HEALTH PRESS RELEASE EXAMPLE

FOR IMMEDIATE RELEASE **Contact: 202/224/5-**
June 29, 1995

Republican Budget Resolution: A Broken Contract with American Families and Parents in (substitute state name)

Quote from Member Addressing Medicare/Medicaid cuts

Medicare

Republicans are proposing the largest Medicare cuts in history. The Republican Budget calls for $270 billion in Medicare cuts over the next seven years. This means that on average Medicare beneficiaries would pay $850 more in 2002 alone and $3,350 over seven years. (This analysis assumes that 50% of the total proposed Medicare cuts would come from beneficiaries and 50% from providers).

Over (x number of) Medicare enrollees in (insert state name) would pay (x $'s) more in 2002 alone and (x $'s) more over seven years. Overall, the state of (substitute state name) would lose ($x) billion in Medicare funding in 2002 alone and ($x) billion over seven years.

Medicaid

Republicans are also proposing the largest Medicaid cuts in history. The Republican budget calls for $182 billion in Medicaid cuts over the next seven years by making the program a block grant to states.

If States were to offset the loss of Federal funds, they would have to increase their spending in 2002 by 40 percent. If States could not increase their spending on Medicaid, and had to reduce services, provider payments and coverage in equal proportions: **7 million children and nearly one million elderly and persons with disabilities could lose coverage.** This would mean thousands fewer children and elderly would have insurance in (insert state name).

Effects of the Republican Resolution Agreement's Medicare Proposal On States
Losses by State Under the Proposal Relative to the President's Proposal
(Excluding Premium Extenders in President's Budget, Fiscal years)

	Increased Out-of-Pocket Cost Per Beneficiary (Increase in dollars per beneficiary)	
	2002	1996-2002
US	$625	$2,825
Alabama	1,181	4,276
Alaska	419	1,864
Arizona	838	3,290
Arkansas	582	2,376
California	1,226	4,620
Colorado	933	3,505
Connecticut	976	3,764
Delaware	1,016	3,871
District of Columbia	NA	NA
Florida	1,319	4,800
Georgia	911	3,538
Hawaii	981	3,567
Idaho	364	1,576
Illinois	656	2,707
Indiana	737	2,909
Iowa	427	1,809
Kansas	876	3,352
Kentucky	635	2,587
Louisiana	1,049	4,073
Maine	436	1,865
Maryland	658	2,787
Massachusetts	1,289	4,813
Michigan	617	2,604
Minnesota	942	3,420
Mississippi	668	2,666
Missouri	730	2,924
Montana	463	1,945
Nebraska	551	2,206
Nevada	903	3,511
New Hampshire	683	2,675
New Jersey	780	3,148
New Mexico	405	1,728
New York	824	3,337
North Carolina	753	2,920
North Dakota	628	2,538
Ohio	600	2,507
Oklahoma	609	2,500
Oregon	806	3,027
Pennsylvania	865	3,477
Rhode Island	1,150	4,167
South Carolina	777	2,941
South Dakota	525	2,131
Tennessee	1,165	4,350
Texas	938	3,643
Utah	608	2,446
Vermont	480	1,989
Virginia	469	2,007
Washington	530	2,196
West Virginia	565	2,304
Wisconsin	475	2,003
Wyoming	282	1,302
Puerto Rico	362	1,394
All Other Areas	3	20

Variation in the costs per beneficiary across states reflects factors such as: (1) practice pattern differences, (2) cost differences, (3) differences in health status and the number of very old persons in a state; and (4) differences in the supply of health care providers.

NOTES: Assumes that increases in beneficiary out-of-pocket costs (e.g., premiums and coinsurance) are equal to 50% of the total cuts. Based on historical state share of Medicare outlays & enrollment, trended forward with growth in the states' share of outlays & enrollment. Estimates based on Medicare outlays by location of service delivery. Thus, certain state estimates may be affected by part-year residency and state border crossing to obtain care (e.g., Florida & Minnesota).
State border crossing makes the District of Columbia estimates unreliable

