

States Facing Budget Blowouts Move To Dismantle Medicaid, Medicare Protection

by Linda Everett

The National Governors Association, in a Feb. 24 policy statement released during its annual conference, complains that the “explosive growth” of the Medicaid program in the states,” most of which face a desperate fiscal crisis, “is creating a situation in which states are faced with either making massive cuts in programs, or being forced to raise taxes significantly.” The health-care and public health cuts the governors say they’re being “forced” to make, by the collapse of their state revenues, are brutal, denying many Americans their only access to medical care.

State budget cuts, costs overruns, and use of fiscal reserves grew significantly over the last three months, according to a recent survey by the National Conference of State Legislatures. Of the 44 states with legislative sessions this year, 42 face Medicaid shortfalls. Some 45 states have revenues below projections. The deficits combine, nationally, to nearly \$50 billion. Some 33 states want waivers from Federal Medicaid regulations; 37 are considering cuts in Medicaid payments to hospitals and doctors. States are enforcing everything from across the board cuts in Medicaid—up to 5% in Michigan, a huge denial of care when health costs are themselves rising at 10% annually or more—to closing mental institutions (Ohio, Florida).

Medicaid Federal health insurance serves 44 million poor, elderly, and disabled people. Each time a state cuts its Medicaid budget, it also loses Federal funds which equal or exceed its own contribution. If the state cuts back or eliminates funding for part of the program, it loses those matching Federal dollars as well—doubling the loss to patients dependent on Medicaid. The program, which covers one-third of all births in the country and two-thirds of all nursing home care, constitutes the second-largest portion of state budgets, after education. The National Governors Association (NGA) sent a letter to Congress calling for a Medicaid Commission to fundamentally restructure Medicaid, claiming the program is “unsustainable” in its present form, given the collapse in state revenues.

Federal, State Crises Overlap

The NGA asked Congress for maximum flexibility on ways to cut Medicaid costs, with the right to cut “optional”

benefits, such as prescription drugs coverage; and to drop “optional” beneficiaries, meaning everyone but the poorest people whom the states are required to cover. They will make it harder for the poor, elderly, and disabled to become eligible for Medicaid, and hope to reduce or eliminate the medically-needy program. The governors also want the right to require or raise co-payments and premiums that patients must pay (currently the Federal maximum is \$3).

While state care is falling into state budget holes, the Bush Administration is slashing \$27 billion in Medicaid dollars to the nation’s public hospitals over the next ten years. And, the infamous Balanced Budget Act of 1997, passed under the goading of then-Vice President Al Gore, rips \$22 billion in Medicaid over the same ten years, away from all hospitals that treat a disproportionate number of poor, nonpaying patients. Such cuts in hospital payments are disastrous to states such as California, which has lost 60 emergency rooms in the last ten years.

These dangerous cuts come at a point where the need for improved public health services is at its highest. Care is critical for the poor and elderly—their poorer state of health makes them more susceptible to contracting disease, spreading contagion, and death, creating a serious public health threat. Also, a January National Association of Counties survey found that only 9.7% of county public health departments are fully prepared for an intentional or accidental release of a lethal biological agent. Rural counties and urban centers with populations over 250,000 are not prepared at all. Florida’s 7% across-the-board Medicaid cuts to hospitals, will hit the six hospitals in the state which are best geared for civil defense with trauma and burn units. The only state health laboratory capable of analyzing suspicious letters/packages for South Carolina, North Carolina, and Georgia, may have its budget cut or frozen.

While the governors are pleading with the Federal government to rescind the Balanced Budget and Medicare cuts, they want the right to increase taxes on hospitals and nursing homes, which are already in a calamitous state. Illinois will cut Medicaid and other payments to hospitals by 26%, and cut nursing home reimbursements as well. Florida, Indiana, Virginia, and Washington State plan big cuts to hospitals.

South Carolina and Indiana, among many others, will also cut funds to nursing homes. Washington State is among several that will slash physician Medicaid reimbursements, forcing doctors to stop treating Medicaid patients.

Medicaid covers 67% of all nursing home care and 44% of long-term-care services. Some 91% of the nation's 1,700 nursing homes are already so insufficiently staffed, that patients are at risk of serious illness or death, according to a recent survey. Hundreds of nursing homes face closure, with \$17 billion cut in Medicaid payments to nursing homes over the next ten years. And under Medicare, the Federal health insurance program for older and disabled Americans, nursing homes will be hit with a drastic 15% drop in payments under the Balanced Budget law. Some states, such as Missouri, are additionally planning to eliminate the in-home services which can keep elderly and disabled people from needing nursing homes.

