



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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Talking Points: Medicaid and the Federal Deficit

The Threat

Conservative opponents of government programs are using the federal deficit as an excuse to make deep cuts in the Medicaid program.

Our Response

- ▶ **Yes, we should bring down the deficit over time . . . BUT, we must be fair and balanced in how we do it.**

Deficit reduction based on cuts alone will stifle economic growth. It would undermine essential government programs that provide jobs, either directly or indirectly.

- ▶ **We can—and should—cut defense spending.**

Defense experts, such as Lawrence Korb, who served as assistant secretary of defense in the Reagan administration, believe that there is plenty of room to make cuts to defense spending.¹ And in terms of federal spending that stimulates the economy, healthcare spending creates more jobs than defense spending.²

- ▶ **We can—and should—raise revenue.**

There's room to raise revenue. We can raise revenue by getting rid of tax loopholes that let corporations avoid or substantially reduce taxes and by asking the wealthiest Americans to pay more.

- ▶ **We can close corporate loopholes.** Tax loopholes, write-offs and other ways of lowering income let corporations avoid or substantially reduce taxes. That costs the government billions.^{3, 4}
- ▶ **The wealthiest can pay more.** Today, income inequality in the United States is higher than it has been in decades.⁵ At the same time, tax rates on the wealthy are historically low.⁶ Asking the richest Americans to pay more in taxes is a far better choice than cutting health care.

▶ **Medicaid should not be cut to deal with the deficit.**

▶ **Federal Medicaid cuts will hurt states by:**

- ▶ **Increasing their costs** - States can't afford to pick up the costs of lost federal funds. Cutting federal Medicaid funds doesn't make health care costs go away. It does shift Medicaid costs to states. States, still struggling to recover from the recession, are not in a position to make up for lost federal funds.⁷
- ▶ **Hurting their economy** - Federal Medicaid spending stimulates economic activity and job growth in every state. A 15 percent cut in federal Medicaid spending would mean more than a \$41 billion loss for state budgets.⁸
- ▶ **Ending the flexibility needed to respond to fiscal and health care crises** - Medicaid is structured so that the federal government automatically helps states to take care of additional people, or cover additional health costs, when needed, like during an economic downturn, natural disaster, or health care crisis. Cutting federal spending, or changing Medicaid's structure through a block grant or per capita cap, would take away that extra help. States would have to address crises on their own.
- ▶ **Harming their health care infrastructure** - Our health care system depends on Medicaid. Medicaid accounts for 16 percent of all U.S. health care spending and 17 percent of all hospital spending.⁹ It keeps health care providers in business and funds medical student training. Cutting Medicaid would force states to reduce payments to hospitals, doctors, home health agencies, and other health care providers. That would strain America's health care infrastructure, making it less able to serve all of us.

▶ **Medicaid cuts will harm middle class families by:**

- ▶ **Reducing funding for long term care** - Medicaid helps relieve the burden of long-term care costs for middle-class families who have a parent or child who needs it. Medicaid is the largest payer of long-term care in the country, including nursing home and home- and community-based care. These are costs Medicare doesn't cover.
- ▶ **Curbing critical help for families of people with disabilities** - Medicaid helps children and adults with disabilities, and their families, by providing home and community based care. Fifteen percent of all people in Medicaid have a disability.
- ▶ **Raising health care premiums for everyone** - Cutting Medicaid would mean higher health care costs for everyone. There would be more people without any insurance who would turn to emergency rooms for the care they need. Many of them would not be able to pay for that care. The costs of their unpaid care would get passed on to businesses and people with insurance in the form of higher insurance premiums.¹⁰ That ends up costing everyone more.

- ▶ **Medicaid cuts will harm our most-vulnerable citizens by:**
 - ▶ **Cutting health care for children** - Medicaid helps kids get the health care they need to stay healthy and do well in school. When kids aren't healthy, their school performance suffers.¹¹ That affects their chances later in life. By helping kids stay healthy so they can do well in school, Medicaid is an investment in our future.
 - ▶ **Reducing health and long-term care for seniors and people with disabilities** - More than 25 percent of seniors and people with disabilities rely on Medicaid to help pay for their health and long-term care.¹² With less federal funding for Medicaid, more of the cost of that care would fall on those seniors, people with disabilities, and their families.
 - ▶ **Reducing long-term services that help people keep living in the community** - Most people who need long-term care would far prefer to stay in their homes or in the community, rather than in an institution. Medicaid helps millions of people do that. Nearly 45 percent of all Medicaid long-term care spending is for care that helps people stay out of nursing homes.¹³
- ▶ **Medicaid works.**
 - ▶ **Medicaid is an efficient program with no “fat” to spare.** Administrative costs in Medicaid are extremely low. More than 96 percent of federal Medicaid spending goes to pay for health care and long-term care for program enrollees, not overhead.¹⁴
 - ▶ **Medicaid has extended quality health care to millions of Americans.** People who have Medicaid rate their care highly and say they get the care they need when they need it.¹⁵
 - ▶ **Medicaid has improved people's lives and health.** A randomized controlled study of individuals who received Medicaid and individuals who remained uninsured found that having Medicaid improves individuals' access to care, health status, and financial security.¹⁶

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
seniors, people with disabilities, and children.*

Thoughtful, fair, and balanced deficit reduction won't cut Medicaid.

