



CENTER ON BUDGET AND POLICY PRIORITIES

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STATE BUDGET DEFICITS LOOM LARGER THAN PREVIOUSLY THOUGHT, SIGNALING DEEP CUTS IN HEALTH INSURANCE, OTHER PROGRAMS

Health Insurance In Jeopardy For At Least One Million People

The budget deficits now looming over state governments will likely reach \$60 billion to \$85 billion in state fiscal year 2004 and constitute the largest state budget gaps in half a century, a Washington research and policy group said in a report released today. This worsening of state fiscal crises could force deep cuts in programs for low-income working families and especially in health care coverage, according to the Center on Budget and Policy Priorities.

The Center also issued a companion study finding that in 11 states where specific health care cutbacks have already been approved or proposed, one million people currently covered by Medicaid and the State Children's Health Insurance Program — the majority of whom are working-poor parents — will be forced into the ranks of the uninsured if the cuts are fully instituted. The study covers only those states in which measures to cut health insurance coverage have been adopted or been proposed in recent weeks by governors. Since most governors will not unveil proposals to close budget deficits until they release their budgets next month, the study notes that the one-million figure is expected to climb much higher.

The two reports released today by the nonprofit organization provide new estimates, based on the latest information, on the magnitude of health insurance cuts and the size of state budget deficits. “Taken together, the reports indicate that cuts of unprecedented depth in vital basic services — and especially in health insurance for working poor and near-poor families — lie ahead,” said Robert Greenstein, CBPP’s Executive Director. “Only the provision of substantial fiscal relief to states by the federal government, a step that would also be more effective in stimulating the economy than most tax cuts under consideration, can forestall such an outcome,” he added.

The analysis of state fiscal problems by CBPP Deputy Director Iris Lav and Nicholas Johnson, director of the organization’s State Fiscal Project, is based on a survey of budget watchdog groups, interviews with state officials, official pronouncements, and press reports from 42 states. It finds these 42 states are facing budget deficits totaling \$60 billion to \$85 billion for state fiscal year 2004, which represents 13 percent to 18 percent of state expenditures. These deficits are at least twice as large as states faced during the recession of the early 1990s.

The report notes that according to figures the National Conference of State Legislatures recently released, these new deficits are on top of both \$50 billion in deficits that states closed when enacting their fiscal year 2003 budgets and additional deficits of at least \$17.5 billion in 2003 that have opened up in the months since the 2003 budgets were enacted.

“When governors release their budgets for 2004 next month and state legislatures convene, states will be faced with closing both the newly emerging gaps for the 2003 budget year and the massive new deficits for 2004,” Lav said. “The choices states face will be stark.”

Cuts in Health Insurance

A second new report, by Leighton Ku, Melanie Nathanson, and other CBPP staff, examines cuts adopted or proposed in key health insurance programs in 11 states. It quantifies the number of low-income people who have or soon will be dropped from health insurance programs in these states as a result of decisions already made or will be cut off if the pending proposals recently made by governors are adopted. The study covers California, Connecticut, Massachusetts, Missouri, Montana, Nebraska, Nevada, New Jersey, Oklahoma, Tennessee and Washington state. It finds that if cuts already adopted and cuts that governors recently proposed are fully implemented, approximately one million people will lose health insurance.

Most of the approximately one million individuals who would lose Medicaid or state-funded health insurance coverage (and, in most such cases, become uninsured) are parents and children in low-income *working* families, the report found. Some elderly and disabled people living below the poverty line also would lose their coverage.

“Action taken in New Jersey and proposed in California, Connecticut and other states points to a developing trend of eliminating coverage for large numbers of working-poor parents not on welfare,” Greenstein said. “Providing health insurance to parents only if they go on welfare — and denying coverage to parents working hard at very low wages — is sharply inconsistent with welfare reform efforts to move people from welfare into the workforce.” He added that “imposing stiff work requirements and time limits on welfare receipt to push parents into the low-wage labor market but then yanking away their health insurance after a temporary transition period if they go to work does not represent a very enlightened approach.”

Examples of health insurance cuts adopted or proposed include:

- Proposals issued this month by Governor Davis of *California* to eliminate health care coverage for nearly 300,000 low-income parents with incomes between 61 percent and 100 percent of the poverty line (between \$9,160 and \$15,000 for a family of three) and close to 200,000 parents with even lower incomes. These cuts would predominantly affect working poor families.
- Changes already being implemented in *Tennessee’s* Medicaid program, TennCare, that will eliminate health care coverage for between 160,000 and 250,000 adults and children, with most of those affected being people in working families.
- Deep cuts approved in *Oklahoma’s* health care programs that are scheduled to take effect in coming months, including the near-elimination of the state’s SCHIP program (the State Children’s Health Insurance Program). When fully implemented, these cuts will cause approximately 80,000 children, adults, seniors

and people with disabilities to lose coverage. Those affected include large numbers of low-income children, as well as elderly and disabled people with incomes between 74 percent and 100 percent of the poverty line (between \$6,560 and \$8,860 for an elderly or disabled individual).

- Cuts in Nebraska's Medicaid program that are expected to result in the loss of health care coverage for an estimated 26,000 children and adults, including a number of parents who have recently left welfare for low-paid jobs that offer no health insurance.
- The gradual elimination of most low-income working parents from NJ Family Care coverage, the state's joint Medicaid and SCHIP program. New Jersey has sharply reduced the income limit for the program for parents not already enrolled, from 200 percent of the poverty line to the state's income limit for welfare benefits, which is about 50 percent of the poverty line (i.e., from about \$30,040 for a family of three to \$7,660).
- Measures adopted in Missouri that end coverage for 36,000 low-income working parents, including a reduction in the income limit for working parents from 100 percent of the poverty line to 77 percent (from \$15,020 to \$11,565 for a family of three). Because of a pending lawsuit, 17,000 of these 36,000 parents are continuing to receive temporary transitional Medicaid coverage, but this coverage will terminate once these transitional benefits expire.
- Changes that Massachusetts has adopted which will eliminate coverage for about 50,000 unemployed low-income adults in April 2003.

Lav noted that the cuts in health insurance represent only one of the basic state services undergoing substantial budget reductions. Another recent Center analysis, "A Wide Range of Public Services Already Have Been Cut in this State Fiscal Crisis," examines state budget cuts in areas such as child care, education, welfare-to-work programs, and aid to local governments.

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

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