Statement by Senator Dianne Feinstein In Opposition to Budget Reconciliation Bill

December 20, 2005

Washington, DC -- U.S. Senator Dianne Feinstein (D-Calif.) today announced opposition to the $39.7 billion budget reconciliation conference report, which would reduce spending through severe cuts for programs designed to help working families and the poor. The following is Senator Feinsteins floor statement on the bill:

"Mr. President, I rise today to oppose the budget reconciliation conference report. The conference report cuts total $39.7 billion versus the Senate proposed $34.6 billion. It reduces mandatory outlays for entitlement programs by relying heavily on added financial burdens on poor, working Americans.

This 'deficit-reduction' effort of cuts in vital programs is offset by provisions soon to come which will provide $95 billion in additional tax cuts – including cuts to capital gains and dividends rates. The conference report will raise $39.7 billion while capital gains and dividends tax cuts passed by the house will reduce revenues by $20 billion over 5 years and $50 billion over 10 years. This strategy is clearly not reducing the deficit and it does not justify cutting programs for the poor to benefit the wealthy.

This bill is just another step to further the Republican agenda of severely cutting benefits to working class families while handing out tax cuts to the wealthy. The Fiscal Year 2006 Department of Defense Appropriations Conference Report is another illustration of this – this bill contains a one percent across-the-board cut to discretionary programs totaling $8.6 billion in FY06.

While Republican leaders had the opportunity to create significant savings in the conference report by reducing prescription drug costs and eliminating unnecessary payments to HMOs, they chose not to. This bill provides relief for special interests in exchange for greater burdens on poor, working families, welfare recipients and children.

Here's an overview of who wins and who loses in this conference report.

<u>The pharmaceutical industry</u>

The conference report fails to include provisions in the Senate bill that would have limited what Medicaid pays for prescription drugs. The Senate bill increased the minimum rebates that drug manufacturers are required to pay the Medicaid program for drugs provided to Medicaid beneficiaries. The Senate bill also applied the rebates to drugs provided to Medicaid beneficiaries in managed care plans. In total, the prescription drug provisions in the Senate bill would have saved $3.9 billion over five years and $10.5 billion over ten years. The conference report eliminates all but a few hundred million of these cuts.

Although not in this bill, the drug industry scored another major victory in the Fiscal Year 2006 Department of Defense Conference Report by being handed broad liability protection even in instances of reckless disregard or gross negligence. This egregious provision protects drug companies even when there are criminal violations of FDA standards.

I think we can safely say this holiday season will be a merry one for the drug industry. Unfortunately the same cannot be said for poor and working Americans on Medicaid under this bill.

Managed care

The conference report maintains the $10 billion Preferred Provider Organization (PPO) stabilization fund even though 52 Senators voted to eliminate it and the extremely strong showing of private health insurance participation in the Medicare prescription drug benefit obviates the need for it.

Even the independent, non-partisan Medicare Payment Advisory Commission (MedPAC) recommended, nearly unanimously, that the $10 billion stabilization fund be eliminated because it is unnecessary and unwarranted and provides an unfair competitive advantage to PPOs.

Working families

In total, the conference report contains $1.9 billion in increased co-pays and premiums for poor families and children in Medicaid. That's over five years. If you look at the ten year figure, that amount jumps to $10.1 billion.

The Senate bill contained no such increases in premiums and co-pays.

In total, the conference report cuts $3 billion that will directly impact Medicaid beneficiaries.

What's going to happen to these families once they are required to pay possibly as much as 20 percent of the cost of each medication they take or 20 percent for each doctor visit with no annual limit on how much they have to pay out-of-pocket? They simply won't go to the doctor, they won't take their medications or they will simply not enroll in Medicaid at all.

For those Medicaid beneficiaries who can no longer afford to stay enrolled in Medicaid or choose not to enroll, who wind up in an emergency room for their medical care, under this bill there is no limit on what they may be charged, other than a ten percent limit of the cost of service for those who are between 100 percent and 150 percent of poverty, which is equivalent to between $9,570 and $14,355 of individual annual income.

As under the house-passed spending reconciliation bill, the conference report allows providers to deny a service if the patient has no ability to pay the charges at the time of services and states can terminate Medicaid coverage if the family cannot pay premiums.

The conference report allows states to provide any child, without regard to income, a lower benefits package than they have today. That means low-income children, no matter how poor they are, are no longer guaranteed vision screenings, eyeglass coverage, therapy services, and medical equipment that would allow them to attend school.

I am disappointed that the conference report eliminates a provision that Senator Hutchison and I worked hard to get included in the Senate bill which protected Medicaid adult day health care services in eight states: California, Texas, New York, New Jersey, Maryland, Massachusetts, New Hampshire, and Washington. In California alone, the elimination of this provision means that 47,000 seniors and disabled people at risk of losing community-based health care services.

And why are they at risk? They are at risk because of aggressive actions by this Administration to force California's adult day health care program into a 1915(c) Medicaid waiver which the state of California estimates will make forty percent of currently eligible program participants ineligible for the services they receive today. These services include skilled nursing care, physical, occupational and speech therapy, and nutrition services for low-income, frail elders and disabled adults.

The Administration is pursuing this despite vocal, bipartisan opposition from California's Congressional Delegation. I ask unanimous consent to enter into the record two letters from the California delegation to the administration opposing a waiver.

Cuts to federal student loan programs in the conference report will push college out of reach for many middle and low income families. The $12.7 billion reduction over five years, nearly one third of the conference report's total cuts, will be the largest cut to student aid ever enacted.

This conference report makes it more expensive for students and their parents to borrow for college by increasing the interest rates and fees they pay on loans. At the same time, this bill protects private lenders at a higher cost to the government.

This is being done as students and families are struggling to pay skyrocketing college costs. The average cost of attending a public university for one year in our country has increased 66 percent within the last decade.

Students will be forced to take out more loans to meet the cost of increasing tuition. This will only drive them greater into debt, making it even more expensive for students to pursue a college degree.

The conference report reauthorizes the TANF program for five years despite overwhelming opposition in the Senate to including TANF reauthorization in budget reconciliation. The conference report contains drastically inadequate child care funding and will cost California approximately $350 million more annually as a result of changes to work participation requirements.

Lastly, I am deeply concerned about the impact this conference report will have on child welfare in California. This bill, like the house-passed bill, reduces federal foster care supports that help grandparents and other relatives care for abused and neglected children. It also contains a provision overturning a 2003 Ninth Circuit Court of Appeals decision in Rosales v. Thompson that may harm more than 4,400 foster kids in California alone.

Conclusion

The bill before us today represents a victory for special interests over the interests of our nation's poorest and most vulnerable citizens. I urge my colleagues to join me in rejecting this bill."