File Medicare

MEMORANDUM

June 3, 1996

TO: Distribution

FR: Chris Jennings

RE: Medicare Trust Fund Information

Attached are the following documents:

1) Medicare Trust Fund Talking Points

2) CBO report on the impact of Administration's budget proposal on the HI Trust Fund

3) Talking Points on the Home Health Trust Fund

4) General Medicare Talking Points

5) Key Republican Quotes on Medicare

6) Statement by Laura D'Andrea Tyson on Republican Medicare Cuts

We hope this information is useful. Please feel free to call me at 6-5560 with any questions or comments

MEDICARE TRUST FUND TALKING POINTS

June 3, 1996

UPCOMING MEDICARE TRUSTEES' REPORT CAN ONLY CONFIRM WHAT WE ALREADY KNOW -- REPUBLICANS SHOULD ACCEPT PRESIDENT CLINTON'S CALL TO BALANCE THE BUDGET AND STRENGTHEN THE MEDICARE TRUST FUND.

- As CBO said in its April 30th Hill testimony, "*... the projected date of insolvency should be viewed not as telling us something new, but confirming what we already know.*"

WE WELCOME REPUBLICANS' CONCERN ABOUT THE TRUST FUND, BUT LONG BEFORE THEY STARTED TALKING ABOUT THE PROBLEM, THE PRESIDENT WAS ACTING TO ADDRESS IT.

- The President's 1993 Economic Plan extended the life of the Trust Fund by *3 years -- without a single Republican vote.*

- The President's Health Care Reform Plan would have extended the life of the Trust Fund by *another 5 years.*

THE PRESIDENT'S BALANCED BUDGET GUARANTEES THE LIFE OF THE TRUST FUND FOR A DECADE -- THE SAME AS THE SENATE REPUBLICAN BUDGET

- In a May 9th letter, June O'Neill states that "CBO estimates that the Administration's proposals would postpone [the insolvency] date to 2005."

ACTION IS NEEDED -- BUT THE ONLY CAUSE FOR ALARM IS THE REPUBLICANS' REFUSAL TO MEET WITH THE PRESIDENT ON BUDGET AND MEDICARE ISSUES.

- **The need for responsible intervention in improve the Trust Fund is real.** The President's plan addresses this need in a responsible way, without imposing devastating provider cuts, increasing beneficiary costs, or enacting structural changes that hurt the program and the people it serves.

- **Over $125 billion remains in the Trust Fund.** While incoming revenues are somewhat less than outgoing payments, the current balance in the Trust Fund means that there is absolutely no danger that claims will not be paid.

- **Reports should not be used irresponsibly.** The upcoming Trust Fund report should not be used to recklessly frighten the 37 million Medicare beneficiaries and their families into thinking that their benefits are in imminent danger. They simply are not.

IT IS TIME TO PUT PARTISAN DIFFERENCES ASIDE AND AGREE ON THE COMMON MEDICARE SAVINGS BOTH REPUBLICAN AND DEMOCRATIC PROPOSALS HAVE.

- We have tens of billions of dollars in common Medicare savings that we could agree on tomorrow to strengthen the Trust Fund. All the Republicans need do is set aside their structural changes that would segment the wealthy and healthy from other beneficiaries and cause Medicare to *"whither on the vine."* (E.G., the Republican Medical Savings Account would actually weaken the Medicare Trust Fund, as it would cost $4 billion.)

ONGRESSIONAL BUDGET OFFICE
.S. CONGRESS
/ASHINGTON, D.C. 20515

June E. O'Neill
Director

May 9, 1996

Honorable J. James Exon
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Senator:

At your request, the Congressional Budget Office (CBO) has examined the effects of the Administration's budgetary proposals on the Hospital Insurance (HI) trust fund. Under current law, the HI trust find is projected to become insolvent in 2001. CBO estimates that the Administration's proposals would postpone this date to 2005.

Sincerely,

June E. O'Neill

June E. O'Neill

cc: Honorable Pete V. Domenici
Chairman

THE HOME HEALTH TRANSFER AND THE MEDICARE TRUST FUND: THE FACTS

June 3, 1996

DRAFT

FALSE CLAIM: *Without its home health transfer gimmick, the President's budget only extends the life of the Trust Fund by one year.*

THE FACTS: **Not True.**

1. **The President's balanced budget guarantees the life of the Medicare Trust Fund for <u>a decade</u> -- the <u>same</u> as the Senate Republican budget.** The Congressional Budget Office projects that the President's Medicare reforms would extend the life of the Medicare Trust Fund to 2005. The reforms build on the President's 1993 deficit reduction plan, which extended the life of the Trust Fund by 3 years -- *without a single Republican vote.*

2. **The President's budget strengthens the Trust Fund by:**

   a. **Reducing provider payments; and**

   b. **Restoring the pre-1980 law on Part A home health benefits -- This is NOT a gimmick:**

   - Prior to 1980, home health care services unrelated to hospital stays were not financed by the Hospital Insurance (Part A) Program. Only the first 100 home visits after a three-day hospital stay were financed under Part A. All other visits were financed by Part B. This is because Medicare Part A was intended to finance costs related to hospital stays.

   - In 1980, the law was changed and nearly all home health costs were shifted to Part A.

   - The President's proposal simply restores the pre-1980 law because home health care expenditures unrelated to hospital stays should not be financed by the Part A Trust Fund. Shifting home health spending unrelated to hospitalization back to the Part B programs helps extend the life of the Medicare Part A Trust Fund. (This shift will not affect the Part B premiums, coinsurance or deductibles.)

