Growth Rates:

Medicare Current	Private	Repub.
8.2	7.1	5.1

FACTS ON THE REPUBLICAN HEALTH CARE PROPOSALS

November 6, 1995

MEDICAID

1. Spending

- Under both the House and the Senate reconciliation bills, Medicaid spending will be cut by about $170 billion over seven years.

- Medicaid spending per person will grow at less than 2% per year. By comparison, the projected growth rate in private sector health expenditures is 7.1% per year.

2. Coverage

- **More than 8 million people could be denied Medicaid coverage.** The Department of Health and Human Services estimates that states will be forced to deny coverage for more than 8 million people in 2002, including:

    - Over 4 million children

    - Approximately 900,000 older Americans

    - Over one million individuals with disabilities

  About 2 million of the more than 8 million people denied coverage live in rural America.

3. Individuals with Disabilities

- More than 6 million people with disabilities are now served by Medicaid, including about 1 million children.

- Over one million individuals with disabilities could lose Medicaid coverage in 2002 under the Republican plans. Losing Medicaid would be particularly devastating to people with disabilities because they are often shut out of the private health insurance market.

- Republican Medicaid plans threaten nursing home quality standards and entirely repeal quality standards for intermediate care facilities for the mentally retarded. Not that long ago, most people with mental retardation were relegated to large institutions with substandard conditions. Federal standards have greatly improved conditions in institutions, but the House Republican plan repeals federal nursing home quality standards, and both plans repeal the federal standards for institutions caring for people with mental retardation and developmental disabilities. Neither requires states to issue standards to assure even the most basic rights.

4. Republican Budget Jeopardizes Fundamental Protections for Nursing Home Residents

- Under the guise of reform, the House Republican budget throws away decades of progress by repealing federal nursing home quality standards. Without these federal standards and enforcement, nursing home residents will be vulnerable to abuse and neglect, to being inappropriately restrained, and dumped onto the streets when they run out of money.
    - Since enactment of the federal quality standards, nursing home quality has improved dramatically: the use of physical restraints has declined 25%, dehydration among residents has declined 50%, and hospitalization rates have declined 31%. (Source: Research Triangle Institute and HCFA.)
- In response to criticism, Senate Republicans reinstated the federal standards, but allow states with "equivalent or stricter" standards and enforcement to receive Medicaid waivers. Yet the federal government would have *no way to ensure that states enforce these standards.*
    - Most recently, *federal surveyors found 14% of nursing homes out of compliance with the federal standards.* (Source: HCFA.) And states would have to enforce the standards with much less Medicaid funding than they receive under current law.
- Moreover, both House and Senate plans repeal the requirement that Medicaid cover nursing home care at all. Their cuts will force states to deny coverage to hundreds of thousands of nursing home residents by 2002.

5. Spousal Impoverishment

- Current law ensures that spouses of people needing nursing home care do not have to become impoverished in order to have their spouses qualify for Medicaid.
- Although Republicans claim that they maintain these protections, their proposals undercut them by removing tools for individuals or the federal government to enforce these rights.
    - House and Senate bills make it more difficult for the Federal government to ensure that states are complying with the protection requirements.
    - Under the House bill, eligible individuals who are not receiving the spousal impoverishment protections can no longer sue the State to obtain these protections.

6. Poor Elderly

- Under current law, Medicaid pays all Medicare premiums, coinsurance, and deductibles for people below 100 percent of poverty (known as "qualified Medicare beneficiaries" (QMBs)). The House and Senate bills completely eliminate coverage of coinsurance and deductibles for QMBs, and set aside only 44% of the money needed to cover premiums in 2002.
    - The House and Senate bills completely eliminate:
        - the requirement that Medicaid pay Medicare coinsurance and deductibles for people below 100 percent of poverty; and
        - the requirement that Medicaid pay Medicare premiums for people between 100-120 percent of poverty.
    - The House and Senate bills set-aside for a portion of the MediGrant funding for Medicare *premiums* equal to 90% of the average spending on premiums between 1993 and 1995. But the set-aside is estimated to cover only 44 percent of the amount projected to be spent on Medicare *premiums* ($8.5 billion) for people in the QMB program in 2002. [This estimated spending includes the impact of the Republican's increase in Part B premiums.]

REPUBLICAN MEDICAID BLOCK GRANTS

- The House and Senate-passed bills eliminate the Medicaid program and replace it with a new block grant. They cut Federal spending on the program by $170 billion, an amount at least 10 times more than any Medicaid cut ever enacted.

- The $170 billion cut would reduce Federal support for the Medicaid program and the 36 million Americans it serves, by nearly 20 percent between 1996 and 2002. **By 2002, the cut will amount to a 29 percent reduction below the baseline in Federal support to States.**

- The Republicans claim they would like the public sector health programs to grow at rates similar to the private sector. However, the unprecedented $170 billion cut advocated by the Congressional Majority translates into a per recipient growth rate of less than 2 percent over the 1996-2002 budget window. **The 2 percent per capita growth rate their plan provides is 70 percent below the per person private health insurance growth rate assumed by the Congressional Budget Office (CBO).**

- **One fact is clear. Every state is a loser when the Medicaid program is block granted and cut by $170 billion, but many states lose much more than others.** This fact is clearly illustrated by the attached state-by-state break-out of the $170 billion Medicaid cut.

- For example, the first chart shows that under the new Senate block grant proposals, **state cuts range from 4 percent to 52 percent in the year 2002.**

- The second chart shows how California, which was already projected to lose a staggering $13 billion between 1996 and 2002 under the old Senate formula, would now lose an additional $4.1 billion dollars under the new Senate Republican plan. Conversely, the new Senate formula still slashes the State of Texas by over $7 billion, but the cut is less than the $12 billion cut they would have received under the old Senate formula.

- This information helps explain why there is such a dispute within the Congress and in the states over the Medicaid formula.

