CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

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THE HOUSE BUDGET COMMITTEE'S PROPOSED MEDICAID AND SCHIP CUTS ARE LARGER THAN THOSE THE ADMINISTRATON PROPOSED

By Victoria Wachino

Yesterday, the House Budget Committee voted on Chairman Nussle's proposed federal budget plan for Fiscal Year 2006. The plan's required reductions in mandatory programs are likely to lead to cuts in federal expenditures for Medicaid and the State Children's Health Insurance Program (SCHIP) totaling $14.9 billion or more over the next five years. The cut to Medicaid would be as much as $20 billion if the Energy and Commerce Committee does not adopt Administration proposals relating to other programs in the Committee's jurisdiction, as explained below. This cut significantly exceeds the savings the Congressional Budget Office (CBO) estimates would be achieved if all of the changes in Medicaid and SCHIP the President proposed in his budget last month are enacted.

The House Committee budget plan would require the House Energy and Commerce Committee to reduce spending for mandatory programs (programs not controlled by annual appropriations) within its jurisdiction by $20 billion in 2006 through 2010. This reduction would be included in a so-called "reconciliation bill" considered under special rules in the Senate that do not allow a filibuster. The House Energy and Commerce Committee has jurisdiction over some mandatory programs, including Medicaid, SCHIP, part of Medicare, and a number of smaller programs. The Committee also has jurisdiction over federal power marketing administrations and federal auctions of portions of the electromagnetic spectrum to cell phone companies and other communications services providers. (Receipts from such auctions are counted as negative mandatory outlays.)

During consideration of his plan, Chairman Nussle indicated that his proposal does not assume any cuts in funding for Medicare. This means that the mandatory savings the Energy and Commerce Committee is required to achieve would likely come from the three areas in which the President's budget proposed savings: Medicaid/SCHIP, the power marketing administrations, and the sale of spectrum rights. The Committee could, however, secure all the required $20 billion in cuts solely from Medicaid.

According to CBO, enacting the power marketing administration and spectrum auction proposals in the President's Budget would save $4.9 billion over five years. If the Energy and Commerce Committee were to adopt all of the President's power marketing administration and spectrum proposals, and did not come up with savings in other programs that the President did not propose to cut, it would have to achieve in Medicaid and SCHIP savings totaling $14.9 billion over five years in order to comply with the reconciliation instructions in the Nussle plan. But if the Energy and Commerce Committee does not achieve the power marketing administration and spectrum savings the Administration or substitute other non-Medicaid savings, savings from

Medicaid and SCHIP would have to total as much as $20 billion to comply with the reconciliation instructions in the Chairman's plan.

According to CBO, $14.9 billion is substantially larger than the savings that would be achieved if all of the Administration's Medicaid and SCHIP proposals were enacted. (Congress generally uses CBO's estimates.) Although the Administration estimated that its proposed changes to Medicaid and SCHIP would reduce federal funding for these programs by a net of $12 billion in 2006 through 2010, CBO estimates that the net savings from these proposals over those five years would be $7.6 billion.[1] (In scoring the Administration's budget, CBO was not able to estimate the costs of some of the Administration's Medicaid proposals because the Administration did not provide sufficient details about the proposals.)

Because the House's proposed cuts, which would be at least $14.9 billion and potentially as large as $20 billion in Medicaid over the next five years, substantially exceed the savings CBO estimates that the President's proposals would achieve, the Energy and Commerce Committee will have to develop additional proposals -- beyond what the President proposed -- to achieve its required level of savings. Energy and Commerce could also not accept all or some the Administration's proposals, instead developing different changes to Medicaid and SCHIP to achieve up to the entire $14.9 billion in savings.

It should also be noted that the President's budget included proposals to increase funding for outreach and enrollment of children, New Freedom grants to promote home and community based care in Medicaid, and extension of Transitional Medical Assistance. In light of the size of the required cuts in spending in Chairman Nussle's plan, the only way that the Energy and Commerce Committee could fund these initiatives would be to offset the costs of these improvements with deeper reductions in Medicaid and SCHIP.

Reductions in federal funding for Medicaid and SCHIP of the magnitude proposed in the House Budget Committee plan would weaken health coverage for low-income uninsured Americans. Most states are struggling to fund their share of Medicaid's costs, and a number are significantly reducing coverage or benefits. Proposals that would reduce the federal commitment to Medicaid and shift costs to states would increase the pressures that states are facing, and likely lead to additional and larger reductions in Medicaid. The end result would likely be to increase the number of low-income people in the United States. who are uninsured or underinsured.

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[1] The Administration estimated that its savings proposals would reduce federal Medicaid funding by a total of $20 billion over the next five years and $60 billion over the next 10 years. The Administration has, however, also made some modest proposals to increase funding for Medicaid and SCHIP. When these increases were taken into account, the net cuts to Medicaid and SCHIP total $12 billion over five years and $45 billion over 10 years, according to the Administration. CBO estimated the gross cuts in the President's budget at $13.9 billion over five years and the net cuts at $7.6 billion over this period.