



NHeLP Breaks Down the Federal Budget Threats to Medicaid

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As always, NHeLP is committed to helping state advocates protect state Medicaid programs. NHeLP will continue to devote resources to this effort, and engage in strategic litigation to defend the Medicaid program across the country. In addition, NHeLP will continue to defend against efforts to eviscerate the Affordable Care Act's Maintenance of Effort provision – a crucial protection to maintain Medicaid eligibility across the states. Unfortunately, however, the tragedy of quantitative Medicaid services or eligibility cuts may be dwarfed by the truly catastrophic budget proposals under consideration at the Federal level. Below, you will find a description of the problematic FY2011 budget process, followed by a description of the FY2012 budget process which may be the greatest threat to Medicaid in the past 15 years.

FISCAL YEAR 2011

Currently, there are two budgetary processes in motion. The first is the effort to pass a budget for the 2011 fiscal year which started on October 1, 2010. Since October 1, legislators have passed a series of six temporary short-term budgets known as “continuing resolutions” while they try to come to agreement on a final figure. The current Republican position is for a \$61 billion dollar cut to the baseline budget for 2010. This matches the amount passed by the House on February 19. There has been negotiation with Democrats (and the Obama administration), and it is widely reported that the Democrats first offered to compromise with a cut in the range of \$11 billion followed by another offer with an additional \$10 billion included, and that subsequently there was a advanced conversation with Republicans on a figure in the range of \$30 billion for the remainder of FY2011. (Ironically, the \$30 billion figure is almost identical to the number that Republican leadership started with at the beginning of the FY2011 process, before heavy right-wing pressure moved them to \$61 billion). There are a couple of complicating factors, however. The first is that Republicans have pressed for the inclusion of legislative riders which are included in the House budget and which attack a wide range of key Democratic interests, such as funding for health reform and family planning services. The second far greater political problem is that Republican leadership is again under significant right-wing pressure to make a no compromise deal, and has thus started backing away from acknowledging any progress towards compromise – and the Tea Party has planned a rally for tomorrow, March 31, to further increase the pressure.

The current continuing resolution expires on April 8. And, due to rules the Republicans passed requiring 72 hours of advance proposal and debate, the effective deadline for a FY2011 budget deal is April 5. It seems unlikely a deal will be finalized by April 5 (or April 8), and thus another continuing resolution is more likely. It is expected that the new continuing resolution would be for a very short timeframe (about a week), to keep both sides close to reaching a deal. If no deal is struck, and no continuing resolution is passed, then the government would shut down – this result is not impossible, but seems less likely since both sides consider that a shut down would be damaging to them.

In the big picture, both sides are moving closer to a deal for FY2011, and while it will involve large cuts, it is not currently moving in the direction of the massive cut the most aggressive Republicans were seeking for 2011 and beyond. Assuming the Tea Party does not successfully derail the Republican leadership's negotiated progress thus far, the 2011 budget will not likely be the vehicle for the major attack on Medicaid.

FISCAL YEAR 2012

The second budgetary process in motion is for Fiscal Year 2012. This is where the fundamental structure of the Medicaid program is under the greatest threat. It is expected that on or around April 4, House Republicans will issue their FY2012 budget proposal, and that they will push it for a floor vote within a week or two after that. It is possible this proposal's timing could complicate the FY2011 deal, or it could simplify it by providing Republicans "cover" for a compromise on FY2011. It is currently unknown what exactly will be in the FY2012 proposal, and it is possible that the actual legislative strategy will not be apparent from the numbers in the proposal. However, the Budget Committee Chairman, Republican Paul Ryan, has been very clear in his support for the end of the entitlement structure of the Medicaid program, and has also suggested significant changes to Medicare and Social Security.

Broadly speaking, the House Republican budget proposal is likely to follow one of two directions. The first is an explicit and straightforward block granting of the Medicaid program. This means states would get a fixed Federal amount to spend, instead of the current matching structure where states continue to draw funds for each eligible person enrolled in Medicaid. It is a near certainty that the block grant would be at levels lower than current Federal matching totals, and furthermore, that it would be adjusted upwards over time by a formula that increases the grant far less than current spending trends, meaning the underfunding of Medicaid would worsen with every year. This result would have catastrophic consequences: dramatically decreased enrollment, dramatically decreased services, provider and health system bankruptcies, lost jobs and worsened economies, and incredible strain on local/municipal governments, to name just a few.

The second threat to Medicaid is a broad spending cap that could be applied to health spending specifically, or to a broader category of Federal spending which includes health spending. The caps would of course be set at levels dramatically below current spending, and this would force the block granting of the Medicaid program described above, or some radical alteration of the structure which would ultimately have the same effect. The particular political danger of the spending cap option is that since the cap is just a numerical spending limit, legislators may be tempted to vote for it to look "tough on the deficit" without being on record for voting for a Medicaid block grant. However, once the strict spending limit is set, then the conversation will unavoidably shift to Medicaid block grants, Medicare voucherization, and Social Security reforms. There is simply no way the Medicaid program as it exists today could survive the spending caps supported by Paul Ryan and other key Republicans.

(As if another complicating factor was needed: Treasury estimates the "debt ceiling" – the arbitrarily set legal maximum Congress is allowed to borrow – will be reached sometime between April 15 and May 31. This means that the ceiling will likely need to be raised in the midst of the budget battles. Needless to say, this will be another opportunity for political grandstanding around fiscal responsibility, despite the fact that the ceiling has been raised 74 times in the last 49 years, and 10 times in the past decade.)

OUTLOOK

Sadly, the forthcoming Republican Budget Committee FY2012 proposal is very likely to pass the House, and nothing can be done to prevent this. The advocacy effort regarding the House, however, will be critical to erode the Republican consensus on the issue, crystallize Democratic opposition, and widely publicize the true impact of block grants and spending caps. These efforts will prove essential to the decisive battles which will subsequently occur in the Senate and with the Administration. There is currently a core of Senate Democrats who understand and value the Medicaid program, and understand the dangers of block granting Medicaid, as does the Administration. However, even these Senators and the Administration are also under intense pressure to address the Federal deficit and State budget crises, and this leaves Medicaid in a very vulnerable place. Engaged advocates across the country will be necessary to ensure that more centrist legislators, and even some of our historical allies, support the Medicaid program and the importance of the entitlement for hard-working Americans.

Additional resources:

One great resource for getting involved in advocacy efforts is to visit Families USA's action center:
<http://www.standupforhealthcare.org/>

Our friends at the Center on Budget and Policy Priorities (CBPP) have prepared an excellent primer on block grants and their impacts on states: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3409>

CBPP has also recently written two additional fantastic reports that you may find helpful:

- Block grants and their disparate impact on states:
<http://www.cbpp.org/cms/index.cfm?fa=view&id=3422>
- Detailed recommendations on how the deficit should be addressed:
<http://www.cbpp.org/cms/index.cfm?fa=view&id=3435>