3. **<u>REPUBLICANS ARE BEING HYPOCRITICAL</u>: The 1995 House Republican budget also shifted some home health costs from Part A to Part B.** The House-passed Republican reconciliation bill also transferred certain home health care expenditures from Part A to Part B -- similar to the proposal in the President's balanced budget. *So if Republicans say it's a gimmick, it's a gimmick every Republican in the House voted for.*

4. **President Clinton's budget extends the life of the Trust Fund as long as the Senate Republican budget, but <u>without</u> their $167 billion Medicare cut and <u>without</u> their damaging structural changes.** The President's balanced budget proves the Republican $167 billion Medicare cut and damaging structural changes are <u>not necessary</u> to balance the budget and strengthen the Trust Fund for a decade.

REPUBLICAN BUDGET STILL THREATENS MEDICARE

June 3, 1996

"No, we don't get rid of it in round one because we don't think it's politically smart.... But we believe it's going to wither on the vine" — Newt Gingrich, 10/24/95

EPUBLICANS STILL INSIST ON EXCESSIVE MEDICARE CUTS THAT WOULD MOVE IEDICARE TOWARD SECOND CLASS HEALTH CARE. The Republican budget reduces Medicare pending by $167 billion –– $51 billion or 44% more than CBO scored the President's balanced budget. They ould use savings from cutting corporate subsidies and closing tax loopholes to reduce their Medicare cuts –– but nstead they use these savings to fund capital gains and other tax cuts for the wealthy.

VHILE HOUSE REPUBLICANS HAVE FINALLY AGREED NOT TO RAISE MEDICARE REMIUMS, THEY HAVE NOT LOWERED THEIR TOTAL CUTS. Rather than raising costs on eneficiaries directly they now do it indirectly through even deeper cuts in payments to the hospitals and home ealth providers that serve beneficiaries, jeopardizing quality and access to health services.

Extreme Cuts Threaten Viability of Many Hospitals. Their $167 billion cut could mean hospitals get lower payments tomorrow than today –– even in nominal terms –– and will result in cost–shifting, undermine quality, and threaten the financial viability of many rural and urban hospitals. According to the American Hospital Association, nearly 700 hospitals derive *two–thirds or more* of net patient revenues from Medicare & Medicaid.

American Hospital Association and National Association of Children's Hospitals are "gravely concerned about the level of reductions proposed" by Republicans in Medicare and Medicaid. [May 10, 1996 letter to Chairmen Roth, Archer, and Bliley from ten hospital associations.]

IORE THAN DOLLARS ARE AT STAKE –– THEIR DAMAGING STRUCTURAL CHANGES /OULD FORCE MEDICARE TO "WITHER ON THE VINE." The Republican budget still contains the amaging structural changes that President Clinton vetoed last year. These changes would segment the Medicare opulation, leaving the traditional program with fewer dollars and sicker beneficiaries.

MEDICAL SAVINGS ACCOUNTS (MSAs). Republicans insist on the immediate adoption of untested changes to the Medicare program, such as MSAs, that appeal to the healthiest and wealthiest beneficiaries, leaving the sickest and most costly beneficiaries in a weakened fee–for–service program. CBO projects that MSAs will *increase* Medicare costs by more than $4 billion over seven years.

New York Times [11/18/95]: "A hallmark of the [Republican] Medicare legislation is the encouragement of private health plans....But many experts fear a balkanization of healthy and sick....If some experts worry that managed care plans would skim healthy recipients from the conventional Medicare program, many of the large plans are *concerned that the healthy would be skimmed from them by medical savings accounts*."

OVER–CHARGING IN PRIVATE PLANS. Republican proposals permit physicians to charge beneficiaries extra –– through "balance billing" –– in private Medicare plans, increasing out–of–pocket costs for beneficiaries and slowly draining the fee–for–service system of both doctors and dollars.

HARD SPENDING CAP. Republicans impose a hard cap on Medicare spending. If costs increase faster than projected, spending would no longer keep up –– leading to cuts exceeding $167 billion.

Wall Street Journal: "Republicans also would apply a cap to these services. If health–care costs rose faster than the GOP budget allots, doctors, hospitals and other providers would have to absorb the losses. *That, in turn, could come back to bite the beneficiaries.*" [12/27/95]

PRESIDENT CLINTON'S BUDGET SHOWS THAT THEIR DEEP CUTS AND DAMAGING STRUCTURAL CHANGES ARE NOT NECESSARY TO BALANCE THE BUDGET AND GUARANTEE THE LIFE OF THE MEDICARE TRUST FUND FOR 10 YEARS.

KEY REPUBLICAN QUOTES ON MEDICARE

Senator Bob Dole: "I was there, fighting the fight, one of twelve, voting against Medicare in 1965 ... because we knew it wouldn't work."

American Conservative Union Speech
10/24/95

Speaker Newt Gingrich: "No, we don't get rid of it in round one because we don't think it's politically smart..... But we believe it's going to wither on the vine."

Blue Cross/Blue Shield Association Speech
10/24/95

Senator D'Amato: "If I had my druthers ... I would have said to my distinguished colleagues, both in the House and in the Senate, 'Don't link this business of tax cuts with fixing this badly flawed system. Put it aside.

Senate Finance Committee
09/26/95

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 2, 1996

STATEMENT BY DR. LAURA D'ANDREA TYSON
NATIONAL ECONOMIC ADVISER

Rather than joining President Clinton in passing common savings in Medicare to strengthen the Trust Fund and balance the budget, Speaker Gingrich has chosen to reargue and defend the extreme Medicare cuts and policies in the Republican Reconciliation bill that President Clinton already vetoed and the American people soundly rejected.

