

The Presidential Debate and the Impact of the Republican Budget on Health Care in New Hampshire

*The Budget Would Cause Major Harm to the State's Seniors, People
Needing Nursing Home and Long-Term Care, Moderate-Income Families,
and Small Businesses*

Introduction

On June 13, 2011, New Hampshire will host the first debate with most of the Republican presidential candidates. Participating in the debate will be Rep. Michele Bachmann, businessman Herman Cain, former House Speaker Newt Gingrich, Rep. Ron Paul, former Minnesota Governor Tim Pawlenty, former Massachusetts Governor Mitt Romney, and former U.S. Senator Rick Santorum. A significant portion of the debate will no doubt focus on the economy, including the controversial federal budget proposal introduced by Rep. Paul Ryan and supported by all but four Republicans in the House of Representatives and all but five Republican Senators.

The proposal is extraordinarily controversial, especially its provisions to restructure and make deep cuts in the Medicare and Medicaid programs. Indeed, the proposal was a significant factor in the recent special congressional election in an upstate New York district that normally votes Republican, but this time elected a Democrat. It is likely to be controversial throughout the coming election season.

To date, comments on the proposal by the Republican presidential candidates have focused on the provision that would restructure Medicare in the future. The Republican budget proposal, however, contains other key changes to the Medicare prescription drug program and to Medicaid, and so far, those changes have received little attention from the presidential candidates.

In fact, the Republican budget proposal would radically restructure the Medicaid program. Today, the federal government matches state Medicaid spending, and New Hampshire receives \$1.00 from the federal government for every dollar that the state spends. If Medicaid costs

go up—such as when states face epidemics, natural disasters, or economic downturns—federal support for the program increases, as well. This federal-state partnership is critical to making Medicaid a reliable safety net.

Under the Republican budget proposal, however, states would receive a set amount of federal support that is significantly lower than they would receive under current law. And this amount would not change, regardless of circumstances. This new Medicaid block grant would reduce funding to the states by \$771 billion over the next decade. As a result, federal support for Medicaid would be reduced by 33 percent as of 2021. Over the next decade, New Hampshire would receive an estimated \$2.8 billion less than it would under current law.

At the same time, the Republican budget proposal would also repeal key provisions of the Affordable Care Act (ACA) that provide significant help with the cost of purchasing coverage both to middle-income families struggling to pay premiums and to small businesses that want to provide coverage for their workers.

As this Special Report documents, all of these changes will have a profound impact on people living—and voting—in New Hampshire, particularly the seniors in Medicare, people needing long-term care, working families, and children.

The Republican Budget Proposal



The Republican Budget Proposal's Impact on Seniors in Medicare

Under the Republican budget proposal, people born in 1957 or later would experience a very different Medicare program than the one that exists for current seniors. Instead of receiving guaranteed health coverage as seniors do today, tomorrow's seniors would receive a partial contribution towards the purchase of private insurance.

With each passing year, the portion paid by Medicare would shrink and the share that seniors pay themselves would grow. According to the Congressional Budget Office, in 2030, 65-year-olds, on average, would pay 68 percent of their health costs (through premiums and copayments) out of their own pockets, compared with 25 percent under current rules.¹ For many, if not most, these higher costs would be unaffordable.

The Republican budget proposal would also result in immediate Medicare cutbacks by eliminating a key protection for seniors with high prescription drug costs. That protection, established in last year's ACA, offers significant relief for seniors who fall in the huge Medicare drug coverage gap known as the "doughnut hole." For seniors

falling into the doughnut hole, the ACA provides a 50 percent discount on brand-name drug purchases in 2011. The Republican budget proposal, however, would eliminate this important protection.



What This Would Mean for Seniors in New Hampshire:

- At least 14,000 seniors in New Hampshire currently fall into the prescription drug coverage gap; they would lose the 50 percent discount currently available to them.²
- Since the size of the drug coverage gap is \$3,608 this year, seniors losing the 50 percent discount protection are at risk of paying as much as \$1,804 in additional drug costs.³

This out-of-pocket burden for seniors who require expensive medicines would grow substantially each year under the Republican budget proposal. That is because the size of the annual coverage gap is projected to increase to approximately \$6,000 by the end of this decade.⁴ The ACA fixes that through the total elimination of the coverage gap by 2020—but, unfortunately for seniors in New Hampshire and around the country, the Republican budget proposal would rescind that protection. As a result, seniors would be at risk of paying \$6,000 more each year—or \$12,000 for a couple—for their medicines.



