

Fact Sheet: Impact of the House Medicaid and Tax Policies on Low-Income Children

The House reconciliation bill would change the benefits and cost sharing protections in federal Medicaid law. It would allow states to charge monthly premiums, enrollment fees and/or cost sharing to all Medicaid enrollees with incomes above the poverty level, except for children, pregnant women, terminally ill individuals receiving hospice care, and some individuals who qualify for Medicaid by spending most of their income on health care. The bill would allow states to use “benchmark” benefit packages, such as a commercial HMO benefit, for many people with Medicaid coverage, although it does exclude pregnant women, children with family incomes below poverty, low-income seniors who also receive Medicare, and other groups of medically fragile individuals from this change. Federal savings from these policies are being used, in part, to finance a set of tax policy changes that will overwhelmingly benefit the wealthy.

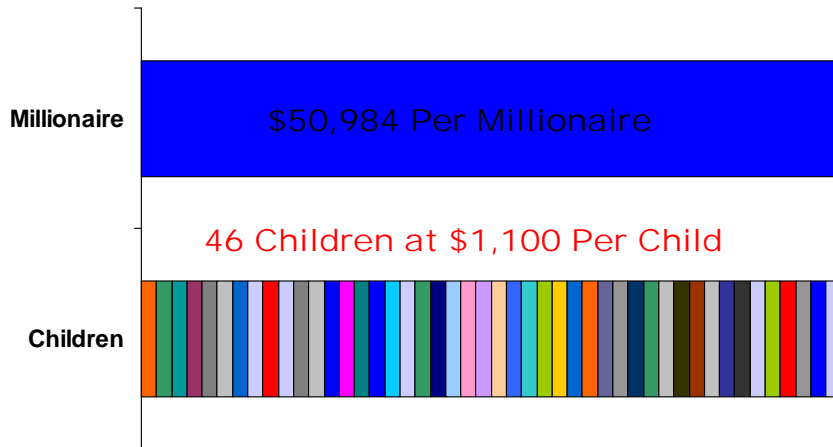
The idea of using health care cuts for low-income children to finance tax cuts is wrong from a health, economic, and moral perspective. Analysis of these proposals suggests the following:

- **Requires 46 low-income families to finance 1 millionaire’s tax cut.** A family with an annual income of \$22,000 and a sick child could pay up to \$1,100 a year on cost sharing for their child’s health care. It would take at least 46 of these families to fund the average millionaire’s 2006 tax cut - \$50,984 in tax savings -- under the House legislation.ⁱ
 - **Similarly, 29 sick children would finance a single millionaire’s capital gains and dividend tax cut which averages \$32,111 in 2009.**ⁱⁱ
- **Effectively cuts the earned income tax credit by 60 percent.** The same family of three – with \$22,000 in income and up to \$1,100 in cost-sharing liability – would qualify for a \$1,750 earned income tax credit (EITC).ⁱⁱⁱ This family’s cost sharing burden would be equivalent to a 60 percent cut in their EITC.
- **Reduces benefits and/or increases cost sharing for up to 13 million children.** 44 percent of all children insured through Medicaid could face reduced benefits and/or pay more for their health care in 2015 if all states took these options, based on CBO data.^{iv}
 - **One million children could lose coverage completely due to higher premiums.**
- **Particularly effects sick children through increased cost sharing – for example:**
 - **570,000 children who see the doctor more than 10 times a year;**
 - **280,000 children who visit the emergency room three or more times a year;**
 - **1 million children who use 10 or more prescriptions per year;**
 - **40,000 children who need hospitalization in year.**^v
- **Allows higher cost sharing for Medicaid enrollees than for SCHIP or low-income Medicare drug benefit participants.** These programs place \$5 limit on drug cost sharing; no such limit is included in the House bill.
- **Potentially reduces benefits by up to \$1,264 in 2015 for Medicaid-covered children.** CBO assumes that states could reduce per-capita spending from 15-35% by 2015. This would equal \$1,264 per child in 2015.^{vi}

Chart 1.

