# THE TOP TEN WORST PROVISIONS FOR LOW-INCOME FAMILIES
## IN THE
## BUDGET RECONCILIATION CONFERENCE REPORT

In December, the House of Representatives approved a budget reconciliation bill, which the Senate then modified. Now the House has another opportunity to reconsider the bill. The following are ten of the most devastating provisions for low-income families and children.

1) **The child welfare cuts will hurt grandparents and other relatives taking care of their own grandchildren.** The conference agreement repeals a court ruling (in the "Rosales" case, affecting nine states) that allowed more grandparents or other relatives to receive federal foster care payments. Repealing this ruling means these low-income relatives will receive less help to care for children whose parents cannot raise them. The Urban Institute and other researchers find that kinship families are already greatly underserved. In addition, the cuts reduce federal funding to states for the costs of placement with relatives and managing those foster care cases now ineligible for federal payments. Paying kinship families less is estimated by the Congressional Budget Office to cut $590 million in spending over five years and $1.3 billion over ten years.
   Supporters of this provision claim that the net cut in child welfare is "only" $300 million because the bill is said to spend $300 million in other child welfare services. In fact, the agreement only provides $140 million in new spending to prevent abuse or neglect of children. House language describing these provisions wrongly states that a $40 million one-year increase will be repeated for five years, therefore understating the severity of the reduction. The net cuts are closer to $450 million the first five years and over $1.1 billion over ten years. (Child Welfare League of America, Coalition on Human Needs)

2) **Budget reconciliation cuts a net amount of $12.7 billion from the federal student loan programs, representing the largest cut to student aid in the history of the programs.** The bill derives 70% of gross savings from the pockets of student and parent borrowers by overcharging borrowers at fixed interest rates and then capturing the overpaid money back from the lenders. The interest payments to the lenders are considered 'excessive lender profit' in the bill; however, the excessive profit is made from forcing students and parents to pay above current interest rates.
   For the average student borrower who has almost $18,000 in student loans, higher interest rates will make loan repayment more expensive. The current interest rate for students out of school is 5.3% on Stafford loans. The bill increases the interest rate for Stafford loans to a fixed 6.8%. The interest on Parent Loans for Undergraduate Students (PLUS) is also increased to a fixed interest rate of 8.5% starting in July 2006. The current interest rate for PLUS loans is 6.1%. (United States Student Association)

3) **The conference agreement allows states to impose substantial and harmful cost-sharing charges on Medicaid beneficiaries.** Under the agreement, most beneficiaries with incomes between 100 and 150 percent of the poverty line could be charged co-payments up to *10 percent* of the cost of the service. These beneficiaries could be charged co-payments of $100 to $160 for the typical hospital day that costs from $1,000 to $1,600. For beneficiaries with incomes over 150 percent of the poverty level, the risks are even higher: they could be charged *unlimited* premiums to participate in Medicaid and could be charged co-payments up to *20 percent* of the cost of both needed health care services and some prescription drugs. These costs would be prohibitive for many services and drugs. For example, Zyprexa, a mental health drug, costs $500, and Combivir, a drug to treat HIV costs $600 per prescription, leading to co-payments as high as $100 or $120. (Furthermore, due to an apparent drafting error, the conference report even appears to permit states to charge unlimited co-payments for all beneficiaries below poverty.) The conference agreement also would increase co-payments for prescription drugs for

nearly all Medicaid beneficiaries, give states for the first time the ability to allow providers to deny needed medications and services to beneficiaries if they are unable to afford the co-payments and to terminate eligibility for failure to pay premiums. On top of these drastic cuts to Medicaid, there is a cut in Supplemental Security Income for poor individuals with disabilities—eligible beneficiaries who are owed back benefits would have to wait as much as year to receive full payment. (Center on Budget & Policy Priorities)

**The conference agreement would overburden, and possibly bankrupt, already strained public hospitals and threaten access to care for many Medicaid beneficiaries.** By allowing both increased co-payments and the enforcement of these co-payments, the conference agreement is likely to result in the delay of necessary care for beneficiaries unable to make their co-payments. This, in turn, will inevitably result in an increase in unnecessary, costly and under-reimbursed hospital admissions to the detriment of both the patients and the public hospitals. Furthermore, under the conference agreement, beneficiaries may be cut from the program due to their inability to meet cost-sharing obligations. These beneficiaries would have no choice but to rely on uncompensated care, presenting an additional burden to public hospitals. (National Women's Law Center)

