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

March 14, 2016

House Committees Considering Damaging Cuts

By Robert Greenstein

House Speaker Paul Ryan has emphasized that House Republicans plan to focus more on poverty and helping people in need. At least twice this year, he has deflected questions about his and House Republicans' past support for deep budget cuts in programs for the poor by calling for spending the same amount of money, but in what he regards as better ways. (For more, see "Will the House Budget Reflect Speaker Ryan's Statements to Spend the Same Amount in Fighting Poverty?")[1]

Yet legislation that the House Energy and Commerce and Ways and Means Committees plan to pass this week — likely on party-line votes — suggests that when House Republicans seek budget savings, they revert to hitting programs for people with limited incomes and people who are vulnerable. At least six of the eight provisions that the chairs of these two committees unveiled late last week and plan to pass this week would essentially do that.

Though the committee chairs have presented these proposals as curbing abuse or reducing duplication, such claims dissolve under scrutiny. The proposals would:

- Increase the ranks of the uninsured and generate cuts in state Medicaid and children's health programs by repealing a temporary boost in the federal matching rate for the Children's Health Insurance Program and unduly restricting states' own decisions to tax health care providers to help fund their Medicaid programs.
- Significantly shrink funding for preventive health measures such as child immunizations; efforts to prevent heart disease, stroke, and diabetes; and programs to reduce tobacco use.
- Take child care and other services away from a substantial number of working-poor families and vulnerable children and elderly or disabled people; the proposal would eliminate a program that provides states with flexible funding they can target on the services they deem of highest priority. Today, only one in six working families eligible for federal child care assistance actually receives it, due to limited funding; these cuts would worsen the shortage.

[1] http://www.cbpp.org/federal-budget/will-the-house-budget-reflect-speaker-ryans-statements-to-spend-the-same-amount-in

- Push more people into — or more deeply into — poverty through an anti-immigrant provision that would deny the Child Tax Credit to several million low-income working families and their children, even though the vast majority of these children are U.S. citizens.

In addition, the House Agriculture Committee is expected to approve legislation that would cut SNAP (food stamps), a key safety-net program that ensures poor families have the means to purchase a basic diet. Unlike the other two committees, the Agriculture Committee hasn't yet made its plans public.

All of these committees are proposing these cuts as part of an effort by the House leadership to generate support — particularly among House conservatives — for the fiscal year 2017 budget resolution. House leaders may try to move the cuts along with the budget resolution on the House floor.

Let's now look in more detail at the six concerning Energy and Commerce and Ways and Means proposals.

1. Eliminating the Prevention and Public Health Fund (Energy and Commerce Committee)

This fund provides $16.5 billion over the next ten years (and $2 billion a year thereafter) to improve preventive health, health outcomes, and public health quality. It funds initiatives, primarily through the Centers for Disease Control and Prevention (which receives more than 90 percent of the fund's resources), in such areas as strengthening states' and localities' ability to respond to infectious diseases and other health threats like foodborne diseases; preventing lead poisoning among children; reducing tobacco use and exposure to second-hand smoke; improving access to immunizations; providing breast cancer screening and case management; preventing diabetes, obesity, stroke, and other diseases; providing services to people with Alzheimer's disease; and reducing racial disparities in health care access and health outcomes.

The March 10 press release from Energy and Commerce chairman Fred Upton announcing this cut called the fund an "unaccountable" funding stream that the HHS Secretary uses as a "slush fund." Yet that claim is demonstrably false. For the past three years, the appropriations bills that Congress writes have *specified the programs and activities for which the fund is to be used and the precise amounts for each one*. As noted, over 90 percent of the fund's resources go to the CDC. They currently fund, for example, about half of the CDC's immunization efforts, three-fifths of CDC programs to reduce tobacco use, and two-fifths of the CDC's efforts to prevent heart disease, stroke, and diabetes.

The proposal to eliminate this fund, which was established under the Affordable Care Act (ACA), is another ideologically driven attack on the health reform law.

For more, see "House Bill Would Blow Hole in CDC Budget."[2]

[2] http://www.cbpp.org/blog/house-bill-would-blow-hole-in-cdc-budget

2. **Eliminating the Social Services Block Grant** (Ways and Means Committee)

Ways and Means chairman Kevin Brady's March 10 press release justified eliminating the Social Services Block Grant (SSBG) by branding it "duplicative." This charge, too, is inaccurate.

SSBG provides states with $1.7 billion a year to meet the needs of their most vulnerable populations, primarily vulnerable children, seniors, and people with disabilities. It's an important funding source in many states for child care assistance for low-income working mothers and for child welfare services, including protective services and foster care for abused and neglected children. States use SSBG funds to help people become more self-sufficient by providing child care assistance, community-based care for the elderly and disabled so they can remain in their homes, and services to prevent and address child abuse, among others.

