deficits and the national debt can never be achieved just by cutting or eliminating Medicaid.
- Just like balancing Texas' budget, responsible deficit reduction by Congress calls for a balanced approach that includes revenues in the solution and does not rely on cuts alone. The U.S. hands out over \$1 trillion in tax breaks every year—compared to a combined price tag for Medicare and Medicaid of \$719 billion—and mainstream economists agree that ending the most wasteful tax breaks should be a priority in deficit reduction.
 - To put the importance of tax breaks to deficit control in perspective, every 36 hours the Bush tax cuts will add \$2.2 billion to the deficit: that is more than cutting the Medicaid-CHIP stability protections would save over 10 years!
- Don't ask the poorest Americans to carry most of the load. Any "debt triggers" that would impose across-the-board cuts to keep federal spending growth under control must protect essential services for the poor including Medicaid.
- Americans agree: Latest polls show a large majority of Americans oppose major cuts to Medicare and block-granting Medicaid to reduce federal deficits.
 - 59 percent of Americans oppose any Medicare cuts at all;
 - 53 percent of Americans oppose any Medicaid cuts at all, and 60 percent oppose making Medicaid a block grant.

Acknowledgement

CPPP acknowledges Methodist Healthcare Ministries of South Texas, Inc., (MHM) for their support of this report. The findings and conclusions expressed in this report, however, are solely CPPP's, as are any errors or omissions. To learn more about MHM, visit www.mhm.org.

CPPP

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