

# Cuts in Social Security and Medicaid Contribute to Further Impoverishing African Americans

Trimming Health Care for the Poor and the Elderly

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## **Obama administration set to abolish CPI, Cola and slash medical coverage for poor and elderly**

Massive cuts are being proposed which will impact the way in which Social Security and Medicaid are allocated in the United States. The Obama administration has floated a plan known as chained Consumer Price Index (CPI) along with a goal of trimming healthcare funding for the poor and elderly by \$400 billion.

These efforts are purportedly connected with the need to trim the federal budget deficit. A “sequester” was imposed earlier this year which is already resulting in furloughs for government workers, lay-offs in the healthcare industry and the elimination of programs which have benefitted low-income people for decades.

The chained CPI will lead to severe reductions of the limited increases in payments based upon the rise in inflation and the cost of living. These reforms, if instituted, would also be applied to benefits received by retired government employees, veterans and recipients of Supplemental Security Income (SSI).

In a recent study released by the Center for Global Policy Solutions (CGPS), the research institute placed the Obama administration proposals within a broader sociological context where the historic national oppression of African Americans has rendered this community to lower-wages and accumulated household wealth. Compounding this centuries-old reality, the economic crisis of the last five years has also disproportionately driven down the living standards of African Americans and other peoples of color.

After retirement African Americans face even lower incomes through pensions and social security payments which are based on earnings during the last few years of their employment. Any cuts to the incremental increases in monthly payments for retirees can only result in deeper economic challenges and poverty.

According to the CGPS study,

“African Americans are among the most vulnerable when it comes to economic security. As of 2011, over half of the African American senior population was financially insecure.”

This financial insecurity stems from the continued lack of opportunity and systematic

national discrimination within the education sector and labor market. In addition, the decades-long restructuring of the industrial and service sectors of the United States economy has left whole layers of the workforce without decent jobs that encompass adequate salaries and benefits.

CGPS says that “The persistent income and wealth inequality seen among African Americans comes from years of disproportionately lower levels of earnings, employment, educational attainment, and ownership of family assets such as homes, stocks/bonds, saving accounts, and businesses. As a result, African Americans have had significantly fewer opportunities to build assets over time and often lack the savings to ensure financial security throughout their post-working years.”

### **Alternative Measure Proposed by the Obama Administration**

Through the corporate media there is gross misrepresentation involving the discussions over the budget cuts and possible changes in the formula which determine Social Security payment increases. The fact of the matter is that these measures are not necessarily related to the federal budget deficit. The Social Security system has a separate trust fund that has more than enough reserves to maintain payments to retirees, survivors and people living with disabilities.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is an instrument used to project the yearly cost of living adjustment (COLA) that is applied to beneficiaries. The idea behind this measure is to boost the annual inflation-adjusted increases in order for recipients to keep up with the constantly escalating prices of housing, food, health care and other necessities of life in the U.S.

CGPS in its study notes that

“The Obama administration proposes to substitute the regular CPI-W for the chained Consumer Price Index for all Urban Workers (CPI-U), a measure of inflation that takes into account substitutions of less expensive goods when prices for other alternatives go up. This substitution would reduce the amount by which the COLA is increased annually—a reduction of about \$3 for every \$1,000 in benefits—and its effects would be compounded over time.”

Objectively this new measure could substantially reduce the purchasing power of those who have a greater reliance on Social Security and SSI payments. This instrument also fails to take into account the higher costs associated with health care services and prescription drugs.

### **Proposed Changes Will Further Impoverish African Americans**

Statistics and studies issued by the Social Security Administration (SSA), the Joint Center for Economic and Political Studies (JCEPS) and the Center for Disease Control (CDC) indicate that 47 percent of African American seniors rely on Social Security for more than 90 percent of their retirement income. Even more striking is that 40 percent of African American retirees are dependent upon Social Security as their sole household income.

As recent as 2010, nearly 20 percent of African American adults over 65 had income levels that were below the federally-determined poverty line. This compares with 7 percent of non-

Hispanic whites of the same age level.

Also as a result of life circumstances and inadequate access to healthcare, African Americans are more likely to suffer from ailments that require costs that are not covered through insurance programs. Moreover, the life expectancy for African American men is two years less than white men, rendering them to a shorter span of time for the receiving of benefits.

In addition, there is a higher rate of people living with disabilities among the African American population where the total number of people receiving benefits is nearly 20 percent Black, although African Americans only constitute 10 percent of the overall workforce. In regard to the impact on children, 21 percent of children receiving disability benefits are African American even though they are only 15 percent of the youth population.

With specific reference to Medicaid, the Joint Center for Economic and Political Studies (JCEPS) wrote over a year ago that reductions in funding for this program would cause tremendous suffering among the African American and Latino populations. The same research institute argues that these cuts would in fact increase costs for healthcare companies since people would still need care whether it is funded by the government or not.

The report, "Medicaid: A Lifeline for Blacks and Latinos with Serious Health Care Needs," published by Families USA,

"reveals that making cuts to Medicaid fails to reduce costs, instead it shifts the burden to states, families, hospitals and the uninsured. In fact, in some cases, the report notes, cutting assistance for treatment can actually increase costs over the long run."

JCEPS continues pointing out that "As policymakers consider sharp cutbacks in the Medicaid program, this report brings an important potential consequence of their actions to the table - that cutting Medicaid will likely hit hardest at communities of color and, in particular, those who depend on the program to manage and treat their chronic illnesses," said Ralph B. Everett, president and CEO of the Joint Center for Political and Economic Studies. (October 2011)

These proposed changes in government programs should be vigorously opposed by the trade union movement, the Congressional Black Caucus as well as civil and human rights organizations. An alliance of these forces with retiree groups could exert the necessary pressure to drop these draconian policy proposals and to put forward demands that enhance these programs that benefit the working class and the poor.

The federal budget deficit is the direct result of the failure of the U.S. government to tax the rich and to enact drastic cuts or eliminate the Pentagon budget. There must be a political movement to resist these actions which are making an attempt to reduce the deficit on the backs of the youth, senior citizens and the most marginalized segments of the working class and nationally oppressed.

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