



Stop the War on the Poor

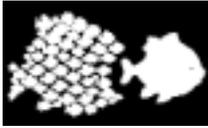
Montana's Public
Programs under Siege

by Dana Warn

Montana People's Action
The Northwest Federation of Community Organizations

January 2003

About the organizations releasing this report



Founded in 1982, **Montana People's Action** (MPA) is a statewide economic justice organization with over 6,000 member families in Billings, Bozeman, and Missoula. For over two decades MPA has been the primary voice for low- and working-income Montanans around the issues of housing, access to credit and banking services, access to health care, economic development policy, and income security.



Northwest Federation of Community Organizations (NWFCO) is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon.

For more information, contact:

Montana People's Action

208 E Main • Missoula, MT 59802

Voice & Fax: (406) 728-4095

Statewide toll free: 1-888-290-5711

Web: <http://www.mtpaction.org>

The Northwest Federation of Community Organizations

1905 S Jackson St • Seattle, WA 98144

Voice: (206) 568-5400 • Fax: (206) 568-5444

Web: <http://www.nwfco.org>

This report is available electronically at www.nwfco.org.

Stop the War on the Poor

Montana's Public Programs under Siege

Over the past five years, Montana's legislature passed large tax breaks for big corporations and wealthy Montanans. The recent recession, coupled with years of these tax breaks, has resulted in dramatic declines in state revenue.

Current projections show a Montana general fund deficit of nearly \$250 million for the 2004-2005 budget,¹ as well as a deficit for fiscal year 2003.² The governor's proposed budget for fiscal years 2004-2005 and the Department of Public Health and Human Services' (DPHHS) proposed cuts for fiscal year 2003, coupled with earlier cuts, will shred Montana's safety net — eliminating many of the supports Montana's poorest families need to live safe, healthy and productive lives. Cuts only worsen economic conditions, increasing the state's long term costs and budget problems.

Montana's budget has a revenue problem, and needs a revenue solution that will adequately and stably fund Montana's programs. We are calling on the legislature to fix Montana's revenue problem, stop cutting public programs, and restore the cuts implemented in the 2003 biennium.

A series of drastic cuts to public programs

The governor has slashed DPHHS programs, and proposed numerous further cuts. These cuts include DPHHS cuts enacted in the 2003 biennium, recently proposed Medicaid cuts for fiscal year 2003, and the governor's proposed budget for the 2005 biennium — cuts totaling \$166.2 million, including a loss of almost \$101 million in federal funds. This section covers this series of deep DPHHS cuts.



Sarah Cassidy, Missoula, Montana

I have been fortunate to have the Mental Health Services Plan (MHSP) to provide prescription drug coverage and pay for my visits to a private therapist. I suffer from an anxiety disorder that requires expensive medication to treat. My medications cost \$530 per month. Before December 1, 2002, I only had to pay \$49 in co-pays. After December 1, 2002, cuts enacted by the Montana special session put a \$250 a month cap on prescription drugs for MHSP recipients. I can't afford to make up the difference, so I am trying out older, more dangerous, less effective medications that have miserable side effects. I have to choose between rent and food and medicine, I have had to quit my job, and I am in danger of losing my apartment. I don't want to be homeless again. If I can't afford my prescriptions, I'll end up in the state mental hospital and that will end up costing the state even more. I don't have access to any other health insurance; without MHSP I could never afford the few services I need. When the

state helps me pay for treatment, I can be independent. These cuts are hurting many who are functioning with a little help from MHSP, but who will end up institutionalized without this help.

Numerous cuts already in place

Already, millions of dollars have been cut from public programs, drastically affecting the lives of Montanans, and harming the state economy. For the 2003 biennium, \$26.2 million in state spending has already been cut from DPHHS' budget. Because most DPHHS state spending is matched by federal funds, this resulted in a total cut of \$69.5 million.³

Deep medicaid cuts proposed for January, February, and April 2003

Due to budget problems for the 2003 biennium not solved by the August special session, DPPHS has proposed cutting \$13.3 million from Medicaid between January and June 2003. This includes \$3.6 million in state funding, and \$9.7 million in federal funds. The proposed cuts include:⁴

- **Eliminating numerous optional services** — including vision and hearing services. Eliminating these services makes it harder for people to get and keep jobs, increases work-related injuries, and increases the likelihood of permanent vision disabilities.
- **Eliminating adult dental coverage** — Pain and infections associated with untreated dental problems can make it harder for people to obtain and retain jobs, can increase emergency room use and long-term costs to the state, and can give rise to numerous serious medical problems.
- **Reducing therapy coverage for adults** — from the current limit of 70 hours to 40 hours.
- **Prescription drug changes** — limiting the amount dispensed, when refills are dispensed, and decreasing reimbursement to pharmacists for generic drugs.
- **Reducing provider payments** — a net payment reduction of 7 percent. Payment reductions can result in providers refusing to take Medicaid clients, further reducing access.

