

Leadership Briefing Memo

Health Care and Federal Policy



PICO New Voices Campaign
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PICO National Network

Unlocking the Power of People™

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▪Historical Role of the Federal Government in Health Care

The federal government is a major provider of health care to the elderly, the poor and to children. In 1965, Lyndon Johnson created the nation's two major health care programs; Medicare and Medicaid. In 1996, Bill Clinton created a major program for low-income children, the State Children's Health Insurance Program (SCHIP).

The Dept. of Health and Human Services administers Centers for Medicare and Medicaid Services (CMS), which is responsible for Medicare, Medicaid, SCHIP, Federally Qualified Health Care Centers (FQHC), and other important health care programs. In 2002, CMS programs totaled \$377.2 billion, 18.6% of the federal budget.

Eligibility for many health care programs including Medicare, Medicaid, and SCHIP are based on the Federal Poverty Level (FPL). In 2004, a family of four at 100% FPL makes \$18,850 per year.

▪Programs/Policies and Current Policy Issues

MediCare –

MediCare provides health care to all Americans over the age of 65. The federal government pays the whole tab and the program is uniform across the states. Before 2003, MediCare didn't include prescription drugs.

Current policy issues:

At the end of 2003, a controversial MediCare drug prescription bill was passed with strong Republican support and less support among Democrats. This bill will go into effect in 2006 and provide drug coverage for \$35 per month with a \$250 deductible. The bill also has a large "doughnut hole" where recipients needing more than \$2250 in a year must pay for their own drugs, unless they require more than \$5100 in drugs per year. This would require numbers of seniors to pay several thousands of dollars per year for drugs. Beginning in June 2004, a prescription drug discount card will be made available, which will provide discounts of 25% or more on prescription drugs.

A variety of bills to change the 2003 bill are expected, and MediCare drug prescription benefits is likely to be a hot issue into the future. Two major factors in the bill's passage were support by AARP and massive amounts of spending and lobbying by drug companies.

Medicaid –

Medicaid is an insurance program for low-income children and adults. Because Medicaid is an entitlement program, anyone who qualifies has a legal right to receive the benefit and the program cannot be capped. Eligibility requirements vary widely among the states. California, for example, allows children and adults up to 100% of the FPL to apply for Medicaid, whereas Texas limits the program to children in families earning up to 33% FPL. Medicaid also provides low-income seniors with prescription drugs and nursing home care.

Medicaid programs are paid for by the state and federal government and constitute a large percentage of government budget expenditures. Federal funding provides 50-83% of the

costs. Of all federal funding that flows to the states, Medicaid makes up 43%. On average, states spend 16% of their general fund on Medicaid programs.

Current policy issues:

Due to federal and state budget crises, 49 states will be cutting Medicaid expenditures in 2004. Last summer, Congress extended \$10 billion in temporary extra federal financial matching funds (also known as FMAP) for states' Medicaid costs, which helped to prevent serious health care cuts in a number of states. The Administration and Republicans in Congress are not inclined to extend such relief again. Currently, there is a push to find 2 Senators (a Democratic and a moderate Republican) to author an extension bill.

The Bush administration and a number of states are seeking more sweeping approaches to cut Medicaid costs by restructuring the program at the federal and state levels. Some states (including CA, NH, FLA, and CO) are seeking waivers to revise their Medicaid programs at the same time the President is advocating converting Medicaid financing to a block grant program. This approach has met strong resistance by Democrats in Congress and is unlikely to be pushed during this election year. However, the President's commitment to this change will certainly shape all Medicaid debates at the state and federal levels.

State Children's Health Insurance Program (SCHIP) –

SCHIP provides insurance for children in families with income above the Medicaid eligibility level and less than 250% FPL. SCHIP is not an entitlement program so states have flexibility in determining eligibility or capping the program. Some states have set their eligibility level for the program at the highest level of 250%, and many have added parents to the program. Other states have been less active in using SCHIP funds and kept tighter eligibility standards. SCHIP is a federal/state program (feds pay 65%, state pays 35%). Many states have not used their entire federal SCHIP allotment and have returned millions of dollars to the federal government, who transferred those funds to those states who have used up their allotment.

