



Committee On Finance

Max Baucus, Ranking Member

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Baucus Troubled by Deep Medicaid Cuts Proposed in President's Budget *Budget Proposal Includes \$60 billion in Cuts to Medicaid Over 10 Years*

(WASHINGTON, D.C.) U.S. Senator Max Baucus, ranking member of the U.S. Senate Finance Committee, raised concerns about the new Medicaid cuts included in the president's budget, as outlined by Centers for Medicare and Medicaid Services (CMS) Administrator Mark McClellan on Friday and described in greater detail today. The budget proposal includes Medicaid cuts of \$60 billion over 10 years.

"I am deeply concerned about these new cuts to the Medicaid program," Baucus said. "This program is a lifeline to more than 50 million low-income elderly and disabled adults, parents, pregnant women and children. We need to tread very carefully here."

Baucus noted that recent increases in Medicaid spending are largely due to the counter-cyclical nature of the program and the role Medicaid plays in filling in Medicare's gaps in coverage for low-income elderly and disabled Americans. From 2001 to 2003, Medicaid enrollment increased dramatically during the economic downturn, covering an additional 7.5 million people, many of whom were dropped from employer coverage due to job loss or increased health care costs.

"Medicaid has been growing because it is doing its job – providing a safety net of coverage that is there when times are tough," said Baucus. "Medicaid's costs are also rising because of the increasing costs of services for the low-income elderly and disabled Medicare beneficiaries it serves. As the largest payer of long term care services, Medicaid is doing more than its share to ensure that coverage for our nation's seniors is secure. What will happen to our infrastructure of care for seniors and the disabled if Medicaid can no longer serve them?"

Instead of addressing the real reasons that Medicaid costs have increased, however, the administration has focused on cutting federal Medicaid payments to states and referring to the cuts as initiatives to improve "program integrity."

"While I appreciate the president's interest in minimizing fraud and abuse in Medicaid, it is unclear whether Congress will be able to find the savings he is proposing through the budget process," said Baucus. "The proposed cap on state administrative spending also concerns me greatly – it sets a dangerous precedent of limiting Medicaid's promise and would hamper states' efforts to improve information technology and efficiency for Medicaid and further burden them as they take on new administrative responsibilities to implement the new Medicare law. Cuts of this magnitude would have a dramatic impact on Medicaid wherever they are made, and I remain unconvinced that such cuts should be our top priority."

Baucus continued, “I have strong reservations about the administration’s proposal to ‘improve flexibility’ to provide less comprehensive Medicaid benefits to higher income populations – given the fiscal pressure Medicaid is facing, I am concerned that this approach tries to do too much with too little.”

Baucus also expressed concern over the president’s proposal to eliminate the Rural Hospital Flexibility (Flex) Grant Program. Established as part of the 1997 Balanced Budget Act, Flex Grants assist hospitals in making the transition to Critical Access Hospital status, and help rural, under-served areas establish health networks. Congress funded this initiative at a level of \$39.5 million in FY 2005.

In addition to cutting Medicaid and rural health funding, the President has proposed \$142 billion in new spending on a variety of health coverage initiatives, including individual tax credits, new incentives for health savings accounts (HSAs), community health center funding, SCHIP outreach, and other initiatives. Baucus applauded the President’s focus on the uninsured, but questioned a number of the proposals.

“I am encouraged by the President’s willingness to commit up to \$142 billion on approaches to help uninsured Americans get access to needed health coverage and services,” Baucus said. “However, I remain concerned about the proposals he is advancing to achieve this goal. Individual health insurance tax credits and health savings accounts will provide little help to the two-thirds of uninsured individuals with chronic conditions and will simply not be affordable for many uninsured individuals. I will be interested to see the details of the President’s proposal to expand coverage under the SCHIP program, but this is another area where the funds should be targeted carefully to expand coverage not merely target enrollment. On all of these proposals, I look forward to working with Congress to develop a responsible budget proposal that prioritizes improving the health security of all Americans.”

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