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An update on state and federal action from

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WELFARE AND MEDICAID "REFORMS" ARE MOVING AGAIN IN CONGRESS

Federal redesign of Medicaid, welfare, and related social services programs remains a hot topic in Washington. In recent weeks, several Medicaid and welfare bills have been announced and/or filed. Representatives Tanner (D-TN) and Castle (R-DE) have filed a bipartisan welfare bill, HR 3266, and in the Senate, Senators Breaux (D-LA) and Chaffee (R-RI) have announced a bipartisan budget bill which includes Medicaid and welfare reform. Meanwhile, the President has put forth his own welfare plan which has not yet been introduced. Also, the Republican Congressional leaders have introduced their own Medicaid and welfare initiatives. On May 22nd, Rep. Archer (R-TX) and Sen. Roth (R-DE) introduced a revised welfare and Medicaid bill which has been filed as HR 3507 in the House and S. 1795 in the Senate. Although the President is in agreement with many of the welfare provisions, he has objected to the combining of welfare and Medicaid reforms in a single bill because he strongly disagrees with their Medicaid provisions. If the final Medicaid reforms look anything like those outlined below, the President has promised a veto. Sen. Dole, in an attempt to "call the President's bluff," has also filed S.1795, a welfare bill without the Medicaid provisions.

Although any one of the proposals currently on the table could conceivably be the vehicle for reform, this piece will focus on the Republican majority proposals for Medicaid and welfare because they are the proposals receiving attention and backing from the Congressional majority.

MAJOR COMPONENTS OF THE REPUBLICAN WELFARE PROPOSAL

There is little disagreement among the Congressional welfare proposals; even the President's plan contains many similar provisions. Many experts believe compromise on a welfare bill is possible (or at least more likely than on Medicaid). Major provisions in the Republican's welfare plan will be outlined below with discussion on how these provisions differ (if at all) from other proposals. Because HR4, the vetoed Republican welfare bill from last fall, is the foundation for this new bill, many of the provisions are familiar to ardent welfare watchers.

CASH ASSISTANCE:

Cash Assistance Block Grant: Funding for traditional cash assistance programs, including the Aid to Families with Dependent Children (AFDC) public assistance program, the JOBS training program for AFDC recipients, and Emergency Assistance (which Texas uses to fund child protection) would be combined in a block grant. Poor families' entitlement (i.e. guarantee) to AFDC would be eliminated. Funding would be fixed; however there would be a 2.5% annual adjustment for some states. This block grant is included in all of the proposals, except the President's proposal. In contrast, he maintains the entitlement structure while limiting the time a family can receive assistance (see below).

Time Limits: Families receiving AFDC would be limited to a cumulative 5 years of assistance after a state begins its block grant program. This provision is in all the welfare

proposals, including the President's. The Republican bill allows for up to 20% of a state's AFDC population to be exempted due to hardship. The President calls for non-cash vouchers to be provided to children affected by the time limit, and the bipartisan House and Senate bills allow for vouchers for families affected by the time-limits in states setting time limits shorter than five years. However, this Republican bill prohibits states from using federal block grant funding for non-cash vouchers.

Work Requirements: After two years of receiving cash benefits, AFDC caretakers would be required to participate in "work" activities. States would be required to have 50% of all of their AFDC families and 90% of their two-parent AFDC families participating in "work" by 2002 or risk losing up to 5% of their federal block grant. (In Texas, it is estimated an additional \$187 million in job training funded would be needed to meet the work requirements in FY 97. Comparatively, if Texas chose to not meet the work requirements, it would only cost the state \$50 million—\$25 million in penalties and \$25 million to replace the lost revenue.) All of the bills contain similar work participation provisions.

Transfer of Funds from Block Grant: Up to 30% of the block grant funds could be transferred by a state to programs including child protection, Social Service Block Grant programs, or child care. Because all of these programs receive some state funding in Texas, our state could use block grant funds to supplant state funds.

Continued Level of State Funding: The Republican bill requires states to spend at least 75% of their current public assistance funding to get their full block grant funding. This allows states, like Texas, to divert state AFDC funding to other state programs like highways and prisons. Breau-Chaffee requires states to spend at least 80% of their past funding, and Tanner-Castle requires between 80% and 90%, depending on whether the state is meeting their work participation rates.

Prohibited Populations: Block grant funds could not be used to provide assistance to 1) teens not in high school or not living in an adult-supervised setting; 2) fugitive felons; and 3) families not cooperating with the child support agency (for these families, states could reduce the benefit or deny the family assistance).

CHILD CARE:

Funding: The Republican bill provides an additional \$4 billion for child care, but cuts funding for the Social Services Block Grant (SSBG) which funds child care in Texas. Support for additional child care funding seems widespread, but there seems to be little acknowledgment that cuts in other sources, particularly SSBG, could offset some of the increases. States would receive child care funding under three provisions: 1) the Child Care and Development Block Grant (CCDBG) under which each state would be eligible for its share; 2) General Entitlement under which each state (not individual) would be entitled to funding for its FY 94 (or FY 95 or FY 92-94 average) share of Transitional, At-Risk and AFDC/JOBS child care; and 3) the remaining funding would be available to states putting up state matching dollars.