Estimates of the Effects of the Senate Republican Medicaid Plan on States, 2002 and 1996 - 2002
Formula as of October 27, 1995
(Dollars in Millions, Federal Spending, Fiscal Years)

States	2002				1996-2002			
	Baseline Spending (1)	Proposed Spending (2)	Federal Savings	Percent Reduction	Baseline Spending (1)	Proposed Spending (2)	Federal Savings	Percent Reduction
Total	$176,931	$124,838	($52,093)	-29%	$954,338	$777,840	($176,498)	-18%
Alabama	$2,485	$2,169	($316)	-13%	$13,823	$12,864	($959)	-7%
Alaska	$373	$280	($94)	-25%	$2,001	$1,660	($341)	-17%
Arizona	$2,436	$1,849	($587)	-24%	$12,903	$11,511	($1,391)	-11%
Arkansas	$2,084	$1,446	($638)	-31%	$11,081	$8,574	($2,507)	-23%
California	$17,955	$13,102	($4,853)	-27%	$95,663	$77,693	($17,970)	-19%
Colorado	$1,521	$1,039	($482)	-32%	$8,163	$6,343	($1,820)	-22%
Connecticut	$2,345	$1,613	($732)	-31%	$12,990	$10,650	($2,340)	-18%
Delaware	$323	$290	($33)	-10%	$1,728	$1,720	($8)	-0%
District of Columbia	$846	$576	($270)	-32%	$4,511	$3,802	($709)	-16%
Florida	$7,691	$5,272	($2,419)	-31%	$40,720	$31,262	($9,458)	-23%
Georgia	$4,900	$3,320	($1,580)	-32%	$26,050	$20,240	($5,810)	-22%
Hawaii	$508	$373	($135)	-27%	$2,732	$2,450	($281)	-10%
Idaho	$545	$412	($132)	-24%	$2,933	$2,445	($488)	-17%
Illinois	$6,207	$4,637	($1,570)	-25%	$33,242	$28,851	($4,392)	-13%
Indiana	$4,317	$2,545	($1,772)	-41%	$23,100	$15,841	($7,259)	-31%
Iowa	$1,440	$1,104	($336)	-23%	$7,807	$6,874	($933)	-12%
Kansas	$1,079	$943	($136)	-13%	$5,962	$5,874	($88)	-1%
Kentucky	$3,455	$2,243	($1,213)	-35%	$18,353	$13,298	($5,055)	-28%
Louisiana	$6,147	$2,935	($3,212)	-52%	$33,991	$18,818	($15,173)	-45%
Maine	$1,092	$782	($310)	-28%	$5,999	$5,155	($844)	-14%
Maryland	$2,532	$1,706	($826)	-33%	$13,478	$11,193	($2,285)	-17%
Massachusetts	$4,717	$3,005	($1,712)	-36%	$25,516	$19,835	($5,681)	-22%
Michigan	$5,992	$4,581	($1,411)	-24%	$32,153	$28,518	($3,635)	-11%
Minnesota	$2,701	$2,000	($701)	-26%	$14,665	$13,121	($1,544)	-11%
Mississippi	$2,342	$1,825	($517)	-22%	$12,640	$10,820	($1,820)	-14%
Missouri	$2,625	$2,512	($113)	-4%	$14,871	$15,338	$467	3%
Montana	$636	$434	($202)	-32%	$3,409	$2,590	($820)	-24%
Nebraska	$822	$558	($264)	-32%	$4,448	$3,662	($785)	-18%
Nevada	$540	$341	($199)	-37%	$2,899	$2,022	($877)	-30%
New Hampshire	$631	$375	($256)	-41%	$3,728	$2,542	($1,186)	-32%
New Jersey	$5,100	$3,279	($1,821)	-36%	$28,038	$21,646	($6,392)	-23%
New Mexico	$1,147	$940	($207)	-18%	$6,066	$5,577	($489)	-8%
New York	$22,034	$14,820	($7,214)	-33%	$119,527	$97,831	($21,696)	-18%
North Carolina	$5,406	$3,421	($1,985)	-37%	$29,014	$21,298	($7,716)	-27%
North Dakota	$457	$319	($138)	-30%	$2,491	$1,985	($506)	-20%
Ohio	$7,508	$5,275	($2,233)	-30%	$40,586	$32,948	($7,638)	-19%
Oklahoma	$2,060	$1,332	($729)	-35%	$11,074	$7,896	($3,179)	-29%
Oregon	$1,649	$1,439	($209)	-13%	$8,884	$8,960	$76	1%
Pennsylvania	$7,102	$5,474	($1,628)	-23%	$38,448	$35,910	($2,537)	-7%
Rhode Island	$1,004	$627	($377)	-38%	$5,465	$4,138	($1,327)	-24%
South Carolina	$2,756	$2,286	($471)	-17%	$15,252	$13,555	($1,697)	-11%
South Dakota	$442	$347	($94)	-21%	$2,380	$2,163	($217)	-9%
Tennessee	$4,587	$3,331	($1,256)	-27%	$24,576	$20,739	($3,838)	-16%
Texas	$11,358	$9,130	($2,228)	-20%	$61,167	$54,157	($7,010)	-11%
Utah	$960	$659	($302)	-31%	$5,128	$4,096	($1,031)	-20%
Vermont	$366	$300	($67)	-18%	$1,982	$1,868	($115)	-6%
Virginia	$2,434	$1,635	($798)	-33%	$13,022	$9,730	($3,293)	-25%
Washington	$3,381	$1,988	($1,393)	-41%	$18,203	$13,122	($5,081)	-28%
West Virginia	$2,591	$1,529	($1,061)	-41%	$13,723	$9,521	($4,203)	-31%
Wisconsin	$3,066	$2,260	($806)	-26%	$16,484	$14,069	($2,415)	-15%
Wyoming	$236	$180	($56)	-24%	$1,269	$1,067	($202)	-16%

Note: The savings do not total the savings from the CBO baseline because of the differences in the Urban Institute & CBO baselines.

(1) From The Urban Institute's Medicaid Expenditure Growth Model as reported in "The Impact of the Budget Resolution Conference Agreement on Medicaid Expenditures", July 1995

(2) From the Senate Finance majority staff estimates as of October 27, 1995

Note: These estimates do not include supplemental amounts and may not be consistent with the bill language.

