



# A Closer Look at the Threat to Medicaid

*A series of fact sheets designed to help advocates understand how deficit reduction and the fiscal cliff threaten the future of Medicaid.*

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## Will Congress Throw Medicaid Off the Fiscal Cliff?

You've probably heard a lot of talk in the news about a looming "fiscal cliff" that will occur in January 2013. The economy isn't really going to fall off a cliff at that moment. "Fiscal cliff" is a term used to describe a series of events due to transpire at the beginning of 2013. These events include the expiration of the Bush-era tax cuts and the start of automatic spending cuts Congress agreed to in the bipartisan Budget Control Act of 2011.

### ▶ How did we get here?

In August 2011, under imminent threat that the U.S. Treasury would hit its debt ceiling and the United States would default on its debts for the first time, Congress passed, and the President signed, the Budget Control Act of 2011. The Budget Control Act was a bargain that congressional Republicans forced before they would agree to raise the country's debt ceiling: Republicans held up the vote on the debt ceiling until a deficit reduction plan was put in place.<sup>1</sup> Under the Budget Control Act:

- ▶ The debt ceiling was raised enough to last until early in 2013.
- ▶ The law included \$1 trillion in federal spending cuts over 10 years. Medicaid, Medicare, and Social Security were exempted from these initial cuts.
- ▶ A "Super Committee" of 12 members of Congress was established to come up with a long-term plan to reduce the deficit by an additional \$1.2 trillion over 10 years.
- ▶ If this Super Committee failed (which it did), automatic spending cuts totaling \$1.2 trillion over 10 years would start in January 2013.
- ▶ Half of the cuts were slated to come from defense spending and half from non-defense spending.
- ▶ Medicaid, CHIP, Social Security, SSI, most of Medicare, and some other means-tested programs were exempted from these automatic cuts.

### ▶ Where are we now?

Now, the automatic spending cuts are about to kick in. At the same time, other changes loom, such as the expiration of the Bush-era tax cuts. There are mounting fears that budget cuts during a fragile economic recovery will set that recovery back. As a result, Congress is likely to act to avert or alter the pending cuts.

Here's the timing of these events unless Congress acts to alter them:

### January 1, 2013

- ▶ Bush era tax cuts expire for all income groups
- ▶ Budget Control Act automatic spending cuts start
- ▶ A 28% reduction in Medicare provider payments will be required under the Sustainable Growth Rate, or SGR, methodology.

### February 2013

- ▶ Approximate time the debt ceiling will need to be raised again

Congress is in discussions now about steps to take to avoid these automatic cuts. One of the options being discussed is replacing some of the automatic cuts in the Budget Control Act with cuts to Medicaid.

*It's important that advocates talk to their members of Congress now and tell them not to cut Medicaid.*

## More Resources

For more on how we got here and what lies ahead, see our *Budget Timeline*, available online at <http://www.familiesusa2.org/assets/pdfs/medicaid/Budget-Timeline.pdf>.

For more information on talking points and how to evaluate budget proposals, see Families USA's Medicaid Defense Center at <http://www.familiesusa.org/issues/medicaid/defense-center/>.

<sup>1</sup> Raising the debt ceiling is not an extraordinary event. A statutory limit was placed on the federal debt in 1917. Since then, the debt ceiling has been raised many times as the economy has grown, the role of government has changed, and events like World War II have necessitated borrowing to finance war efforts. From 2001 to 2011, Congress voted to raise the debt ceiling 10 times. Raising the debt ceiling in 2011 would not have been extraordinary, but this time, Congress required a quid pro quo to do so. See *Medicaid, the Budget and Deficit Reduction: Keeping Score of the Threats* (Washington: Families USA, July 2011), available online at <http://familiesusa2.org/assets/pdfs/Threats-to-Medicaid.pdf>.

