

Bush Sharpens Budget Axe To Strike Medicaid

by Linda Everett and Mary Jane Freeman

Medicare and Medicaid represent, in the words of the *Wall Street Journal* of Dec. 4, “juicy targets” for the Bush Administration’s plans for Congressional budget cuts this coming year; together, the programs make up about one-fourth of all Federal spending. Since President Bush wants to make his tax cuts permanent, and since his Social Security privatization swindle would cost trillions, it appears that Bush will include cuts to the Medicaid program in his proposed Fiscal 2006 budget to be released in February.

Another signal of Bush’s intentions to harm Medicaid benefits surfaced with his nomination of Mike Leavitt, former Utah governor and current Environmental Protection Agency head, to become Secretary of the Health and Human Services Administration. Leavitt’s record dovetails with Bush’s long-held plans to transform Medicaid from an entitlement to a block grant program as the means to cut benefits. In 1995, lobbying for the Newt Gingrich-inspired Contract with America compact, Leavitt argued, “We are unanimously opposed to inclusion of individual entitlements” in the Medicaid bill.

As governor, Leavitt got a Federal Medicaid waiver which allowed Utah to provide Medicaid coverage to more people, so long as no new level of Federal funds were required. To accomplish this, benefits were cut. Recipients were allowed only four prescriptions a month, and coverage for hospital care and mental health services were eliminated.

If Bush’s intentions were not evident from the *Wall Street Journal* signal piece and the Leavitt nomination, they became crystal clear at the Dec. 15-16 “economic summit” the President hosted. In tune with his privatize Social Security theme, he pressed his “ownership” society litany on the topic of health care. “I love the idea of people being able to own something. . . . I’m in charge of my own health care,” he intoned, as the “Enron II”-economic summit came to a close following a panel, led by out-going HHS Secretary Tommy Thompson, promoting private health savings accounts in lieu of Medicare and Medicaid.

But a backlash is growing against Bush’s unbridled and frantic plans to dismantle the nation’s safety net programs which protect our most vulnerable citizens. Already Democrats in the Senate have put Bush on notice that his Social Security privatization scheme and Medicaid reduction plans

are unacceptable. A bipartisan initiative from the National Governors Association likewise rejected the idea of Bush’s brand of Medicaid “reform.”

State Budget Deficits and Medicaid

From the perspective of state budgets, Medicaid costs have skyrocketed. These costs now exceed state spending for elementary and secondary education, and on average constitute nearly 22% of states’ budget spending, as compared to 10% in 1987. Growth of Medicaid enrollment during Bush’s tenure has been an astounding 26.7% from 2000-03. Various factors fed this growth, among which are spiraling prescription drug prices, employers terminating health-care coverage, and a depressed economy.

The depressed economy also led to multibillion-dollar budget deficits in the states. To deal with the deficits, each year from 2001 through 2004, states have cut state services, jobs, and infrastructure investment in roads, water systems, and schools. Medicaid programs, too, were curtailed. Eligibility levels were reduced, some services cut, and payments to doctors and hospitals were frozen or cut. Because state dollars spent are matched by Federal monies, states hesitated to cut too much. But with budget gaps still existing, when Fiscal 2005 budgets—which began July 1, 2004—were being adopted, nearly all states had plans to freeze or reduce Medicaid expenditures, including restrictions on drug coverage and eligibility, a provider payments freeze, and/or increased co-payments for services or medications. Not all states adopted these plans, but many did use some cost containment measures.

At the end of December 2004, at least California and Pennsylvania announced greater budget deficits than those anticipated when they trimmed their budgets for this fiscal year. By January-February, Pennsylvania Gov. Ed Rendell is expected to activate plans to slash Medicaid enrollment and cut spending, to try to close a \$1.5 billion health-care budget gap. California’s “terminator” Gov. Arnie Schwarzenegger intends to narrow his state’s newly increased \$8.1 billion deficit by slashing the state’s Medicaid program, Medi-Cal.

Combined, the state and Federal costs to sustain the Medicaid program are \$300 billion a year. Bush’s callous view is, and has been, to slash Federal Medicaid dollars to the states, scrounging a few shekels to help balance the humongous Federal budget deficit. Bush’s two blunt weapons to axe Federal Medicaid dollars from the states are: fixed block grants; and use of Section 1115 of the Social Security Act, to permit the modification or waiver of Medicaid’s key requirements. Known as “super-waivers,” these are similar to what Leavitt used when he was governor of Utah.

