DRAFT

Extending Current Medicare Policies

- o The President's FY 1996 budget proposes to extend four current law Medicare provisions.
  - \+ The budget contains no new Medicare savings proposals.
- o These extenders are provisions that are in effect now but are scheduled to expire unless they are extended.
  - \+ Without extension, there will be an upward spike in the Medicare spending baseline.
- o These extenders do help reduce Medicare spending. But they are not new Medicare cuts; rather these are policies that are currently part of the Medicare program.
  - \+ Inclusion of these extender provisions in the budget will lower the projected FY96 outlays by $140 million, and the total FY96 through FY2000 outlays by $9.8 bill.
- o The President does not intend to propose any new Medicare savings proposals outside the context of health care reform.
  - \+ We are concerned that new Medicare cuts outside of health care reform will impose new costs on beneficiaries and/or reduce provider payments inducing them to refuse to take Medicare beneficiaries, both without providing additional health security to those on Medicare.
- o The President's budget uses the savings from the Medicare extenders for deficit reduction and explicitly not to finance the President's middle-class tax cut.
  - \+ The Administration's proposed tax cuts of $63.3 billion from 1996 - 2000 are financed by $80.5 billion in reductions to discretionary programs. In addition, $26.2 billion in savings from the second phase of reinventing government, $37.4 billion from mandatory programs, as well as other initiatives will produce another $80.6 billion in deficit savings over the next five years.
- o Specifically, the extenders cover:
  - \+ Medicare Secondary Payor protections which allow the Medicare program to collect payments from primary insurance sources. These expire after FY 1998.
  - \+ A provision that maintains the Part B premium at 25 percent of program costs. This expires after 1998.

+ A provision that makes permanent the savings from a two-year temporary freeze on payments for skilled nursing facilities (just like all other freezes in Medicare have worked). This expires after FY95.

+ A similar provision with regard to home health services.