

PRESIDENT'S BUDGET ON HEALTH CARE: MORE OF THE SAME MISPLACED PRIORITIES

Key Points:

- The President's budget **significantly underfunds SCHIP** over the next five years, potentially causing more than 1 million children to lose health coverage by 2012.
- The President's budget slashes Medicare and Medicaid by **more than \$300 billion** over the next 10 years – without reinvesting any of those savings in health program improvements.
- The President's new health insurance tax proposal would **undermine** employer-based health care coverage and push people into the deeply flawed individual insurance market -- making many Americans worse off.

Democrats believe that on every issue our nation faces, we must pursue policies that take our country in a new direction. The Bush Administration's FY 2008 budget fails on that score; it continues with more of the same wrong priorities of the past six years that have failed the American people. It is fiscally reckless, adding trillions to the deficit over the next 10 years, and morally irresponsible, slashing funding for key priorities such as health care and education, critical to America's middle class. Democrats are fighting for a budget that reflects the values of America's middle class.

Significantly underfunds SCHIP over next five years, potentially causing more than 1 million children to lose health coverage by 2012. According to the Center on Budget and Policy Priorities (CBPP), although the Bush budget would slightly increase the federal contribution to the State Children's Health Insurance Program (SCHIP), it is \$7 billion less than is needed over the next five years to merely continue covering the children already enrolled. According to CBPP, by 2012, some 46 states would face a SCHIP shortfall of \$2.9 billion, which is equal to the average annual cost of covering 1.4 million children through SCHIP.

Slashes Medicare by \$66 billion over five years and \$252 billion over 10 years. The GOP budget-cutting bill (S. 1932) that President Bush signed into law in February 2006 already cuts Medicare payments to health care providers by \$22 billion over 10 years. Now, the Bush budget is calling for extensive new cuts in Medicare payments to providers. In addition, the President's Medicare cuts include increases in monthly premiums for millions of Medicare beneficiaries, totaling \$38 billion over the next 10 years. The Bush budget also fails to address the pending 10 percent cut in Medicare physician reimbursement that will occur under current law in January 2008.

Includes gross Medicaid cuts, including both legislative and regulatory cuts, of \$25 billion over five years and \$61 billion over 10 years. The GOP budget-cutting bill (S. 1932) that President Bush signed into law in February 2006 also already cuts Medicaid by \$28 billion over 10 years. Now, the Bush budget is calling for additional Medicaid cuts. The budget includes gross Medicaid cuts, including both legislative and regulatory cuts, of \$25 billion over the next five years and \$61 billion over 10 years. Many of the federal Medicaid cuts will simply increase state costs or lead to further restrictions in Medicaid benefits. Thus, instead of assisting state efforts to reduce the number of uninsured, the Bush budget will impede these efforts.

Protects the special interests. At the same time that the Bush budget is calling for steep cuts in Medicare and Medicaid, endangering health care for seniors, working families, children, and people with disabilities, it is protecting the special interests. For example, the Bush budget leaves untouched massive overpayments by Medicare to HMOs under the GOP 2003 "Medicare Modernization Act."

Includes a new health insurance tax proposal that would undermine employer-based health care coverage and push people into the deeply flawed individual insurance market. Under the President's budget, employee health benefits would, for the first time, be treated as income and would be subject to income and payroll taxes, just like wages. At the same time, the President would create a tax deduction for health insurance of \$15,000 for families and \$7,500 for individuals. This proposal would mean a tax increase for millions of middle-class families who have employer-sponsored health insurance worth more than \$15,000. Furthermore, as many health experts have pointed out, the President's proposal would create incentives for employers to drop coverage, place a heavier burden on lower-income families, and push people into the deeply flawed individual health insurance market – a market where insurers are able to refuse coverage to workers based on their health. As a result, the President's own analysis shows the proposal would cover only 3 million of the 47 million Americans who are uninsured today. Also, because the new deduction would reduce taxable payroll, people's future Social Security benefits would be reduced as well.

Cuts NIH. The Bush budget proposes \$28.6 billion for NIH in FY 2008 – a cut of \$310 million or 1.1 percent below the FY 2007 level. Because this request includes \$300 million as a transfer to the Global AIDS Fund at USAID (compared to \$99 million in 2007), the actual cut in NIH research activities would be \$511 million. With this reduction, the number of both new and total research grants will likely drop by about 600 grants.

Slashes rural health activities. The Bush budget slashes rural health activities by \$143 million below this year's enacted level – or by 85 percent. This cut includes eliminating the \$64 million rural health flexibility grant program and the \$39 million rural health outreach grant program.

Slashes health professions training. The Bush budget slashes health professions training (including nurse training) from \$334 million in FY 2007 to \$115 million in FY 2008, a cut of 66 percent. This cut impacts such programs as those geared to increasing the number of medical graduates from minority and disadvantaged backgrounds.

Slashes training doctors in children's hospitals. Free-standing children's hospitals depend upon the federal government to support the training of doctors. The Bush budget slashes grants to train doctors at children's hospitals by \$186 million – or by 63 percent – below the FY 2007 enacted level of \$297 million.

Cuts Centers for Disease Control. The Bush budget cuts the overall CDC budget by \$212 million – or by 3.6 percent -- below the FY 2007 enacted level.

Cuts Substance Abuse and Mental Health Services Administration (SAMHSA). The Bush budget cuts the overall SAMHSA budget by \$159 million – or by 4.8 percent – below the FY 2007 enacted level.

Freezes Ryan White AIDS programs. The Bush budget essentially freezes funding for Ryan White AIDS programs – providing \$2.16 billion in FY 2008, an increase of \$20 million or 0.95 percent over FY 2007.

Eliminates Traumatic Brain Injury program. The Bush budget eliminates a \$9 million Traumatic Brain Injury (TBI) program that funds statewide systems to ensure access to a range of comprehensive TBI services – at a time when hundreds of Iraq and Afghanistan veterans are returning home with TBI.

Eliminates several other key health care programs. In addition to the Traumatic Brain Injury program, the Bush budget eliminates several other key health care programs, including the Preventive Health Block Grant, the Emergency Medical Services for Children program, and the Universal Newborn Screening Program.