Block Grants Scheme

Medicaid is the nation’s largest public health insurance program, providing health and long-term care coverage to

52 million low-income, elderly, and disabled people in fiscal 2004—or about one in nine Americans. It pays for nearly half of all nursing-home care, and 18% of prescription drugs. The program is known as an open-ended entitlement: State and Federal governments fund it jointly, with the Federal government matching state spending (from 50% to 80%) on all medical services that Medicaid covers and that patients need. Inspired by the FDR-era Social Security law, Medicaid was enacted in 1965.

President Bush wants to change Medicaid from an open-ended entitlement arrangement—as intended, and as it functions—to one in which the Federal government gives the states block grants or flat amounts of funding, with no linkage to actual health costs or need. The Administration is also keen on ripping up the basis of the 40-year-old Federal law by providing “super-waivers” giving more “flexibility” to the states to decide who is eligible for Medicaid, who gets what services, in what part of the state, and for how long—allowing them to deprive people of care which the Federal entitlement would provide. The catch to the grant of “waivers” is that to get one, a state must agree to cap spending; thus, benefits have to be cut.

Already, several governors, including Tennessee’s Breidenstein (D) and—predictably—Florida’s Jeb Bush (R), are pushing for such super-waivers and block grants to cap state Medicaid costs.

In fact, Jeb Bush is “aggressively pursuing” Medicaid reforms in Florida and nationally as a “top priority,” according to a Florida Agency for Health Care Administration (AHCA) letter of March 30, 2004 to the Florida Association of Homes for the Aging. The AHCA says Jeb, through reforms to the Florida Medicaid program, is testing and implementing model Medicaid programs and waivers that lead to a “sustainable” program. He is expected to ask the Florida legislature and the Federal government to authorize major changes to the state’s Medicaid program to slash state costs, including a pilot project of “consumer-directed care,” whereby consumers must manage their own health-care budget.

The elderly and people with disabilities account for two-thirds of Florida’s Medicaid expenditures.

Here is what the President’s baby brother has done so far:

- Reduced eligibility of pregnant women for Medicaid services, from 185% down to 150% of the Federal poverty income level—this means a paltry \$13,965 a year;



A renal dialysis patient. The nation’s 52 million low-income, elderly, and disabled people served by Medicaid are now threatened with massive budget cuts by the Bush Administration.

- Placed more restrictions on overall Medicaid eligibility, medications, and health-care benefits—now, many carry onerous pre-authorizations;
- Forced more patients into managed-care programs that caused severe restriction of access to doctors, dentists, etc., due to low reimbursement levels;
- Cut services, especially home care and community services, to the disabled, especially the severely disabled—who, without additional services, will be at risk of institutionalization.

Florida has one of the most restrictive definitions of “medically necessary care,” saying the services must be necessary “to protect life, to prevent significant illness or significant disability, or to alleviate severe pain.” This leaves out critical support/care services necessary for the well-being of vulnerable patients. The definition leaves out prosthetics, hearing aids, and physical and other therapy to maintain capacity and quality of life of patients. Florida advocates told *EIR* that “pro-life” Jeb Bush wants to make further, more restrictive changes in the definition.

A Battle is Brewing

Sen. Jeffrey Bingaman (D-N.M.), along with 47 members of the Senate Democratic Caucus, will oppose “any proposal that would block-grant Medicaid, because it would ultimately mean low-income families and persons with disabilities would be dropped from the program.” In their Dec. 15 letter to Bush, they wrote, “We are unwilling to allow the Federal government to walk away from Medicaid’s over 50 million beneficiaries, the providers that serve them, and the urban and

rural communities in which they live.” It ridiculed “arbitrary limits” on Medicaid spending because they “fail to . . . adjust for economic recessions, . . . health-care inflation, or disasters, including terrorism.” Capping Federal payments as the President suggests, they argue, would “profoundly limit” the states’ abilities to respond to the growing number of uninsured. “Steps to stabilize and improve health coverage rather than undermine it” are required.

Rep. Anna Eshoo (D-Calif.) said she would oppose program cuts to Medicaid, block grants, and elimination of the intergovernmental transfer program, “so vital for hospitals serving low-income individuals and families.”

