



The Real Cost of Cuts

How the 2003 budget cuts have impacted real people.

A report published in March 2005 by



healthcare

Dear Fellow Minnesotans,

For generations, Minnesotans have invested in ensuring a good quality of life for all. This public and private investment in cultural and civic institutions, as well as in basic needs such as education, health care, housing, and economic development, has been responsible for Minnesota's economic vitality and world renowned cultural and arts community.

Unfortunately, the recent state budget cuts have dramatically altered public investment in these areas without the necessary public discourse about the likely impact the cuts would have on Minnesota's quality of life. As a community institution committed to improving the quality of life in Minnesota, especially for those who are poor, and as a partner with state and local government, the Foundation has felt compelled to promote a widespread dialogue on the consequences of state budget cuts on ordinary citizens.

The budget crises of recent years have forced state legislators to make tough fiscal choices. We believe they do not take their task lightly. A number of those choices have indeed led to increased efficiency. Many of the cuts, however, have had—and continue to have—negative consequences for Minnesotans, especially for the poorest and most vulnerable among us. We know that thousands of individuals throughout the state are forgoing medical care, receiving inadequate education, living in insecure housing situations, and losing their foothold in the economy. In many cases, the same families are facing the impacts of multiple cuts, compounding the severity of the hardships.

All the philanthropic dollars available simply cannot take the place of public investment in meeting the basic needs of Minnesota's citizens.

The philanthropic sector, along with private industry, works in partnership with the public sector towards a common good.

As the 2005 legislative session progresses, we recognize that more tough choices will need to be made. There was little public dialogue at the time of the 2003 session about the magnitude of the cuts and about who would be most affected. We hope that those responsible for determining *what* to cut, *how much*, and *when* will first seek to comprehend the consequences of the last round of budget cuts on Minnesota's citizens and communities.

To help legislators more fully weigh the impact of past decisions while seeking to address the State's current deficit, The Minneapolis Foundation is publishing this series of three reports, *The Real Cost of Cuts*. The reports are intended to help document the impact of the 2003 budget cuts. As one parent facing the loss of services for his disabled daughter noted, "So many people affected by the budget cuts are too overwhelmed just dealing with their children's needs to speak up about them." We hope that in some small measure these reports will help bring those voices into the discussion about the next steps for a Minnesota that we can be proud of.



Emmett D. Carson, Ph. D.
President and CEO
The Minneapolis Foundation

This is one of a series of three reports documenting the impact of the 2003 legislative budget cuts. Also available are The Real Cost of Cuts reports on:

- Housing
- Education

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The 2003 **healthcare** budget cuts

■ Cuts in state funding for health care have come in many forms—stricter eligibility guidelines, reduced Minnesota Family Investment Program (MFIP) grants, home health service cuts, and eliminated programs. The collective impact is staggering: an estimated 38,000 Minnesotans will lose health insurance by 2007. The cuts are deepest for the lowest-income families, those receiving some assistance, people with disabilities, and recent immigrants. They also directly affect many middle-income families, as well as drive up costs for all Minnesotans.

■ An estimated 20,000 Minnesota children lost or will lose health insurance due to the cuts. Children are attending school without needed medications, curtailing physical activities to prevent injury, and forgoing preventive care. Without routine checkups and immunizations, minor health concerns can become medical emergencies—at greater cost to the child, the family, the medical provider, the community, and—ultimately—to the taxpayers.

38,000 Minnesotans will lose health insurance by 2007...20,000 of them children.

■ Other programs, such as prenatal care, teen smoking prevention, and home health care services for people with disabilities, are also expected to lead to greater financial costs to the state. The safety net people rely upon when other options are exhausted—such as community clinics and county hospitals—are being stressed beyond their capacity and are unable to absorb additional patients.

■ Health care concerns make it more difficult for adults to maintain regular attendance at work. School work suffers when children are not healthy. Individual illness can lead to outbreak. Families are stressed to the limit providing for severely disabled children, parents, and siblings. Many of the families affected by health care cuts are experiencing diminished services in other aspects of their lives, as well, thereby magnifying the impact.

■ As rising health care costs continue to squeeze family and public finances, a balance between short-term savings and long-term health will remain critical.

Losing Ground

How disability cuts have affected eight-year-old Maren Anderson and her family.

This past summer, Maren Anderson marched with her Brownie troop in the New Brighton parade. It's remarkable progress for an eight-year-old girl who couldn't so much as walk into a mall only a few years ago.

Due to a condition known as Sensory Integration Dysfunction, Maren couldn't handle crowds, lights, or noise. Her parents attribute her progress to a program for people with disabilities that may now be out of reach for Maren's family due to fee increases and service cuts.

Just two hours after Maren was born Julie and Tim found out she had Down syndrome. But it wasn't until Maren was five and still unable to speak at all, that they knew something else was wrong. The Andersons learned that Maren also suffers from Sensory Integration Dysfunction. Maren had trouble processing sensory information—touch, sight, and sound. Children with Sensory Integration Dysfunction are flooded with too much information, unable to process the signals their body sends them.

