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As possibility of shutdown looms, latest federal budget proposal needs controversial Medicaid work requirements to balance

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<https://www.chartis.com/insights/possibility-shutdown-looms-latest-federal-budget-proposal-needs-controversial-medicaid>

The Buzz This Week

The US House of Representatives and US Senate have been at odds in recent weeks over proposed federal budget plans. The separate bills passed by each chamber have raised concerns on both sides of the aisle, largely due to implied cuts to the Medicaid program. The House and Senate must achieve budget reconciliation by passing identical bills to avoid a filibuster by Democrats in the Senate, in which Republicans have a slim majority.

In the meantime, without a passed budget, the government is set to shut down at midnight on Friday, March 14. A temporary stopgap bill was passed by the House on March 11 to avert this possibility, which would fund government operations through September. It would cut non-defense funding by about \$13 billion and increase defense spending by about \$6 billion over current budgets.

However, the Senate is still involved in a heated debate over whether to advance the stopgap bill. Senator Chuck Schumer (D-NY), who leads the Democratic Caucus in the Senate, stated that he is planning to vote for the bill, and that a shutdown would give “carte blanche” to President Trump and Elon Musk. Other Senate Democrats strongly disagree, not willing to give in to House and Senate Republicans. Kirsten Gillibrand (D-NY) was reportedly “screaming” so loudly at fellow Democrats during a private lunch on March 13 that she could be heard by the press outside.

In the broader proposed budget bills that have caused so much debate, the key items include an extension to tax cuts put in place in 2017 (which would total about \$4.5 trillion over the next decade) and an increase in spending for defense and border security. The necessary offset would need to come out of federal

programs, including federally sponsored healthcare services—Medicare and Medicaid. The initial House bill tasked the Energy and Commerce Committee (which oversees Medicare and Medicaid) to cut a minimum of \$880 billion over the next decade.

The Trump Administration has stated that it will not support cuts to Medicare, so Medicaid would presumably take the hit.

One approach to reduce Medicaid spending has resurfaced as part of the recent budget debate—establishing work requirements as a condition for qualification and coverage. While that would reduce program costs, it would put an estimated 36 million people at risk of losing healthcare coverage, per the Center on Budget and Policy Priorities. That represents about 44% of the roughly 80 million individuals who currently participate in the program.

Why It Matters

The idea of Medicaid work requirements for federal benefits is not new, but it has been a controversial concept for years because of the risk to underserved populations and the likely negative impact on population health.

The state of Georgia recently touted its success with Medicaid reform, including work requirements. The governor stated in January, “What we are doing is working.” Despite the reported cost savings, a separate analysis showed that work requirement reforms did not contribute to two of the initial goals of the Medicaid reforms—to enroll people in healthcare insurance coverage and increase the employed population through an incentive to work.

If similar Medicaid work requirements are rolled out in more states, millions would be put at risk of losing access to healthcare services. Dedicated to serving their surrounding communities, many health systems would have to find alternative ways to provide care that all community members can still access readily and that won’t put the health system at undue financial risk.

Update, March 17:

On March 14, the Senate passed a stopgap bill in a 62-38 vote. It allows the government to continue operating through the end of September, while Congress continues to debate the details of the broader proposed federal budget.

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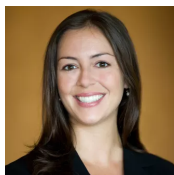
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