The claim that SSBG is duplicative doesn't withstand scrutiny. Take child care as an example. Despite several funding streams, *only one in six* low-income working families eligible for federally supported child assistance receives it, due to inadequate funding. Eliminating SSBG would worsen this shortage. Further shrinking the share of low-income working families who can afford child care hardly qualifies as "reducing duplication." Similarly, eliminating SSBG would substantially reduce funds for foster care at a time when a growing number of children are entering foster care. In fact, Congress designed SSBG as a flexible source of funding that states can tailor to their needs and use to provide services that vulnerable people need but for which funding is otherwise unavailable or inadequate.

For more, see "Eliminating Social Services Block Grant Would Weaken Services for Vulnerable Children, Adults, and Disabled."[3]

3. **Cutting the federal matching rate for the Children's Health Insurance Program (CHIP)** (Energy and Commerce Committee)

This proposal is another attack on the Affordable Care Act, and this time children are the collateral damage. To ensure that states would have the financial support they needed to sustain their children's health coverage, the ACA temporarily raised (for four years) the share of CHIP costs borne by the federal government, starting in fiscal year 2016. The two-year extension of federal CHIP funding enacted last year, which enjoyed overwhelming bipartisan support, let the increase take effect as scheduled.

Accordingly, red and blue states alike have prepared their health budgets based on the enhanced CHIP matching rate. Abruptly slashing the rate now, and thereby pulling the rug out from states, would have significant adverse effects. States would either have to come up with additional state funds or cut their CHIP or Medicaid programs. (More than half of children with CHIP-funded coverage receive it through Medicaid.) Many states would likely impose cuts in benefits or provider payment rates. This is a clear cost-shift to states.

---

[3] http://www.cbpp.org/research/eliminating-social-services-block-grant-would-weaken-services-for-vulnerable-children

Moreover, this provision would likely deter some states from adopting the ACA's Medicaid expansion, leaving more poor Americans uninsured. Opponents of the Medicaid expansion repeatedly argue that the federal government will renege on its commitment to pay most of the expansion costs. To date, this claim has no evidence whatsoever to support it, but if Congress withdrew the enhanced CHIP matching funds, opponents would surely seize upon that action as evidence that states face serious budgetary risks if they expand Medicaid.

4. **Restricting states' ability to use provider taxes to help fund their Medicaid programs** (Energy and Commerce Committee)

All states but Alaska levy taxes on health care providers such as hospitals and nursing facilities to help finance their share of Medicaid costs. This proposal would restrict their ability to do so, likely causing some states to decide against the ACA's Medicaid expansion and possibly causing some states that have adopted the expansion to drop it. The likely result would be more uninsured people.

The proposal's advocates claim that states use provider taxes to manipulate federal Medicaid financing — specifically, that states tax health providers, use the revenue to help qualify for federal matching funds, and then return the revenue to the same providers via higher Medicaid reimbursements.

But provider taxes don't work that way today. Federal laws enacted in 1991 and 2006 and a battery of federal regulations bar states from such practices. As the Kaiser Commission on Medicaid and Uninsured has explained, the federal rules are "designed to ensure that provider taxes are, in fact, taxes generating revenue for a state rather than a mechanism for drawing down federal Medicaid matching funds without a state contribution."

Restricting states' use of these revenues would have serious consequences for low-income families. For starters, it would lead to significant Medicaid cuts. The reason the Congressional Budget Office (CBO) estimates this proposal would produce federal savings is that CBO expects that states *wouldn't replace all the lost revenue but instead would cut Medicaid to offset the loss of funds*. These state cuts — which almost certainly would affect low-income beneficiaries — would in turn lower the amount of federal matching funds. If states simply replaced the lost revenues with other funding, the federal matching funds would be unchanged and CBO wouldn't "score" any federal savings.

Policymakers shouldn't blithely assume that the resulting state cuts would come from "efficiencies" that don't affect low-income beneficiaries. Many states have already made substantial Medicaid cuts in recent years to help balance their budgets during the recession and its aftermath, when state revenues fell while the need for Medicaid increased. These cuts included eliminating dental or vision care for many beneficiaries, limiting coverage of essential medical equipment, restricting personal care for people who are frail or have disabilities, and limiting access to nursing homes and other long-term services and supports. Moreover, states already pay providers low rates; that's a key reason why Medicaid spends 27 percent less, on average, per child than the cost of private insurance for children of similar health status, and 20 percent less per adult. Further cuts in provider reimbursement rates would risk inducing more providers to decline to see Medicaid patients.