Speaker Gingrich should drop the political attacks and look at the facts. He should go back and listen to the many voices that agree that the Republican Medicare cuts and damaging structural changes would -- in his own words -- cause Medicare to "whither on the vine:"

- "We think that cuts of this magnitude call into question our ability to provide the world class medical care." [American Academy of Physicians, October 5, 1995]

- "This legislation...is not in the best interest of patients, communities, and the men and women who care for them. ...the reductions in the conference report will jeopardize the ability of hospitals and health systems to deliver quality care, not just to those who rely on Medicare and Medicaid, but to all Americans." [America Hospital Association, Catholic Health Association, and Voluntary Hospitals of America, and State Hospital Associations from 47 states, November 17, 1995]

- "Four hundred billion dollars in cuts from these two major health care programs that serve older and low-income Americans do not meet the fairness test. Reductions in Medicare called for in the conference report are much more than is necessary to keep the program solvent into the next decade." [American Association of Retired Persons (AARP), November 16, 1995.]

Even under the current Republican plan, Medicare spending would still be cut by $167 billion -- $51 billion or 44% more than CBO scored the President's balanced budget. Their new plan maintains the damaging structural changes in their reconciliation bill that would segment the Medicare population and leave the traditional program with fewer dollars and a sicker pool of beneficiaries.

- "It's impact on hospitals appears worse. ...We are gravely concerned about the level of reductions proposed" by Republicans in Medicare and Medicaid. [American Hospital Association, Federation of American Health Systems, Catholic Health Association, and 7 other national hospital associations, May 10, 1996.]

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file medicare

Talking Points

DPC

Publication: TP-102-Medicare

June 4, 1996

Medicare Trustees Report: Confirms the Need for Responsible Reform

". . .the projected date of insolvency should be viewed not as telling us something new, but confirming what we already know."

—CBO testimony before the House Ways and Means Subcommittee on Health, April 30, 1996.

The Medicare Trustee's report due out today can only confirm what we already know: Republicans should accept the President's call to work with Democrats to balance the budget and strengthen the Medicare trust fund.

Democrats' number one priority: protecting Medicare. Democrats are committed to protecting the Medicare program—the program created by Democrats 30 years ago against GOP opposition. In the past year, Democrats, who have a record of protecting the trust fund, called for responsible measures to strengthen the trust fund.

- First, last year Democrats urged Republicans to deal with the Medicare solvency issue outside the budget to ensure all the savings would go directly to strengthen the trust fund and not for GOP tax breaks for the wealthy.
- Second, Democrats put forth a realistic plan, which would save $124 billion over the next seven years, to ensure that the Medicare trust fund remains solvent and strong by implementing reforms that strengthen and improve the program.
- Third, President Clinton's FY 1997 budget, which balances by 2002, will extend the trust fund an additional ten years, as certified by CBO.

The GOP plan: letting Medicare wither on the vine. Despite Republican claims that their plan will "save" Medicare, it is clear that the GOP plan will end Medicare as we know it, by:

- implementing structural changes that will not, in any way, strengthen the trust fund;
- reducing seniors' purchasing power for health care—seniors will be forced to pay more but get less; and,
- threatening the financial solvency and security of seniors and their families.

Democrats call on Republicans to get serious about strengthening the trust fund and challenge Republicans to work with us to protect this successful and important program.

Democratic Policy Committee
United States Senate
Washington, D.C., 20510-7050

Tom Daschle, Chairman
Harry Reid, Co-Chairman

DPC

Talking Points

DPC

Publication: TP-89-Health

May 14, 1996

The President's Plan to Strengthen the Medicare Trust Fund

The President's Balanced Budget plan extends the solvency of the Medicare Part A Trust Fund for 10 additional years—the same as the GOP Budget proposal. The President's budget, which reaches balance over the next six years, is well-reasoned and fair. It strengthens the Part A trust fund by:

- ✔ moderately reducing provider payments; and,
- ✔ returning a portion of the Home Health benefit to the Part B program.

Home Health Care Transfer—Sound Policy. Republicans claim the President is playing a "shell game" with Medicare funds by transferring home health costs to Part B. The truth is different.

1. The Republicans made the first move—and the second.

- The House-passed 1995 GOP budget shifted home health costs to Part B after 165 days.
- Furthermore, the 1995 GOP Budget Conference Report proposed to increase Part B premiums and shift the money to Part A—that was one big shift, *without any policy rationale*.

2. Certain home health costs belong in the Part B program.

- Part A was designed to fund services surrounding hospital stays. The President's proposal is consistent with this policy. Under the proposal, the first 100 days of home health care following a three-day hospital visit would be reimbursed under Part A. Home health visits after the first 100 days and those not related to hospital stays will be reimbursed under Part B. *No senior will be denied home health benefits. Seniors who do not have part B coverage will continue to have their home health benefits reimbursed by Part A.*

3. The President is merely restoring the pre-1980 practice.

- Prior to 1980, this portion of the home health benefit was funded through the Part B program—the President's budget merely restores that practice.

GOP Game Playing. The Republicans are criticizing the President for shifting these home health care costs, which realistically belong in the Part B program, as they propose radical changes to the Medicare program, including:

- Medical Savings Accounts (MSAs);
- hard spending caps—resulting in even larger cuts in Medicare; and,
- the removal of consumer protections prohibiting providers from charging seniors unlimited amounts.

None of these changes are necessary to strengthen the trust fund and *together they threaten to let the traditional Medicare "wither on the vine."*

Democratic Policy Committee
United States Senate
Washington, D.C., 20510-7050

Tom Daschle, Chairman
Harry Reid, Co-Chairman

DPC

FILE MEDICARE

Please deliver to Melanne - pls put under her door - Thank you.

THE WHITE HOUSE

Office of the First Lady

phone 202/456-6266

fax 202/456-6244

TO Melanne Verveer

FROM Chris Jennings / Nicole Rabner

FAX # 43501

PHONE # 43000

 # PAGES (with cover) 14

COMMENTS Attached are charts and accompanying talking points that were used for today's press conference held by Leon, Alice, Laura and Donna. I think the charts are fairly self-explanatory and thought that you & HRC (and perhaps others) would like to see. Republicans are being attacked by all sides but are holding firm for the moment.

Today, Ways & Means is attempting to mark up a bill that requires the social security trustees to report out specific medicare cuts recommendations. Call Chris for details.