Child Care Guarantee Eliminated: AFDC recipients in the JOBS training would no longer be guaranteed child care. Former AFDC recipients leaving welfare for work would no longer be guaranteed Transitional child care.

Health and Safety Standards: This bill repeals current law mandating that CCDBG child care providers be subject to health and safety requirements.

FOOD STAMPS:

Cuts to Food Stamps: Reductions to the food stamp program represent over half of the "savings" in the Republican bill. When the cuts are fully implemented, families would experience a 17% reduction in their benefits. Less than two percent of the "savings" would come from fraud reduction or cuts in administration. Rather, savings will result from measures including:

1. Reducing the basis for food stamp allotments from 103% to 100% of the Thrifty Food Plan. (Remember, an average families' food stamps only last three weeks out of

a month now.) All of the welfare proposals, including the President's, require this reduction.

2. Changing the method for calculating a family's food stamp benefit level and their income. For example,

- The Republican bill freezes a family's standard deduction at \$134; the remaining proposals reduce it.
- This bill freezes the cap on the shelter deduction at \$247; however, the President and Tanner-Castle do not change current law.
- All the proposals, including this bill, count energy assistance payments as income.

Optional Food Stamp Block Grant: This proposal, unlike the President's and Tanner-Castle, allows states meeting certain criteria to receive food stamp funding in a block grant, rather than the current entitlement structure. This option would provide states fixed food stamp funding until 2002, removing the program's ability to respond to changes in the economy, population, and inflation. If Texas had been given such an option in 1989 and chosen it, the state would have received \$1.4 billion less in food stamp funding in 1994.

Work Requirements for Unemployed, Childless Adults: Individuals between the ages of 18 and 50, who are not disabled or caring for a minor child, would be cut off food stamps after only four months if they are unemployed and not enrolled in a work training program, regardless of availability of a work training slot. All the proposals have some similar provisions. However, the House bipartisan bill differs distinctly in that it requires that everyone facing loss of benefits due to time limits be offered a work training slot.

CHILD NUTRITION:

Reductions in Child Nutrition Funding: This bill, like all the welfare proposals, reduces funding to child nutrition programs by cutting reimbursement rates. The Summer Food Service Program and the Child and Adult Care Food Program would absorb the bulk of the more than \$3 billion in child nutrition cuts.

Block Grant Demonstrations: The vetoed welfare bill, HR 4, allowed for seven states to receive school lunch funding in a block grant. This bill, however, does not contain such provisions.

CHILD PROTECTION:

Guarantees for Abused Children: The Republican bill retains the open-ended entitlement funding for foster care payments, adoption assistance payments, related administration and foster care training. The President has strongly supported this.

Child Protection Block Grant: The bill consolidates 11 existing children protection programs in a block grants.

MAJOR COMPONENTS OF THE REPUBLICAN MEDICAID PROPOSAL

In the Medicaid debate, there remain significant differences between the reforms supported by the Republicans and those proposed by the President. (See WW #18, 19, and 24 for discussion of recent Medicaid proposals.) Key differences revolve around questions about retaining entitlement to Medicaid, who is eligible, and what services they get. The President is expected to veto any Medicaid bill not retaining the federal guarantee to health care coverage for all groups who are currently guaranteed. Following is a summary of the Medicaid provisions in the current Republican majority bill (HR 3507, S. 1795).

ELIGIBILITY:

States would be required to cover:

- All children up to age 6, and all pregnant women up to 133% of the federal poverty level (FPL),
- All children from age 6 through age 12 to 100% of FPL,
- All persons **65 and over** who are eligible for Supplemental Security Income (SSI),
- Persons under 65 meeting new **state-defined** disability and income standards,
- Children receiving foster care or adoption assistance, and
- Certain low-income or disabled Medicare beneficiaries who get help with their out-of-pocket costs under current law.

State AFDC Option:

States would be given the option of **either** 1) covering all individuals who meet AFDC income and resource criteria in effect on March 1, 1996, **or** 2) covering all individuals who are receiving "AFDC-type" assistance (i.e., under welfare reform) **if** that is less costly than option #1. A provision allowing states to lower their AFDC income & eligibility standards to the national average would have no impact in Texas, as our benefits are well below average.

WHO LOSES GUARANTEED COVERAGE:

This bill eliminates entitlement for some large eligibility groups:

- Teenagers: Under current law, coverage for all children under 100% of FPL and born after 9/30/83 is being phased in, so that by 2002 all such children under age 19 would be covered. The Republican bill would freeze the phase-in at its current stage (coverage would become a state option).
- **Persons under age 65 who receive SSI because they are disabled**, who are entitled to Medicaid under current law.