Projected Medicare Beneficiaries by State

	1995	2002
US	37,631,000	41,299,000
Alabama	641,971	703,082
Alaska	33,784	49,773
Arizona	598,737	743,525
Arkansas	422,580	450,365
California	3,638,311	4,034,936
Colorado	423,478	514,095
Connecticut	503,906	533,943
Delaware	100,545	115,722
District of Columbia	78,730	76,330
Florida	2,515,504	2,951,880
Georgia	832,454	953,079
Hawaii	150,818	184,336
Idaho	149,769	171,120
Illinois	1,625,786	1,690,497
Indiana	827,174	880,461
Iowa	476,142	484,783
Kansas	383,997	397,890
Kentucky	585,590	636,855
Louisiana	582,491	634,122
Maine	202,149	221,565
Maryland	604,202	677,465
Massachusetts	937,292	996,344
Michigan	1,354,523	1,481,749
Minnesota	632,457	671,394
Mississippi	395,768	421,671
Missouri	834,228	876,863
Montana	129,141	141,557
Nebraska	249,529	256,357
Nevada	194,035	295,417
New Hampshire	156,237	178,655
New Jersey	1,174,802	1,244,404
New Mexico	212,160	257,452
New York	2,645,176	2,718,120
North Carolina	1,028,054	1,202,196
North Dakota	103,477	106,274
Ohio	1,673,946	1,800,336
Oklahoma	487,058	519,526
Oregon	470,268	524,031
Pennsylvania	2,083,051	2,187,966
Rhode Island	168,503	175,375
South Carolina	508,854	593,614
South Dakota	117,061	122,172
Tennessee	768,041	853,930
Texas	2,090,369	2,419,444
Utah	188,349	228,000
Vermont	82,989	91,752
Virginia	818,458	936,837
Washington	687,136	771,781
West Virginia	330,115	348,402
Wisconsin	763,230	804,207
Wyoming	60,570	72,355
Puerto Rico	476,704	527,920
All Other Areas	330,201	357,073

NOTES: Based on historical state share of Medicare enrollees, trended forward with growth in the states' share of enrollees.

* Totals may not add due to rounding

Effects of the Republican Resolution Agreement's Medicare Proposal On States
Losses by State Under the Proposal
(Fiscal years)

	Aggregate Effect (Providers & Beneficiaries) (Millions of dollars)		Increased Out-of-Pocket Cost Per Beneficiary (Increase in dollars per beneficiary)	
	2002	1996-2002	2002	1996-2002
US	$71,000	$270,000	$850	$3,350
Alabama	1,661	5,890	1,181	4,276
Alaska	42	166	419	1,864
Arizona	1,247	4,626	838	3,290
Arkansas	525	2,108	582	2,376
California	9,893	36,371	1,226	4,620
Colorado	959	3,434	933	3,505
Connecticut	1,042	3,968	976	3,764
Delaware	235	865	1,016	3,871
District of Columbia	1,197	3,778	NA	NA
Florida	7,789	28,096	1,319	4,899
Georgia	1,737	6,519	911	3,530
Hawaii	362	1,253	981	3,567
Idaho	125	520	364	1,576
Illinois	2,218	9,078	656	2,707
Indiana	1,312	5,092	737	2,909
Iowa	414	1,751	427	1,809
Kansas	697	2,650	878	3,352
Kentucky	809	3,227	635	2,587
Louisiana	1,330	5,062	1,049	4,073
Maine	193	807	436	1,865
Maryland	891	3,664	658	2,787
Massachusetts	2,569	9,464	1,289	4,813
Michigan	1,827	7,540	617	2,604
Minnesota	1,264	4,534	942	3,420
Mississippi	563	2,232	668	2,666
Missouri	1,280	5,073	730	2,924
Montana	131	538	463	1,945
Nebraska	283	1,126	551	2,206
Nevada	533	1,861	903	3,511
New Hampshire	244	924	683	2,675
New Jersey	1,940	7,727	780	3,146
New Mexico	208	844	405	1,728
New York	4,481	18,058	824	3,337
North Carolina	1,810	6,749	753	2,920
North Dakota	133	537	628	2,538
Ohio	2,161	8,868	600	2,507
Oklahoma	633	2,558	609	2,500
Oregon	844	3,092	806	3,027
Pennsylvania	3,785	15,053	865	3,477
Rhode Island	403	1,491	1,150	4,167
South Carolina	923	3,361	777	2,941
South Dakota	128	516	525	2,131
Tennessee	1,989	7,248	1,165	4,350
Texas	4,539	16,991	938	3,643
Utah	277	1,061	600	2,446
Vermont	88	356	480	1,989
Virginia	879	3,625	469	2,007
Washington	818	3,289	530	2,196
West Virginia	394	1,586	565	2,304
Wisconsin	765	3,182	475	2,003
Wyoming	41	179	282	1,302
Puerto Rico	382	1,436	362	1,394
All Other Areas	2	14	3	20

Variation in the costs per beneficiary across states reflects factors such as: (1) practice pattern differences, (2) cost differences; (3) differences in health status and the number of very old persons in a state; and (4) differences in the supply of health care providers.