Finally, some states that have adopted the ACA's Medicaid expansion have used provider tax revenue to help finance it. Restricting states' use of provider taxes could lead some of them to abandon the expansion and would likely discourage other states from adopting it.

For more, see "Commentary: Limiting State Provider Taxes Would Shift Costs to States and Weaken Medicaid."[4]

5. **Requiring a Social Security Number to claim the low-income component of the Child Tax Credit** (Ways and Means Committee)

This proposal would take the Child Tax Credit away from several million low-income working families in which parents have Individual Tax Identification Numbers (ITINs) rather than Social Security Numbers, in most cases because they are undocumented.

Four of every five children who would lose the tax credit — and, in many cases, be pushed into or deeper into poverty — are *U.S. citizens*; they were born in this country. The children who aren't citizens are "DREAMers" (children brought into the United States by their immigrant parents), a group for whom there is broad support for granting legal status or at least helping them complete their education and become productive members of society. This proposal is essentially an anti-immigrant measure that would make these children and their working parents — many of whom work at very low-paying jobs with poor working conditions and few worker protections, jobs other Americans often won't take — still poorer.

Claims that this is an anti-abuse provision are unconvincing. Federal tax policy is specifically designed to encourage undocumented workers to file tax returns and pay their taxes, and the IRS provides ITINs to such workers so they can do so. Moreover, tax legislation enacted in December 2015 contains an array of tough provisions to tighten program integrity in this area. Rather, this proposal is essentially an eligibility cut targeted at low-income immigrants.

For more, see "Congress Should Reject Misguided Child Tax Credit Measure."[5]

6. **Putting recipients of health reform's premium subsidies at increased financial risk** (Ways and Means Committee)

A final Ways and Means Committee proposal would cause up to a quarter-million people with low or modest incomes to forgo health coverage, lead to higher premiums for millions of others, and possibly weaken the health insurance marketplaces. It would do this by making substantial numbers of people pay back the entire premium subsidies they received when they file their tax returns.

Unlike other programs targeted on people with limited incomes, the Affordable Care Act considers the monthly premium subsidies it provides to help people afford health insurance as *preliminary*; it requires an after-the-fact recomputation of those subsidies when people file their tax returns after the end of the year. People who report their income accurately and receive premium

[4] http://www.cbpp.org/commentary-limiting-state-provider-taxes-would-shift-costs-to-states-and-weaken-medicaid

[5] http://www.cbpp.org/blog/congress-should-reject-misguided-child-tax-credit-measure

subsidies accordingly, but then experience a change in circumstances — such as finding a job with employer-based coverage or getting married — can consequently owe money back to the IRS, even if they reported the change promptly and stopped receiving subsidies at that point.

Such changes in circumstances are often impossible to foresee. Moreover, the risk of large repayments to the IRS would likely discourage many healthier people from enrolling in coverage in the first place, causing the marketplace's enrollee pools to become sicker on average and thus pushing up premiums for everyone. Therefore, the ACA strikes a balance: it requires repayment when the year-end recalculation shows a family or individual was eligible for a smaller subsidy than they received, but it caps the maximum repayment amount based on an individual's income and tax filing status. For example, the maximum repayment amount is $1,500 for a married couple with income at 200 percent of the poverty line and $2,500 for a couple with income at 300 percent of the poverty line.

The Ways and Means proposal would eliminate the repayment cap, placing families at risk of repayment obligations they could have difficulty making.

Consider a couple in their 50s with one child and income of about $28,000 (140 percent of the poverty line) from one spouse's earnings, but where the other spouse gets a job in September with employer-based coverage. The couple promptly enroll in the employer plan and terminate their subsidy; in other words, they were honest and did everything they were supposed to do. But because the year-end calculation is based on their final income for the *year as a whole*, rather than their income during the *months they actually received subsidies*, they must repay part of their subsidy. Under current law, they owe back $600. Under the Ways and Means proposal, they would owe nearly twice as much, even though their income for the year was below twice the poverty line and they may still struggle to make ends meet.

This change would substantially increase the risk that consumers would owe large sums to the IRS, and it consequently would lead more people not to enroll (and to remain uninsured). The Joint Committee on Taxation estimates that it would lead 220,000 to 250,000 people to forgo coverage and remain uninsured. Compounding this problem, those who did forgo coverage would largely be healthier than average, so the people who remained in the marketplaces would be sicker on average — which would push up premiums and potentially weaken the marketplaces' ability to function effectively. In short, this proposal is another measure from ACA opponents that would weaken the ACA and could undercut its long-term viability.

For more, see "Ways and Means Proposal Would Weaken Health Reform and Put Many Families at Financial Risk."[6]

[6] http://www.cbpp.org/research/health/ways-and-means-proposal-would-weaken-health-reform-and-put-many-families-at