Source: U.S. DHHS

01-Nov-95

Comparison of the Senate Republican Medicaid Block Grant: 1996-2002
September 27 versus October 27, 1995 Formula
(Dollars in Millions, Federal Spending, Fiscal Years)

States	Baseline (1)	Older Formula Medicaid Block Grant		Newer Formula Reduction In Medicaid		Difference
		Reduction (2)	Percent Reduction	Reduction (2)	Percent Reduction	+: Smaller Loss Under Senate -: Larger Loss Under Senate
United States	954,338	$186,733	20%	$176,498	18%	
Alabama	13,823	2,607	19%	959	7%	1,649
Alaska	2,001	394	20%	341	17%	53
Arizona	12,903	2,517	20%	1,391	11%	1,125
Arkansas	11,081	2,860	26%	2,507	23%	353
California	95,663	13,801	14%	17,970	19%	(4,169)
Colorado	8,163	1,297	16%	1,820	22%	(523)
Connecticut	12,990	3,544	27%	2,340	18%	1,205
Delaware	1,728	115	7%	8	0%	107
District of Columbia	4,511	734	16%	709	16%	25
Florida	40,720	8,944	22%	9,458	23%	(514)
Georgia	26,050	5,904	23%	5,810	22%	94
Hawaii	2,732	267	10%	281	10%	(14)
Idaho	2,933	581	20%	488	17%	93
Illinois	33,242	2,902	9%	4,392	13%	(1,490)
Indiana	23,100	8,624	37%	7,259	31%	1,365
Iowa	7,807	1,082	14%	933	12%	149
Kansas	5,962	704	12%	88	1%	616
Kentucky	18,353	4,928	27%	5,055	28%	(127)
Louisiana	33,991	15,352	45%	15,173	45%	179
Maine	5,999	946	16%	844	14%	102
Maryland	13,478	1,536	11%	2,285	17%	(749)
Massachusetts	25,516	5,652	22%	5,681	22%	(29)
Michigan	32,153	4,692	15%	3,635	11%	1,057
Minnesota	14,665	1,019	7%	1,544	11%	(524)
Mississippi	12,640	1,251	10%	1,820	14%	(570)
Missouri	14,871	2,043	14%	(467)	-3%	2,509
Montana	3,409	948	28%	820	24%	128
Nebraska	4,448	692	16%	785	18%	(93)
Nevada	2,899	850	29%	877	30%	(27)
New Hampshire	3,728	1,164	31%	1,186	32%	(22)
New Jersey	28,038	7,172	26%	6,392	23%	781
New Mexico	6,066	615	10%	489	8%	126
New York	119,527	21,450	18%	21,696	18%	(246)
North Carolina	29,014	8,319	29%	7,716	27%	603
North Dakota	2,491	540	22%	506	20%	34
Ohio	40,586	6,683	16%	7,638	19%	(955)
Oklahoma	11,074	3,423	31%	3,179	29%	245
Oregon	8,884	35	0%	(76)	-1%	111
Pennsylvania	38,448	2,422	6%	2,537	7%	(115)
Rhode Island	5,465	1,141	21%	1,327	24%	(186)
South Carolina	15,252	2,954	19%	1,697	11%	1,257
South Dakota	2,380	240	10%	217	9%	23
Tennessee	24,576	4,165	17%	3,838	16%	327
Texas	61,167	12,187	20%	7,010	11%	5,176
Utah	5,128	1,052	21%	1,031	20%	21
Vermont	1,982	205	10%	115	6%	90
Virginia	13,022	3,079	24%	3,293	25%	(213)
Washington	18,203	5,579	31%	5,081	28%	499
West Virginia	13,723	4,615	34%	4,203	31%	412
Wisconsin	16,484	2,639	16%	2,415	15%	224
Wyoming	1,269	264	21%	202	16%	62

Note: The savings do not total the savings from the CBO baseline because of the differences in the Urban Institute & CBO baselines.

(1) From The Urban Institute's Medicaid Expenditure Growth Model as reported in "The Impact of the Budget Resolution Conference Agreement on Medicaid Expenditures", July 1995.

(2) From the Senate Finance Committee's estimates of the spending by state under the proposal released on September 27 & October 27.

Note: These estimates do not include supplemental amounts and may not be consistent with the bill language.

Source: U.S. DHHS

01-Nov-95

TO: Michael
Gabrielle
FROM: Jen

Here are the facts that Michael and I talked about earlier:

- 68% of the nation's 1.3 million nursing home residents are covered by Medicaid. Medicaid pays for 50% of all nursing home care.
- While only 28% of Medicaid enrollees are elderly or disabled, 69% of Medicaid dollars are spent on them. On the other hand, 72% of enrollees are children and their families, while only 31% of Medicaid dollars are spent on them.
- 51% of people on Medicaid are children.
- 950,000 people on Medicare could lose Medicaid coverage of their Medicare premiums and cost sharing.
- Pregnant women who are currently covered by Medicaid could lose prenatal care.

Here are some additional facts that may be helpful:

- 60% of all Medicaid beneficiaries are women.
- Over 75% of nursing home residents are women.
- About 330,000 nursing home residents, two-thirds of whom are elderly women, could lose their nursing home coverage.

Also, HHS just did a new impact analysis. It has not yet been released. It says:

- As many as 650,000 older women could lose Medicaid coverage in 2002 under the Republican block grant.

Don't know → disabled children

→ pregnant women

# of women = 4.6 m

MEDICARE

1. Spending

- **Medicare will be cut $270 billion over seven years -- three times greater than any cut in history.**

- **Spending per person will be cut more than $1,700 per beneficiary below projected spending in 2002.**

  - Medicare currently spends $4,800 on each beneficiary. Because of the increasing cost of medical services, the Congressional Budget Office projects that, under current law, spending per beneficiary will be $8,400 per beneficiary in 2002.

  - In order to achieve their goal of $270 billion in savings, the Republican Medicare proposal limits spending to $6,700 per beneficiary in the year 2002 --- $1,700 below CBO's projection for spending per person under current law.

  - Put another way, the Republican proposal assumes a growth rate of approximately 5.1% a year, 30% below the private sector rate of 7.1% per beneficiary.

2. **Increased Out-Of-Pocket Costs for Beneficiaries**

- **Premiums will increase from $43 to $89.**

  - Under the Republican plan beneficiaries will pay 31.5% of Part B program costs. In contrast, the President's balanced budget maintains premiums at 25% of program costs.

  - Given the level of Medicare spending assumed in the Republican plan, their proposal translates into a premium of approximately $89 per month in 2002.

  - If premiums were set at a level that paid for 25% of the Part B expenditures projected under the Republican plan -- the percentage that applied historically and applies under the President's proposal -- premiums would rise to only $69 per month in 2002. As a result, premiums under Republican proposals would be, on an annual basis, $240 more in 2002 than if they were maintained at 25%.

- **Double deductibles.** The Senate Republican plan doubles deductibles from $100 a year today to $210 a year in 2002.

- **Limited protections from doctors overcharging.**

  - Under current law, Medicare limits the amount that a doctor can charge a Medicare patient above the Medicare payment rate.

  - This limitation on so-called "balance billing" protects beneficiaries from paying additional charges for medical services.

  - The Republican proposal does not extend the balance billing protections to the new physician networks that their proposal establishes outside the traditional fee-for-service system.

3. **Cost-Shifting**

- Lewin-VHI, an independent research firm, concluded that the Republican's $452 billion cut in Medicare and Medicaid will lead doctors and hospitals to raise their fees on private patients by at least $90 billion.