Endnotes

- ¹ Lawrence Korb and Alex Rothman, *Open Letter to the Super Committee*, October 13, 2011, available online at http://www.huffingtonpost.com/lawrence-korb/super-committee-recommendations_b_1009329.html.
- ² Robert Pollin and Hedi Garrett-Pertier, *The U.S. Employment Effects of Military and Domestic Spending Priorities: An Updated Analysis* (Amherst: University of Massachusetts Political Economy Research Institute, 2009), available online at http://www.peri.umass.edu/fileadmin/pdf/published_study/spending_priorities_PERI.pdf. Economic analysis showing that \$1 billion spent on health care would create 69 percent more jobs than \$1 billion in defense spending.
- ³ Christopher Helman, “What the Top U.S. Corporations Pay in Taxes,” *Forbes.com*, April 1, 2010, available online at <http://www.forbes.com/2010/04/01/ge-exxon-walmart-business-washington-corporate-taxes.html>.
- ⁴ U.S. Department of the Treasury, *Treasury Conference on Business Taxation and Global Competitiveness Background Paper*, July 23, 2007, available online at <http://www.treasury.gov/press-center/press-releases/Documents/07230%20r.pdf>. The report includes several measures to estimate the actual corporate tax burden in OECD countries. The United States was lower than average on all measures. The calculation is based on the share of corporate operating surplus the U.S. corporations pay in taxes.
- ⁵ Congressional Budget Office, *Trends in the Distribution of Household Income Between 1979 and 2007* (Washington: Congressional Budget Office, 2011), available online at <http://www.cbo.gov/ftpdocs/124xx/doc12485/10-25-HouseholdIncome.pdf>; Emmanuel Saez, *Striking it Richer: The Evolution of Top Incomes in the United States* (Berkeley: Center for Equitable Growth, University of California, July 17, 2010), available online at <http://elsa.berkeley.edu/~saez/saez-UStopincomes-2008.pdf>.
- ⁶ Families USA, *A Message to Congress and the Super Committee: Don't Just Cut Programs—Raise Revenues* (Washington: Families USA, 2011), available online at <http://familiesusa2.org/assets/pdfs/Medicaid-Message-to-Super-Committee.pdf>.
- ⁷ Phil Oliff et al., *States Continue to Feel Recession's Impact* (Washington: Center on Budget and Policy Priorities, June 27, 2012), available online at <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.
- ⁸ Kathleen Stoll and Kim Bailey, *Jobs at Risk: Federal Medicaid Cuts Would Harm State Economies* (Washington: Families USA, 2011), available online at <http://familiesusa2.org/assets/pdfs/Medicaid-Cuts-Hurt-State-Economies.pdf>.
- ⁹ U.S. Department of Health and Human Services, *Medicaid Cost-Savings Opportunities* (Washington: Department of Health and Human Services, February 3, 2011), available online at <http://www.hhs.gov/news/press/2011pres/02/20110203tech.html>.
- ¹⁰ Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Pay a Premium* (Washington: Families USA, May 2009), available online at <http://familiesusa2.org/assets/pdfs/hidden-health-tax.pdf>.
- ¹¹ Carolyn Schwartz et al., *The Link Between School Performance and Health Insurance: Current Research* (San Francisco: Consumers Union, October 2000), available online at <http://www.consumersunion.org/pdf/hiresearch.pdf>.
- ¹² Dee Mahan and Kim Bailey, *Cutting Medicaid: Harming Seniors and People with Disabilities Who Need Long-Term Care* (Washington: Families USA, 2011), available online at <http://familiesusa2.org/assets/pdfs/long-term-care/Cutting-Medicaid.pdf>.
- ¹³ Kaiser Family Foundation, *statehealthfacts.org, Distribution of Medicaid Spending by Service, FY 2010*, available online at <http://statehealthfacts.org/comparetable.jsp?ind=178&cat=4>, accessed on September 13, 2012.
- ¹⁴ Robert Greenstein, *Romney's Charge that Most Federal Low-Income Spending Goes for "Overhead" and "Bureaucrats" Is False* (Washington: Center on Budget and Policy Priorities, January 23, 2012), available online at <http://www.cbpp.org/files/1-12-12bud.pdf>. These numbers are for 2010. For combined federal and state spending, patient care is 95.4 percent of total.
- ¹⁵ Families USA, *Medicaid's Success: Good Care* (Washington: Families USA, August 2012), available online at <http://familiesusa2.org/assets/pdfs/medicaid/Medicaid-Is-Good-Care.pdf>.
- ¹⁶ *Ibid.*



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