The governor's proposed budget slashes public programs

The governor's proposed budget includes \$35.7 million more in state cuts for DPHHS, resulting in a total of \$83.4 million in cuts to DPHHS for the 2004-2005 biennium.⁵ These cuts include:

Numerous Medicaid cuts:

- **Eliminating some optional services** — optional services include vision care, hearing aids and exams, physical therapy, and personal care attendants. Over 19,000 Montanans over the age of 21 currently access these services.⁶
- **Medicaid eligibility cuts** — changes in how assets are calculated to determine Medicaid eligibility — affecting over 510 people every month, resulting in reduced coverage for nursing home and community services for seniors and people with disabilities, and reduced coverage for mental health and primary care services.⁷
- **Limit physician visits to ten per year without prior authorization.** This creates a hassle for Medicaid consumers and providers.
- **Reduce Medicaid provider reimbursement.**
- **Eliminate the Medicaid hospice program.**



Jim Gibson, Missoula, MT

I have cerebral palsy which affects the lower portion of my body so I cannot walk without the aid of a walker. I live on my own, but some things are impossible to do on my own. I need a personal care attendant (PCA) to assist me with cooking, cleaning, and grocery shopping and taking me to appointments. Right now, Medicaid pays for 14 PCA hours a week and luckily my PCA donates some of her own time as this already does not cover all my needs. If Medicaid optional services are cut, I could lose my PCA and then I would have to go into a nursing home or I wouldn't be able to live.

Reducing childcare assistance — Over \$7.6 million in cuts to child care assistance programs. DPHHS analysis of a similar proposal found it would result in 300 direct care jobs lost, 110 secondary positions lost, 600 child care facilities downsizing or closing, and 1,960 child care slots lost. “Children could be placed in dangerous situations” because their parents cannot afford safe and adequate child care.⁸

Reducing Mental Health Services Plan — This program serves over 4,500 adults with low incomes and serious mental illness. Loss of services will likely result in more local emergency room use, more admissions to the Montana state hospital, increasing numbers of mentally ill people in the correctional system, and increased long-term disability and death.⁹

Eliminating or reducing other services, including — Big Brothers Big Sisters, Montana poison control system, Meals on Wheels, kidney dialysis, in-home services for children, the Farmer's Market nutrition program, community and employment support services for people with disabilities.

In addition to the cuts discussed above, the governor directed DPHHS to apply for a Medicaid waiver. If approved, the waiver would allow the state to make deeper cuts to the Medicaid program in the future.

The governor's budget does not include several of the drastic proposals Montana People's Action opposed, including:

- **Lowering Medicaid eligibility and eliminating CHIP** — One proposed eligibility change would have affected at least 313 seniors, 362 disabled, and 8,259 adults, and resulted in the elimination of the CHIP program.¹⁰
- **Eliminating all optional services.**
- **Eliminating pharmacy coverage for all medically needy clients over age 21** — Almost 8,000 clients would have lost prescription drug coverage, 45 percent of whom are in nursing facilities — many would be unable to afford vital medications, “resulting in a severely deteriorated state of health or death.”¹¹
- **Cuts to foster care, including tribal contracts.**
- **Cuts to services for children with disabilities.**

If implemented, these deep cuts would affect *tens of thousands of people* from almost every group DPHHS serves, and almost every type of care DPHHS provides, resulting in serious health problems and death.

In place of these cuts, the governor's budget relies on a net transfer of \$86.3 million dollars from the coal tax trust fund. This does nothing to solve Montana's long term revenue problem, and is not likely to happen. It takes a three-fourths vote of the House and Senate to authorize the transfer from the permanent coal tax trust fund. This has never been done successfully,¹² and opponents say they already have the votes to stop the plan.

The Legislative Fiscal Division's analysis of the governor's budget raised several other issues, including an inadequate surplus.¹³ The exceedingly harmful cuts mentioned above — or others — could resurface as the legislature looks for alternate strategies. But there are numerous strategies the legislature can use to solve Montana's short- and long-term revenue problems without cutting public programs.

Invest in Montana's economy: stop the cuts and restore cuts already in place

Faced with difficult economic times, people need public programs now more than ever. Public programs are a smart investment for Montanans, and for Montana's economy, generating much needed jobs and income for state residents.

Cuts to public programs will eliminate much needed jobs, businesses, services, and federal matching funds that help fuel Montana's economy. Numerous studies have shown the negative economic effect Medicaid cuts have on the economy. For example, a study of the economic impact of Medicaid cuts on the economy in South Carolina found a state funding cut of 4 percent, and the resulting loss in federal matching funds, would lead to a loss of 2,472 jobs and more than \$60 million in income for citizens.¹⁴

Cuts shift costs, often resulting in higher long term costs for the state, and greater harm to state residents. When people lose access to health care, they often must postpone seeking care, resulting in much more serious health problems. A patient who could have received routine, inexpensive preventive care may require expensive emergency treatment — at a much greater cost.

Montana already has one of the most meager Medicaid programs in the country. In 2001, Montana spent less on Medicaid per person in poverty than any other state. Some of the proposed cuts are the most drastic in the nation, and would shred this already minimal program.