- This cost shifting will increase the cost of private health insurance, which would effectively reduce wage increases by 2.7%, and as much as 10% for lower-wage workers.

4. **Managed Care**

- Republican plans state that managed care programs will save $30 to $50 billion over seven years. The Congressional Budget Office, however, does not score savings from managed care.

- As a result, Republicans rely on a non-market-oriented mechanism for ensuring these savings -- a government imposed cap on spending that limits the growth rate for Medicare payments to managed care programs to a level that is 30% below private sector rates.

- If health care costs exceed these caps, beneficiaries will either get fewer benefits or be forced to pay higher premiums.

5. **Medical Savings Accounts (MSAs)**

- Republican Medicare proposals allow beneficiaries to withdraw a set amount of money from the Medicare program to buy health care insurance with a high-deductible. The individual may deposit any money left over after that purchase into a tax-preferred savings account.

- MSAs tend to attract only the healthiest individuals, who expect few medical expenses in the coming year and who typically cost the Medicare system little.

- To the extent that MSA vouchers are set at a level that exceeds the cost of these healthy beneficiaries under the current Medicare system, MSAs will increase spending on healthy beneficiaries. In fact, CBO estimates that MSAs will raise Medicare costs by $2.3 billion over seven years. Lewin-VHI concludes that MSAs will cost the Medicare system between $15 and $20 billion.

- Since the Republican spending caps mandate a fixed budget for all Medicare spending, MSA costs would have to be offset by further cuts in services for the less healthy beneficiaries remaining in the traditional fee-for-service Medicare pool.

MEDICARE AND MEDICAID: KEY ISSUES

October 17, 1995

TABLE OF CONTENTS

SECURING THE MEDICARE TRUST FUND

THE CLAIM:

Republicans claim that they are cutting $270 billion from Medicare in order to save the program from insolvency.

THE FACTS:

The President's balanced budget plan and the House Republican plan both extend the solvency of the Medicare Hospital Insurance (Part A) Trust Fund through 2006 -- but the President's plan does it with less than one-half of the cuts.

- **According to the career Health Care Financing Administration (HCFA) actuaries and the Republican staff of the House Ways and Means Committee, the Trust Fund would be solvent until 2006 under the House plan -- just as under the President's plan.**

- House Republicans originally tried to claim that their balanced budget plan would extend the solvency of the trust fund beyond 2002.

- However, their original analysis ignores the fact that the House plan includes legislation already passed by the House that reduces the amount of income going into the trust fund. The legislation repeals a provision of the President's 1993 deficit reduction plan that helped strengthen the trust fund.

- Of the Republicans' $130 billion in Part A cuts, $36 billion merely offsets the trust fund losses caused by this legislation, yielding a net of $93.4 billion to strengthen the Part A trust fund.

- Once this legislation is factored in, the HCFA actuaries project that the House plan will delay insolvency until 2006, the same year as the President's plan.

- Republican counsel to the House Ways and Means Committee acknowledged this publicly during the Committee's markup of Medicare legislation.

The Republican $270 Billion Medicare Cut Is Not Necessary

- **More than half of the cuts in the House and Senate bills have nothing to do with Part A and will not extend the life of the trust fund one day.**

- Under the House plan, only about $130 billion of the $270 billion Medicare cuts come from Part A. The remaining $140 billion in Part B cuts go to general revenues.

- They raise premiums -- and none of that money helps the Part A trust fund.

- They lower payments to physicians and other providers of outpatient services -- and none of that money helps the trust fund.

- Under the Senate plan, only about $120 billion of the $270 billion Medicare cuts come from Part A. The remaining $150 billion in Part B cuts go to general revenues.

  - The Senate plan raises premiums, doubles deductibles and lowers payments to health care providers -- and none of that money helps the trust fund.

  - It imposes a new Part B premium on beneficiaries with incomes above $50,000 ($75,000 for couples) -- and none of that money helps the Part A trust fund.

  - It gradually raises the eligibility age for Medicare from 65 to 67 -- and very little of that money helps the trust fund.

The President's Plan to Secure the Trust Fund

- **The President's balanced budget proposal shows that we can balance the budget and secure the Medicare trust fund without cutting benefits or increasing costs for people on Medicare.**

- Part A of Medicare, which pays mostly for hospitalization, is financed through the Hospital Insurance Trust Fund. In April, the trustees of the fund reported that the trust fund would be unable to cover its expenses by 2002. The trustees have reported nine times that the fund would be insolvent in seven years or less. Each time, Congress has taken steps to extend the solvency of the trust fund.

- The President has acted three times since taking office to extend the life of the trust fund.

  - In 1993, the Medicare trustees projected that the trust fund would be exhausted in six years. The President offered a package of reforms -- opposed by every Republican in Congress -- that pushed back that date by three years.

  - In 1994, the Administration proposed a health reform plan that would have strengthened the trust fund for an additional five years.

  - Under the President's balanced budget proposal, payments from the trust fund would be reduced by $89 billion over the next seven years. According to career actuaries, this would secure the trust fund until 2006.

THE MEDICARE "LOCK BOX"

THE CLAIM:

Republicans claim that their Medicare cuts are not being used to pay for their $245 billion tax cut. House and Senate Republicans have created so-called "lockboxes" -- claiming that these "lockboxes" separate the Part B Medicare spending cuts from other budgetary transactions and that they preclude Medicare cuts from being used to pay for tax cuts.

THE FACTS:

- The House and Senate proposals use different mechanics. The House lockbox creates a new trust fund and transfers money out of general revenues into this new trust fund in an amount equal to the Part B spending cuts. The Senate transfers money out of general revenues and into the Medicare Part A trust fund in amount equal to the savings resulting from increases in the Medicare Part B premium and deductible. Both of these proposals are merely gimmicks.

- The Republicans could lower their Medicare cut by $150 billion -- take away every penny of extra premium increase, extra deductible -- by simply lowering their tax cut by $150 billion. No accounting gimmick or separate account can hide that fact.

- The Republicans' reasoning is like a person who spends $5,000 less on health care for his family to pay for a $5,000 Las Vegas vacation but denies that he is cutting health care to pay for a vacation because he promises to put *that* $5,000 in a special trust account to pay for food and rent. Anyway you slice it, if he didn't have to pay for a $5,000 vacation, he wouldn't have to spend $5,000 less on health care for his family. And, anyway you slice it, if the Republicans didn't have to pay for a $245 billion tax cut, they wouldn't have to cut $270 billion from Medicare -- $150 billion more than is needed to secure the trust fund.

