



CENTER ON BUDGET AND POLICY PRIORITIES

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Revised March 14, 2005

THE SENATE'S CUTS IN MEDICAID AND SCHIP SUBSTANTIALLY EXCEED THOSE THE ADMINISTRATION PROPOSED

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The Senate begins consideration today of the federal budget plan for Fiscal Year 2006 adopted last week by the Senate Budget Committee. The plan requires \$15.2 billion in reductions over five years in programs within the jurisdiction of the Senate Finance Committee. The bulk of this \$15.2 billion — \$14 billion — is assumed to come from reductions in funding for Medicaid and the State Children's Health Insurance Program (SCHIP). (The Budget Committee's proposal shows \$15.2 billion in reductions as being made in mandatory programs that are part of the budget category known as Function 550, which is limited to health programs, but the Committee's plan does not appear to require any committee to produce legislation to achieve \$1.2 billion of those assumed savings.)

The Senate's proposed cut in federal funding for Medicaid and SCHIP is substantially larger than the savings that would be achieved by enacting all of the Administration's Medicaid and SCHIP proposals, according to Congressional Budget Office estimates. In its budget, the Administration made a series of Medicaid and SCHIP proposals and estimated that those proposals would reduce federal funding for Medicaid and SCHIP by a net of \$12 billion in 2006 through 2010. But Congress generally uses CBO estimates, and CBO has estimated that the net savings from the Administration's Medicaid and SCHIP proposals would be \$7.6 billion over five years.¹

Under the Senate Budget Committee's plan, the Senate Finance Committee thus would have to consider significant changes in Medicaid and SCHIP this year. If the Senate Finance Committee were to adopt all of the Medicaid and SCHIP proposals in the Administration's budget for which CBO was able to estimate savings, it would have to come up with more than \$6 billion in *additional* savings.

But it is unlikely that the Finance Committee will adopt all of the Administration's Medicaid proposals. Some of those proposals are controversial on Capitol Hill, and in some cases, similar proposals have been made by the Administration in previous years and not been

¹ The Administration estimated that its savings proposals would reduce federal Medicaid funding by a gross total of \$20 billion over the next five years and \$60 billion over the next 10 years. The Administration made some proposals to increase funding for Medicaid and SCHIP. When these increases are 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 has 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. In scoring the Administration's budget, CBO was not able to estimate the costs of several of the Administration's Medicaid proposals because the Administration did not provide sufficient details about those proposals.

enacted. If the Senate Finance Committee accepted the Administration's proposals only in part, it would have to develop a still larger array of new proposals to achieve the assumed level of Medicaid savings.

(Note: the cuts to Medicaid in the House Budget Committee plan are at least as large as those in the Senate proposal. The House Budget Committee appears to require Medicaid and SCHIP cuts of \$14.9 billion, but the cut to Medicaid could be as large as \$20 billion under the House budget plan if the House Energy and Commerce Committee does not adopt Administration proposals to achieve savings in *other* areas of that Committee's jurisdiction.)

It bears noting that the President's budget includes proposals to increase funding for outreach and enrollment of children, and for "New Freedom" grants to promote home and community based care in Medicaid. Because of the size of the required reductions in spending in the Senate budget plan, the only way for the Finance Committee to fund these initiatives would be to offset their costs with larger reductions in Medicaid and SCHIP.

The Medicaid reductions in the Senate budget plan, like those in the House plan approved yesterday, would be likely to adversely affect health care coverage for low-income uninsured Americans. With a number of states significantly reducing Medicaid coverage or benefits as they struggle to fund their share of Medicaid costs, proposals that would reduce the federal commitment to Medicaid and shift costs to states would intensify pressures that states are facing and likely lead to additional, larger Medicaid reductions.

The governors have expressed strong concern about such proposals on a bipartisan basis. The end result of such proposals would likely be to increase the number of low-income people in the United States who are uninsured or underinsured.