The Republican Budget Proposal's Impact on People Needing Nursing Home and Other Long-Term Care

By cutting federal support for Medicaid, the Republican budget proposal would make nursing home and other long-term care unaffordable for large numbers of seniors and people with disabilities. Medicaid is the nation's—and New Hampshire's—largest payer for long-term care services. Medicaid pays for both nursing home care and for the home- and community-based care that allows many to live at home and avoid a nursing home stay. Today, Medicaid pays for half of long-term care costs and is the primary payer for nearly two-thirds of people in nursing homes.⁵

Even though long-term care is very expensive, few people have private long-term care insurance, and Medicare does not cover most long-term care costs. As a result, many who need long-term care, either in a nursing home or at home, exhaust their savings to the point that they become eligible for Medicaid. Medicaid's safety-net is often the only avenue they have to get the care they need.

The Republican budget proposal's deep reductions in federal support for Medicaid would force states to cut nursing home and other long-term care coverage. This would not only have a devastating effect on the seniors and people with disabilities that lose their long-term care coverage, it would adversely affect their families as well. Family members would need to give up their jobs to take care of their frail loved ones.



What This Would Mean for New Hampshire:

- More than 15 percent of all New Hampshire’s seniors and people with disabilities—about 41,300 individuals—rely on Medicaid for the long-term care they need.⁶
- Nearly 64 percent of New Hampshire seniors and residents with disabilities who need nursing home care rely on Medicaid to pay for that care.⁷
- Nearly 9,000 New Hampshire seniors and people with disabilities rely on Medicaid to provide home- and community-based services that make it possible for them to live at home and avoid nursing home care—things like home care services and home-delivered meals, as well as adult day services and respite care so that family caregivers can take a break.⁸
- Medicaid also helps many of New Hampshire’s 220,000 informal caregivers—spouses, children, parents, and friends who are helping to care for a loved one.⁹ For the many caregivers who are helping someone with Medicaid, the support Medicaid provides makes it easier for them to maintain their jobs, take care of their families, or simply rest when they need to.
- Since the Republican budget proposal would reduce federal Medicaid funding to New Hampshire by an estimated \$2.8 billion over the next decade, the state would inevitably cut back nursing home and other long-term care coverage for seniors and people with disabilities.¹⁰



The Republican Budget Proposal’s Impact on Health Care for Working Families

Efforts to make health coverage affordable for hard-working, middle-class families are the cornerstone of the ACA. Beginning in 2014, Medicaid will be expanded to cover lower-income Americans (such as four-person families with annual incomes below \$31,000), and tax credits will be provided to middle-class families (such as four-person families with annual incomes between \$31,000 and \$90,000) to help with the cost of health insurance premiums.

The Republican budget proposal, however, would eliminate this help for working families. Health coverage would be unaffordable, and millions of working families would be priced out of the health care they need. As a result, many millions of Americans would be left uninsured, and insured families would experience profound economic hardships.



What This Would Mean for New Hampshire:

- The estimated 95,000 Granite Staters who would have received health coverage primarily through the Medicaid expansion and premium tax credits by 2021 would remain uninsured.¹¹
- Between 2000 and 2009, the average premium for job-based family coverage in New Hampshire rose from \$7,525 to \$13,822, an increase of 83.7 percent.¹² The costs are even higher for families purchasing health coverage on their own. As a result, the Republican budget proposal's elimination of tax-credit subsidies would make health coverage unaffordable.
- In New Hampshire, the number of uninsured increased from 121,000 in 2002-2003 to 134,000 in 2008-2009.¹³ If the Republican budget proposal is adopted, the number of uninsured would continue to rise.
- New Hampshire would lose billions of dollars in federal funding. Between 2012 and 2021, New Hampshire would lose an estimated \$2.8 billion in federal funding for its existing Medicaid program, along with an additional \$2.0 billion in funding for the Medicaid expansion and \$2.3 billion in funding for the premium tax credits set to begin in 2014.¹⁴



