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CBO INFORMATION SHOWS PASSED HOUSE BUDGET BILL WOULD HIT THE POOR HARD

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Last night, the House of Representatives narrowly approved a budget reconciliation bill that makes cuts in a number of programs. Information from the Congressional Budget Office shows that many of the cuts would hit low-income people directly and hard, and that these cuts were changed only marginally in the tweaking of the bill that occurred before it was brought to a vote.

- **CBO estimates that the provisions that will cause many low-income Medicaid beneficiaries to be required to pay more out-of-pocket for health care, and will reduce the health care services for which these beneficiaries are covered, represent cuts of nearly $30 billion over ten years.** A large body of research shows that when premiums are imposed or co-payments are raised significantly, low-income patients forgo needed health care or medications and many become sicker as a consequence. Consistent with this research, CBO expects the increase in premiums and co-payments in the bill — primarily for near-poor people modestly above the poverty line, who would face particularly large increases in these charges — to lead to Medicaid patients forgoing various health care services and prescription medications or not enrolling in Medicaid at all. CBO noted that its estimate of nearly $30 billion in savings in this area "reflect[s] CBO's expectation of reduced utilization of services due to higher cost-sharing requirements and decreased participation in Medicaid by individuals who would be required to pay premiums."

  In fact, CBO estimated that about 80 percent of the savings from the increases in Medicaid co-payments are expected to come from decreases in the use of services such as doctors' visits and prescribed medications, that ultimately 17 million low-income Medicaid beneficiaries could be subject to high co-payments, and that more than 100,000 people would lose coverage altogether because they would have trouble paying the premiums. CBO also said that the reduced use of health care services would result in more emergency room visits and higher emergency care costs (as people's health worsens due to lack of timely care).

  In addition, under the House bill, states would no longer be required to provide low-income children just above the poverty line with comprehensive preventive care and treatment. Substantial numbers of near-poor children could lose coverage for such services as eyeglasses, hearing aids, dental care speech therapy, and crutches.

- **CBO estimates that child support payments made by non-custodial parents would be $24 billion lower over ten years.** CBO estimates that the deep cuts in funding for child support enforcement included in the House bill would result in $24 billion in child support that would otherwise have been collected *going unpaid instead*. By sharply weakening child support enforcement, the House bill would undercut one of the government's principal tools for enforcing personal responsibility on those who father a child.

- **CBO estimates indicate that more than 255,000 people a month would lose food stamps; the large majority of these are people in low-income working families**. This number includes at least 185,000 people, most of them in low-income working families with children that now receive food stamps because they have substantial work and housing expenses that drop their net incomes below the poverty line. In addition, 70,000 *legal* immigrants who have been in the United States between five and seven years, primarily working-poor parents and poor elderly individuals, would be cut off food stamps by 2008.

- **Child care subsidies would be eliminated for 330,000 children in low-income working families.** The House bill requires states to place many more parents receiving cash assistance under the TANF program into work programs. States will have to provide child care for these parents. Yet the House bill fails to provide enough child care money even to maintain the *current* number of subsidized child care slots for low-income families. (The bill fails even to keep current child care funding up with inflation.) As a result, states would have to shift child care slots from working poor families that are not on TANF cash assistance to families that receive cash aid and are participating in work programs. By 2010, some 330,000 children in low-income families in which the parents are working and are not on welfare would lose their child care subsidies. (This figure is a CBPP estimate; no CBO estimate is available.)

The House bill's provisions are especially troubling in light of recent economic trends. Official government data show that poverty, income inequality, food insecurity, and health coverage all have worsened in the past few years. The House approach would exacerbate these trends.

A More Balanced Approach is Available

The House could readily produce the same amount of savings *without* sharp cuts in assistance for low-income families, if it wished to do so. For instance, the Medicare Payment Advisory Commission (MedPAC), Congress' official advisory body on Medicare payments, has identified tens of billions of dollars in excessive payments by Medicare to managed care plans. The Senate achieved substantial savings in this area in its reconciliation bill. The House achieved none. Similarly, the House did far less than the Senate to lower the prices that Medicaid pays for prescription drugs, because the House essentially shielded the pharmaceutical companies.

To save $50 billion over the next five years — the approximate effect of the House bill — the House could have curbed the excessive payments to managed care plans (as recommended by MedPAC), lowered the cost of prescription drugs under the Medicaid program (as the Senate did), and cancelled two tax cuts exclusively for high-income people that are scheduled to start taking effect on January 1. These two new tax cuts will be on top of existing tax cuts that, the Urban Institute-Brookings Tax Policy Center reports, already are providing average tax cuts of $103,000 apiece to people who make over $1 million a year. *Washington Post* and *Newsweek* columnist Robert J. Samuelson, among others, has called for repealing the two new tax cuts before they take effect.

Indeed, the savings just from canceling the two new cuts, which will provide *no* benefit to middle-class households but confer an average tax cut (when the new tax cuts are phased in fully) of an *additional $19,000 a year* to people making over $1 million a year, would be more than enough to replace all of the House bill's cuts in assistance programs for low-income families and individuals.