Takes 46 Sick Children to Finance Tax Cut for 1 Millionaire

Cost Sharing for a Family of 3 with \$22,000 Income and Average Tax Cut for Millionaire, 2006

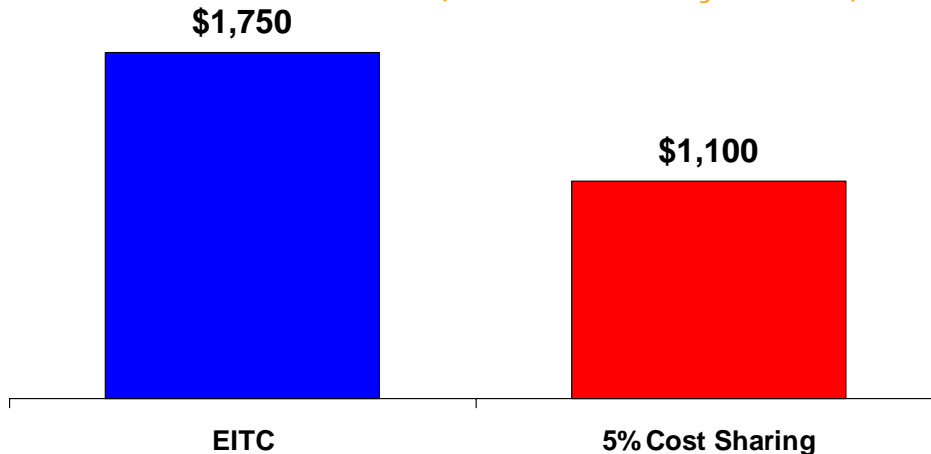


Average tax cut based on analysis by the Tax Policy Center, 11/18/05.
Assumes maximum, 5% of income cost sharing for one child in 3-child family with \$22,000 in income (about 134% of poverty in 2006).

Chart 2.

Medicaid Cost Sharing Could Equal A 60% Cut in the Earned Income Tax Credit

EITC and Maximum Premium Liability for a Family of 3 with \$22,000 in income (137% of Poverty in 2005)

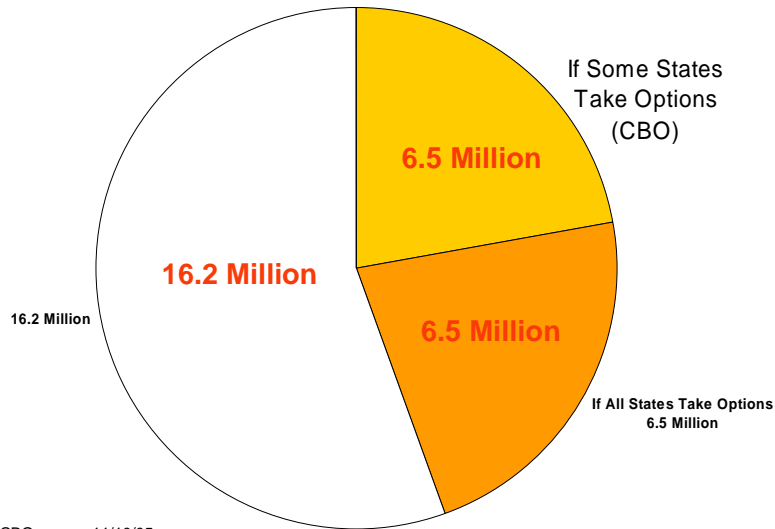


Federal Earned Income Tax Credit based on IRS calculator. Assumes that the family cost sharing cap is met.

Chart 3.

13 Million Medicaid Children Could Pay More for Less

Number of Medicaid Beneficiaries Estimated to be Affected by House Proposals, 2015



Source: Analysis based on CBO memo, 11/10/05.
Assumes CBO's projection of 29.9 million Medicaid beneficiaries who are children in 2015

Sources

ⁱ Tax Policy analysis of House Bill:

<http://www.taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?Docid=1040&DocTypeID=1>

ⁱⁱ Tax Policy analysis of House Bill:

<http://www.taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?DocID=1038&topic2ID=60&topic3ID=62&DocTypeID=1>

ⁱⁱⁱ The amount of the EITC was calculated using the 2005 IRS calculated, available at

http://apps.irs.gov/app/eitc2005/Return_To_Start.do

^{iv} Based on analysis of the Congressional Budget Office (CBO), "H.R. 4241, Medicaid provisions of Title III of H.R. 4241, The Deficit Reduction Act of 2005," November 10, 2005 and CBO's March Baseline Fact Sheet.

^v Multiplies 13 million children affected by cost sharing by the percentage of non-poor Medicaid children who had high service use, according to MEPS Net.

^{vi} See Center for American Progress analysis;

<http://www.americanprogress.org/site/pp.asp?c=biJRJ8OVF&b=1213681>