JoAnn Harrington, Fun Fortress Daycare
Missoula, MT

I have operated a daycare for over 13 years; I currently have 7 “state-pay” children in my daycare. If the proposed cuts go through, I stand to lose all of these children. This would result in a loss of several thousand dollars of revenue monthly from my business and I cannot make it without this money. I employ two assistants who are being mentored to open their own daycares and if our state cuts childcare assistance funds, all three of us would be out of work. Many others will be affected as well. Most mothers can’t afford to work in Missoula without state funding to help with childcare — the jobs offered simply don’t pay enough. Parents currently in school and receiving help with daycare funding are perhaps the ones that stand to lose the most. Programs the state may cut put me through busi-

ness college and paid for my childcare while attending. The families in my daycare are like I was, people with integrity and values, just stuck without a little help. I can’t imagine where I’d be today without the programs that gave me a chance.

Fix Montana’s short- and long-term revenue problems

Eliminate corporate tax breaks — According to the Legislative Fiscal Division, eliminating only two subsidies, the business equipment tax deduction and tax increment financing districts, would save over \$25 million through 2005.¹⁵ The numerous tax cuts enacted by Montana since 1995 have resulted in a loss of over \$440 million in state revenue¹⁶ — and the primary beneficiaries of these tax cuts have been corporations and wealthy Montanans.

Decouple from recent federal tax changes — Changes in federal tax laws change how state taxes are calculated. Montana will save over \$48 million through fiscal year 2004 if it does not implement changes in the economic stimulus act,¹⁷ and can save further by decoupling from the federal estate tax cut.¹⁸ In addition, Congress will be considering a new set of tax cuts that will be costly to states.¹⁹ Montana should decouple from these changes as well.

Pool prescription drug purchasing — Montana can pool the prescription drug purchases of state agencies, private entities and local units of government, open the pool up to the under- and uninsured, and join with other states to negotiate lower prescription drug prices. Several states have already created prescription drug purchasing pools, and are already saving money.²⁰

Maximize federal matching funds — Invest in federally funded programs like CHIP, Medicaid, and Food Stamps. Programs with federal funding are the smartest investment for state dollars, and strengthen Montana’s economy. If unused, Montana’s CHIP money will first be allocated to other states, and then will revert to the federal treasury.

Endnotes

- 1 Montana Legislative Fiscal Division, *Legislative Budget Analysis 2005 Biennium*, vol. 1, *Statewide Perspectives*, January 2003, p 45.
- 2 John Chappuis, Deputy Director, Montana Department of Public Health and Human Services, "Medicaid Reimbursement and Program Coverage Changes," December 2002.
- 3 Montana Legislative Fiscal Division, *Special Session, August 2002, Appendix B: DPHHS Total Appropriation and Spending Reductions*, August 2002, p 1.
- 4 John Chappuis, Deputy Director, Montana Department of Public Health and Human Services, "Medicaid Reimbursement and Program Coverage Changes," December 2002.
- 5 Montana Legislative Fiscal Division, *Executive Budget Analysis*, vol. 3, *Agency Budgets*, sec. B, *Health and Human Services*, January 2003, p B-25.
- 6 Montana Department of Public Health and Human Services, "DPHHS Budget Reduction Impact Summary", 8 October 2002.
- 7 Montana Legislative Fiscal Division, *Executive Budget Analysis*, vol. 3, *Agency Budgets*, sec. B, *Health and Human Services*, January 2003, p B-24.
- 8 Montana Department of Public Health and Human Services, "DPHHS Budget Reduction Impact Summary", 8 October 2002.
- 9 *Ibid.*
- 10 *Ibid.*
- 11 *Ibid.*
- 12 Charles Johnson, "Legislative Analysis Raises Issues with Martz Budget Plan," *Billings Gazette*, 24 December 2002.
- 13 *Ibid.*
- 14 University of South Carolina Moore School of Business Division of Research, *Economic Impact of Medicaid on South Carolina*, Developed for the South Carolina Department of Health and Human Services, January 2002.
- 15 Montana Legislative Fiscal Division, *Legislative Options: Alternatives to Executive Plan*, Legislative Budget Analysis Special Session, August 2002.
- 16 Brad Simshaw, Principle Tax Policy Analyst, Montana Department of Revenue, *Tax Relief Legislation 1997 to 2001 Biennia*, February 2001.
- 17 Nicholas Johnson, *States Can Avoid Substantial Revenue Loss by Decoupling from New Federal Tax Provision*, Center on Budget and Policy Priorities, April 2002.
- 18 Elizabeth McNichol, *Many States in Decoupling from the Federal Estate Tax Cut*, Center on Budget and Policy Priorities, October 2002.
- 19 Iris Lav, *Many Federal Stimulus Tax Cuts Under Consideration Would Be Highly Costly for States*, Center on Budget and Policy Priorities, December 2002.
- 20 For examples, and estimates of the amount Montana could save, see: Dana Warn, *The Best Medicine at the Best Price: Prudent Strategies for Lowering Prescription Drug Costs and Protecting Public Health Care Programs*, Northwest Federation of Community Organizations, January 2003.