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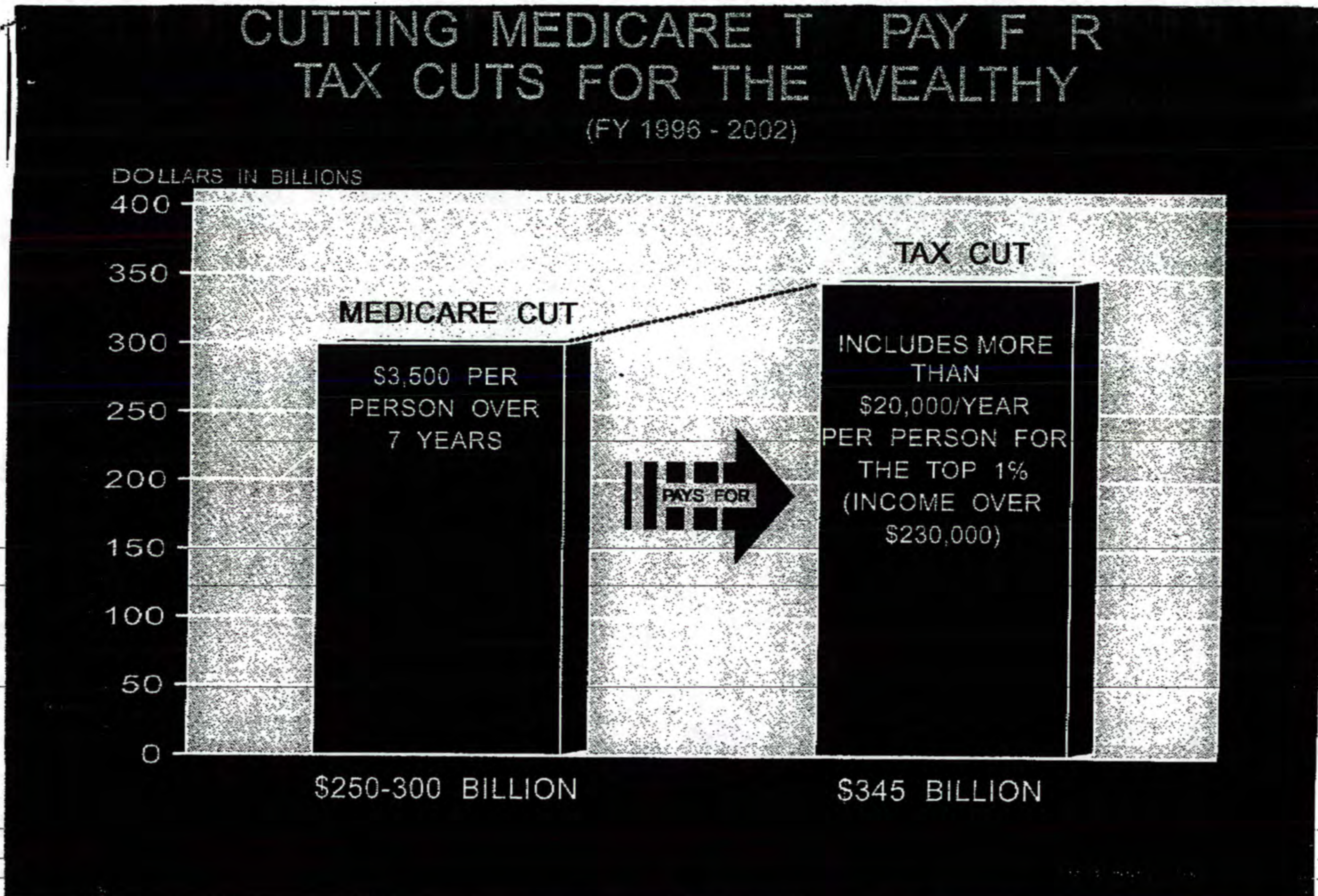
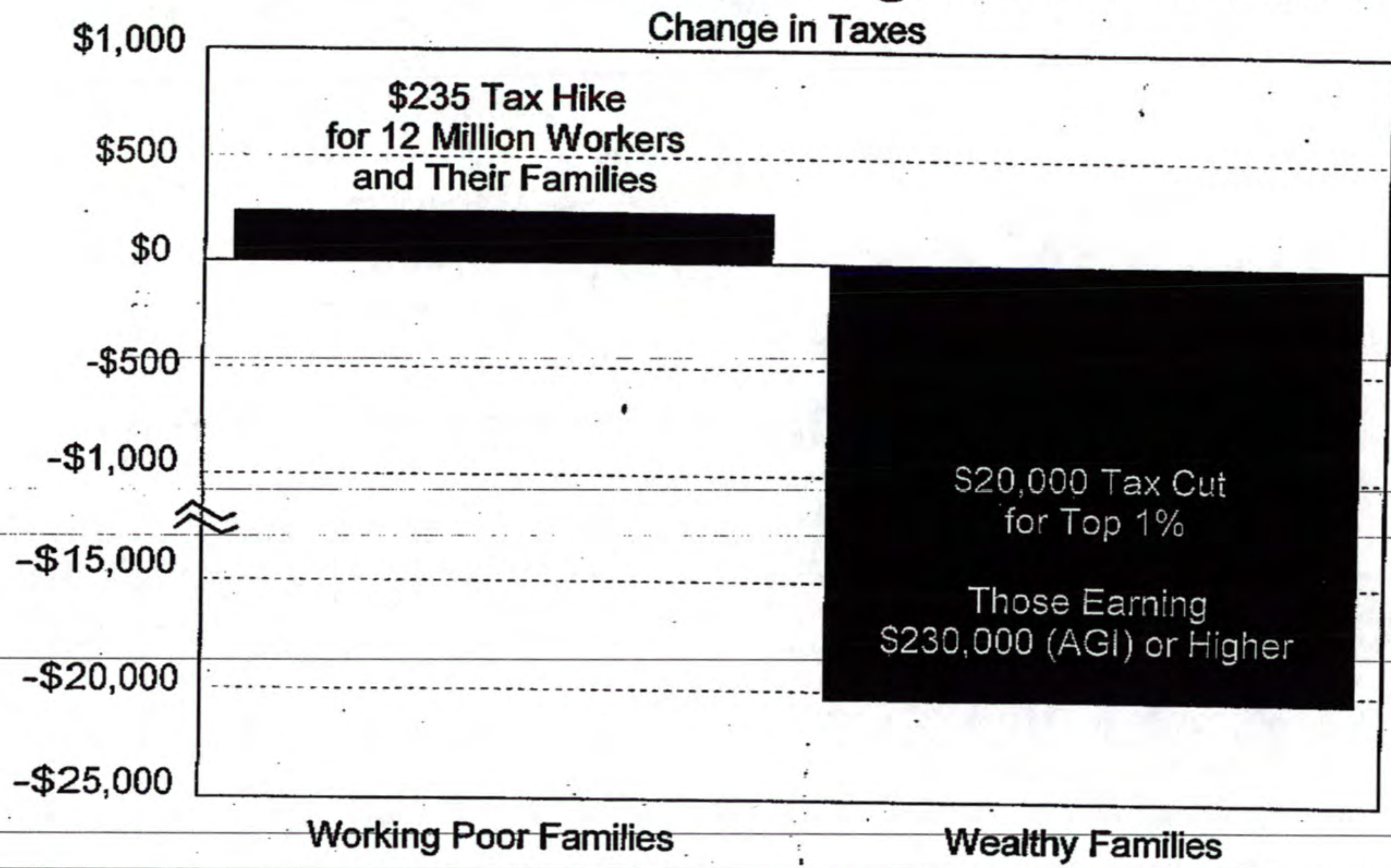
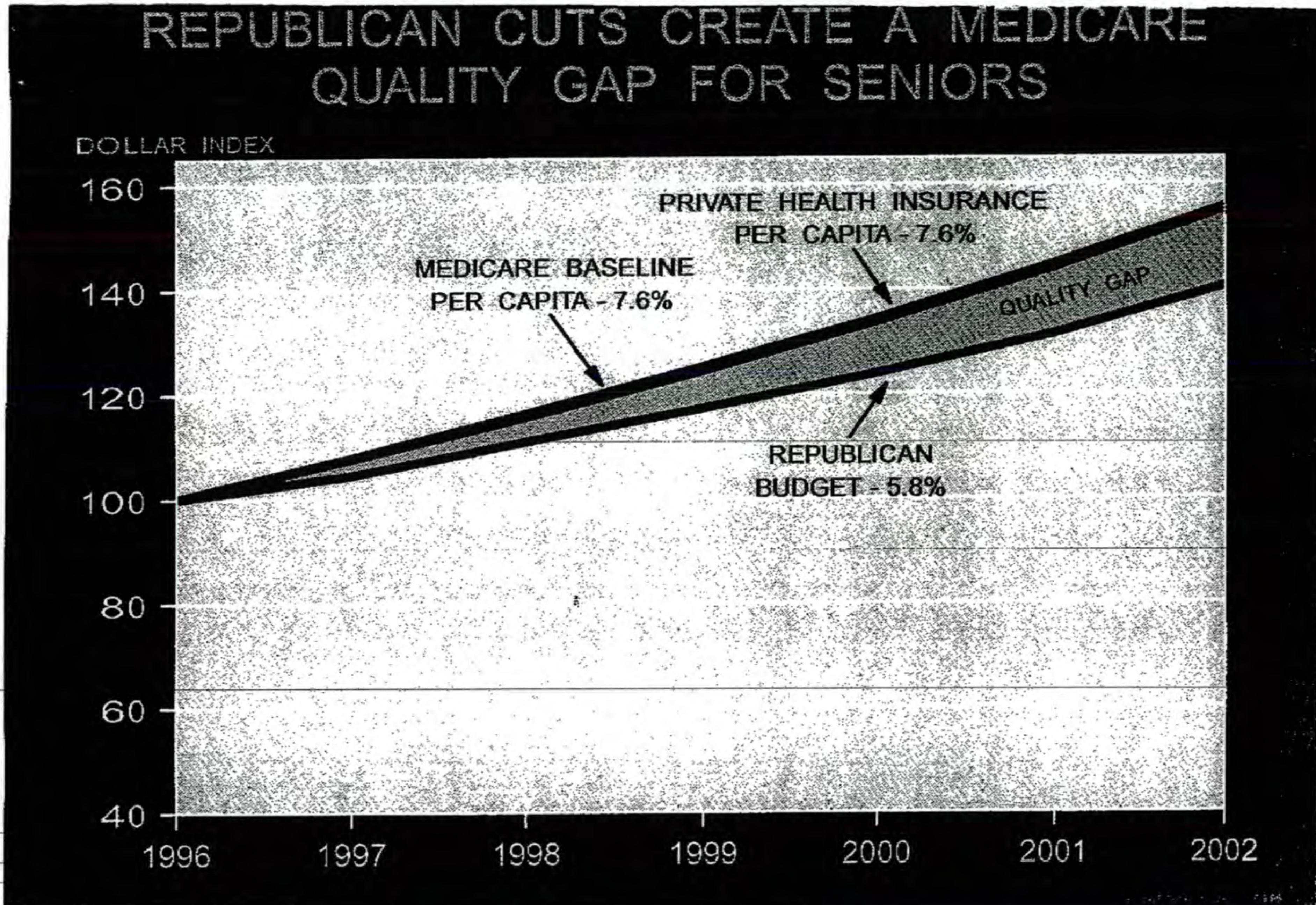