Although the Andersons had health insurance through Tim's accounting job, it didn't cover the services their daughter needed. (Most insurance plans don't cover speech or occupational therapy.) The Andersons got help from a federal/state disability program designed for families who can afford some but not all medical services. Monthly premiums are determined by income.

Legislative changes made in 2003 raised the premiums paid for services for children with disabilities—with some families experiencing rate increases of as much as several thousand

dollars per year. Last year the Andersons saw their monthly fee to the state double from \$131 to \$262, despite a drop in family income when Julie left her part-time job. Had she stayed employed, their fee would have increased to \$411.

Even as the Andersons are trying to adjust to higher fees, they are also facing federally-mandated cuts to the program. "We haven't been able to digest them," says Tim. The regulations are complex and the Andersons can't get answers about what they will mean for Maren, only that the cuts are designed to save money in the short term.

This past year Julie picked up a regular freelance writing job, but she has no idea how much of her extra salary will be gobbled up by a higher monthly premium or whether her income

Although the Andersons had health insurance through Tim's accounting job, it didn't cover the services their daughter needed.

will make them ineligible for the program at all. Julie asks, "Where did this idea come from that 'personal responsibility' means not ever receiving help from the government?"

The Anderson's goal is that by the time Maren turns 21 she will be happy, employed, and able to live on her own with minimal assistance, enjoying as full a life as possible. "Our family and the state and federal government are spending money now so that when she's an adult, she'll be much more independent and self-sufficient," Julie says. She believes that investment is now threatened.

Despite the financial burden and an uncertain future, the Andersons know that they are actually better off than many other families. Tim believes a lot of families can't say anything "because they are too overwhelmed just taking care of their kids."

The Andersons believe that investing in Maren now will help her become less dependent on public services as an adult. Julie fears that investment is now threatened.

Maren parades into the living room wearing a sparkling pink dress. She and her younger sister Carina have been playing dress up quietly in the next room. Before getting help for her Sensory Integration Dysfunction, that never could have happened. Maren couldn't deal with her sister. Now they are "buddies."

When asked what her favorite color is Maren shouts, "Purple!" while pointing to a painting she made that hangs on the kitchen wall. Although Maren still speaks with some difficulty, she now uses complete sentences and can answer questions directly without being overwhelmed.

The Andersons recognize that Maren is taking small but steady steps towards becoming a full part of society—not a tax burden hidden away in an institution.

They are a middle class family that has played by the rules. Recently Julie heard a politician say the budget cuts did not significantly hurt the average Minnesotan. She says she doesn't know whether that makes Maren and the family above average or below. ■

WRITTEN BY KEN STONE



CROSSING BUDGET LINES

→ Increased Fees

Fees have increased for services that enable parents to care for their disabled children at home. These fee increases can be as much as several thousand dollars per year. Hundreds of families appear to have stopped receiving services due to increased fees.

→ Special Education

Children with disabilities rely on health services and special education—both of which were dramatically reduced in the 2003 legislative session. Special education funding was reduced by \$70 million.

Last year the Andersons saw their monthly fee double from \$131 to \$262, despite a drop in family income.

A Shrinking Safety Net

Stricter eligibility guidelines leave Minnesota families without health insurance.

Joanne* has three sons under the age of 14 who are without health insurance for the first time. As a result Joanne keeps her kids out of sports and after-school programs to decrease their risk of illness and injury.

Joanne is a full-time county employee and earns slightly more than \$2,600 a month. By the time she pays for her family's basic needs of rent, utilities, food, and car, she has \$356 left each month for all other expenses. Paying her share of the monthly health care premium offered by her employer to cover dependents would leave her with \$31 each month to cover all other expenses and unanticipated needs.

Joanne's children had been enrolled in a public health care program, but despite working full-time she could not make ends meet while paying the monthly premiums. If the income standards had been left at 170% (instead of the

Medical Assistance is Minnesota's version of the federal Medicaid program. It provides premium-free insurance for lower-income families.

current 150%) of Federal Poverty Guidelines, Joanne's children would be eligible for health care through Medical Assistance. An estimated 2,900 Minnesota children lost their health insurance as a result of these new income guidelines. In Hennepin County alone, 1,600 notices went out to families regarding their loss of eligibility for Medical Assistance due to the changes made to income guidelines.

Medical Assistance is a premium-free program for families who qualify. The income standard for children ages 2-18 is 150% of Federal Poverty Guidelines or \$28,296 a year for a family of four. Medical Assistance is Minnesota's version of the federal program Medicaid.