- By creating these lockboxes, Republicans are admitting that $150 billion of their Medicare cuts go to general revenues -- not to strengthen the Medicare trust fund. Then they say that they will transfer that $150 billion from general revenues to the trust fund.

- One could just as easily say that revenue from the income tax, for example, should go into the Medicare trust fund. Or as the nonpartisan Concord Coalition (chaired by former Senators Warren Rudman and Paul Tsongas) says, "[w]hy not throw in the GOP savings in farm aid and AFDC? Or why not go even further and have the Treasury write a check for several million dollars to the HI trust fund so we won't have to worry about it again for the next half century?" [Fax Alert from The Concord Coalition, 10/12/95]

SPENDING UNDER THE REPUBLICAN MEDICARE PROPOSAL: INCREASE OR CUT?

THE CLAIM:

The Republicans say that they are not cutting Medicare because they will spend $6,700 per beneficiary in 2002 as compared to the $4,800 that is spent today.

THE FACTS:

- Under current law, the Congressional Budget Office (CBO) projects that Medicare spending per beneficiary will grow from to $4,800 to $8,400 by 2002. Even by their own assumptions, the Republican plan would cut spending per beneficiary from $8,400 to $6,700 in 2002 alone. **That is $1,700 less per person than Medicare is projected to spend.**

- If Medicare spending were constrained to the projected rate of growth in private sector spending, Medicare would spend $7,700 per person in 2002. **Under the Republican plan, Medicare will spend $1,000 less per person.**

- This <u>is</u> a cut because spending in Medicare will not keep up with the private sector. According to data from CBO, annual spending per person in the private sector is expected to grow by 7.1% per year between 1996 and 2002. The Republican plan allows Medicare spending per person to grow by only 4.9% per year. That means that the increase in per person spending under Medicare will be 31% lower than the increase in spending in the private sector.

- The real question is whether $6,700 will allow Medicare beneficiaries to keep the benefits in 2002 that they have today. It will not. Because spending in the Medicare program will not keep up with rising health care costs, Medicare will buy less than it does today. People on Medicare will either have to pay more out of their own pockets or get less.

- According to the Concord Coalition, "Republicans -- against the advice of their brightest staff -- are pushing the budget debate into fantasy land. . . The Senate would reallocate much of the proposed SMI [Part B] savings to the HI [Part A] trust fund. The House would create yet another trust fund which would be credited with all of the SMI savings. Both transactions are cynically devoid of economic meaning. . . Because all federal revenues are fungible, the balance of any particular trust fund is economically irrelevant. What matters is the net difference between all federal taxing and all federal spending . . . ." [Fax Alert from The Concord Coalition, 10/12/95 (emphasis added)]

THE PRESIDENT'S MEDICARE SAVINGS: $124 OR $192 BILLION?

THE CLAIM:

Republicans claim that the $124 billion in Medicare savings in the President's balanced budget proposal amounts to $192 billion off of the Congressional Budget Office (CBO) baseline.

THE FACTS:

- The President's balanced budget proposal includes $124 billion in Medicare savings as scored by the Office of Management and the Budget (OMB).

- CBO and OMB have consistently scored specific Medicare savings proposals almost the same. For example, OMB determined that the Medicare savings in the Health Security Act would be $118.3 billion; CBO scored them at $117.6 billion. OMB concluded that the Medicare "extenders" would save $28 billion; CBO found that they would save $30 billion.

- **CBO's only analysis of the President's balanced budget proposal (June 16, 1995) said that the Administration's Medicare savings would be $128 billion over seven years.**

- Despite CBO's analysis, Republicans claim that if the President's Medicare savings were taken from the CBO baseline, the President's proposal would equal $192 billion. They reach this number by: (1) subtracting the projected growth in spending over seven years under the Administration's (OMB) baseline from the projected growth in spending over seven years under the CBO baseline; and (2) adding the difference to the President's $124 billion in Medicare savings.

- The Administration baseline assumes that Medicare spending over the next seven years will be $70 billion lower than the CBO baseline. However, the baselines are different because CBO and OMB make different economic assumptions. It is not accurate simply to subtract the Administration's Medicare baseline from the CBO baseline and add that number to the President's Medicare savings number.

- To measure the President's savings off of the CBO baseline, the President's savings can be calculated as a percentage of the OMB baseline and that percentage can then be taken off of the CBO baseline. Calculated this way, the President's $124 billion in Medicare savings equals $130 billion on the CBO baseline.

PREMIUM INCREASES UNDER THE REPUBLICAN PLAN

THE CLAIM:

The House Republicans claim that the Republican plan to raise Medicare premiums would cost beneficiaries only $4 more per month in 2002 than the President's proposal.

THE FACTS:

- **Under the House plan, people on Medicare would pay $18 more each month than they would if premiums stayed at 25% -- as under the President's plan. That is nearly three times the amount that the Republicans promise.**

- Medicare beneficiaries pay premiums to receive Medicare Part B (which covers doctor visits and other outpatient services). Those premiums are calculated as a percentage of the total spent on Medicare Part B. Under current law, beginning in January 1996 Medicare beneficiaries will pay 25% of program costs.

- Republicans are proposing to: (1) raise premiums permanently from 25% to 31.5% of program costs; and (2) cut spending in Part B.

- When Republicans claim that their 31.5% premium amounts to only $4 more than the President's proposal, they are comparing apples to oranges. They are not applying the 25% premium and the 31.5% premium to the same size Medicare program. To compare the true premium increase -- apples to apples -- they must first take into account their spending cut and then apply the 31.5% premium and the 25% premium.

- Under the House plan, people on Medicare would pay $87 per month in 2002. If premiums were maintained at the current 25% level as under the President's plan, beneficiaries would pay $69 per month in 2002. That means that under the House plan people on Medicare would pay $18 more each month.

- The President's balanced budget proposal extends current law and keeps premiums at 25% of program costs. Throughout the 1980s and early 1990s, Congress kept premiums at this level. However, in the early 90s, Congress became concerned that keeping premiums at 25% of program costs would make premiums too burdensome and voted to set a dollar level in law. The dollar level for fiscal year 1995 was $46.10. But because health care costs have slowed, that amount was actually 31.5% rather than 25% of program costs. The Republicans would force beneficiaries to continue to pay this higher percentage. The President would leave current law in place, which automatically returns premiums to 25% of costs in January 1996.

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THE CLAIM:

Republicans claim that new Medicare private plan choices will save money for the Medicare program and its beneficiaries. Specifically, the Republicans say that by making more managed care and medical savings accounts (MSA) available to beneficiaries, they will save $30 to $50 billion over seven years.

