



THE 2013 NEW YEAR'S BUDGET DEAL AND MEDICAID: THE NEXT CLIFF

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On January 1, 2013, Congress agreed to a deal offered by the White House that averted the automatic tax increases and spending cuts that were scheduled to take effect in January. The agreement, passed into law as the *American Taxpayer Relief Act of 2012*, did not include any cuts to Medicaid. So, for the moment, the Medicaid program looks safe. However, that is only for the moment.

More budget negotiations will be coming up in short order. Additionally, the debt ceiling will need to be increased sometime in February or March. We can expect Republicans to again call for Medicaid cuts as part of both processes. It's important for advocates to keep reminding their representatives in Congress that Medicaid is a critical program and should not be cut.

Here's a quick overview of where we are now.

- **No tax increase for most; some revenue from the highest earners**
Congress agreed to extend the Bush-era income tax cuts for individuals making less than \$400,000 (\$450,000 for a family). Taxes go up for those with higher incomes.
- **No cuts to Medicaid**
The agreement does not cut Medicaid, Medicare, or Social Security, and the majority of the Affordable Care Act is unchanged.
- **Some Medicaid programs extended**
The law extends some programs and options in Medicaid. For example, it extends the Transitional Medical Assistance (TMA) program for one year. This program allows low-income families to maintain their Medicaid coverage as they transition into employment and increase their earnings. It also extends the Medicaid and CHIP Express Lane eligibility option through September 30, 2014.
- **Automatic cuts delayed**
The agreement delays for two months the automatic spending cuts (the sequester) that were scheduled to start in January. However, without further action, the automatic spending cuts will go into effect in March. Half of those cuts will come from defense spending and half from other programs. Medicaid, Medicare, and Social Security are exempted from these automatic cuts. (For background on the automatic cuts, see Families USA's piece, *Will Congress Throw Medicaid Off the Fiscal Cliff?*, available online at <http://familiesusa2.org/assets/pdfs/medicaid/Fiscal-Cliff.pdf>.)
- **Debt ceiling vote still looming.**
The agreement does not address the debt limit. In February or March, the debt limit will need to be raised to prevent the United States from defaulting on its obligations.

What happens next?

Congress and the White House will still want to avoid the automatic spending cuts that are now scheduled to take place in March, but to do that without increasing the deficit, they will need to increase revenue or cut spending.

At the same time, the government's debt ceiling will need to be raised in February or March. It was congressional refusal to raise the debt ceiling in 2011—and the threat of a U.S. default on its obligations—that forced the budget negotiations that gave us the automatic cuts we are facing now. Until 2011, Congress routinely raised the debt limit when needed, without lengthy debate.

As Congress faces these two deadlines, Republicans will undoubtedly call for cuts to Medicaid, changes to the program's structure, or both, in exchange for avoiding automatic spending cuts or agreeing to raise the debt ceiling.

As we look ahead, Medicaid is not even close to being out of the woods.

What Advocates Need to Do

For the next two months, advocates need to remind their representatives in Congress that Medicaid is a critical program that shouldn't be cut.

Our message remains the same.

- How we bring down our deficit says a lot about who we are as a nation.
- We shouldn't balance our budget on the backs of low-income people, particularly seniors, people with disabilities, and children.
- Thoughtful, fair, and balanced deficit reduction won't cut Medicaid.

Additional resources

Families USA's Medicaid Defense Center at <http://www.familiesusa.org/issues/medicaid/defense-center/>.

Specific resources that might be of interest include:

Medicaid talking points:

<http://www.familiesusa.org/issues/medicaid/defense-center/medicaid-and-the-deficit.html>

<http://familiesusa2.org/assets/pdfs/medicaid/Republicans-Call-for-Medicaid-Cuts.pdf>.

Cutting Medicaid: Ineffective and Harmful, available online at <http://familiesusa2.org/assets/pdfs/medicaid/Cutting-Medicaid-Ineffective-and-Harmful.pdf>.

“What's Wrong with Per Capita Caps in Medicaid?” at <http://familiesusa2.org/assets/pdfs/medicaid/Per-Capita-Caps.pdf>.