



# COALITION ON HUMAN NEEDS

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**Q: When is a Cut a Cut?**

**A: When it Takes Away Services or Benefits that People Need**

Apologists for the budget bill that will be back before the House on February 1 have said over and over that because spending on basic programs for health care and other services will rise, there are no cuts. This is preposterous. Here's why:

**Inflation.** You have a dollar in your pocket to buy a cup of coffee. The cost goes up to \$1.50. You scrounge around and find another 20 cents. Can you afford to buy that cup of coffee? No. Did your coffee budget go up? Yes, but because the cost went up even more, your ability to buy coffee has been cut. That's what inflation does. It's not that hard a concept.

But some members of Congress don't seem to get it. For example, Representative Fitzpatrick of Pennsylvania recently wrote "...without the passage of this legislation, Medicaid spending was projected to grow by about 7.3%. The bill passed by the House **increases spending by 7%**. Only in Washington would a seven percent increase be characterized as a spending 'cut.'" No – anywhere where costs are expected to grow **more** than the funds available, there will be a cut in the ability to purchase goods or services. The Congressional Budget Office has estimated that over ten years Medicaid will receive **\$42 billion less** than the cost of continuing to provide the current level of services, not counting new funds for such separate items as helping states to care for Katrina evacuees. **That's a cut.**

**Population Growth.** The Census Bureau projects that the U.S. population will increase by 9.5 percent from 2000 to 2010, with a growth of 14.8 percent among people over 65 during the same period. It stands to reason that Medicaid expenditures will have to rise simply because the population is growing, and disproportionately among those who need more medical care. Population growth pushes up the cost of other services, too.

**The budget bill specifically changes the law to reduce services and benefits, deny eligibility, and/or increase costs beyond people's ability to pay.** Members of Congress who trumpet that they've slowed the rate of growth in Medicaid, for example, don't want to tell you that they've done it through changes that will result in less medical care for millions of low-income children, families, and the elderly. The bill changes the law to allow states to charge many low-income people more for medical services. For a similar earlier version, the Congressional Budget Office estimated that 80 percent of the reductions in

federal spending due to higher patient fees will be achieved ***because people will go without care***. That's the kind of cut this budget bill is full of – people in need going without services. Here's more:

**Less medical care for low-income people through Medicaid.**

- **Unaffordable costs:** Near-poor families can be charged up to 5 percent of their income for medical care – for example, \$900 for a family with \$18,000 in income. A substantial body of research shows that families with incomes this low will forgo care because they cannot afford it.
- **Shrinking benefits:** For working-poor parents and other Medicaid beneficiaries, states will be able to scale back medical coverage. In addition, virtually all of the 28 million children served by Medicaid may lose access to the comprehensive health coverage they now receive.
- **Restricted eligibility:** Fewer low-income elderly people will be eligible for long-term care.
- **Red tape – the sneaky barrier to care:** The agreement now back before the House requires all those applying or reapplying for Medicaid to show a passport or birth certificate as proof of citizenship. Who will have the most trouble providing such documents? People who have lost important papers in the recent hurricanes or other disasters, people who are mentally ill or homeless, older African-Americans (one study estimated as many as one in five African-Americans born before 1940 lacks a birth certificate), and people with language barriers. Replacing birth certificates takes time and money. The result? Less care for the neediest people.

*These are cuts, causing low-income people to do without health care.*

**\$8.4 billion in child support will go uncollected over 10 years.**

Because of a \$4.9 billion cut over 10 years for child support enforcement activities, children and families owed child support from an absent parent will go without \$8.4 billion. Child support lifts children out of poverty. Families receiving child support with incomes between 100 – 200 percent of the federal poverty line averaged \$4,000 in support payments in 2001 – 15 percent of their income. When enforcement dollars are reduced, less support is collected.

*That's a cut, reducing struggling families' income.*

**College students will have to pay more for their student loans.**

The bill cuts federal spending on student loans by a net \$12.7 billion, forcing interest rates up for student loans. The federal government gets 70 percent of the bill's gross savings from raising the interest paid by students or their families above current rates and then capturing the overpayments back from the lenders. Students will pay more, even though even now more than 39 percent of college students graduate with unmanageable debt.

*That's a cut, making it harder for students to complete their studies.*

**Poor people with disabilities will have to wait longer to receive aid they are owed.**

Approving applications for cash aid for poor people with disabilities can take many months. When benefits are approved, people now get lump sum payments for the time in which the application was pending. The bill makes beneficiaries wait much longer to collect what they are owed. Part of the “savings” in the bill comes from the expectation that some seriously disabled people will die before they receive their full benefits.

***That’s a cut***– a real death tax on poor people with disabilities.

There are many more examples of cuts. Important ones are listed at <http://www.chn.org/pdf/2006worsethanyouthought.pdf> and <http://www.chn.org/pdf/2006toptenworst.pdf>

**Don’t we have to get federal spending under control? Don’t we have to reduce the deficit?**

The Budget Resolution passed by Congress last May outlined the leadership’s plans for the deficit – if they get their way, they will make it ***larger***. That’s because the cuts in services are a \$40 billion down payment to pay for the \$70 billion in tax breaks that are next on the leadership’s agenda. It’s not surprising that the spending cut bill is called “The Deficit Reduction Act.” That sounds nicer than “The Needy Children, Families, Disabled and Elderly Services Reduction Act to Pay for Tax Breaks for the Wealthy.” But soon after people lose needed help, tax cuts providing billions of dollars to the wealthy will dig the deficit hole deeper – that is, if better sense does not prevail.

And yes, we should always do what we can to make sensible savings. The Senate tried to reduce expenditures through lower Medicaid payments for prescription drugs and through savings in the Medicare program, both of which would have avoided losses experienced directly by low-income people. These alternatives were rejected.

Despite all the denials and the oft-repeated talking points, this budget bill makes billions of dollars in cuts that hurt children, students, people with disabilities, low-income families, and the elderly. These cuts are being made to pay some of the billions sought for more tax breaks.

***These are bad choices.*** On February 1, the House has the chance to reject this wrong-headed approach. Millions of constituents will be watching.

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For more information, contact Deborah Weinstein, Coalition on Human Needs,  
[dweinstein@chn.org](mailto:dweinstein@chn.org); [www.chn.org](http://www.chn.org)