THE FACTS:

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Republican Plan Achieves Savings Through Use of Spending Caps

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- MSAs use the savings from the reduced cost of a high deductible plan to fund a tax deferred grant to an individual which can be used to purchase health care. They are theoretically designed to encourage individuals to be more cost sensitive in using health services. However, they tend to attract healthy individuals who believe they will not need health care. As a result, when Medicare pays a fixed contribution for those beneficiaries (based on average Medicare payments), Medicare is likely to overpay.

- CBO has concluded that Medicare MSAs don't save money, they cost money. CBO says that MSAs "would cost about $2.3 billion as a result of adverse selection" -- approximately $1,000 per person per year for each beneficiary in an MSA (September 27, 1995). A Lewin-VHI Inc. study also just released says that MSAs cost between $15 and $20 billion.

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- **The Republicans have admitted that their plan will force people on Medicare to pay more:**
  - Both the House and Senate plans will increase premiums.
  - The Senate plan also cuts benefits and doubles deductibles from $100 a year today to $210 a year in 2002.
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- **But there are hidden costs as well. Republicans have said that they will not retain financial protections that exist today for those people on Medicare.**
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- Under the Republican plan, this balance billing protection will be eliminated. Doctors will be able to charge beneficiaries whatever they want in new private fee-for-service or high deductible medical savings account plans.

REPEALING PROTECTIONS FOR LOW-INCOME MEDICARE BENEFICIARIES

The Republican Medicaid plan would repeal the requirement that states pay cost sharing (premiums, copayments and deductibles) for low-income Medicare beneficiaries.

Current Law Protects Medicare Beneficiaries Who Can't Afford Cost Sharing

Under Medicaid, states pay Medicare premiums, copayments and deductibles for people with incomes below 100 percent of the federal poverty level -- about $7,500 per year -- and minimal assets (known as "qualified Medicare beneficiaries" or QMBs). Medicaid also requires states to pay premiums for people on Medicare with incomes below 120 percent of the federal poverty level and minimal assets (known as "selected low-income Medicare beneficiaries" or SLMBs).

This year, typical Medicare beneficiaries paid about $550 to cover Medicare Part B premiums and about $1,460 for all additional cost sharing under Parts A and B. There were approximately 5.4 million low-income Medicare beneficiaries with Medicaid coverage. Medicaid paid about $9 billion (including both the federal and state share) to cover premiums and cost sharing for these people.

Background and Legislative History

These protections were enacted as part of the Medicare Catastrophic Coverage Act of 1988, and were one of the few provisions retained when the Act was repealed in 1989. The Senate voted 99-0 and the House voted 349-57 to retain them as well as a few other provisions.

Republican Medicaid Block Grant Ends Protection for Low-Income Medicare Beneficiaries

The Republican Medicaid block grant repeals the requirement that states pay cost sharing for low-income Medicare beneficiaries. Because the Republicans will cut Medicaid by $182 billion, most states will no longer be able to afford to pay for low-income Medicare beneficiaries' premiums, deductibles and copayments. As a result, these beneficiaries will be forced out of their fee-for-service plans into managed care. According to the Congressional Budget Office, ". . . eliminating the entitlement to cost-sharing for Medicaid eligibles and QMBs would increase enrollment as those beneficiaries sought out plans with lower cost-sharing requirements."

ENDING MEDICAID PROTECTIONS AGAINST SPOUSAL IMPOVERISHMENT

The House Republican Medicaid plan would repeal the common ground law signed by President Reagan to protect spouses from having to *give up everything they have -- their car, their home, and all their savings* -- in order to pay for nursing home care for their sick spouse.

Current Law Protects Spouses and Their Families from Poverty

Current federal law ensures that spouses of people needing nursing home care do not have to lose everything they have in order for their spouse to qualify for Medicaid:

- States must let spouses keep income equal to 150% of the national poverty level -- about $15,000 per year.

- States must let spouses keep a minimum amount of their assets. The minimum is set by the state and may range from about $15,000 to $75,000. The value of the spouse's home and car are not counted toward the asset limit, which protects spouses from having to sell these items to qualify for Medicaid.

Since this federal law went into effect in 1989, it has protected about 450,000 spouses of nursing home residents. Most of these spouses are women. It also protects their families from being forced to pay the nursing home costs and from having to support the spouse not needing nursing home care.

Background and Legislative History

Most Americans must pay for nursing home care with their own funds for as long as they can. Medicare provides minimal long-term care coverage, and Medicaid only covers nursing home care after one has "spent down" and meets Medicaid's eligibility requirements. Prior to enactment of the protections against spousal impoverishment in 1988, spouses, most often wives, of people needing nursing home care, were often forced into poverty before they qualified for Medicaid. To avoid poverty, many elderly couples were forced to take desperate steps, such as divorcing or suing their sick spouse for support.

These current protections against spousal impoverishment were enacted as part of the Medicare Catastrophic Coverage Act of 1988, and were one of the few provisions retained when the Act was repealed in 1989. The Senate voted 99-0 and the House voted 349-57 to retain the spousal impoverishment and a few other provisions.

Republican Medicaid Block Grant Ends Spousal Impoverishment Protection

The House Medicaid block grants as introduced repeal the protections against spousal impoverishment. When House Democrats offered an amendment in the Commerce Committee to restore these protections, *the amendment was defeated on a party-line vote.* Senate Democrats offered a similar amendment in the Finance Committee and the amendment was adopted.

Medicaid is the largest payor of long-term care, covering *over two-thirds* of all nursing home residents. Without the current federal protections against spousal impoverishment, there would be no federal assurance that spouses could keep a minimum amount of their income and assets. The spouses and families of nursing home residents could be faced with the costs of their sick relatives' nursing home care -- care which now *costs an average of $38,000 a year.* Nursing home costs could once again ruin the lives of spouses and their families.

Because Republicans also propose to slash Medicaid by $182 billion over seven years, cutting federal Medicaid payments to states by 30% in 2002, states may be forced to offset the loss of federal funding by not protecting the income and assets of spouses of nursing home residents. Spouses could be forced to sell their home, car and other essential assets, and to spend everything including their Social Security check on their spouse's nursing home care.

ENDING MEDICAID NURSING HOME QUALITY STANDARDS

The Republican Medicaid proposals repeal the common ground law signed by President Reagan that established quality standards for nursing homes and institutions caring for people with mental retardation.