State legislatures are also abandoning the mentally ill and disabled. Massachusetts proposed cutting mental health funds by 12%. Maine will cut \$2.9 million in mental health community services: \$1.9 million in children's mental health services, and \$2 million in group homes. Connecticut will see a \$14 million cut in mental health programs. Florida's Gov. Jeb Bush wants adults with catastrophic illness to pay all their own bills "until they have sunk into extreme poverty"—that is, an income of \$180 a month to cover rent, food, and all living expenses for a single adult! In Maryland, some 74,000 mentally ill are imperiled, as outpatient clinics and services close down under the state's increasing austerity.

Rollback of Decades

Children will also go without—California wants to cut off free medical care to 900,000 poor children; 150,000 Washington State children may lose care. Virginia will cut funds for families and children living in homeless shelters and cut \$25 million from programs for children at risk. States such as Oklahoma and New Mexico will cut back on their Children Health Insurance Program (CHIP); Utah, Montana, Idaho, and North Carolina are freezing enrollment; and, Missouri and Kentucky will make eligibility more difficult.

Uninsured children lack access to basic childhood vaccinations, proper preventive care, and developmental assessments—they "will develop preventable physical and mental problems that may impede their ability to learn," says Neal Hafon, director of the UCLA Center for Healthier Children. Such children also face higher risk of heart disease, diabetes, hypertension, and asthma. Such slashing of their health care, if it persists or worsens as is likely with state tax revenues sinking, can create a generation of disabled youth, rolling back decades of public health advances.

What is already very clear, is that the number of uninsured adults, now at 44 million nationally, will rapidly increase under proposed state cuts.

Over half the states will cut Medicaid spending for medications, in several dangerous ways that will make it impossi-

ble for the sickest Medicaid patients to get needed treatment. For instance, Idaho decided that Medicaid patients may not have more than four prescriptions at once without special approval (elderly patients and chronically ill patients often need over a dozen medications—just as maintenance medications—all the time). Nebraska is eliminating so-called "unnecessary and wasteful drugs." North Carolina is eliminating 30 medications deemed too expensive. West Virginia will let Medicaid patients have only approved, cheaper medications listed on their formulary—despite doctors' orders. Mississippi—which says Medicaid "is a cancer on the state budget"—will only allow patients to be on seven medications at once, and is increasing how much Medicaid patients must pay to get them. Many studies have proven that requiring higher co-payments for medicines from poor people, results in cutting off their access to care.

Over a dozen states are planning to slash Medicaid reimbursement rates to pharmacies by from 10% to as high as Washington's 50%. This is a likely final straw for smaller drug stores, already battling "managed care's" time-consuming bureaucracy and stringent payment reductions. Other factors threaten small pharmacists, such as President George Bush's so-called Medicare drug-discount card and the various "discount cards" now offered by various pharmaceutical companies—all of which "discount" cost of medications by slashing payments to pharmacists who process the prescriptions.

John Rector, counsel for the National Community Pharmacist Association, told *EIR* that state cuts in Medicaid reimbursements will be disastrous to the 75,000 independent pharmacists nationwide, 83% of whose business is filling prescriptions. But these smaller stores—not the large chain drug stores—are often the only pharmacists, especially in rural areas, who will place special orders and provide costly or specialized medications so critical to elderly or disabled patients.

Again here, Washington State is among the first to cut, reducing its Medicaid prescription reimbursements by 10%, in a move other states intend to follow.

In response, large chain-pharmacies are threatening to reduce hours or close altogether to Federal health insurance patients. Walgreens and CVS, with 7,700 stores nationwide, along with Rite Aide, with its 3,600 stores, are all threatening to drop prescription service for those on Medicaid.

The governors and state legislators seek to ratchet down access to health care for Medicaid patients to fit their collapsing budgets; but their budget holes look even bigger for fiscal 2003. How far will they go on this murderous route? As political leaders, they could support the emergency economic recovery measures for this collapse, put forward by Lyndon LaRouche in his 2004 Presidential campaign. The time for them to stop these dangerous lunges of austerity is now—before such policies, to the glee of some Gingrichite Republican and Democrats, dismantle life-saving programs that have improved the standard of living of millions, for many decades.