EIRNational

State Budget Cuts Lay Waste To Health Care for the Poor

by Linda Everett

While increasing numbers of individual state legislators are looking towards Lyndon LaRouche's economic recovery program of state bankruptcy reorganization and Federally backed Super-TVA infrastructure projects to build our way out of what the National Governors Association admits is "the worst budget crisis states have faced since World War II," far too many state leaders have shown themselves willing to wield a barbarous budget-cutting knife against the country's sickest, most disabled, and poorest populations in a fruitless attempt to "solve" their growing Medicaid budget deficits. They have yet to realize that budget cutting will only make things worse.

Medicaid is the Federal-state health care program that covers more than 47 million indigent people, including nearly 24 million children, 11 million working adults, and more than 13 million elderly and disabled individuals. Even as the economy deteriorates, real incomes drop, and jobs disappear now at a rate of 90,000 per month—more people become eligible for Medicaid. But, the states' deepening Medicaid budget shortfalls are quickly leading to eliminating coverage for hundreds of thousands of existing Medicaid beneficiaries.

'This Is Going To Be Brutal'

According to a recent survey by the Kaiser Commission on Medicaid and the Uninsured, 40 states report that they are now facing a shortfall in the Fiscal Year 2003 Medicaid budget (which for most states began on July 1, 2002). Since the beginning of the fiscal year, 49 states and the District of Columbia have either made plans or already acted to reduce their Medicaid spending growth. But, Medicaid budget problems are becoming more severe than anticipated six months ago. Three-quarters of all states that began FY 2003 with such a strategy in place went back, after the fiscal year began, to enforce additional cost-control measures. All of these come on the heels of the many previous cost-containment actions that the states adopted in 2002 and in 2001. Despite all of these significant cuts, state Medicaid officials believe that states will have to resort to even more stringent—murderous—cost-cutting measures in 2004. As one said, "This is going to be brutal, brutal, brutal." Another observed, "The new biennium is a disaster. There is a showdown coming."

Twenty-seven states have reduced or restricted eligibiility to the Medicaid program. California will eliminate coverage for 500,000 people; Massachusetts cut off 50,000 indigent residents; Tennessee's new rules will cut 159,000-225,000 beneficiaries; Oklahoma will eliminate eligibility for 62,000 children and 18,000 adults. Other states that will cut off Medicare services altogether for some beneficiaries include: Vermont, Pennsylvania, Connecticut, Delaware, West Virginia, North Carolina, New Jersey, Georgia, and Michigan. South Carolina will cut coverage for everyone but those whom the Federal government requires must be covered by Medicaid.

The Center on Budget and Policy Priorities found that proposed cuts in 11 states also could result in the complete loss of health insurance for a million people currently covered by Medicaid and the State Children Health Insurance Program.

Besides Medicaid, hundreds of thousands of others in state programs for the medically needy are about to be dropped. For instance, in Florida, nearly 27,000 people rely on state help for life-saving drugs, such as those expensive ($3,000 a month) anti-rejection drugs used in organ transplants. Without state programs, these people will die. Florida Gov. Jeb Bush (R) wants to cut the program, as well as reduce the income level for eligibility of these beneficiaries to $450 a month!

Many services and benefits that states are eliminating are a matter of life and death. Some 25 states plan to take or have already taken action to reduce acute-care benefits in 2003. Utah, for instance, denies coverage to new Medicaid patients for *all hospital care,* inpatient or outpatient, and speciality care. Some states now limit the number of days Medicaid will cover inpatient hospital care.

States carried out new limits on coverage of home oxygen, vision care, physical therapy, private-duty nursing, occupational or speech therapy. California, for instance, will end coverage for inhalers and diabetic test strips—affecting millions of chronically ill people who need these aids: Trying to do without them will leave them no alternative but to turn to already overburdened emergency rooms. Also, California will no longer cover artificial limbs, eye glasses, physical therapy, and wheelchairs. Many states are scrapping dental care, which is critical in the diagnosis of cancer, heart disease, life-threatening infections, and more. Oregon, Massachusetts, Connecticut, South Carolina, Tennessee, and Utah are some of the states reducing substantially mental health services.