NOTES: Assumes that increases in beneficiary out-of-pocket costs (e.g., premiums and coinsurance) are equal to 50% of the total cuts.
Based on historical state share of Medicare outlays & enrollment, trended forward with growth in the states' share of outlays & enrollment.
Estimates based on Medicare outlays by location of service delivery. Thus, certain state estimates may be affected by part-year residency and state border crossing to obtain care (e.g., Florida & Minnesota).
State border crossing makes the District of Columbia estimates unreliable.

EXAMPLE OF MEDICARE INSERT FOR ALABAMA

Medicare

Republicans are proposing the largest Medicare cuts in history. The House Republican proposal calls for $270 billion in Medicare cuts over the next seven years. This means that on average Medicare beneficiaries would pay $860 more in 2002 alone and $3,344 over seven years. (This analysis assumes that 50% of the total proposed Medicare cuts would come from beneficiaries and 50% from providers.)

Over 641,000 Medicare enrollees in Alabama would pay $1,181 more in 2002 alone and $4,276 more over seven years. Overall, the state of Alabama would lose $1.7 billion in Medicare funding in 2002 alone and $5.9 billion over seven years.

Medicaid

Republicans are also proposing the largest Medicaid cuts in history. The Republican budget calls for $182 billion in Medicaid cuts over the next seven years by making the program a block grant to states.

If States were to offset the loss of Federal funds, they would have to increase their spending in 2002 by 40 percent. If States could not increase their spending on Medicaid, and had to reduce services, provider payments and coverage in equal proportions: **7 million children and nearly one million elderly and persons with disabilities could lose coverage.** This would mean thousands fewer children and elderly would have insurance in (insert state name).

MEMORANDUM

TO: Carol Rasco
FR: Chris and Jen
RE: Attached Contrasting Medicare Cut Charts

June 26, 1995

Attached is a set of charts that help graphically illustrate the differences between the President and the Republicans on the Medicare issue. Although all of us inside the White House are well aware that there are no new Medicare beneficiary cuts in the President's balanced budget proposal, this message has not filtered through to the general public. The media is basically saying it is less than the Republicans and are clinging to the "Republican light" label that some of our Dems have given the President's proposal.

The analysis of the Republican budget conference agreement is consistent with what we and most other major analysts have assumed in the absence of specific proposals. That is to say, we have assumed a 50/50 split of beneficiary cuts to provider cuts. From our preliminary analysis of the Republican conference agreement and the fact that the providers are not complaining any more about their cuts than our cuts -- we believe this to be a fair assumption.

Assuming the 50/50 split obviously produces stark differences in the amounts of out-pocket-increases Medicare beneficiaries would pay. However, as you will see in the provider comparison, there is not such a wide gap -- although the Republicans still would cut more even if you assume such a small percentage provider hit. (Historically, providers have taken at least two-thirds of the cuts.) If you run into any providers, you could say that our 50/50 split analysis would be the absolutely least they would get hit under the Republican plan.

Two warnings Carol: First, these comparisons are accurate at this point in time. They should be used to clearly illustrate the differences between their proposal and the President's current proposal. We, of course, cannot preclude that we might support some new beneficiary savings proposals at some point in the future. Therefore, language used with these charts should be chosen carefully. Second, these charts assume in their baseline the President's February budget proposal to extend the requirement that the Part B premium make up 25 percent of program costs. (This is essentially an extension of current law and, because it was already proposed before, we do not count it as a new beneficiary proposal in our charts -- on either our side or the Republican side.)

We need to do a much better job contrasting ourselves against the Republicans. We hope the attached can help you and other senior officials in the Administration in this regard.