The Republican Budget Proposal's Impact on Children

The Republican budget proposal's substantial cuts in Medicaid would slash funding for the major provider of health care coverage for children. Medicaid covers one in three children, giving them access to a regular source of health care. That matters for a child's development and future success in school. Even brief gaps in health care coverage are associated with reduced access to care and increased rates of unmet medical needs.¹⁵ Regular health care coverage through Medicaid has been linked to better health outcomes for children.¹⁶ Better health leads to better performance in school and later in life.



What This Would Mean for New Hampshire:

- Medicaid provides health care coverage for nearly 87,000 New Hampshire children.¹⁷ Children make up over 60 percent of all Medicaid enrollees in the state.¹⁸ The Republican proposal's deep cuts to Medicaid would jeopardize New Hampshire children's access to health care, and that would put New Hampshire's children, and New Hampshire's future, at risk.



The Republican Budget Proposal's Impact on Small Businesses

The Republican budget proposal would eliminate tax credits that are helping small businesses buy health coverage for their employees. Starting in 2010, small businesses have received ACA tax credits of up to 35 percent of the cost of providing health coverage for their workers. Starting in 2014, the maximum tax credits are scheduled to increase to 50 percent.

Moreover, the Republican budget proposal would stop the creation of new health insurance marketplaces (called “exchanges”) slated to become operational in 2014. These marketplaces will enable small businesses to join together and secure lower premiums through economies of scale. They also are intended to simplify how small businesses shop for and enroll in coverage, easing the administrative burden on small businesses that have limited staff and time to search for health coverage. Without these exchanges, small businesses would have to continue to invest a substantial amount of resources to find quality, affordable coverage.

The cost of health insurance premiums, coupled with the administrative burden of finding an acceptable health plan and enrolling workers in it, can be prohibitive, particularly for the smallest businesses. As a result, smaller businesses are much less likely to provide health coverage for their workers. Nationally, three in five (59 percent of) small businesses with three to nine workers offered coverage to their employees; for small businesses with 10 to 24 workers, only three-quarters (76 percent) offer health coverage. In contrast, almost all firms with 200 or more employees (99 percent) offer health coverage.¹⁹



What This Would Mean for New Hampshire:

- More than one in five (20.4 percent) Granite Staters works for a firm with fewer than 20 employees.²⁰ These businesses are crucial to New Hampshire's economy. If the Republican budget proposal is adopted, the ACA's help to small businesses would be eliminated.
- Almost 20,000 small businesses would no longer be eligible for tax credits that help with the cost of health coverage for their employees. That's 80 percent of the small businesses in New Hampshire.²¹
- 4,500 New Hampshire businesses that are eligible for the full 35 percent premium tax credit would no longer be able to receive this assistance.²²

Where the Candidates Stand on the Republican Budget Proposal

The seven Republican contenders for the presidential nomination have offered various comments about the Republican budget proposal. The candidates' positions so far have focused almost exclusively on the proposal that would restructure Medicare for people born in 1957 or later, who turn 65 beginning in 2022. The comments all vary—ranging from strong support for the Medicare restructuring proposal by some, to general support for the proposal but with a promise to offer variations of it by some others, and to a view that the proposal does not go far or fast enough. *It will be useful if the upcoming debate promotes a dialogue about the other key features of the Republican budget proposal on Medicare, Medicaid, and health care that have received considerably lesser attention.*

Michele Bachmann: She voted for the proposal.

As a member of Congress, Michele Bachmann voted for the Republican budget proposal. She has voiced her clear support for it.



In an interview on ABC's "Good Morning America," Bachmann told host George Stephanopoulos, "I certainly did support the bill that Paul Ryan put forward."²³

Herman Cain: He unequivocally supports the proposal.

Herman Cain has expressed his full-fledged support for the Republican proposal to change Medicare as we know it.