Driving Medical Providers Into Bankruptcy

So far, for FY 2003, thirty-seven states have reduced or frozen payment rates to medical providers (including providers of maternity care, of which Medicaid is the largest single purchaser). So, when states cut Medicaid payment rates to doctors and hospitals, or cut the income level at which these services are available, they do not eliminate the need for these services; they simply shift the costs for them to hospitals, which are operating in the red. Many U.S. hospitals are already trying to provide charity services to the country's 45-million-and-growing uninsured people, yet states like Georgia are cutting the amount of funds hospitals get for indigent care.

California Gov. Gray Davis (D), who intends to cut $1.8 billion from that state's Medicaid program known as Medi-Cal (which will trigger the loss of $1.8 billion in matching Federal funds), will cut payment rates to doctors and nursing homes by 15%. Already, 45% of California physicians refuse to see Medi-Cal patients, because of low payment. The move will scale back doctors' payments to 1985 levels! Note that physicians have already had a 5.4% cut in Federal Medicare payment rates for services to older and disabled Americans in October, with another 4.4% Medicare cut to be enforced in March. Although the elderly and disabled make up just one-quarter of Medicaid enrollees, they account for two-thirds of Medicaid spending.

Medicaid pays for more than half of all nursing home care in the United States. Nursing homes nationally are reeling from Medicare cuts in payments put in effect last October. California's 15% Medi-Cal cut to nursing homes will likely bankrupt an estimated 300-400 nursing facilitiies. At the same time, California will cut funding to the low-income, blind, and elderly—which means they may end up homeless and need nursing home care. New Jersey, Maryland, Massachusetts, Missouri, Ohio, Nebraska, Delaware, Missouri, New York, Oregon, South Dakota, Texas, West Virginia, Virginia, Utah, among others, also cut Medicaid payment rates to nursing homes, doctors, and/or hospitals. Michigan may end Medicaid coverage for residents with disabilities who need in-home medical care. Massachusetts and Louisiana have cut funds to charity, public, or distressed hospitals. Mississippi, among other states, enforced "provider taxes" on nursing homes, facilities for mentally retarded, and psychiatric facilities.

So far, 17 states increased Medicaid patients co-payments to providers in 2003. This means that patients unable to afford to pay up to $4 to visit a doctor or up to $100 for a hospital visit, as some states now require, will go without that care and may become gravely ill, before medical attention is provided. Tens of thousands of patients will be rushed to hospital emergency rooms with less than a good chance of living.

Yet, even the obligation for coverage of emergency care would have been blocked by the Bush Administration, which pronounced last month that states were not obligated to cover emergency care services under Medicaid (the Bush Adminstration later rescinded the letter, after a torrent of protests).

Forty-five states have enforced prescription drug cost controls in FY 2003, such as cuts in Medicaid payment rates to pharmacists, or limits on the number of prescriptions a patient can fill monthly (disabled or chronically ill people often need a dozen or more medications daily, just to maintain life). States are imposing new or higher patient co-payments on each medication, or are mandating the use of generic drugs or state-approved drugs.

A recent study released by Families USA, a Washington-based healthcare advocacy group, showed that Medicaid spending in 2001 created 58,785 jobs on average per state, and that the $98 billion that states spent on Medicaid created $279 billion in "new business activity." The study found that states that reduce their Medicaid spending are hurting their economies because they stand to lose millions of dollars in Federal matching funds—money that has the potential to create jobs and stimulate local economies. This is true, but is limited to a vision of a country in a plummeting economy.

For the nation's future, our aims must be higher: a healthy economy, where the focus is on large-scale infrastructure projects that increase the country's capacity for new resources to serve the population and increase the standard of living for generations to come. Job creation, with appropriate health insurance and health-care infrastructure to properly serve the population, are basic mandates for the general welfare. Only within this perspective, do the chronically ill, elderly, and disabled rise from the bottom of a Medicaid list, to a center role of treatment, through new therapies, cures, and breakthroughs that are spinoffs of a scientifically and economically growing economy.