



Key U.S. House Budget Vote Expected on February 1, 2006 Part III: Some Troublesome Provisions of The Conference Agreement

January 2006

This is the third of three fact sheets summarizing various issues related to the upcoming vote on the 2006 Budget Reconciliation Conference Agreement (“Conference Agreement”). It is a brief summary of the most harmful provisions of the bill for the people of Connecticut.

- 1. A Medicaid unfunded mandate: requiring proof of citizenship.** Under this new *mandatory* requirement, U.S. citizens would have to provide documentation of citizenship, generally by producing a passport or birth certificate *and* a driver’s license. Under current law, when *U.S. citizens* apply for Medicaid, they normally attest, under penalty of perjury, that they are citizens. States generally only require proof of citizenship when a question is raised.
- *An unnecessary requirement:* The principal impact of this new requirement – and the way it would achieve savings - would be to delay or deny health care to *eligible U. S. citizens*, not to deny coverage to ineligible immigrants as proponents may intend. There has been no substantial evidence that immigrants are obtaining Medicaid by falsely claiming citizenship.
 - *An unfair requirement creating health care barriers for American citizens and raising significant civil rights concerns.* There are *no exceptions* to this provision, which would hit the following groups particularly hard:
 - Elderly, native-born African Americans, many of whom were born to southern families that were too poor to seek medical care for their births, or were denied hospital admission due to racial discrimination. It has been estimated that one fifth of African-Americans born around 1940 lack a birth certificate.
 - Citizens who are homeless, or who have experienced disasters like Hurricane Katrina, and who would be unable to enroll in Medicaid because their documents are not available; and
 - Foster or step children for whom obtaining birth certificates, especially in a timely way, may be particularly problematic.
 - *An expensive requirement for Medicaid beneficiaries.* Duplicate birth certificates and passports are costly: \$5 to \$23 for the former and approximately \$90 for the latter, and neither can be obtained with rapid turn around.
 - *An expensive requirement for Connecticut.* This new requirement would impose tremendous administrative burdens and costs on the states. In Connecticut, it is estimated that 479,000 U.S. citizens are enrolled in Medicaid over the course of a year. If this new requirement is enacted, all these individuals would have to submit proof of citizenship when they apply or renew their coverage after July 1, 2006.

2. The biggest cut of all – federal student aid programs. Non-affluent college students and their parents are bearing the largest share of cuts in the Conference Agreement: \$12.7 billion – or nearly one third - of the total cuts. Interest rates will increase on student loans, even though more than 39% of college students now graduate with unmanageable debt. *This is the largest cut in the history of the federal student aid program.*

- In 2005-06, there were approximately 124,000 federal loans to students attending Connecticut schools and their parents. In 2003-04, the average Connecticut student borrower had federal loans of more than \$17,000.
- In the United States each year, nearly 200,000 high school graduates already forego college because they cannot afford it.
- Making college less affordable is a loss not only for those students and parents who are directly affected by the change, but for all Americans who will depend upon a highly educated workforce to keep our country competitive in the global economy.

3. A TANF unfunded mandate: unrealistic work requirements for TANF recipients. The Conference Agreement significantly increases the percentage of parents receiving cash assistance through the Temporary Assistance for Needy Families (TANF) block grant who states are required to place in welfare-to-work programs.

- *Costly for states.* This mandate does not include funding necessary to expand work and child care programs.
- *Marriage penalty.* The provision also includes separate and overly stringent work requirements for two parent families, a proposal that was rejected by the Administration and earlier House and Senate bills because of its inherent anti-marriage bias.
- *Inconsistent with other provision.* Ironically, the Conference Agreement also includes significant new funding for marriage promotion programs, including programs to reduce the disincentives to marriage in means-tested programs.

4. Cuts in other safety net programs that help low-income children, families and individuals. \$1.5 billion is to come from programs that include the following:

- *Reduction in child support enforcement funding.* Since child support revenues collected with the help of federal funding far exceed the amount of that enforcement funding, this provision is at best penny wise, and is surely pound foolish. In Connecticut, preliminary estimates are that \$12 million in reduced federal funds over five years will result in a \$22 million reduction in child support collections over that same time period. Over ten years, a \$37 million funding cut will result in \$64 million less in child support recoveries.
- *Reduction in federal foster care aid.* This change will make it more difficult for states to provide federally funded foster care benefits to grandparents and other relatives who are raising children who cannot be cared for by their parents.
- *Delay in SSI payments.* Many poor individuals with disabilities, after being found *eligible* for Supplemental Security Income benefits (the maximum monthly SSI benefit is \$603 for an individual), will have to wait up to one year before receiving those benefits. This change is in addition to a reduction of \$732 million in SSI for the elderly and disabled.

