

COMPOUNDING EFFECTS

ECONOMIC IMPACT OF FEDERAL CUTS TO BENEFIT PROGRAMS

INTRODUCTION

1

Under the Trump administration, Congress has been directed to cut \$880 billion from the Health and Human Services budget and another \$230 billion from the Department of Agriculture budget over the next 10 years. Exactly *how* these cuts will be determined is up for debate, yet signals indicate SNAP, administered by the Department of Agriculture (USDA), and Medicaid, under Health and Human services (HHS), are main targets for cuts or program changes.

By analyzing the most likely cut scenarios from our federal partners – the Center for Budget and Policy Priorities (CBPP), Georgetown University, Economic Policy Institute (EPI) – and using federal data from HHS and USDA with state-specific data from the census, Every Texan initiated cross-departmental research to determine the compounding effects of these cuts, should the federal government opt for one of the three most frequently cited scenarios (minimal, moderate, and maximum). We chose to report on a ‘moderate’ cut scenario. All cuts are outlined in our [methodology](#). Broadly, for food programs – SNAP, WIC, and National School Lunch Program (NSLP) – our model considers a cut of 17% of federal funding. For Medicaid we used EPI’s model with specific Texas household microdata, which is a cut of just over 5%. All scenarios are modeled for families in EPI’s lowest income bracket (quintile).

TAKEAWAYS

The data show the hardest hit families are those who rely on the programs the most. These cuts will force Texas lawmakers to make their own difficult decisions about which Medicaid and food assistance programs to maintain with state funds since federal funds will be reduced. Most importantly, budget cuts of this projected size will hurt families who have members who are pregnant, school aged children, and adults who are aging and/or disabled.

Our model indicates that a pregnant working parent + one child + one elderly in the household stands to lose \$2,500 each year, placing them nearly \$10,000 per year below the poverty line. That \$2,500/year is made up of reductions (not eliminations) to SNAP funding, WIC food baskets, Medicaid coverage, and reductions in school meal programs.

SCENARIOS

Every Texan has gathered benefit rollback scenarios from our national partners to demonstrate what families who benefit from Medicaid, SNAP, WIC, and National School Lunch Programs will experience if Congress doesn’t act to protect these social safety nets. The scenarios are based on actual congressional proposals and federal data tied to Texas census demographics.

COMPOUNDING EFFECTS

ECONOMIC IMPACT OF FEDERAL CUTS TO BENEFIT PROGRAMS

COMPOUNDING IMPACTS ON INCOME: SCENARIOS	PREGNANT WORKING PARENT + 1 CHILD	2 WORKING PARENTS + 1 CHILD + 1 ELDERLY PERSON	SINGLE WORKING PARENT + 1 CHILD + 1 ELDERLY PERSON	PREGNANT WORKING PARENT + 1 CHILD + 1 ELDERLY PERSON
POVERTY LINE	\$21,150	\$32,150	\$26,650	\$26,650
INCOME BEFORE CUTS (EPI AS BASELINE)	\$19,307	\$25,678	\$19,307	\$19,307
INCOME LOST W/ CUTS	\$2,063	\$3,180	\$2,357	\$2,456
REDUCED INCOME W/ CUTS	\$17,244	\$22,498	\$16,950	\$16,851
% LOSS W/ CUTS	11%	12.5%	12.5%	13%
AMOUNT BELOW POVERTY LINE W/ CUTS	\$3,906	\$9,652	\$9,700	\$9,799

DISCUSSION

Homelessness, hunger, and an over-reliance on emergency room visits as medical care are all results of policy choices. We must work together to defend social safety net programs like Medicaid and CHIP that are under attack by the Trump administration. Federal representatives have a responsibility to protect these programs and those who most need them. Part of this administration's "state's rights" movement will require states to make up for these losses and could lead Texas to opt out entirely of programs that may require more state matching funds.

We mentioned that the financial impact of these cuts to a working parent with one child who is also caring for an elderly adult is \$2,500. What does that look like to a family at the poverty level? At a minimum, it's a loss of one month's rent. The average two bedroom apartment in Texas is \$1,463. Losing a month's rent can result in homelessness, which quickly leads to unemployment. It can mean losing after school care, which can cost more than \$4,000 per year at the YMCA. The average minimum wage worker must work 86 hours per week to afford even a one-bedroom apartment. Without after school care, a parent may need to reduce hours, further exacerbating the effect of these cuts on both homelessness and employment rates.

COMPOUNDING EFFECTS

ECONOMIC IMPACT OF FEDERAL CUTS TO BENEFIT PROGRAMS

THE BOTTOM LINE

Americans will suffer regardless of which option congressional representatives take to lower federal health care spending costs by \$88 billion per year.

