

MEMORANDUM

TO: Interested Parties
FROM: Senator Tom Harkin (D-IA)
RE: **Analysis of House Budget and its Impact on Medicaid and the Iowa Economy**
DATE: April 20, 2011

On Friday, April 15th, the U.S. House of Representatives passed a budget for the upcoming year on a party line vote. The plan sharply reduces the federal government's investments in education and infrastructure – investments that are necessary to ensure our country remains competitive in the global economy and generates jobs in both the short and long term. It makes huge reductions in spending that are largely offset by completely extending the Bush 2001 and 2003 tax breaks, which were targeted towards the very wealthy.

Two-thirds of cuts in the budget plan come from programs for lower-income American families and children. For example, the plan would cut Medicaid in half by 2030, putting health care and nursing home benefits out of reach for millions of seniors, children and families. A national [poll](#) conducted by the Washington Post in conjunction with ABC News today found that some 69 percent of Americans disapprove of Medicaid cuts. The measure now comes to the U.S. Senate for consideration.

This budget proposal is an unprecedented assault on middle class Americans who are already struggling to make ends meet. I am especially concerned about its devastating impact on seniors across Iowa, children, as well as people with disabilities. This plan would eliminate Medicare and could force at least 115,000 Iowans off of Medicaid, including seniors in nursing homes and people who depend on home health aides. In addition, Medicaid ensures children can see a doctor when they are sick or injured and has been enormously successful in providing access to health services for our nation's children. This program has kept kids healthy and ready to learn.

There is no question that the time has come for tough budget decisions, but the smart way to bring down the deficit is for Congress to pursue a balanced approach of major spending cuts and necessary revenue increases, while continuing to support programs like Medicaid.

Charles Bruner, Executive Director of the Child and Family Policy Center, indicated that cuts to Medicaid ultimately will affect children's healthy growth and development and Iowa's future. He said, "Iowa's Medicaid program has been cited nationally for its excellence in covering children and ensuring their healthy development. It is penny-wise and pound-foolish to jeopardize such coverage and care for children."

My full statement on the House budget proposal can be found [here](#).

Below are some specific impacts Iowa seniors will face if the House budget is enacted.

The House Budget Could Force At Least 114,691 Iowa Residents Off Medicaid. Medicaid currently provides health coverage to roughly 407,300 Iowa residents, with the federal government picking up 63.5 percent of Iowa's Medicaid costs. At a minimum, the Ryan Plan could remove at least 114,691 Iowa residents from the program. [Kaiser Commission on Medicaid, 2/2011; Kaiser Commission on Medicaid, 5/2010; Kaiser State Health Facts, accessed on 4/1/2011]

Iowa Would Receive Far Less Federal Investment Than Other States Under the Block Grant Plan.

Iowa Medicaid expenditure levels are relatively low (\$5,154 per enrollee) compared to the U.S. average (\$5,163 per enrollee). Because the block grant funding levels are based on current state Medicaid spending, Iowa would receive less block grant funding than other states. Under the Republican block grant proposal, Iowa would likely have to cover unanticipated cost increases resulting from increases in enrollment or health care costs. [Kaiser State Health Facts, accessed on 3/29/2011]

Iowa Stands to Lose More Jobs Under Medicaid Block Grant Proposal. Under the House plan, Iowa stands to lose more than \$6 billion in Medicaid funding over ten years, eliminating some 12,562 jobs in the state over the next five years. [DPCC numbers to compliment Economic Policy Institute's nationwide [report](#).]

Rather than a pessimistic budget, which says America can't afford to maintain and rebuild the middle class, I believe we need a budget that creates a better future – one that creates jobs, keeps our promises to seniors, educates our children, and reduces the deficit with smart spending cuts and by asking millionaires and billionaires to pay their fair share.