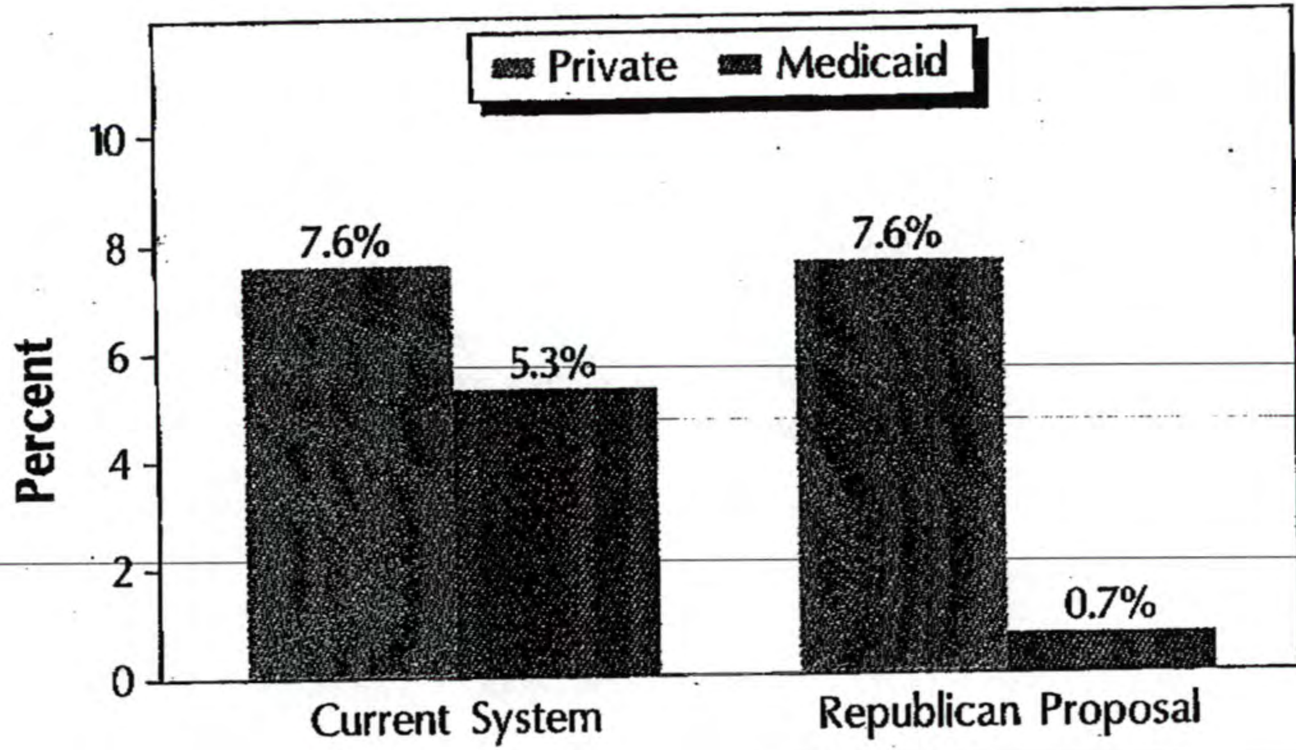
Republicans Cut Taxes for the Wealthy; Raise Taxes on Working Poor Families