In an interview with *The National Review*, Cain said, "I absolutely support Paul Ryan's plan. It is exactly the kind of bold restructuring that we need in order to get our hands around the entitlements issue."²⁴

Newt Gingrich:

First, he opposed the proposal; now he supports it.

Former Speaker Newt Gingrich initially suggested, in an appearance on NBC's "Meet the Press," that the Republican budget proposal was far too extreme for him to support. During the interview, the show's host, David Gregory, asked Gingrich whether Republicans should "buck public opposition" and "move forward to completely change Medicare."



Gingrich responded, **"I don't think right-wing social engineering is any more desirable than left-wing social engineering. I don't think imposing radical change from the right or the left is a very good way for a free society to operate."**

When pressed further about whether he agreed with Rep. Ryan's approach, Gingrich said, **"I think that it is too big a jump."**²⁵



When members of his own party lashed out at Gingrich for his opposition to the proposal, he retracted his words and his position. In a later interview on the CBS show "Face the Nation," Gingrich clarified his previous statement.

"I would have voted for Ryan's budget," he said. **"I wasn't referring to Ryan. I was referring to a general principle. We the people should not have Washington impose large-scale change on us."**²⁶

Ron Paul:

He supports the principle of the proposal but did not vote for it because he does not think it goes far enough.

As a member of Congress, he voted against the proposal, arguing that it should have included deeper Medicare cuts.



In an interview on MSNBC's "Morning Joe," he said: **"So I don't fully endorse what [Rep. Ryan] wants. I give him a lot of credit — at least he's going in the right direction. It just wasn't enough for me, you know."**²⁷

Tim Pawlenty:

He supports the proposal but intends to offer his own “better” plan.

He said that he supports the Republican proposal to turn Medicare into a voucher, but if he had his choice, he would present a new and improved plan.



While visiting a small electronics business in New Hampshire, he said, “I’ll have my own plan, which will have some similarities to the Medicare plan of Congressman Ryan. But it will have some differences, as well.... We just have some other ideas that we think we can add to it that would make the package even better.”

When asked if he would sign the Republican budget proposal into law if he were elected President, he confirmed that he would: “If that was the only bill that came to my desk, and I wasn’t able to pass my own plan, I would sign it.”²⁸

Mitt Romney:

He appreciates the Ryan plan but will have his “own plan.”

He spoke positively about the Republican budget proposal, but, as he visited an agricultural software company in Iowa, he told reporters he would prefer to have his own plan to address changes to Medicare.



“If we don’t make any changes, then Medicare won’t be there for the next generation and that’s unacceptable to me. So I appreciate what Paul Ryan has done,” he said. But he continued, “I’m going to have my own plan.”²⁹

Rick Santorum:

He likes the proposal and would like it implemented as soon as possible.

He is enthusiastic about the proposed changes included in the Republican budget plan, but he would like to see it implemented more quickly. At the Americans for Prosperity Presidential Summit in Manchester, New Hampshire, reporter Scott Keyes asked Santorum whether he would sign Rep. Ryan’s proposal into law, if he were elected president.



Santorum responded, “Yeah, I support the Ryan budget plan. I think it’s the right direction on the major points. The only thing I would do, frankly, as I’ve said publicly many times, I think we should implement a lot of these things sooner than what he’s suggesting.”³⁰

Conclusion

The upcoming Republican debate is an opportunity for the public to learn the position of each of the candidates on all elements of the Republican budget proposal—cutting support for Medicaid, a program critical to children and seniors and others who need long-term care; repealing the tax credits that would make it easier for families and small businesses to purchase health insurance; eliminating the ACA's improved Medicare drug coverage; as well as ending Medicare as it exists today.

Health care is complicated, and it is far too easy for candidates to vaguely state policy positions in ways that obscure the human consequences of those policies. The Republican budget proposal would have significant negative consequences for the people of New Hampshire, and what candidates say about this proposal is a strong indicator of how they would govern, if elected. On June 13, the candidates should clearly let the public know where they stand on each of these aspects of the Republican budget proposal. The people of New Hampshire deserve no less.

Endnotes

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