➤ CONSIDER THIS ⇐

Right now, if a Texan covered by Medicaid needed lower intestinal surgery (which costs around \$1 million), the federal government would pay around \$600,000 and Texas would cover the outstanding \$400,000.

OPTION A

THE FEDERAL GOVERNMENT IMPLEMENTS WORK REQUIREMENTS FOR MEDICAID.

- That Texan lost their coverage pre-surgery because they were feeling ill or missed work.
- It's likely an emergency room doctor would have to determine the surgery is necessary to prevent that person from dying immediately.

OPTION B

A TEXAN STAYS ON MEDICAID, BUT THE FEDERAL GOVERNMENT IMPLEMENTS A PER CAPITA CAP OF \$200,000 IN FEDERAL SPENDING PER PERSON.

- Texas would have to make up the outstanding \$800,000.
- State lawmakers could also cap the amount allowable for the state to spend on individuals, and the patient would get a bill for the rest of the surgery cost.

IT'S IMPOSSIBLE TO FULLY DELINEATE THE EFFECTS OF THIS \$880-BILLION PLANNED CUT TO HEALTH CARE PROGRAMS. THE U.S. HEALTH CARE FINANCING SYSTEM IS SO INTERTWINED WITH OUR ECONOMIC, EDUCATIONAL, AND PUBLIC HEALTH INFRASTRUCTURES THAT TEXANS AND PEOPLE AROUND THE COUNTRY WILL FEEL THE EFFECTS DIRECTLY AND INDIRECTLY FOR DECADES TO COME.

Medicaid does not have a published, quantifiable economic impact on communities like, food programs do. According to the [Center for Budget and Policy Priorities \(CBPP\)](#), each dollar in SNAP benefits spent increases the GDP by \$1.54. According to a [Colorado State University Study](#), WIC's economic impact per dollar is \$1.50. Every Texan's Research and Data team has agreed that for the National School Lunch Program (NSLP), the conservative multiplier is \$1.30. Based on that figure, if the Committee on Agriculture cuts the food benefits for a single individual in Texas by 17%, the local economy loses \$904 each year. If each SNAP household also receives WIC and NSLP, the family may only miss a month of rent, but Texas stands to lose \$2,258,420,434 in GDP stimulus each year.

COMPOUNDING EFFECTS

ECONOMIC IMPACT OF FEDERAL CUTS TO BENEFIT PROGRAMS

SNAP, WIC, and NSLP keep rural households fed. According to the CBPP, there are only 75 retailers who accept SNAP per 100,000 people nationwide, and we know there are even fewer in rural Texas. Many of these providers are small convenience stores who depend on the economic impact of SNAP dollars to keep servicing their communities. Let's protect children, pregnant women, elderly, small grocery businesses, and Texas' bottom line by continuing to support these social safety net programs.

CONCLUSION

Given that the highest health care costs for people enrolled in Medicaid come from seniors and people with disabilities, it's likely that House Energy and Commerce Committee members will focus on cutting program costs among these groups, who will then face the highest increased health care costs on average among all Medicaid cuts. Add to that terrible projection the fact that food programs primarily support children and seniors, particularly those with disabilities, and these cuts will further disproportionately hurt our most vulnerable populations.

Cost cutting by eliminating safety nets is not cutting costs; it merely transfers the weight of costs onto the shoulders of already-overburdened homeless shelters, food banks, emergency rooms, and carceral systems that do not function to address the underlying causes of poverty, hunger, and illness. Federal cuts will lead to increased state spending and ultimately hit individual taxpayers while decreasing the economic and cultural outputs of our local economies.

Cuts to these programs will only hurt Texas. When health care costs skyrocket, our most vulnerable families will shoulder the devastating reality of increased stress, bankruptcy, and preventable death.



TAKE ACTION NOW

- [Find your Representative](#)
- Contact their office to request a meeting and plan a trip to visit with them in person.
- Use this report to share data that supports your feelings about possible federal cuts. Let them get to know you, share your experiences, and help them understand why Medicaid and SNAP are important to you, your family, and your neighbors.
- Plan for a follow up call to thank your representative and remind them you'll continue to pay close attention to the decisions they make that affect Texans.

WE'RE HERE TO HELP!

Contact **Lynn Cowles**,
Health and Food Justice
Manager, for support in
planning your visit:
COWLES@EVERYTEXAN.ORG

READY TO ENGAGE?



[HTTPS://BIT.LY/PROTECT
MEDICAIDANDSNAP](https://bit.ly/protectmedicaidandsnap)

WWW.EVERYTEXAN.ORG



EVERY TEXAN