

---

Revised December 5, 2005

## CUTS IN HOUSE BUDGET BILL AIMED AT LOW-INCOME FAMILIES REDUCED BY ONLY 2%; OTHER 98% OF CUTS REMAIN

### Changes Made Before the Vote Were Very Small

By Robert Greenstein and Sharon Parrott

In both the morning and the evening of November 17, House leaders made modifications to the House budget reconciliation bill. Some of these changes were intended to garner support from members of Congress concerned that millions of low-income families would be harshly affected by the bill and forced to shoulder a large share of the bill's cuts.

CBO analyses show, however, that the modifications are very minor and do not soften the bill's effects on vulnerable low-income families very much. These changes reduce the total level of cuts that most directly affect low-income families and individuals by *only about two percent*. The other 98 percent of the low-income cuts remain.<sup>1</sup>

- **The House budget bill would still deny food stamps to more than 255,000 low-income people each month by 2008, and would cut basic food aid by nearly \$700 million over five years.**
  - *Terminating people in low-income working families.* The Rules Committee made two changes today in the food stamp "categorical eligibility" cut. One change would scale back this cut by between one-fifth and one-sixth. At least 185,000 low-income people, the vast majority of whom are in low-income working families with children, still would be terminated from food stamps; they would lose an average of at least \$140 a month in food stamps, or nearly \$1,800 on an annualized basis.

The other change made today in this provision would give states the option to continue providing free school meals to children in families that would be cut off food stamps by this provision. This change has been described as preventing children in these families from losing free school meals as well. For these children actually to be protected, however, states and school districts would have to elect to add a complicated new administrative procedure

---

<sup>1</sup> The cuts included here are those made in food stamps, SSI, foster care, child support enforcement, and the cost-sharing and benefit reductions in Medicaid. Calculations are based on CBO data.

to their school meals programs. History suggests that while some states and school districts would adopt this procedure, others would not.<sup>2</sup>

➤ *Legal immigrants: In 2008 and thereafter, the bill would deny food stamps to 70,000 legal immigrants, according to CBO estimates; the only food stamp change that has been made in the bill reported by the Agriculture Committee is that 50,000 of these legal immigrants would lose food stamps immediately in 2006, rather than 70,000, as under the original Agriculture Committee provision. That change, essentially phasing in the legal immigrant cut over two years, was adopted by the House Rules Committee last week. No further modifications to the food stamp immigrant cuts were made today.*

- **The changes made to the Medicaid provisions are very minor — the House bill still would allow states to impose substantial new co-payment and premium fees on millions of low-income Medicaid beneficiaries, and to scale back substantially the health care services that the Medicaid program provides.** The Rules Committee adopted one modification that reduces the co-payments that the poorest Medicaid beneficiaries could be charged. However, the Rules Committee left unchanged the two most serious problems in this part of the House bill — the very high co-payment and premium fees that Medicaid beneficiaries *just above the poverty line* could be charged, and the ways in which states would be allowed to cut back markedly on the health care services that Medicaid covers for those patients, including the elimination of Medicaid’s longstanding guarantee of covering all medical treatments that a low-income child is found to need in health care screenings.

*In fact, the modifications are so minor that they reduce by less than 2 percent — or just \$100 million over five years — the cuts that would be made in Medicaid from increasing co-payments and premiums and cutting coverage for health care services. The cuts in this area — the main direct beneficiary “hits” in the Medicaid part of the bill — still would total nearly \$30 billion over the next ten years, according to CBO. CBO also has said that these cuts would cause many beneficiaries to forgo health care services, and ultimately would result in increases in emergency room costs.*

➤ The bill still would allow states to charge unlimited copayments, as well as to impose large premiums for the first time in Medicaid’s history, on six million low-income children and many other beneficiaries with incomes *just above* the poverty line (or above 133 percent of the poverty line for children under the age of six). There would be no dollar ceiling on the co-payment and premium levels that could be charged to patients just above the poverty line; the only limit would be that total co-payments and premiums could not exceed five percent of a family’s annual income, a level that has been found by medical studies to result in large numbers of low-income patients forgoing needed care and becoming sicker. Indeed, the bill would allow states to charge much higher co-payments and premiums to patients just above the poverty line than are allowed under the SCHIP program, which sometimes is cited inaccurately as the model for this part of the House bill. *The House Leadership and the House Rules Committee made no changes to these provisions.*

---

<sup>2</sup> Under the new option, states and school districts could maintain free school meals for children whom they could determine were receiving certain TANF-funded benefits. This new option is similar to an option that was in federal law for a number of years for schools to provide free school meals to all children who receive food stamps. Many states and school districts did not implement this option, for administrative reasons, until federal law was changed to mandate it.

- The bill still would allow states to restrict the services that Medicaid covers for beneficiaries just above the poverty line (or above 133 percent of the poverty line for young children). States would be permitted to eliminate coverage for services such as hearing aids, speech therapy, eyeglasses, crutches, and dental care for these children.
- The bill would raise co-payments for the poorest beneficiaries *twice as fast* as their incomes. The Rules Committee reduced the copayments that could be charged to the poorest beneficiaries, as compared to the co-payment levels contained in earlier version of the bill. But the bill would raise the co-payment levels for the poorest beneficiaries, starting in 2006, at the same rate as *medical* inflation. Medical inflation has been rising twice as fast as general inflation — and thus, at least twice as fast as these patients' incomes (particularly patients whose incomes are frozen for such reasons as the failure to raise the minimum wage for more than eight years). *Despite the modifications made this morning by the House Rules Committee, co-payments for health care services and medications would consume an increasing share of poor beneficiaries' incomes with each passing year, and would be set higher over time than the co-payments charged poor seniors under the new Medicare drug program.*
- **The House bill still would slash funding deeply for child support enforcement efforts.** According to CBO, the cuts in federal funding for child support efforts would result in *\$24 billion in child support payments that would be collected under current law going uncollected over the next ten years.* As a result, many children would likely be pushed deeper into poverty. *The House Leadership and the Rules Committee made no changes in this area.*
- **The House bill still would result in an estimated 330,000 children in low-income working families losing child care assistance in 2010 as a result of the low child care funding levels and unfunded new work requirements in the bill.**<sup>3</sup>
- **The House bill still cuts foster care benefits for many children living with grandparents and other relatives.**
- **The House bill still requires many SSI recipients owed back benefits to wait up to an additional year before they receive the benefits they are owed.**

Finally, it remains the case that these cuts would *not* be used to reduce the deficit or to offset the costs of hurricane relief. These cuts would be used instead to partially offset the cost of the tax-cut reconciliation bill that the House plans to consider as early as tomorrow. The tax-cut bill would reduce revenues by \$60 billion over five years, more than offsetting the total savings in the House budget-cut bill.

While the budget cuts would heavily affect many low-income families, the centerpiece of the tax-cut bill these budget cuts would help finance — the extension of the capital gains and dividend tax cuts — would overwhelmingly benefit the nation's most affluent individuals. The Urban Institute-Brookings Institution Tax Policy Center reports that 53 percent — or more than half — of the tax-cut benefits from the capital gains and dividend measures go to the 0.2 percent of households that make more than \$1 million a year.

---

<sup>3</sup> This is a CBPP estimate based on CBO data. No specific CBO estimate is available.