Federally Qualified Health Centers (FQHCs) –

FQHCs are nonprofit, consumer-directed corporations that provide treatment to the estimated 93 million medically underserved. FQHCs include Community Health Centers (CHCs), Migrant Health Centers, Health Care for the Homeless programs, Public Housing Primary Care programs, and Urban Indian and Tribal Health Centers.

There are approximately 722 FQHCs, and 4,059 health center delivery sites in the United States. These centers are supported by federal health center grants, Medicaid, Medicare, private insurance payments, and state/local contributions.

Current policy issues:

In 2002, the President's Health Center Initiative was introduced. This is a five-year \$2.2 billion plan aimed at building 1,200 new health center delivery sites to serve 6 million new patients.

Political Analysis

Partisan perceptions of health care programs are predictably distinct. Republicans argue that programs such as Medicaid are growing at an unsustainable rate, taking a major percentage of the federal government budget. The program is fraught with ‘waste, fraud, and abuse’ and is too restrictive to states. Federal Medicaid requirements should be loosened so states can focus on shaping their own programs to suit their communities in need. Democrats argue that Medicaid is a necessity for 50 million Americans and is the continuation of our country’s commitment to end poverty and extend compassion to the less fortunate. All health costs are rising, so Medicaid costs will naturally increase with those costs.

Health care costs are one of the largest expenditures for local, state, and federal governments. Solutions and approaches to the nation’s ‘health care crisis’ are as complex as the problem itself. Some of the more successful and innovative approaches include:

- PICO’s affiliate PACT-San Jose spearheaded a local county children’s health initiatives to provide universal coverage for kids, an approach that a number of California counties are imitating
- Maine and Vermont have sought universal health care for their residents
- California lawmakers approved a bill requiring large employers to provide health insurance for their workers

▪Interest Groups/Lobbyists/Opinion Leaders –

Families USA

AARP

National Governors’ Association

Children’s Defense Fund

National Health Law Program

Appendix: Key Congressional Committees [with PICO Congressional relationships]

HOUSE	R	D
Appropriations - Subcommittee on Labor, Health & Human Services, Education, and Related Agencies	Ralph Regula (OH) – Chair	
	Duke Cunningham (CA)	Lucille Roybal-Allard (CA)
	Dave Weldon (FL)	
Energy & Commerce - Subcommittee on Health	Michael Bilirakis (FL) – Chair	
	Barbara Cubin (WY)	Henry Waxman (CA)
		Edolphus Towns (NY)
		Diana DeGette (CO)
		Anna Eshoo (CA)
		Lois Capps (CA)
		Christopher John (LA)
Ways & Means - Subcommittee on Health	Nancy Johnson (CT) – Chair	
		Pete Stark (CA)
Budget Committee	Jim Nussle (IA) – Chair	
	Pat Toomey (PA)	Dennis Moore (KS)
	David Vitter (LA)	Lois Capps (CA)
	Jo Bonner (AL)	Artur Davis (AL)
	Ginny Brown-Waite (FL)	

Senate	R	D
Finance – Subcommittee on Health	Jon Kyl (AZ) – Chair	
	Craig Thomas (WY)	Bob Graham (FL)
	Rick Santorum (PA)	John Breaux (LA)
		Jeff Bingaman (NM)
		James Jeffords (VT)
Health, Education, Labor & Pensions Committee	Judd Gregg (NH) - Chair	
	Mike Enzi (WY)	Jeff Bingaman (NM)
	Kit Bond (MO)	Hillary Clinton (NY)
	Pat Roberts (KS)	
	Jeff Sessions (AL)	
	John Warner (VA)	James Jeffords (I) (VT)
Budget Committee	Don Nickles (OK) – Chair	
	Pete Domenici (NM)	Bill Nelson (FL)
	Wayne Allard (CO)	Jon Corzine (NJ)
	Michael Enzi (WY)	
	Jeff Sessions (AL)	