REPUBLICAN CUTS CREATE A MEDICARE QUALITY GAP FOR SENIORS
DOLLAR INDEX
160
140
120
100
80
60
40
1996
1997
1998
1999
2000
2001
2002
PRIVATE HEALTH INSURANCE PER CAPITA - 7.6%
MEDICARE BASELINE PER CAPITA - 7.6%
QUALITY GAP
REPUBLICAN BUDGET - 5.8%

Per Capita Growth Rates

Private and Medicaid, 1996-2002



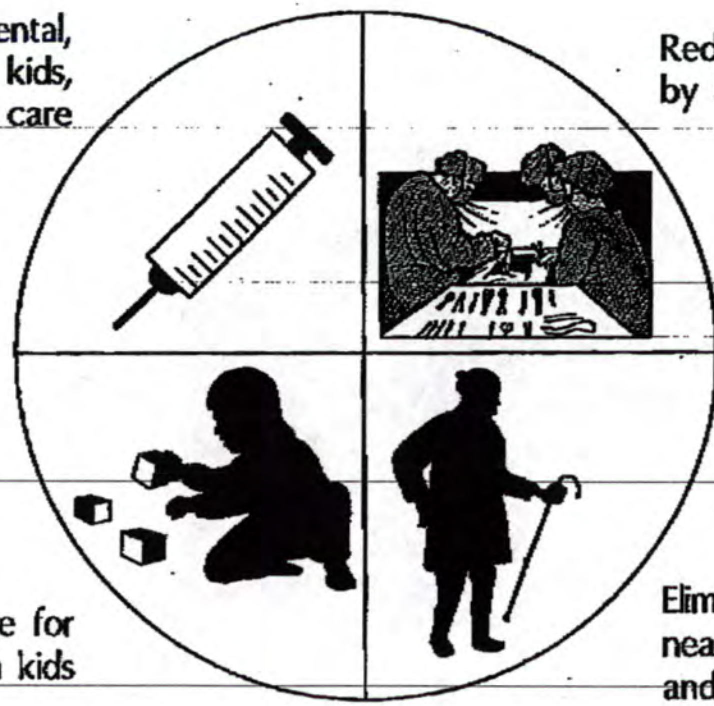
SOURCE: Administration baseline, calendar years

Medicaid Cuts That States Would Be Forced to Make

2002

Eliminate coverage for dental, screening services for kids, and hospice and home care

Reduce provider payments by almost $13 billion



Eliminate coverage for 7 million kids

Eliminate coverage for nearly one million elderly and persons with disabilities

NOTE: Assuming 25% cut in each of these categories.

