

# Contract with America to sacrifice elderly, children, disabled

by Linda Everett

Congress is just weeks away from voting on the Conservative Revolution's proposal to sacrifice millions of Medicaid beneficiaries—the blind, disabled, chronically ill, poor, and elderly among them—in their unworkable attempt to balance the federal budget, and to hustle 37 million elderly and disabled Medicare beneficiaries into what has to be the biggest shell game in American history, their plan to “save” the Medicare Trust Fund.

Because the Medicare and Medicaid programs are so central to the country's hospital and health care financing structure, no one will escape the Contract with America's knife—which is not “to demagogue the issue,” as House Majority Leader Newt Gingrich (R-Ga.) so often likes to charge. As increasing numbers of national organizations and scores of advocacy groups for children, the elderly, the disabled, and AIDS patients are warning, the Republican proposals of Medicaid block grants and nearly a half-trillion dollars in combined Medicare and Medicaid cuts, will take a devastating toll in human life, and shatter the backbone of the country's hospital and health care delivery infrastructure in the process.

Consider, as the Clinton administration charges, that over one-third of the Republicans' combined Medicare and Medicaid cuts of \$450 billion between 1996 and 2002, would come from just four states—California (\$54 billion), Florida (\$38 billion), New York (\$37 billion), and Texas (\$28 billion). No state can absorb such sweeping cuts, especially given the austerity budgets many state, county, and municipal governments are already facing.

For example, New York faces a reduction of 27% in federal Medicaid funds in the year 2002, cutting coverage for about 700,000 recipients in that year alone. According to the Urban Institute, the only way states can avoid these reductions in coverage would be to *increase* their spending on Medicaid by 40%—by raising property or sales taxes, or by cutting other critical state spending. But, in reality, New York, like many states, plans to *cut* its Medicaid program by 9%, and cut its income taxes by more than \$3.6 billion and its business taxes by \$50 million.

California faces a reduction of 31% in federal Medicaid funding in the year 2002 alone, forcing a cut-off of health benefits to over 1.2 million Medicaid beneficiaries at that point. How would Los Angeles County make up for those

cuts? It has plans to slash its budget by closing its Los Angeles County-University of Southern California Medical Center, one of the busiest public hospitals in the country. The center handled 66,000 inpatient admissions, 13,644 births, and 850,000 outpatient and emergency room visits in 1993. It runs one of the county's three burn centers, treats most of county's AIDS patients, and delivers 10,000 newborns to high-risk mothers every year. By all accounts, its closure, along with four comprehensive health centers and 25 neighborhood clinics using it, would be a disaster for the county's entire health system and its patients. The county has already voted to cut funding for its hospital and clinic system by half, and to shut all six of its comprehensive health centers and 29 of its 39 community clinics. What's left to cut?

As California's most impoverished residents lose their health care coverage, the facilities and medical professionals dedicated to treating especially indigent, non-paying patients, disappear. That situation, already under way in major cities throughout the country, is likely to escalate into an explosive public health crisis, as Congress proceeds to slash other federal public health programs, such as the House's 50% cut in block grants to Maternal-Child Health and Preventive Health Services.

Worse, a study by the National Health Law Program and Consumers Union warns that emergency and trauma care for *all* Americans could be at risk if current congressional proposals for Medicaid cuts and block grants are approved. The report, released on July 27, examines what occurred in the 1980s after California reduced its Medicaid spending by 18%—just two-thirds of what the Republicans propose to cut today. Nearly 300,000 California Medicaid recipients lost their coverage, many showing up for treatment in emergency rooms. Los Angeles County emergency rooms were continually closing, shifting overflow patients to trauma centers. The strain of providing costly care to large numbers of uninsured patients, forced 11 of the county's 23 trauma centers to close permanently, leaving 800,000 residents without access to nearby trauma care. Lack of access to emergency care meant more patients died of cardiac arrest and high blood pressure. One hospital emergency room director concluded, “You're better off having a heart attack in Mexico City right now than in Los Angeles.” The study concluded, “The tragic human toll resulting from California's 1982 Medicaid cuts . . .

could be replicated in nearly every state," should congressional proposals be approved.

### **Contract aims to dismantle Medicaid**

Medicaid is the federal- and state-funded program that provides medical treatment, long-term care, shelter, medicine, and daily assistance for 36 million Americans. The Conservative Revolution aims to arbitrarily "cap" the annual growth of federal Medicaid funds to the states at 4% (instead of 10%), and apply the \$187 billion in "savings" over seven years (1996-2002) to reducing the deficit.

