

## MEMORANDUM

TO: Interested Parties  
FROM: Senator Tom Harkin (D-IA)  
RE: **Analysis of the House Budget Plan to Dismantle Medicare, Slash Medicaid, and Eliminate Health Care Consumer Protections and Benefits**  
DATE: March 30, 2012

On March 29, 2012, the U.S. House of Representatives passed a Fiscal Year 2013 budget on a largely party line vote. The proposal sharply reduces federal investment in education, health care, and infrastructure – investments that are necessary to ensure our country remains competitive in the global economy and to generate jobs in both the short and long term. The proposal makes huge reductions in spending that are largely offset by completely extending the Bush-era tax breaks, which were targeted towards the very wealthy. This budget proposal is an unprecedented assault on middle class Americans who are already struggling to make ends meet.

The proposal will:

**Dismantle Medicare as we know it, breaking a decades-old promise to seniors who have paid into this program and depend on it for their health care needs.**

Under the House majority budget, beginning in 2023, all seniors would be issued a government voucher with which to purchase either private health insurance or traditional Medicare. Because the budget proposal caps the value of the voucher at growth levels that are lower than rapidly rising health care costs, over time the value of the voucher would decline and leave seniors to make up the difference as health care costs continue to skyrocket. Also in 2023, the proposal raises Medicare's eligibility age from 65 to 67. Seniors who turn 65 or 66 in 2023 and lack access to employer-based coverage would be left to buy coverage from private insurance companies who would be free to charge sky-high premiums and discriminate against seniors with pre-existing health conditions.

The House budget would also extend massive tax giveaways to the wealthiest Americans. Under the proposal, anyone making more than \$1 million a year would stand to receive a tax cut of at least \$150,000 a year, paid for by slashing Medicare and eliminating the health benefits seniors already enjoy as part of the Affordable Care Act (ACA).

The House budget would also re-open the Medicare prescription drug "donut hole," at an out of pocket cost of \$11,794 for each Iowa senior between now and 2020. The ACA, which was signed into law two years ago, shrinks the size of the donut hole each year and closes it entirely by 2020. Thanks to this law, over the past two years, 60,366 Iowa seniors have already saved \$39,020,355 – an average savings of \$646 per senior.

➤ **Impact of Medicare Cuts on Iowans:**

- **439,726** Iowa seniors would be forced onto the voucher system when they retire in 2023
- Each Iowa senior's out-of-pocket health costs would increase by as much as **\$5,900**, according to the nonpartisan Congressional Budget Office (CBO).
- **60,366** seniors would be forced back into the prescription drug donut hole.
- **401,230** Iowa seniors would be required to pay more for preventive health services.

**Eliminate health care benefits that millions of American families are already enjoying and have come to rely on.**

By repealing the Affordable Care Act, the House proposal would drag the country back to a time when insurance companies called the shots, were free to raise premiums with no justification, and could deny coverage to individuals with pre-existing health conditions. Under this proposal, 2.5 million young Americans would be kicked off their parent's health care plans, and 20 million women would no longer receive free preventive health services, like mammograms and cervical cancer screenings. In addition, insurance companies would once again be free to cancel insurance if a beneficiary became ill and would be permitted to stop paying for coverage once an individual reached an arbitrary cap. The House budget would also eliminate the ACA's investment in evidence-based clinical and community prevention programs that increase the consumption of fresh fruits and vegetables, increase physical activity, and decrease tobacco use. Chronic diseases, like heart disease, stroke, cancer, and diabetes, are responsible for 7 out of 10 deaths, and account for 75 percent of the nation's health spending.

➤ **Impact of Health Care Cuts on Iowans:**

- Nearly **19,000** young adults in Iowa who are currently enrolled on their parent's health plan would lose this access.
- **611,000** Iowans who enjoy preventive health service with no cost-sharing would be forced to once again pay for these services.
- Private health insurance companies would once again be free to impose lifetime coverage limits on **1,187,000** Iowa residents, including **433,000** women and **311,000** children.
- Private insurance companies, who are currently required to spend at least 80 percent of consumers' premium dollars are on actual health care or rebate the difference to consumers, could return to raising premiums on **894,000** Iowans simply to increase company profit margins.
- Iowa has already received more than **\$10.9 million** in grants to support community initiatives to decrease obesity and increase physical fitness, prevent smoking, reduce health disparities, and improve health care workforce training and public health infrastructure. Funding for these programs would be eliminated under the House budget.

**Block grant the Medicaid program, jeopardizing nursing home care for seniors and health insurance for low-income children.**

The House proposal slashes \$1.7 trillion from health care services provided through Medicaid, including \$550 billion in health care for seniors and individuals with disabilities. The budget shifts these costs to states that are already facing difficult budget decisions. Analysis by Democratic Policy and Communications Committee of the U.S. Senate reveals these massive cuts would force 30 million vulnerable Americans off of Medicaid, reduce the scope of covered health services, lower reimbursement payments for health providers, and increase cost-sharing for beneficiaries.

➤ **Impact of Medicaid Cuts on Iowans:**

- Under the House budget, as many as **166,000** Iowa residents would be forced off Medicaid.
- More than half of Iowa's **442** certified nursing homes, which serve **25,200** seniors, rely on Medicaid as their primary payer. Under the House budget, these nursing homes would be forced to reduce services, turn away seniors, or close their doors.

Today's greatest challenges are to create jobs, accelerate the recovery, and restore the middle class. That's what I hear from so many Iowans – and families all across the country know it, too. Their daily reality makes it clear that a slash-and-burn approach is not working.

The United States remains the wealthiest nation in history. The most dangerous deficit we face is not a deficit of dollars, but of vision – our failure to confront the economic challenges of our day with the boldness that earlier generations of Americans summoned in times of crisis.

Rather than a pessimistic budget, which says America can't afford to maintain and rebuild the middle class, I have an alternative vision for a better future. That is why I introduced the Rebuild America Act – an ambitious bill to modernize our nation's infrastructure, expand manufacturing, prepare our workers for jobs of the future, and strengthen the economic security of middle class families.

For my full statement on the Rebuild America Act and for more detail on the bill, go to <http://harkin.senate.gov/help/middleclass.cfm>.