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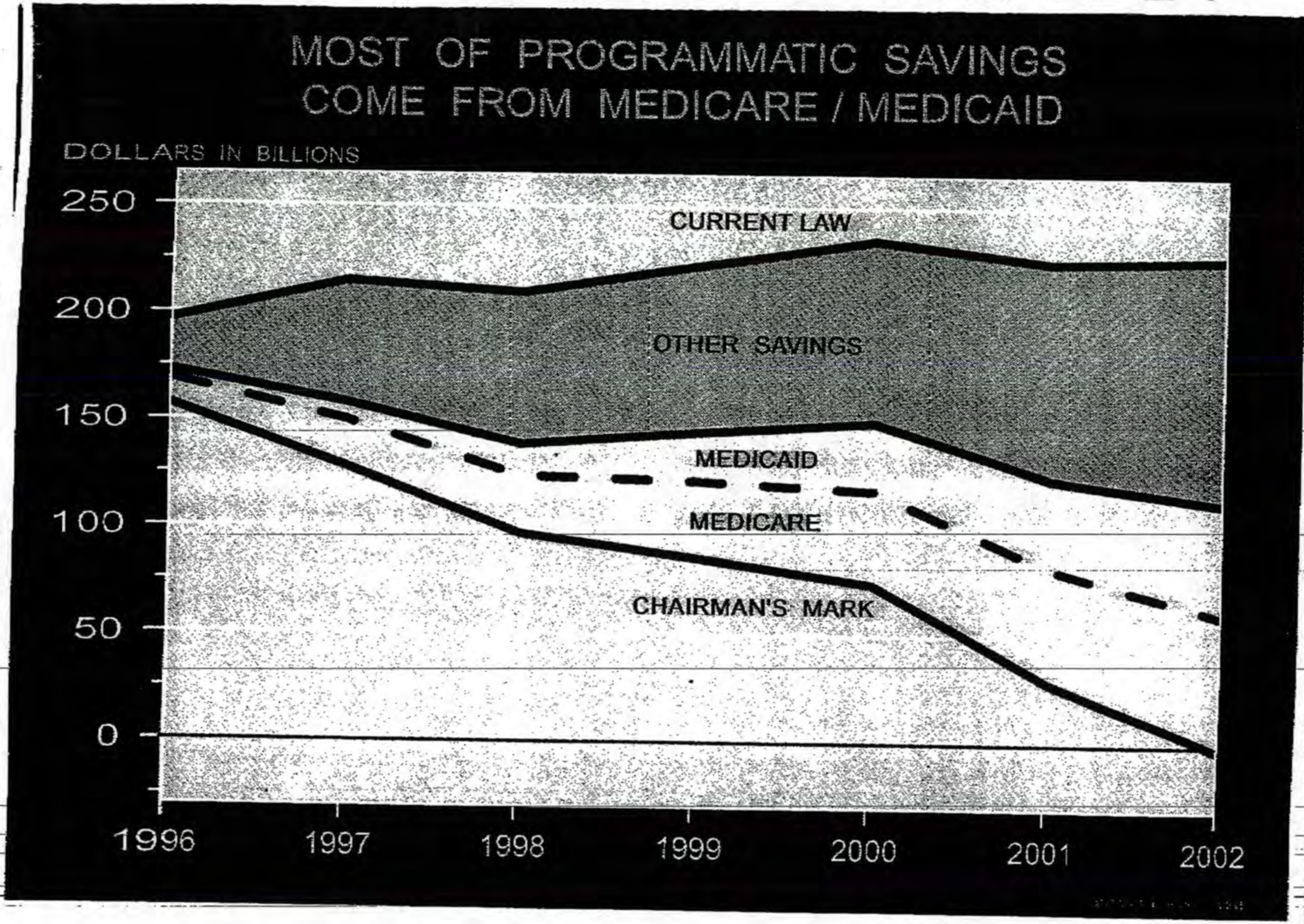

Talking Points

on Republican Budget Proposals:

"A Broken Contract with American Families and Their Parents"

May 10, 1995

INTRODUCTION

- As you all know, Republicans made a big promise:

  They promised to balance the budget without hurting anyone and without raising taxes -- while giving a huge tax cut to the wealthy.

- Guess what? They broke their promise.

  -- In terms of cuts that will hurt people:

  - The strongest evidence of the severe pain they would impose are their deep cuts in Medicare and Medicaid.

  - They would cut discretionary programs -- from education to science and technology -- an average 30 percent across the board. They also have announced proposals to terminate specific programs, such as Americorps, that are important investments in the future.

  - To find the remaining savings, Republicans also plan to make deep cuts in such other entitlements as veterans' and farm programs.

  -- In terms of tax increases.

  - Republicans are proposing to raise taxes on millions of working families.

- Why are they doing all this?

  -- They want to finance a tax cut for the wealthy at the expense of average families.

  - House Republicans have adopted a huge tax cut as part of their budget program.

  - House Speaker Newt Gingrich has called the tax cut "the crown jewel of the Republican contract."

• Senate Republican leaders -- Bob Dole, Trent Lott, and others -- and Sen. Phil Gramm are committed to a tax cut and say they will push for one on the Senate floor.

• We believe that there is a right way, and a wrong way, to do deficit reduction.

-- In 1993, on our own, we did it the right way:

• We reduced the deficit by cutting unnecessary programs, but also invested in programs that will help working families build a more prosperous future.

-- Now, they want to do it the wrong way:

• They want to cut programs for working families and their parents, in order to fund a tax cut for the wealthy.

Medicare and the Budget

• House Speaker Newt Gingrich wants to treat Medicare apart from the budget, but that statement is meaningless and the promise is a lie.

• Late last month, he said,

> "What we want to do is create an environment over the next three or four months where, standing by itself, there is a bill to save Medicare. That bill moves focused on Medicare. It has Medicare-related ideas. It's not tied up in the budget. It's not tied into getting to balance by 2002."