Background and Legislative History

President Reagan signed federal nursing home quality standards into law as part of the Omnibus Reconciliation Act of 1987. A 1986 report by the National Academy of Science's Institute of Medicine had documented an epidemic of substandard care in nursing home facilities around the nation. In 27 states, *at least one-third* of the facilities had care so poor that it jeopardized the health and safety of residents. Nursing home residents were sometimes found lying in their own waste, injured by rough handling, suffering with bed sores while tied to their beds at understaffed homes, verbally intimidated, and summarily evicted when their nursing home found a prospective patient willing to pay more for their bed.

Current Federal Quality Standards

Current federal law provides minimum standards for nursing homes that protect residents from abuse and neglect including:

- limiting the use of drugs and restraints
- prohibiting nursing homes from "dumping" residents -- evicting them when they've run out of money and qualify for Medicaid
- giving nursing home residents the right to appeal decisions about their care
- ensuring that nursing aides are trained and do not have a history of abuse

The 1987 law and subsequent amendments have led to dramatic improvements in the quality of nursing home care. The use of physical restraints and psychotropic drugs has dropped sharply. The number of registered nurses on duty in nursing homes has increased, as has the training of nurses' aides. Nevertheless, more progress is needed. Inspectors from the Health Care Financing Administration continue to find substandard care at some nursing homes. For example, one resident was hospitalized after maggots and larvae were found in a foot wound -- the nursing home said it did not have enough staff to give baths. *Repealing the federal quality standards would undermine the progress we have achieved and set us back.*

Republican Medicaid Block Grant Repeals These Fundamental Protections

Under the guise of reform, Republicans propose to repeal the federal Medicaid quality standards, as well as the requirement that Medicaid cover nursing home care at all. Medicaid is now the largest payor of long-term care, covering *over two-thirds* of all nursing home residents. As many as 350,000 elderly and disabled Americans would lose nursing home coverage in 2002, and nursing home residents would be vulnerable to abuse and neglect, to being inappropriately restrained and drugged, and dumped onto the streets when they run out of money.

OLD DRAFT

MEDICARE AND MEDICAID: KEY ISSUES

October 17, 1995

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SECURING THE MEDICARE TRUST FUND

THE CLAIM:

Republicans claim that they are cutting $270 billion from Medicare in order to save the program from insolvency.

THE FACTS:

The President's balanced budget plan and the House Republican plan both extend the solvency of the Medicare Hospital Insurance (Part A) Trust Fund through 2006 -- but the President's plan does it with less than one-half of the cuts.

- **According to the career Health Care Financing Administration (HCFA) actuaries and the Republican staff of the House Ways and Means Committee, the Trust Fund would be solvent until 2006 under the House plan -- just as under the President's plan.**

- House Republicans originally tried to claim that their balanced budget plan would extend the solvency of the trust fund beyond 2002.

- However, their original analysis ignores the fact that the House plan includes legislation already passed by the House that reduces the amount of income going into the trust fund. The legislation repeals a provision of the President's 1993 deficit reduction plan that helped strengthen the trust fund.

- Once this legislation is factored in, the HCFA actuaries project that the House plan will delay insolvency until 2006, the same year as the President's plan.

- Republican counsel to the House Ways and Means Committee acknowledged this publicly during the Committee's markup of Medicare legislation.

The Republican $270 Billion Medicare Cut Is Not Necessary

- **More than half of the cuts in the House and Senate bills have nothing to do with Part A and will not extend the life of the trust fund one day.**

- Under the House plan, only about $130 billion of the $270 billion Medicare cuts come from Part A. The remaining $140 billion in Part B cuts go to general revenues.

    - They raise premiums -- and none of that money helps the Part A trust fund.

- They lower payments to physicians and other providers of outpatient services -- and none of that money helps the trust fund.

- Under the Senate plan, only about $120 billion of the $270 billion Medicare cuts come from Part A. The remaining $150 billion in Part B cuts go to general revenues.

  - The Senate plan raises premiums, doubles deductibles and lowers payments to health care providers -- and none of that money helps the trust fund.

  - It imposes a new Part B premium on beneficiaries with incomes above $50,000 ($75,000 for couples) -- and none of that money helps the Part A trust fund.

  - It gradually raises the eligibility age for Medicare from 65 to 67 -- and very little of that money helps the trust fund.

The President's Plan to Secure the Trust Fund

- The President's balanced budget proposal shows that we can balance the budget and secure the Medicare Trust Fund without cutting benefits or increasing costs for people on Medicare.

- Part A of Medicare, which pays mostly for hospitalization, is financed through the Hospital Insurance Trust Fund. In April, the trustees of the fund reported that the trust fund would be unable to cover its expenses by 2002. The trustees have reported nine times that the fund would be insolvent in seven years or less. Each time, Congress has taken steps to extend the solvency of the trust fund.

- The President has acted three times since taking office to extend the life of the trust fund.

  - In 1993, the Medicare trustees projected that the trust fund would be exhausted in six years. The President offered a package of reforms -- opposed by every Republican in Congress -- that pushed back that date by three years.

  - In 1994, the Administration proposed a health reform plan that would have strengthened the trust fund for an additional five years.

  - Under the President's balanced budget proposal, payments from the trust fund would be reduced by $89 billion over the next seven years. According to career actuaries, this would secure the trust fund until 2006.

- The President's plan secures the trust fund without imposing any new cost increases on beneficiaries.

THE MEDICARE "LOCK BOX"

THE CLAIM:

Republicans claim that their Medicare cuts are not being used to pay for their $245 billion tax cut. House and Senate Republicans have created so-called "lockboxes" -- claiming that these "lockboxes" separate the Part B Medicare spending cuts from other budgetary transactions and that they preclude Medicare cuts from being used to pay for tax cuts.

THE FACTS:

- The House and Senate proposals use different mechanics. The House lockbox creates a new trust fund and transfers money out of general revenues into this new trust fund in an amount equal to the Part B spending cuts. The Senate transfers money out of general revenues and into the Medicare Part A trust fund in amount equal to the savings resulting from increases in the Medicare Part B premium and deductible. Both of these proposals are merely gimmicks.

- The Republicans could lower their Medicare cut by $150 billion -- take away every penny of extra premium increase, extra deductible -- by simply lowering their tax cut by $150 billion. No accounting gimmick or separate account can hide that fact.

- The Republicans' reasoning is like a person who spends $5,000 less on health care for his family to pay for a $5,000 Las Vegas vacation but denies that he is cutting health care to pay for a vacation because he promises to put *that* $5,000 in a special trust account to pay for food and rent. Anyway you slice it, if he didn't have to pay for a $5,000 vacation, he wouldn't have to spend $5,000 less on health care for his family. And, anyway you slice it, if the Republicans didn't have to pay for a $245 billion tax cut, they wouldn't have to cut $270 billion from Medicare -- $150 billion more than is needed to secure the trust fund.

