

## **NUMBERS, NUMBERS, NUMBERS - One Bottom Line: Huge Medicaid Cuts Proposed**

Updated April 12, 2005

**February 7, 2005**

### **President Bush Proposed Severe Cuts to Funding for Medicaid**

The President submitted his budget proposal with projections developed by the Office of Management and Budget (OMB). The Congressional Budget Office (CBO) then “scored” the proposal—that is, CBO developed estimates of how much it would end up saving, based on various assumptions about how the policy proposals would play out in the real world. CBO concluded that the policy proposals in the President’s budget would not reduce Medicaid spending as much as the President and OMB asserted. (Congress is releasing five-year budget numbers instead of 10-year figures, so we refer below to five-year cuts. Keep in mind that the five-year figures do not show the full magnitude of the proposed cuts; the impact of these cuts will only grow geometrically over time.)

Here’s what OMB and CBO estimated for the five-year period, 2006-2010:

- **5-year cuts, as scored by OMB**
  - \$20.2 billion in total cuts
  - \$12.8 billion in net cuts (taking into account proposed “new” spending)
- **5-year cuts, as scored by CBO**
  - \$13.9 billion in total cuts
  - \$7.6 billion in net cuts (taking into account proposed “new” spending)

**March 17, 2005**

### **House and Senate Pass Different Budget Resolutions**

Unlike the President’s budget, the House and Senate budget resolutions do not offer specific policy proposals but, instead, set spending (or savings) targets. When Congress begins to spell out the policy changes needed to meet those spending (or savings) targets, they will rely on the scoring of CBO, not OMB’s projections. But CBO has already scored the policy proposals in the President’s budget and determined that they would result in only \$7.6 billion in net savings, or cuts. So, if Congress intends to save \$15-20 billion from Medicaid (see below), it will have to find additional Medicaid cuts—over and above the policy proposals in the President’s budget.

- **The House of Representatives — \$15-20 Billion in Cuts:** The House Budget Resolution includes \$20 billion in cuts in programs under the Energy and Finance Committee, which has jurisdiction over Medicaid. The majority of the cuts would likely come from Medicaid, but the Committee may take some cuts from other programs. At the same time, the committee may want to add some new spending that it would then have to offset with additional cuts.
- **The Senate — \$0 Cuts:** The Senate Finance Committee originally passed \$15 billion in cuts (which we expected would have come from Medicaid, as other programs have been “taken off the table”). However, Senators Smith (R-OR) and Bingaman (D-NM) offered and passed an amendment on the Senate Floor that removed all of the Medicaid cuts from the Senate budget resolution.

Thus, the House would require cuts that are *roughly twice* the net cuts in the President’s proposal, as evaluated by CBO, while the Senate would preserve federal funding for Medicaid.

### **What’s Next?**

The significant differences between the House (\$15-20 billion) and Senate (\$0) Medicaid cuts will be negotiated in a House-Senate conference committee that is currently underway. Once the final budget numbers are agreed upon and approved by both chambers, Congress will then develop “reconciliation” legislation making the specific changes in programs needed to achieve these cuts. Congress “reconciles” the way programs (like Medicaid) work to fit in the new budget numbers. It’s unclear when reconciliation will be completed, since the House and Senate budget resolutions set different timelines.

### **The Bottom Line**

The House Budget Resolution would require cuts (\$15-20 billion) that are *roughly twice* the net cuts in the President’s proposal (\$7.6 billion), as evaluated by CBO, and much, much bigger than the Senate’s Budget Resolution, which does not cut Medicaid at all. The House position is unacceptable. Urge your Senators to stick to the Senate position and oppose any Medicaid cuts!