The Smith* family of Scott County and their 17-month-old son Kalem have also felt the effects of the cuts. Kalem's father is an employee

"I think there needs to be affordable insurance for families. This is beginning to get out of hand," says Joanne.

of a small technology company that does not offer health insurance for dependents. Kalem automatically received Medical Assistance under the "auto newborn" provision at the time of birth, but lost his coverage after his first birthday because his family's income exceeded the income limit by less than \$20. Prior to the legislative change, he would have automatically remained eligible for coverage until the age of two, regardless of his family's income. As of July 1, 2003, infants born to mothers on Medical Assistance (MA) no longer qualify for two years of automatic eligibility at the time of birth. Instead, they qualify for only one year of automatic eligibility. This change alone caused 3,800 children to lose their MA health care coverage. The first two years of a child's life are the most critical for wellness visits.

His mother, Heather, worries that without well-child visits, Kalem's health may suffer. She hopes he does not have a recurrence of

acid reflux, which landed him in the emergency department last winter. He recently fell and chipped a tooth but was not able to see a doctor or dentist. Kalem has not been to the doctor since he lost his health care coverage.

As families come off of Medical Assistance, the data does not indicate that they are enrolling in MinnesotaCare as an alternative. MinnesotaCare is the state health insurance program for higher income families that requires payment of a monthly premium. In fact, MinnesotaCare is seeing a steady decline

Due to changes in the automatic newborn coverage, Kalem lost Medical Assistance after his first birthday because his family's income exceeded the income limit by less than \$20.

in enrollment numbers since July 2003 when most legislative cuts were implemented.

Outreach workers report that it is becoming increasingly difficult to help their clients enroll in public health care programs. For example, Covering Kids and Families outreach workers in Minneapolis and St. Paul saw a 14% decrease in the success rate of getting families into public programs in 2004 compared to 2003.

"I think there needs to be affordable insurance for families. This is beginning to get out of hand," says Joanne. ■

SOURCE: CHILDREN'S DEFENSE FUND MINNESOTA-HEALTH CARE CHRONICLES NO. 1 AND 4

*Names have been changed.



CROSSING BUDGET LINES

→ Children's Health Care Coverage

Nearly 7,000 Minnesota children lost their health insurance as a result of changes to Medical Assistance alone. An additional 13,000 children have lost or will lose their health coverage due to changes to other public health care programs. Before the 2003 budget cuts, 64,000 Minnesota children were already uninsured.

→ Preventive Care Services

For many local public health departments budget cuts have led to fewer family home visits, including prenatal and new baby visits. Prevention and early intervention services for youth and families have also been reduced or eliminated.

Wellness, or preventive care, visits are most critical during the first two years of a child's life.

The Real Costs

The following list includes a sampling of the anticipated consequences of the 2003 state budget cuts. Sources include the Minnesota Budget Project and the Children's Defense Fund Minnesota.

<p>Loss of Coverage</p>	<ul style="list-style-type: none"> ■ In all, an estimated 38,000 Minnesotans will lose health insurance by 2007. ■ An estimated 20,000 Minnesota children have either lost or will lose public health care coverage due to 2003 legislative changes. ■ About 4,000 immigrants have lost their health care coverage through General Assistance Medical Care. Some have life-threatening illnesses such as drug-resistant tuberculosis or cancer or are in need of transplants.
<p>Pregnant Women, Infants, and Young Children</p>	<ul style="list-style-type: none"> ■ Funding cuts to the WIC program, which provides healthy food, nutrition counseling, and health care referrals, means that clinics are being closed and fewer women and children are being served. Some people are now driving more than 50 miles to receive their WIC vouchers and waiting lists are increasing. Some increased demand is being shown among families with members in the Reserves or National Guard. ■ In a survey of local public health departments, the majority of respondents noted that budget cuts have meant cuts in family home visits, including prenatal and new baby visits. Prevention and early intervention services for youth and families have also been reduced or eliminated.
<p>Prevention Programs</p>	<ul style="list-style-type: none"> ■ A survey of public health departments reports reduced immunization rates in communities that can no longer afford to send immunization reminder notices. ■ Funding from the Tobacco Endowment for programs to prevent use of tobacco among youth was eliminated. Between 2000 and 2002, these programs stopped 13,800 Minnesota kids from becoming addicted to tobacco.
<p>Disabled Children</p>	<ul style="list-style-type: none"> ■ Fees have increased for parents who receive services that enable them to care for their disabled children in their own homes. These fee increases can be as much as several thousand dollars per year. More than 300 families appear to have stopped receiving services due to increased fees. ■ 6,800 low-income Minnesota families receiving federal SSI disability payments saw cuts in their state MFIP grants. For each disabled member of a family, \$125 was deducted per month from the family's MFIP check. 20% of families receiving MFIP have two or more disabled family members.
<p>Chronic Conditions</p>	<ul style="list-style-type: none"> ■ Persons with diabetes who are covered by state-funded health programs no longer have coverage for testing strips to monitor their blood sugar and manage their insulin. This is expected to lead to serious, and more costly, complications.
<p>Health Care Workers</p>	<ul style="list-style-type: none"> ■ Low-income workers wanting to enter the health care field no longer will be able to do so through the Health Care and Human Services Worker Training program, which was canceled despite a worker shortage in health professions.



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