

# States enact Medicaid cuts in new fiscal year

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As part of their budgets for the new fiscal year, many states in the US have continued the process of slashing Medicaid costs by reducing services and increasing fees for aid recipients. Legislatures across the country are reacting to mounting Medicaid costs—due primarily to an economic downturn that has increased the number of people in need—by cutting a program that helps the most vulnerable sections of society.

The states are under added pressure by the Bush administration this year, which is intent on pushing through sharp cuts in Medicaid, which is funded jointly by the states and the federal government. The federal Senate Finance Committee has mandated a \$10 billion reduction in the Medicaid budget this year, a budget that typically pays 57 percent of the program's overall costs.

Medicaid is a substantial safety net for the poor and elderly. Nationally, health care programs account for about a third of states' budgets and enable millions of uninsured Americans to receive medical access. Medicaid alone funds services for over 53 million people.

The National Conference of State Legislatures reports that more than 600 prescription drug bills and resolutions have been introduced so far in 2005. Many of these proposals, in addition to implementing cuts, aim to reduce anticipated expenses in the new fiscal year by creating preferred drug lists, with an emphasis on generic equivalents and donated drug reuse programs, and by creating drug importation programs. Privatization or subcontracting oversight of programs is also being promoted in several states.

In Missouri, more than 90,000 Medicaid recipients are scheduled to be dropped from the state rolls in the new fiscal year. The cuts were Republican Governor Matt Blunt's solution to balancing the budget without increasing taxes, despite widespread public disapproval. Only parents earning less than \$292 per month after childcare expenses will remain eligible for benefits under the new budget. Most will be subject to co-payments and reduced benefits.

Three St. Louis-area parents filed a lawsuit June 29

against the state's Department of Social Services, charging that mailed notices regarding the benefit cuts failed to explain the factors that determined eligibility, such as family size or minimum income. Attorneys from the Welfare Law Center representing the case contend that the Department's policies are resulting in the wrongful termination of Medicaid benefits for thousands of low-income recipients who are clearly eligible even under the newly restricted guidelines. On July 1, a request was denied in the Jefferson City District Court for an injunction that would have prevented the first round of cuts. Effective immediately, 24,000 low-income parents were forced off of Medicaid.

Michigan Democrat Governor Jennifer Granholm has mandated a \$121 million reduction in state health care costs beginning October 1. To this end, legislators in the House are pressing for the elimination of coverage for 13,000 young adults and 30,000 low-income parents. According to a spokesman for House speaker Craig DeRoche, "The decision was made early on that we would balance the budget without raising taxes." The Senate plan promotes co-payments of between \$10 and \$25 for hospital and emergency room services. Meanwhile, Governor Granholm has stressed that the budget needs only be "revenue neutral" in order to justify hundreds of millions in business tax breaks and incentives, which will have to be balanced by spending cuts.

Efforts in Mississippi to reclassify 65,000 Medicaid recipients as ineligible "poverty-level aged and disabled" were halted in court last year. Now new restrictions on medications have passed that will limit the number of prescriptions a Medicaid patient receives to five in the 2006 fiscal year. A cap of two name-brand prescriptions has also been adopted. While saving the state money, the rule change is likely to seriously impact the lives of 80,000 elderly, blind, mentally ill, diabetic, and cancer-suffering recipients. This type of restriction does nothing to address the exorbitant prices placed on medicines by manufacturers, and instead forces reforms

that are detrimental to patients' health.

Minnesota state legislators were unable to reach a compromise between Republican and Democrat versions of a two-year, \$30 billion budget, resulting in a government shutdown July 1. The main point of contention was the enormous cost of the state health care program, and its dependency on tax revenue. It is unclear how long the shutdown will last, which depends on how quickly lawmakers settle their differences. Approximately 9,000 state employees, including librarians and highway rest-area workers, are immediately affected. The government shutdown is the first in Minnesota's history and the first nationally since the 2002 shutdown in Tennessee, although ten other states are currently operating without completed budgets.

Republican Governor Tim Pawlenty, seeking re-election next year, had pledged a boost to school funding without an increase in taxes. In order to balance the budget under the governor's plan, 30,000 low-income Minnesotans would be dropped from the state-funded health care system. The cut would focus on eliminating the working-adult eligibility that makes MinnesotaCare a special expanded Medicaid program in the US.

Talks broke down over a \$200 million gap between Pawlenty's plan and that of the Senate Democrats. Representatives of both parties have condemned the impasse as the result of "disgusting" and "cynical" pre-election baiting. Like that of the Republicans, the Democrat plan proposed an increase in school funding, but coupled with an increase in the tax rate for the top 40,000 richest individuals in the state who were the beneficiaries of previous reductions.

The North Carolina Senate was interrupted by protesters June 29 while formulating a temporary stopgap to keep the state running until a formal budget is agreed upon. The protesters unfurled a banner above the gallery and chanted from the balcony, "Have mercy on the people, no Medicaid cuts." The current budget proposal in the Senate would drop 65,000 Medicaid recipients. Ignoring the unpopularity of such a move, both Democrat and Republican legislators consider health care cuts as a way to balance out the loss in revenue from tax cuts for households earning more than \$120,000. Governor Mike Easley, a Democrat, defends the proposed reduction in taxes for the top income bracket as necessary, claiming it will stimulate job growth.

After the protesters were escorted out of the gallery by security, one of the activists involved said, "We wanted to send a message to the full body of the Senate. There

are some people who are really going to be harmed by this." The broadening disparity between the concerns of constituents and those of lawmakers was reflected in a statement Democrat Senator Malcolm Graham made after the incident. "My thoughts went to the lack of security the building has," he commented to reporters.

Perhaps involuntarily, Senator Graham gave voice to the tendency within the political establishment that seeks to sever all ties to public accountability and entrench itself in the halls of power in the name of national security. What the vast majority of people may need from their supposedly representative government—such trifling indulgences as cancer treatment, dental care, or epilepsy medication—is apparently of little concern when weighed against the opportunity to physically fortify a position of political authority.

Most Americans highly value publicly funded health care for the poor, according to the results of a survey conducted by the Kaiser Family Foundation released June 29. The survey found that, while most concede that states have considerable fiscal problems, 74 percent oppose cutting social health care programs. Programs ranked in order of most importance were Social Security, Medicare, and Medicaid. Three-quarters of respondents considered Medicaid "very important." By comparison, of the seven government programs listed as options on the survey, defense spending was listed sixth.

For the uninsured, lack of Medicaid coverage translates into lack of preventive care, and increasing reliance upon emergency rooms. The likelihood of hospitalizations for undiagnosed and untreated diseases is increased, as is the likelihood of death from complications of preventable or manageable illnesses. The inability to pay medical bills is also the most often cited cause of home foreclosures and personal bankruptcy filings, and a common source of homelessness.

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