5. Environmental programs not spared. The Conference Agreement cuts \$2.7 billion, over five years, from certain farm and conservation programs, including:

- The Watershed Rehabilitation Program (program eliminated) that helps localities rehabilitate aging dams and other flood control structures;
- The Conservation Security Program that rewards good conservation stewardship practices; and
- The Environmental Quality Incentives Program that provides farmers and ranchers with financial and technical assistance to improve water, soil and air quality as well as improve wildlife habitat.

6. Non-affluent elderly not spared - restricting access to nursing home care. New rules on asset transfers would mean that non-affluent individuals who make even modest gifts to relatives or contributions to charity may be denied coverage for nursing home care for health problems that arise many years later. This provision goes well beyond existing rules intended to prevent affluent individuals from sheltering assets that could be used to pay for their long-term care.

- *Example:* Imagine a senior citizen who makes a charitable contribution of \$10,000 and 3 years later finds that she needs long-term care that will cost \$5000/month. She will be subject to a two-month penalty (\$10,000 divided by \$5000). Under current law, the penalty period would begin to run when the transfer was made, and would not have an impact on her access to care. Under the Conference Agreement, *the penalty would begin to run at exactly the moment when the senior citizen needs care* – and would make her ineligible for two months.
- *Impact on charitable giving.* It is expected that this change will result in reduced charitable giving by seniors.
- In Connecticut, 62,000 elderly Medicaid recipients will be at risk of losing eligibility for long-term care services.

7. Optional Medicaid changes - impact unknown. The impact of these changes, on beneficiaries' health and health care and on state budgets, will depend upon which options a state chooses to take.

- *Premiums, co-pays, and denial of services.* Medicaid provisions in the Conference Agreement give states new flexibility to increase co-payments and premiums for some beneficiaries, to increase cost-sharing for prescription drugs, and, for the first time, give states the authority to allow providers to *refuse to provide services* if beneficiaries cannot afford a required co-payment.
- *Increases based on Medical CPI.* The bill would allow certain co-payment increases to be based on the Medical Consumer Price Index (CPI), even though the medical component of the CPI has been rising twice as fast as the general inflation rate and thus at least twice as fast as the wages of low-income beneficiaries.
- *Increased cost-sharing for prescription drugs.* States would have authority to create preferred and non-preferred drug categories, based primarily on cost.
 - Beneficiaries with income below 150% FPL, *including children* and other groups exempt from cost-sharing, could be charged “nominal” co-payments (subject to increases based on Medical CPI) for non-preferred drugs.
 - For those with incomes above 150% FPL, charges could be up to 20% of the cost of the non-preferred drug.

- *Increased cost-sharing for use of the emergency room for non-emergency care.* States would have the option to allow hospitals to charge Medicaid beneficiaries for the use of the emergency room for non-emergency care.
- *New State Authority to Scale Back Certain Benefit Packages.* States would be permitted to provide scaled-back Medicaid packages to some beneficiaries, *including nearly all children*, regardless of income. (The only children exempt from the change would be those in foster care and adoption assistance.)
 - EPSDT would still be required as “wrap-around” coverage, but providing EPSDT services in this way would be far less effective in assuring necessary care for poor children and would likely cause many children to lose access to necessary health care services.
 - In addition to children, these changes would primarily affect pregnant women with income above 133% FPL and working-poor parents.
 - In Connecticut, services could be curtailed for nearly all of the 263,000 children who receive Medicaid benefits.
- *Shifting Risk to Beneficiaries Through Health Opportunity Accounts.* The Conference Agreement allows up to 10 states to establish demonstration projects that would require Medicaid beneficiaries to meet a deductible before receiving benefits.
 - Programs like this are a move in the direction of a defined contribution approach rather than a defined benefit model, putting beneficiaries at risk for greater - and increasingly unaffordable – cost-sharing.

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Writing of the Conference Agreement, USA Today wrote on January 3, 2006:

[T]he measure is cruel. Virtually all of Congress' cuts are made to programs for the poor and the young, who lack organized lobbies. Absent congressional conscience, they are simply targets of political opportunity. And be assured conscience is lacking. Even as Congress made those cuts, it has taken up more than twice as much in tax cuts that would primarily benefit high-income people.