4) **States could be forced to cut child care assistance for hundreds of thousands of low-income working families in order to cover the costs of implementing stringent new work requirements.** The bill increases states' work participation rates so that a higher percentage of parents receiving TANF assistance will have to work. The bill mandates that states have to have 50 percent of their TANF caseload working. In determining work participation rates, states will no longer get credit for families they helped move from welfare to work between 1995 and 2005. Instead, only reductions in the welfare caseload starting in 2005 will count. The more stringent work participation provisions will result in a 69 percent increase in the number of families that will have to participate in work-related activities. These requirements will have a great impact on child care costs. It is estimated that it will cost states *more than $12 billion* over the next five years to meet the new welfare-to-work requirements and keep pace with inflation to cover existing service levels. The budget reconciliation bill, however, only includes a $1 billion increase over five years for childcare. In order to meet both the child care and the work costs of these new requirements, states may have no choice but to cut child care assistance for low-income working families who are not receiving TANF. (Center for Law And Social Policy & National Women's Law Center)

5) **The conference report imposes particularly unrealistic work requirements on two-parent families.** Under the conference agreement, 90 percent of all two-parent families receiving federal or state assistance would have to participate in work activities each month for at least 35 hours each week. Researchers and state officials have long recognized that such a participation requirement is not attainable because some parents may be unable to fulfill the 35-hour a week requirement in any given month – for example, because they must stay home for several days because they are ill or need to care for an ill child, or because they are waiting for a new welfare-to-work program to begin. As a result, states will face a strong disincentive to help two-parent families, which is particularly ironic, since other parts of the bill provide new funding for initiatives designed to encourage marriage. (Center on Budget & Policy Priorities)

6) **The conference agreement imposes an unwarranted citizenship documentation requirement that would likely decrease Medicaid coverage among eligible U.S. born citizens, especially elderly African-Americans.** The bill also requires that citizens applying for Medicaid must provide a birth certificate or passport to demonstrate their citizenship. Although intended to deter illegal immigrants from falsely entering Medicaid, the HHS Office of the Inspector General did not find any substantial evidence that such false applications were a problem. This provision will create serious barriers for native-born citizens who apply for Medicaid but lack a valid birth certificate or passport available, like homeless people or people with mental illness. A large number of elderly African-Americans could be at risk. Many elderly

African-Americans lack birth certificates and would be unable to get Medicaid because they were born in an era when African-Americans (especially in the South) had less access to hospitals and thus never received birth certificates. One study estimated that as many as one-fifth of African-Americans born around 1940 lack a birth certificate. Other minority applicants may also find themselves subjected to greater discrimination because of these requirements. (Center on Budget & Policy Priorities)

7) **Does not obtain reasonable savings by reducing overpayments to Medicare managed care plans or what Medicaid pays for prescription drugs.** The Senate reconciliation bill avoided provisions that harm low-income people by achieving reasonable savings such as eliminating the Medicare HMO "slush" fund, in accordance with the recommendation of the independent Medicare Payment Assessment Commission (MedPAC). The Senate bill also achieved savings by increasing the rebate drug manufacturers pay the Medicaid program in order to ensure that Medicaid gets the best prices for drugs it covers. These reasonable cost savings provisions are almost entirely absent from the final conference agreement, leaving low-income people to pay the price through Medicaid cost sharing increases and benefits restrictions that will reduce access to needed health care. (Center on Budget & Policy Priorities)

8) **Child support enforcement cuts**—Federal funding for child support enforcement is cut by $1.5 billion over 5 years; although the cuts are less than the $4.9 billion in the House bill, they will cost children $8.4 billion in uncollected child support over the next ten years. There is also a new child support fee—a new mandatory annual fee for certain families using public child support enforcement services (fee applies if the state has collected at least $500 in support; families that have received TANF are exempt, but not low-income families that receive Food Stamps or Medicaid). There is also a cut in foster care funding for low-income grandparents caring for their grandchildren. (Center on Budget & Policy Priorities)

9) **For the first time since Medicaid began, the conference agreement allows states to deny contraception to poor women.** Family planning services are a mandatory under current Medicaid law. These services are vital to the overall health of Medicaid beneficiaries and also serve an important public function by limiting the number of unintended pregnancies. Family planning services also save money; for every dollar spent on family planning, three dollars are saved. Under the conference agreement, states would no longer be required to cover such services, leaving poor women without viable contraceptive options and inevitably increasing the number of unintended pregnancies. (National Women's Law Center)

10) **The conference puts the Student Loan Program at risk by making the funding no longer mandatory.** The agreement strips 458 Administrative Fund from mandatory spending – This fund provides the Department of Education with money necessary to manage the federal loan programs. The bill moves this fund from the mandatory spending category to the discretionary spending side. A loss of mandatory funding will place the management of the loan programs in jeopardy because the appropriators are not required to allocate adequate money to the 458 fund. In addition, the 458 fund will be forced to compete with other education programs for scarce resources in the Appropriations Committee. (United States Student Association)