



CHILD HEALTH:

IMPACT OF THE DEBT CEILING AGREEMENT ON CHILD HEALTH PROGRAMS

September 14, 2011

President Obama and Congressional leaders reached a deal on a bill, the Budget Control Act of 2011 (P.L. 112-25), to raise national debt ceiling by \$900 billion through early 2013. The bill passed the House (269-161) on August 1. On August 2 it was approved by the Senate (74-26) and signed into law by the President. The deal is expected to cut the deficit by \$917 billion over ten years.

The compromise secures \$1.2 trillion in budget savings through a cap on all discretionary spending over the next decade. In addition, the agreement calls for another \$1.5 trillion in budget cuts to be determined by a so-called “Super Committee” of 12 lawmakers from the House and Senate who have been designated by congressional leaders.

Super Committee members include the following:

- **For the Democrats:** Senators John Kerry (MA), Patty Murray (WA), and Max Baucus (MT), and Representatives Xavier Becerra (CA), James Clyburn (SC), and Chris Van Hollen (MD).
- **For the Republicans:** Senators Pat Toomey (PA), Jon Kyl (AZ), and Rob Portman (OH), and Representatives Fred Upton (MI), Dave Camp (MI), and Jeb Hensarling (TX).

If the Super Committee’s recommendations for cuts are not approved by Congress, a sequestration mechanism would be used to impose an automatic 2 percent across-the-board cut on all federal programs – with the exception of essential safety net programs like Medicaid, the Children’s Health Insurance Program (CHIP), Social Security Income, and Supplemental Nutrition Assistance Program (SNAP), along with a small handful of other exemptions. All other programs, including health, education, housing, as well as any new Affordable Care Act-related initiatives, could be on the chopping block. In the event the Super Committee is able to reach agreement on some amount of cuts less than the \$1.5 trillion target, the across-the-board cuts would be applied only to the difference between the target and unmet savings amount.

The Super Committee is charged with developing its deficit reduction recommendations by November 23, 2011. Congress must take action on the Super Committee’s recommendations by December 23, 2011. If no bill is passed, the automatic cuts/sequestration mechanism will be implemented.

Medicaid and CHIP are protected in the first round of cuts, which are focused on discretionary programs. However, scores of other health programs will face reductions, including Community Health Centers; the Maternal and Child Health Block Grant; Women, Infants and Children (WIC) program; the Autism and Other Developmental Disorders Program; Healthy Start; Vaccines for Children; Universal Newborn Hearing Screening; School-Based Health Centers; among other programs within HHS which are funded on the discretionary side.

Medicaid and CHIP would not be affected by automatic sequester-related cuts, however these programs are extremely vulnerable to cuts under consideration by the Super Committee. Medicaid has been a top target for Republicans this year. Most notably, the FY 2012 House Budget Resolution (H.Con.Res 34) proposed to secure \$771 billion in savings by turning Medicaid into a block grant. While it is unclear whether there would be sufficient support for a Medicaid block grant, governors will likely press Congress not to cut Medicaid without providing additional state flexibility from program requirements. In this context, we continue to be concerned that among other cuts to Medicaid, the Super Committee may

consider including provisions of the “State Flexibility Act” (S. 1683/H.R. 868) in their recommendations. This legislation proposes to eliminate the Affordable Care Act’s Maintenance of Effort (MOE) requirement by allowing states to reduce their Medicaid eligibility and benefit requirements.

Despite its enormous success in reducing the numbers of uninsured children, CHIP also may be vulnerable to cuts given the bleak budget forecast and the uncertainty of funding for CHIP beyond 2015, when current funding for the program runs out.

YOUR ACTION IS NEEDED:

As you engage your Senators and Representatives in the coming days and weeks – especially if you are represented by a member of the Super Committee – please deliver the important message:

Congress Must Not Tackle the Budget Deficit on the Backs of Our Children. Do Not Cut Medicaid.

- **While tough times may call for tough measures, reducing spending for essential programs for children is misguided and will drastically affect the ability of a generation of children to reach their full potential.** Medicaid is a lifeline for one-third of all children in the U.S. providing preventive health services for low-income children and essential care for children with special health needs.
- **The Super Committee must heed the priorities of the American public and refuse cuts to Medicaid or to resolve our deficit on the backs of children.** Congress must reject any proposal that would arbitrarily cut Medicaid, including block grants, global spending caps, or health spending caps, which shift costs to states and families. Such draconian policy changes would have a devastating impact on our neediest and most vulnerable children.
- **Congress must reject any proposal that would eliminate the Maintenance of Effort requirement in the Affordable Care Act.** According to the Congressional Budget Office (CBO), repealing this requirement would cause states to restrict Medicaid and CHIP eligibility and enrollment risking health coverage for an estimated 14 million children. The brunt of such a repeal would disproportionately impact CHIP. CBO estimates that half of states would eliminate their CHIP programs entirely by 2016. Repealing the Maintenance of Effort provision would fundamentally reverse the enormous progress our nation has made over the last decade in reducing the number of uninsured children. Given the burden of the recession on families, now is not the time to eliminate health coverage for millions of low-income kids.
- **Results from a recent public opinion survey show that protecting programs that improve the well-being of America’s children is immensely important to voters.** When provided a battery of potential cuts some have considered in the budget debate, voters clearly protect children. In fact, by a 70-27 percent margin, the majority of American voters opposed the cuts to Medicaid that were included in the House Budget Resolution.
- **Our next generation is the key to our nation’s future prosperity.** Cutting Medicaid for our young people is pennywise and pound foolish.

First Focus is a bipartisan advocacy organization that is committed to making children and families a priority in federal policy and budget decisions. Children’s health, education, family economics, child welfare, and child safety are the core issue areas around which First Focus is working to promote bipartisan policy solutions.

For more information about First Focus’s Child Health Portfolio visit www.firstfocus.net, or contact Lisa Shapiro, Vice President of Child Health Policy (LisaS@firstfocus.net).

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