Republican legislators propose to give the federal Medicaid funds to states in one lump sum, or block grant, with no strings attached. Republican governors applaud the proposal, because each state, not the federal government, would decide how to use the funds. In the process, however, Medicaid, as enacted by Congress in 1965, with its national goals and guarantee of an individual's legal entitlement to benefits based on income or type of disability, would simply no longer exist. Thirty years of legal protections and recourse for those denied care would be wiped out.

What most Americans do not realize, is that 67% of Medicaid funds go to the disabled and frail elderly. Some 39% of Medicaid funds provide for the acute care and long-term needs of 5 million blind and disabled beneficiaries. And, Medicaid provides care for 40% of all AIDS patients, and pays for health care for over 90% of the children and infants with AIDS. These vulnerable populations will not survive these federal cuts, let alone the untested managed care or health maintenance organization (HMO) experiments that states are depending on to further cut costs.

The American Hospital Association warned Congress that there are very real limits to the cuts in costs that can be drawn from managed care programs for elderly and disabled patients who have complex, often costly health care needs that cannot be dismissed. Most "savings" in Medicaid managed care programs are mythical. Studies that do show savings from HMO and managed care programs, link the savings to the lower utilization of services by their relatively young, healthy patient base. Managed care and HMOs are largely untested for the medical and nursing home services required for the disabled and elderly who represent 70% of Medicaid spending, so it's no cost-cutting panacea for Medicare either, as Republicans, among others, claim.

Over 50 national professional, health provider, consumer, and scientific organizations that are members of the Consortium of Citizens with Disabilities, testified to Congress in August that the needs of these disabled individuals, including children with cerebral palsy or mental retardation, young adults with spinal cord or traumatic brain injuries or serious mental illness, middle-aged persons with cancer or Alzheimer's disease, or elderly persons with Parkinson's disease, are not going to disappear just because Medicaid funds have been reduced.



*Nurses protest against health care cuts in Washington, D.C. on March 31, 1995. The demands of Newt Gingrich and Phil Gramm to cut Medicare and Medicaid will gut the U.S. health care system, and throw the sick and the elderly on the scrap heap.*

Besides the vulnerable Medicaid beneficiaries, such as the physically or mentally impaired, it is the poor elderly who could end up in the streets, given both the cuts and the loss of any legal guarantee of their Medicaid entitlement. About 28% of Medicaid funds are expended for indigent seniors, largely for their nursing home care, and for the state purchase of their Medicare hospital and physician insurance. Thus, a state Medicaid program that purchases Medicare for its indigent elderly and disabled beneficiaries, will have to pay any increases imposed on Medicare premiums or deductibles.

Removing federal guarantees of Medicaid eligibility also endangers millions of other Americans with disabilities or severe chronic illnesses, who have no other option but Medicaid, once they have reduced themselves to poverty in order to provide the acute care or long-term care services for which the health insurance industry refuses to provide coverage. For example, the industry denies coverage to anyone with mental impairments other than Alzheimer's. To whom do these families turn? Do the Republicans propose that we hide our mentally ill in the attic for the duration of their New Dark Age?

### **Cuts destroy children's safety net**

Gingrich and company claim that massive cuts in health care are needed to cut the deficit, in order to ensure the

nation's children will have a future. In fact, the GOP is set to gamble with the lives and welfare of some 18 million children, one in every four children in the country, who receive health care benefits through Medicaid.

A recently released Government Accounting Office (GAO) report warns that the Medicaid cuts may lead to a significant increase in the number of uninsured children in the country. One-third of the nation's children are either without health insurance or are enrolled in the Medicaid program. As the number of children covered by their parent's employer has declined significantly in recent years, the Medicaid program was able to serve as a safety net and to pick up coverage for many children.

Now, Congress is set to reverse those protective Medicaid expansions that they enacted just six years ago. These expansions guaranteed coverage to any child under age six, whose family's income is under 133% of the federal poverty level; and, to any child under 21 whose family's income fell below the federal poverty level.

The National Association of Children's Hospitals, whose member hospitals treat 50 to 80% of children with Medicaid coverage, joined with the American Academy of Pediatrics to warn that block grants to the states will hit children the hardest if these national standards for Medicaid coverage are not upheld. Projected cuts of future growth in Medicaid spending are so large, they warn, that states will be forced to significantly reduce future Medicaid coverage.

