

Budget Reconciliation Bill Passes Senate, Sent Back to House

On Wednesday, December 21 the Senate passed the budget reconciliation bill by a vote of 51-50 with Vice President Cheney breaking the tie vote. All Senate Democrats and five Republican members voted against the bill. The Republican Senators are DeWine (R-OH), Snowe (R-ME), Collins (R-ME), Smith (R-OR), and Chafee (R-RI). Technical changes were made to the 774-page bill approximately three hours before the vote took place at 10:30 a.m.. The bill must go back to the House for consideration as the technical changes were significant. We understand that the technical changes relate to health care.

The House had left for the holidays but is in pro forma session today to pass the Defense and Labor-HHS-Education Appropriations bills under unanimous consent. Unanimous consent is a voice vote and is used when few members are available to vote.

House Minority Leader Nancy Pelosi (D-CA) is insisting on a recorded vote on the budget reconciliation bill. As of this morning, the House is not scheduled to return from their holiday break until January 31, 2006. It thus appears that the House will consider the budget reconciliation bill in early February.

Advocates who opposed the budget reconciliation bill are using the extra time to talk with their Representatives about concerns they may have with the legislation. The House passed the budget bill by a vote of 212-206 and switching a handful of votes would change the outcome.

Stay tuned to *LSA Washington* for more information on the budget reconciliation bill, on the Labor-HHS-Education Appropriations bill, and other issues of concern. Our next edition will be available in early January.

The conference agreement on the budget reconciliation bill was far worse than the House or Senate bills. Below is a short summary of the conference agreement before the technical changes were incorporated yesterday by the Senate.

Medicaid: The conference agreement allows states to impose cost-sharing for those eligible for Medicaid coverage if their incomes are between 100 and 150 percent of the federal poverty level. Families with incomes over 150 percent of the poverty level could be charged premiums as well as cost-sharing, but total charges could not exceed five percent of their income. States could not impose these costs on terminally ill patients receiving hospice care or on nursing home residents who are required to spend all but a small part of their income and assets for their care. States could deny Medicaid coverage to individuals who fail to make cost-sharing payments.

Asset transfer provisions include changing the penalty date for the period of ineligibility (penalty phase) to the later of the first day of the month during or after which assets were transferred or the date when the individual is eligible and would otherwise start receiving institutional care but for the application of the penalty period. This provision would become effective for transfers made on or after the date of enactment of this bill.

Medicare: The current moratorium on therapy caps would be allowed to expire, putting the caps back into effect as of January 1, 2006. Nursing home bad debt reimbursement would be reduced for patients covered by Medicare alone to 70 percent. Bad debt for patients eligible for both Medicare and Medicaid would continue to be reimbursed at 100 percent. The 75 percent rule would be phased in more slowly. And home health reimbursement rates would be frozen in 2006 with a five percent add-on for rural home health agencies.

Food Stamps: The final conference report removed all cuts to the Food Stamp program.

Foster Care: The bill includes \$343 million in net cuts in funding for the foster care program, including two cuts that will make it harder for some states to provide federally funded foster care benefits to certain relatives (often grandparents) who are raising children because the child's parents are unable to do so. This represents a cost-shift to these states, which still need to provide assistance to these families to ensure that the children continue to be cared for. In some states, it also will represent a cut in the level of aid provided to these families. Also, federal payments will be eliminated to states for assistance to children who are at imminent risk of entering foster care, are placed in unlicensed homes with relatives, or are moving from mental health or detention facilities to foster homes.

Child Support Enforcement: The Congressional Budget Office (CBO) estimates show that the conference report includes a \$1.5 billion cut in federal funding for child support enforcement efforts over the next five years and a \$4.9 billion cut over the next ten years. This is funding that states use to track down absent parents, establish legally enforceable child support orders, and collect and distribute child support owed to families.

TANF (Temporary Assistance to Needy Families): The TANF provisions in the conference report represent the largest change in welfare policy since 1996. CBO analyses show that the conference agreement would impose expensive new work requirements on states. The bill also provides the U.S. Department of Health and Human Services with new regulatory authority to manage how states operate their welfare-to-work programs, including new, unfunded paperwork requirements for tracking participation in work activities. The conference report imposes stringent work requirements on two-parent families. Under the conference agreement, 90 percent of all two-parent families receiving assistance would have to participate in work activities each month for at least 35 hours each week. Thus, the 90 percent participation requirement means that any state that provides assistance to two-parent families will almost certainly fail to meet the work participation requirements and face fiscal penalties. This could serve as a strong disincentive to states to provide aid to two-parent families.

Child Care: The conference report includes \$1 billion in additional funding for child care, which is \$7.4 billion less than what CBO estimates to be the cost to states of meeting the new work requirements. The \$1 billion is less than the \$11 billion states will need both to meet the new work requirements and to ensure that their current child care programs for low-income working families that are not on TANF do not have to be scaled back as a result of the impact of inflation on child care costs.

Housing: The conference report would eliminate HUD's Upfront grants program for five years. The mandatory program that began in 1994 allows FHA buildings under foreclosure to be sold at below market rates for preservation purposes and provides renovation grants to allow the units to remain affordable. Instead, the Upfront program will be a discretionary program rather than a mandatory program. It is not clear if there will be money in the discretionary budget for the program. The move to a discretionary program will sunset in five years, returning the Upfront grants to a mandatory program in 2011.