• Medicare is a federal program just like any other.

• And Republican plans rely heavily on it to get to balance.

-- Domenici's Medicare cut is the largest single cut in any one program.

-- Republicans need to cut Medicare to pay for their tax cut for the wealthy.

-- And more than half of the savings that Domenici claims comes from cutting Medicare and Medicaid.

Limits to Medicare/Medicaid Growth Rates

• Republicans imply that Medicare and Medicaid are growing out of control, but in fact they are growing at the same per-person rate as private health plans.

• Republicans are proposing to force Medicare spending down, but to ignore health reform in general.

• In effect, they are proposing to make Medicare a "second class" health care system -- it would provide low-quality care and restricted access.

-- These are cuts that will affect <u>your own parents and grandparents</u>, whether they now get Medicare or they eventually need the long-term care provided by Medicaid.

• Specifically, Medicare and Medicaid spending are rising 9-10 percent a year because of increases in the numbers of beneficiaries and the costs of medical services, including improvements in technology and care.

-- While that may seem high, on a per-person basis, Medicare spending is projected to grow at about the same rate as private health insurance costs.

• Thus, limiting the rate of growth of <u>total</u> (not per-person) Medicare and Medicaid spending to 7.1 percent, as Sen. Domenici proposes, is a real cut with real consequences.

-- It could mean limits on the numbers of elderly or low-income individuals served.

-- It could mean limits on the quality and quantity of services that the programs provide.

-- It could mean that the elderly and low-income have to pay more, themselves, for some of the services that they now receive.

-- These "savings" could be passed on to businesses and individuals who buy health insurance and health care services.

• In short, reducing Medicare's rate of growth would hold it below the growth in the private sector -- creating a growing "quality gap" between care for seniors and health services for others.

Medicare/Medicaid cuts

Medicare Cuts:

• If distributed evenly between providers and beneficiaries, the Republican Medicare cuts could force beneficiaries to pay:

-- between $747 and $980 more in out-of-pocket costs in 2002; and

-- between $3,200 and $3,700 more in out-of-pocket costs over 7 years.

• Republican Medicare cuts, in effect, amount to cuts in Social Security:

-- By 2002, the typical Medicare beneficiary would see 40-50 percent of his or her Social Security COLA eaten up by increases in Medicare cost sharing and premiums.

-- About 2 million beneficiaries would have 100 percent or more of the COLAs eaten up by increases in cost sharing and premiums.

Medicaid Cuts:

• Cuts in Medicaid are especially outrageous:

-- Medicaid provides health insurance for the most vulnerable Americans.

• 2/3 of Medicaid costs go to the indigent elderly and disabled, who have no other available resources.

-- Medicaid is also a vital protection for middle-income Americans.

• Working families with a parent who needs long-term care would face nursing home bills of an average of $38,000 a year without Medicaid.

• Working couples who may need long-term care after retirement rely on Medicaid to get such care.

-- If distributed evenly between eliminating eligibility for the elderly and disabled, eliminating eligibility for children, cutting services, and cutting provider payments, Republican cuts in 2002 alone would mean:

- 7 million children would lose coverage;
- 1 million elderly and disabled would lose coverage; and
- Tens of millions of Americans would lose important benefits, such as home care, hospice, and preventive screening services for children.
- Provider payments would be reduced by almost $13 billion.

Managed Care and Savings

- Republicans claim that they can produce significant savings by giving beneficiaries more managed care choices simply are not true.

  -- As CBO reported recently, achieving savings in Medicare without financial coercion would actually reduce managed care enrollment.

  -- So, to get both more beneficiaries in managed care and large savings for Medicare, some form of coercion -- such as making it more expensive for beneficiaries to stay in Medicare fee-for-service -- would be needed.

Impact on Providers

- Large reductions in Medicare payments would have a devastating effect on a significant number of urban safety-net hospitals.
  - For large urban public hospitals, which are heavily used by Medicaid and self-pay patients, Medicare is an important source of adequate payment. According to the 1994 Special Report of the National Association of Public Hospitals, while Medicare in 1991 was the payer for only 11 percent of discharges in these institutions, it accounted for almost 20 percent of net operating revenues.
- Large reductions in Medicare payments could also endanger rural hospitals.
  - Nearly 10 million Medicare beneficiaries (25 percent of the total) live in rural America where there is often only a single hospital in their county. These rural hospitals tend to be small and to serve primarily Medicare patients.
  - Significant reductions in Medicare revenues will cause many of these hospitals, which already are in financial distress, to close or to turn to local taxpayers to increase what are often substantial local subsidies.

The Earned Income Tax Credit (EITC) and the Economic Implications of Republican Budget Plans

EITC:

• While Republicans cut Medicare and Medicaid to finance their tax cut for the wealthy, they also plan a tax increase on low-income, working families.

• Republican tax proposals reveal the sharpest possible distinction between the President's vision for America and that of Republicans.

-- The President wants to provide targeted tax relief for middle-income Americans who may not have shared in the economic recovery.

• He wants to help them raise their children, educate and train themselves and their children, and save for the future.

• Republicans want to cut taxes for the wealthy, and actually increase taxes on the very people who need and deserve it most.

• Republicans plan to raise $13 billion over five years by rolling back part of the President's 1993 expansion of the EITC, which would ensure that working Americans do not have to raise their families in poverty.

-- Most EITC recipients are doing the hardest job in America -- playing by the rules, working at modest wages to support their children.

-- The 1993 law was designed to help those who are not benefiting from the current economic expansion.

-- The cut eliminates the EITC entirely to families without children.

-- Freezing the proposed EITC expansions could cost millions of moderate-income families with children up to $350 a year in added taxes.

Economic Implications of Republican Budget Plans:

(to be provided by Laura Tyson)