The GAO report also warned that, as poorly educated Americans take lower-paying jobs that don't offer health care coverage, families need expanded Medicaid help. Yet, as states radically cut welfare, forcing families into a severely depressed job market, where they will need this Medicaid "safety net" for their children, Republican governors appear hell-bent on imposing some of the most stringent eligibility requirements in years. There is genuine concern that some states may return to the days, for example, when Alabama provided Medicaid to children *only* if the annual income for a family of four was under \$2,000!

The Medicaid block grants may eliminate another federal regulation, the Early and Periodic Screening, Diagnosis, and Treatment program (EPSDT), which requires states to provide children with medically necessary care, using appropriately trained doctors and certified pediatric specialists. For good reason, the National Association of Children's Hospitals and Other Institutions warns that "children's health should not be decided on a state-by-state basis without some national standards." The tremendous benefits that the EPSDT program provides, by screening for and treating serious health disorders or disabilities in children and pregnant women, will be lost because of maniac budget-cutters. Without these federal standards of care, Republicans make the unconscionable choice of allowing millions of disenfranchised children, pregnant women, and families to suffer or die from curable diseases and controllable conditions.

The Clinton administration estimates that as many as 9 million indigent children, elderly, and disabled individuals would lose their Medicaid coverage as a result of the Conservative Revolution proposals. Elderly and disabled individuals who are unable to meet their increased Medicare premiums and co-payments may also be forced to go without hospital and physician care. They will join the growing ranks of uninsured Americans, who are expanding at a rate of more than 1.2 million a year. They, like the 44 million currently uninsured (about 18.8% of all those under the age of 65), will eventually turn to public hospitals for care. These facilities, although chronically underfunded and short-staffed, provide whole communities with trauma care, burn centers, and neonatal units. Some 90% of their services are provided to Medicare, Medicaid, and low-income, uninsured patients. But, as is indicated with the likely privatization of New York City's hospital system and the closing of the Los Angeles County-University of Southern California Medical Center, public hospitals are seriously threatened with each federal or state cut in health care programs.

### **The Medicare shell game**

Congress's cuts will drastically cut Medicare reimbursements to hospitals and physicians in general, with additional cuts in the extra funds that support teaching hospitals and in the disproportionate share programs that assist hospitals that treat mainly homeless, indigent, and uninsured patients. When a Medicare patient is treated at a teaching hospital, the government reimburses the facility about 30% more than a regular facility, to cover the costs of training doctors, or the use of new drug therapies or surgical techniques. That extra payment will be cut 30 to 60%, under the GOP budget plan. Such cuts have a direct impact on how both teaching hospitals and public facilities, which often utilize the residents and interns of such teaching programs, are able to treat large numbers of uninsured patients.

Medicare cuts of this magnitude will cause a reduction of the attending physicians required for oversight in a teaching program, as well as its research projects. These cuts could lead to the loss of a teaching program's accreditation, as recently occurred with Howard University's Obstetrics and Gynecology (OB-GYN) program. Howard, located in the District of Columbia, which has the highest infant mortality rate in the country, is one of the nation's four predominantly African-American medical schools. The loss of its program exacerbated OB-GYN staff shortages at D.C. General Hospital, the only hospital in the city that delivers thousands of high-risk infants to uninsured mothers annually.

The Republicans' sweeping plan to shift Medicare beneficiaries into HMOs and managed care plans, will further erode the ability of most facilities to provide free care, since managed care programs refuse to pay for the extra costs of medical research and for training new physicians.

The Contract with America's Medicare cuts depend on

hoodwinking Medicare beneficiaries with promises of “more choices” and bigger savings with HMOs. First, there’s not much “choice” involved, if, as the House plan requires, seniors are to be heavily penalized with higher premiums and deductibles should they stay with a fee-for-service plan. GAO studies have found that Medicare HMOs pressured elderly beneficiaries into signing up with plans that systematically refused to provide critically needed treatment, and refused to acknowledge a beneficiary’s right to appeal the HMO’s denial of treatment. For-profit HMOs not only ignored the oversight authority of government agencies who monitored Medicare contracts, but they cost the federal government more money than fee-for-service contracts.