- By creating these lockboxes, Republicans are admitting that $150 billion of their Medicare cuts go to general revenues -- not to strengthen the Medicare trust fund. Then they say that they will transfer that $150 billion from general revenues to the trust fund.

- One could just as easily say that revenue from the income tax, for example, should go into the Medicare trust fund. Or as the nonpartisan Concord Coalition (chaired by former Senators Warren Rudman and Paul Tsongas) says, "[w]hy not throw in the GOP savings in farm aid and AFDC? Or why not go even further and have the Treasury write a check for several million dollars to the HI trust fund so we won't have to worry about it again for the next half century?" [Fax Alert from The Concord Coalition, 10/12/95]

- According to the Concord Coalition, "Republicans -- against the advice of their brightest staff -- are pushing the budget debate into fantasy land. . . The Senate would reallocate much of the proposed SMI [Part B] savings to the HI [PartA] trust fund. The House would create yet another trust fund which would be credited with all of the SMI savings. Both transactions are cynically devoid of economic meaning. . . Because all federal revenues are fungible, the balance of any particular trust fund is economically irrelevant. What matters is the net difference between all federal taxing and all federal spending . . . ." [Fax Alert from The Concord Coalition, 10/12/95 (emphasis added)]

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The Republicans say that they are not cutting Medicare because they will spend $6,700 per beneficiary in 2002 as compared to the $4,800 that is spent today.

THE FACTS:

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The House Republican Medicaid plan would repeal the common ground law signed by President Reagan to protect spouses from having to *give up everything they have -- their car, their home, and all their savings* -- in order to pay for nursing home care for their sick spouse.

Current Law Protects Spouses and Their Families from Poverty

Current federal law ensures that spouses of people needing nursing home care do not have to lose everything they have in order for their spouse to qualify for Medicaid:

- States must let spouses keep income equal to 150% of the national poverty level -- about $15,000 per year.

- States must let spouses keep a minimum amount of their assets. The minimum is set by the state and may range from about $15,000 to $75,000. The value of the spouse's home and car are not counted toward the asset limit, which protects spouses from having to sell these items to qualify for Medicaid.

Since this federal law went into effect in 1989, it has protected about 450,000 spouses of nursing home residents. Most of these spouses are women. It also protects their families from being forced to pay the nursing home costs and from having to support the spouse not needing nursing home care.

Background and Legislative History

Most Americans must pay for nursing home care with their own funds for as long as they can. Medicare provides minimal long-term care coverage, and Medicaid only covers nursing home care after one has "spent down" and meets Medicaid's eligibility requirements. Prior to enactment of the protections against spousal impoverishment in 1988, spouses, most often wives, of people needing nursing home care, were often forced into poverty before they qualified for Medicaid. To avoid poverty, many elderly couples were forced to take desperate steps, such as divorcing or suing their sick spouse for support.

These current protections against spousal impoverishment were enacted as part of the Medicare Catastrophic Coverage Act of 1988, and were one of the few provisions retained when the Act was repealed in 1989. The Senate voted 99-0 and the House voted 349-57 to retain the spousal impoverishment and a few other provisions.

Republican Medicaid Block Grant Ends Spousal Impoverishment Protection

The House Medicaid block grants as introduced repeal the protections against spousal impoverishment. When House Democrats offered an amendment in the Commerce Committee to restore these protections, *the amendment was defeated on a party-line vote.* Senate Democrats offered a similar amendment in the Finance Committee and the amendment was adopted.

Medicaid is the largest payor of long-term care, covering *over two-thirds* of all nursing home residents. Without the current federal protections against spousal impoverishment, there would be no federal assurance that spouses could keep a minimum amount of their income and assets. The spouses and families of nursing home residents could be faced with the costs of their sick relatives' nursing home care -- care which now *costs an average of $38,000 a year.* Nursing home costs could once again ruin the lives of spouses and their families.

Because Republicans also propose to slash Medicaid by $182 billion over seven years, cutting federal Medicaid payments to states by 30% in 2002, states may be forced to offset the loss of federal funding by not protecting the income and assets of spouses of nursing home residents. Spouses could be forced to sell their home, car and other essential assets, and to spend everything including their Social Security check on their spouse's nursing home care.

ENDING MEDICAID NURSING HOME QUALITY STANDARDS

The Republican Medicaid proposals repeal the common ground law signed by President Reagan that established quality standards for nursing homes and institutions caring for people with mental retardation.

Background and Legislative History

President Reagan signed federal nursing home quality standards into law as part of the Omnibus Reconciliation Act of 1987. A 1986 report by the National Academy of Science's Institute of Medicine had documented an epidemic of substandard care in nursing home facilities around the nation. In 27 states, *at least one-third* of the facilities had care so poor that it jeopardized the health and safety of residents. Nursing home residents were sometimes found lying in their own waste, injured by rough handling, suffering with bed sores while tied to their beds at understaffed homes, verbally intimidated, and summarily evicted when their nursing home found a prospective patient willing to pay more for their bed.

Current Federal Quality Standards

Current federal law provides minimum standards for nursing homes that protect residents from abuse and neglect including:

- limiting the use of drugs and restraints
- prohibiting nursing homes from "dumping" residents -- evicting them when they've run out of money and qualify for Medicaid
- giving nursing home residents the right to appeal decisions about their care
- ensuring that nursing aides are trained and do not have a history of abuse

The 1987 law and subsequent amendments have led to dramatic improvements in the quality of nursing home care. The use of physical restraints and psychotropic drugs has dropped sharply. The number of registered nurses on duty in nursing homes has increased, as has the training of nurses' aides. Nevertheless, more progress is needed. Inspectors from the Health Care Financing Administration continue to find substandard care at some nursing homes. For example, one resident was hospitalized after maggots and larvae were found in a foot wound -- the nursing home said it did not have enough staff to give baths. *Repealing the federal quality standards would undermine the progress we have achieved and set us back.*

Republican Medicaid Block Grant Repeals These Fundamental Protections

Under the guise of reform, Republicans propose to repeal the federal Medicaid quality standards, as well as the requirement that Medicaid cover nursing home care at all. Medicaid is now the largest payor of long-term care, covering *over two-thirds* of all nursing home residents. As many as 350,000 elderly and disabled Americans would lose nursing home coverage in 2002, and nursing home residents would be vulnerable to abuse and neglect, to being inappropriately restrained and drugged, and dumped onto the streets when they run out of money.