On Dec. 22, the National Governors Association sent a bipartisan letter to Congressional leaders of the House and Senate, warning that “reform” of Medicaid would be “unacceptable in any deficit reduction strategy” that would “shift Federal costs to states.” The NGA letter, signed by its chairman Gov. Mark Warner (D-Va.) and vice chair Gov. Mike Huckabee (R-Ark.), suggests that a bigger fight is in the offing to defend aid to the poor, elderly, and disabled. Huckabee cut to the quick, telling the *New York Times*, “People need to remember that to balance the Federal budget off the backs of the poorest people in the country is simply unacceptable. You don’t pull feeding tubes from people. You don’t pull the wheelchair out from under the child with muscular dystrophy.”

But Huckabee, and many other governors of states faced with continuing budget shortfalls and growing Medicaid enrollment and costs, are looking for more state authority to control costs and utilization. More state control, while not necessarily bad, is, at this juncture, going to be Bush’s bargaining chip to implement super-waivers and/or block grants.

Real Solution to Medicaid Spending

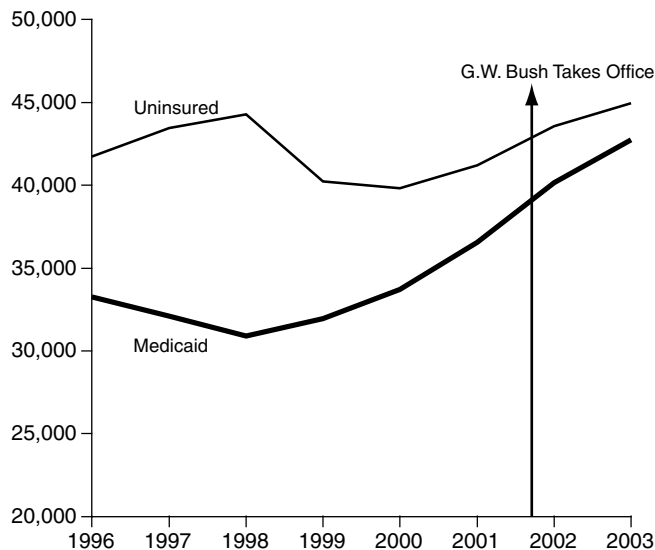
Any solution for restraining Medicaid costs, or the rising number of uninsured people, must not be found by taking a “pound of flesh” from our most vulnerable citizens. The root of the problem lies in the fact that increased unemployment, and loss of health-care insurance coverage from employers cutting costs, throws people either into Medicaid or leaves them uninsured. Employers have increasingly terminated health benefits, or so increased deductibles or co-payments that health insurance has become unaffordable, causing more people to turn to Medicaid, or to go without.

Cuts in Medicaid such as Bush and many radical Republicans are promoting, will mean more people land in the ranks of the uninsured, further thrusting costs onto state and local governments which can ill afford them. Likewise, reduction in Medicaid’s reimbursement payments to hospitals which treat the poor, disabled, and elderly whether or not they have insurance, will lead to more hospital closures due to bankruptcy. Already from 1980-2001, the United States lost 902, or 15.5%, of its hospitals due to the free-market HMO policies

FIGURE 1

People on Medicaid, Medically Uninsured Rise as Economy Collapses

(Thousands of People)



Source: U.S. Census Bureau; Centers for Medicare and Medicaid; EIR.

that Bush-controller George Shultz helped usher in during the Nixon Administration. Newer hospital closure data is not available for the Bush years, but the closures continue.

Is it any wonder that Medicaid rolls have grown since 2000? The nation’s manufacturing workforce has been decimated with more than 2.6 million jobs lost since 2000. The understated “official” unemployment rate is 5.4%, but real unemployment as calculated by *EIR* was 11.3% as of November 2004. Additionally, the undercounted “official” poverty level has risen to 12.7%.

What becomes clear in **Figure 1**, is that since Bush took office, the number of people who became uninsured or had to turn to Medicaid for health-care coverage steadily grew as the economy plummeted. More and more Americans were laid off or had their employers cut health-care benefits. Available data shows the number of uninsured rose from 39.8 million in 2000 to 44.9 million in 2003, a 12.8% jump. Those on Medicaid increased from 33.7 million in 2000 to 42.7 million in 2003, an incredible 26.7% rise in three years. The numbers have gone up further in both categories during 2004, with estimates that the uninsured now total over 45 million and Medicaid recipients are 52 million.

It should be obvious: Without jump-starting the physical economy by investment in production and infrastructure, Medicaid rolls and costs will rise. To make the program “sustainable” requires that we put Americans back to work at productive jobs, rebuilding the world.