A GAO study released in August found that, despite the Health Care Financing Administration’s newly instituted monitoring and enforcement of HMO performance standards, Medicare HMOs still have serious, documented quality problems, such as incorrect diagnoses (bladder cancer), inappropriate assessment of test results, inappropriate treatment plans, incentives to underserve beneficiaries, repeated denial of access to care (patient died as a result), delays in treatment, and incompetent or untimely treatment. Medicare HMOs still, after eight years, subject beneficiaries to abusive sales tactics and undue delays in their appeal of HMO denials of treatment for six months or more, which causes high out-of-pocket costs for beneficiaries, who are forced to disenroll from the HMO to obtain needed services.

But, that’s not the end of the Gingrich Medicare scam. The Clinton administration has charged that the Republican-proposed cuts in Medicare and Medicaid would not be necessary barring their proposed \$245 billion tax break for well-off Americans. After his July 29 radio address, President Clinton and Hillary Clinton labeled the Contract with America’s claim that Medicare must be cut by over one-quarter of a trillion dollars to “save” the Medicare Trust fund, nothing but a “shell game.”

The Medicare Trust Fund, which is projected to become insolvent by 2002, involves Medicare Part A, which provides hospital care and some nursing home care, with a sizable deductible and co-payments, for the elderly and disabled. The \$160 billion in “savings” proposed by the GOP in Medicare Part A, would allegedly shore up the Trust Fund, while causing “a lot of pain” for hospitals.

However, the Clinton administration points out that the Republican-planned cuts of up to \$120 billion from Medicare Part B, which is funded out of general revenues and user premiums, has nothing to do with the Medicare Trust Fund. Cuts or “savings” in Medicare Part B, which pays for physician services and laboratory tests, “will not put one red cent into the Medicare Trust Fund,” the President said. Elderly and disabled Medicare beneficiaries will pay for the majority of the Republican’s Medicare Part B “savings.”

The costs of Medicare Part B premiums are linked to the overall costs of the program. In January 1996, premiums will

comprise about 20% of the program costs. Republicans hope to increase premiums up to 30 to 50% of the program costs—a hefty increase. The Part B deduction will not only increase from the current \$100 a year to \$150 or even \$250 a year, but the Republicans also want to index the deduction to inflation, which would keep it rising—and out of reach of increasing numbers of needy elderly. With each new burden that the Conservative Revolution piles onto the backs of older Americans, like new Medicare Part B co-payments, fewer and fewer seniors will be able to partake of the Medicare privileges that U.S. legislators fought to provide them with 30 years ago.

### **A health plan for a new underclass**

It is no surprise then, that the Conservative Revolution’s “Coalition to Save Medicare,” includes the same scoundrels who threatened the office of the U.S. Presidency, and last year, lied, fought, lobbied, and paid out millions to halt any health care reform that might have secured some of the basic health care programs that most Americans appropriately expect in an industrialized nation. The members of the coalition include the Alliance for Managed Care, which is comprised of major health insurance companies; the conservative front group, the Seniors Coalition; and the National Taxpayers Union (NTU), a key Conservative Revolution group that is tightly integrated with other rabid free-market ideologues such as the Cato Institute and the Mont Pelerin Society.

The NTU proclaims that its number-one goal since 1975 has been a balanced budget amendment to the U.S. Constitution. It also campaigned to eliminate America’s Social Security system for the elderly, a task which Gingrich says he’ll take on, as soon as he balances the budget—on the backs of Medicare and Medicaid beneficiaries. James Dale Davidson, NTU president, is working for the aims of Lord William Rees-Mogg, a principal spokesman for the British monarchy and its elite Club of the Isles, in forming an alliance of bankers and environmentalists to stop subsidies of energy and infrastructure products and to hold up the development of new technologies. Davidson co-authored *Blood in the Streets* (1987) and *The Great Reckoning* (1992) with Rees-Mogg, in which a period of economic collapse that will usher in a new feudalism and slavery in the form of an Information Revolution, is forecast. In the books, Rees-Mogg blatantly asserts that only 5% of the population—the elites—will be necessary, as the Age of the Renaissance ends, and Gingrich’s “let’em eat lap-tops” Information Age begins. The remaining 95% of society’s new feudal serfs will labor to benefit the few.

Not surprisingly, then, from beneath the Contract with America lies and pleas to the American people to save Medicare for our children, comes slithering the Phil Gramm-Newt Gingrich crowd, to gut what can be still be considered the most advanced health care system in the world and to prepare Americans for health care fit for an underclass.