Transitional Medicaid: states would **no longer** be required to give 12 months of coverage to persons leaving AFDC due to increased income, but are still below 185% FPL (coverage would become a state option).

The bill would also repeal a number of current eligibility provisions created to improve maternal and infant health, or designed to prevent "catch-22" situations from forcing elders and persons with disabilities off of Medicaid as the result of tiny increases in income.

- Infants whose mothers are eligible for Medicaid would **no longer** be deemed eligible during their first year of life.

- Women eligible for pregnancy-related Medicaid would **no longer** be guaranteed coverage for the **entire** pregnancy,

Others who would **no longer** be guaranteed coverage:

- Individuals who lose their SSI because of work, Social Security cost of living adjustments or receipt of Social Security;
- Families leaving AFDC for work supplementation programs,
- Children whose families have lost AFDC due to a parent's failure to meet work requirements.

Guaranteed coverage for most current groups is compromised in several other ways, all of which have the potential to disqualify some individuals now guaranteed coverage.

- The bill eliminates federal eligibility rules, and instead allows states to set income and asset standards. States could, for example, count Food Stamps, housing assistance, transportation, or child care subsidies as income, or choose not to exempt vehicles of any value from asset limits.
- States could also impose up to a 6-month waiting period for new state residents before they could receive Medicaid benefits.
- States could deny Medicaid benefits to anyone who had **access** to health insurance, even if the plan had a high deductible and coinsurance which the person could not afford to pay.

BENEFITS:

The bill nominally requires most current mandated benefits be provided. However, the bill would also allow states to limit the amount, duration or scope of any service, meaning states would not have to provide any meaningful level of benefits.

EPSDT and Kids. A major change would be the scaling back of services to children provided under EPSDT. Currently, children are guaranteed coverage of all medically necessary services allowed under Medicaid law. Under this bill, children would only be guaranteed screening; treatment for defects in vision and hearing; relief for pain and infection; and restoration of teeth and maintenance.

CLIENT COST SHARING

States could implement new strategies allowing recipients to be charged for Medicaid services. For example, states

would be allowed to charge co-payments or premiums to recipients, or permit providers to "balance-bill" clients for the portion of medical bills not covered by Medicaid. The only limits on cost-sharing would be for preventive services to pregnant women and children with income below 100% FPL.

FUNDING:

State Spending: States would have to match their federal dollars, though the formula for setting states' shares might change. State match would be capped at 40% (current cap is 50%), so some states (not Texas) would get a break.

Federal Funding:

- States' would be given a base block grant allotment, with an annual inflation factor.
- An "umbrella" program would funnel **limited one-time** payments (the base allotment would not be increased) of additional funds to states where growth in the low-income population exceeded projections and allotted funding fell short of spending. (This is a significant change from the original NGA formula, in which states with higher-than-expected growth would have had their base block grant increased.) Thus, though states could expand eligibility, they would not be guaranteed federal matching funds for the new populations.

Federal Budget Update

The April 16th *Washington Watch* (#21) was the most recent edition to report on the federal budget. As you probably all know, a lot has happened since the release of that issue.

FY 96 FINALLY COMPLETED

On April 25th, Congress passed HR 3019 which ended the seven month FY 96 federal budget debate. During the lengthy budget negotiations, the government closed down twice, and thirteen temporary continuing resolutions were enacted.

Because HR 3019 provided appropriations only for discretionary programs at agencies for which no appropriations bill was passed (like Health and Human Services, Housing and Urban Development), this bill was hardly a watershed. It affected less than one-tenth of the \$1.6 trillion federal budget and will only remain in effect until September 30, 1996 when FY 97 begins. HR 3019 did not affect mandatory spending for programs like Medicaid and Aid to Families with Dependent Children, which are the topic of much debate.

However, HR 3019 did reduce federal discretionary spending by 10%. In Texas, the impact of this bill will be felt in some education, workforce, and non-entitlement

health and human services programs. The largest health and human services reduction will be a 15% cut (below FY 1995 funding) to the Social Services Block Grant. In addition, the Low Income Home Energy Assistance Program will experience a 10% reduction and the Preventive Health Block Grant a 7.9% cut.

FY 97 BUDGET NEGOTIATIONS BEGIN

WW #21 reported the FY 97 budget cycle had begun with the President's submission of his budget proposal in March.

Responding to his budget proposal, the Republican majorities in both the House and Senate passed their separate Budget Resolutions and are beginning work on a compromise bill. The Budget Resolution, although non-binding, is key to the development of the Budget Reconciliation Act and the thirteen appropriations bills for discretionary programs.

All of the budget proposals -the Republican House and Senate bills and the President's proposal -call for balancing the budget by 2002 while cutting taxes. Key to these bills are cutting future spending in benefits program; however, the majority of these reductions are back-loaded, taking effect in 2001 and 2002.

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