Minnesota Budget Project

The Budget Conference Agreement's Impact on Minnesota

The week of December 18, 2005, the U.S. Senate and U.S. House passed slightly different versions of a budget conference agreement that would have a profound and damaging impact on Minnesota. The budget agreement would cause Minnesotans to lose access to health care services and prescription drugs, lose the child care assistance that enables parents to work, and receive less of the child support that they are owed. While there is a provision to increase funding for energy assistance, that money will not be able to help families this winter. In addition, the conference agreement puts substantial financial pressure on the state of Minnesota, which is only starting to recover after four years of crippling budget deficits. Because the Senate made slight modifications to the conference agreement, it now goes back to the U.S. House for another vote in late January or early February.

Health Care
One in 9 Minnesotans receives health care coverage funded in part by Medicaid. The budget reconciliation bill before the Senate would let copayments be substantially increased in Medicaid and would let health care providers deny services to those who cannot meet the copayments.

In 2003, Minnesota increased copayments for drugs and medical services in Medicaid. A study from Hennepin County Medical Center showed that a large number of people covered by Medicaid **ended up in the emergency room or being admitted to the hospital because they were unable to afford their medications**. This issue was the subject of a lawsuit and a state court determined that current law makes it illegal for pharmacists to deny medications to persons covered by Medicaid.

The budget bill will undo these legal protections. It will allow people on Medicaid to be charged copayments that are far above current levels for prescription drugs, physician care, inpatient hospital care, and many other services. As a consequence, low-income people would go without needed care, and use of emergency room and other hospital services would increase.

Also, under the bill, **many beneficiaries in Minnesota, particularly those with disabilities, could lose access to medically-necessary services** like therapy services, personal care, eyeglasses, hearing aids, and crutches.

The bill **creates a new unfunded mandate on states** regarding eligibility determinations: a new requirement that U.S. citizens applying for Medicaid must provide documentation of their citizenship, generally by producing a birth certificate or passport. States already require applicants to attest under penalty of perjury that they are citizens, and federal auditors have found no problem with this approach. This provision would only **end up reducing or delaying enrollment of eligible citizens**, because many low-income citizens do not have birth certificates in their possession and do not have passports. This would be a particular problem for people in need of immediate medical care, including people with disabilities. This provision would also make it more difficult for Minnesota to administer its Medicaid program. Medicaid officials across the country have reported that this provision would increase administrative costs.

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The budget reconciliation conference report would significantly limit Medicaid coverage of case management services — a benefit covered by Minnesota's Medicaid program. It would prohibit federal matching funds for case management wherever another state program could pay for such services, even if that program is not required to cover those services. Since many programs theoretically could pay for these services but do not have the capacity to actually serve more people, this provision could end up completely undercutting this vital benefit for low-income individuals in Minnesota. Often these case management services are used to help the elderly and persons with disabilities stay out of long-term care institutions.

Welfare-to-Work and Child Care

The provisions on the nation's welfare-to-work program, Temporary Assistance to Needy Families (TANF), would **impose expensive new expectations on states without providing them with adequate resources**. The Congressional Budget Office (CBO) has estimated that the cost to states of meeting the new requirements would be $8.4 billion over five years. This includes $4.3 billion in costs associated with operating significantly larger welfare-to-work programs and $4.1 billion in additional child care costs. Yet the bill includes just $1 billion in additional child care funding — less than states need just to ensure that their current child care funding keeps pace with inflation — and no additional welfare-to-work funding.

The Center on Budget and Policy Priorities estimates that **nationally some 255,000 fewer children will receive child care assistance**, as states would likely divert significant child care funding away from low-income working families not participating in the state welfare-to-work programs in order to meet the new TANF program requirements.

In 2003, Minnesota made a series of substantial cuts to its child care assistance programs for low-income working families. Those cuts dramatically reduced the income level at which families can receive child care assistance and substantially increased the copayments that families pay. The conference agreement's welfare-to-work provisions could **force Minnesota to make still larger cuts in child care** subsidies for low-income working families not receiving TANF cash assistance, undermining Minnesota's long-standing (if already scaled back efforts) to "make work pay" as part of its welfare reform agenda.

Under these new provisions, Minnesota would have to significantly increase the number of parents participating in welfare-to-work programs, at significant cost to the state. Moreover, the bill **would significantly restrict the flexibility Minnesota now has when helping families move towards self-sufficiency** — this flexibility has been the key to successes in Minnesota's welfare-to-work programs.

Child Support Enforcement

The conference agreement includes $1.5 billion in cuts to federal funding for child support enforcement efforts over the next five years and $4.9 billion over the next ten years. This is funding that states use to locate absent parents, establish legally enforceable child support orders, and collect and distribute child support owed to families. Minnesota stands to lose $47 million in funding for child support enforcement over the next five years and $141 million over the next ten years. As shown in the table, **these cuts take billions of dollars out of the pockets of parents and children** who are owed child support.

Amount of uncollected child support		
	5 year total	**10 year total**
U.S.	$2.9 billion	$8.4 billion
Minnesota	$83 million	$241 million

Energy Assistance

There has been considerable attention to the high heating costs that Minnesotans will face this winter. The conference agreement includes $1 billion for the federal energy assistance program called LIHEAP, but these funds are not made available until fiscal year 2007, so **none of these funds would help Minnesotans this winter**.