Charts: Republican Resolution versus President's Medicare Proposals

The attached charts assumed that 33% of the total savings affect beneficiaries, and 67% percent affect providers.

ATTACHED:

1. Overall savings numbers
2. Total Provider hit

Including Extenders:

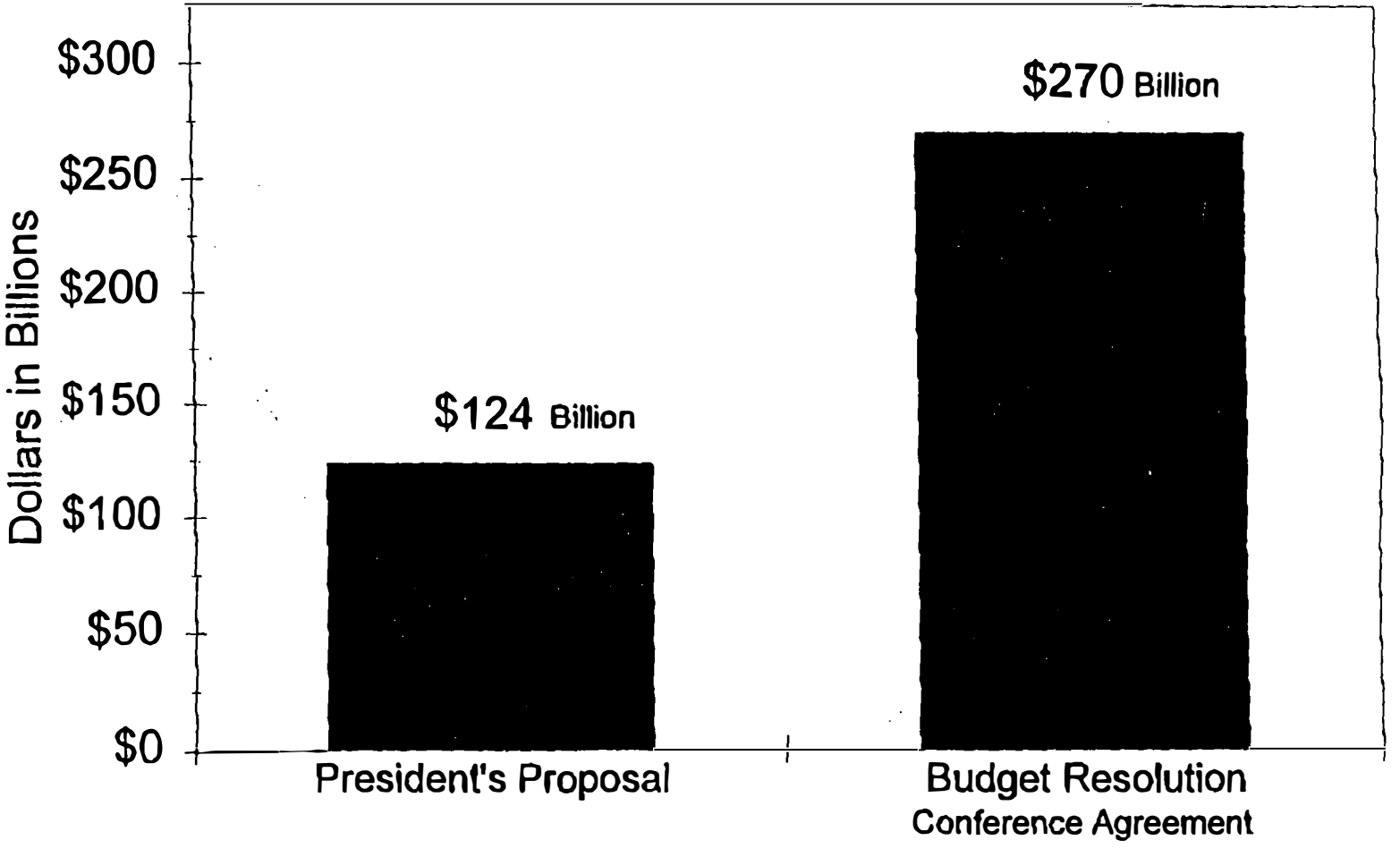
3. Total Beneficiary hit, including extenders
4. Per Beneficiary hit, 2002, including extenders
5. Per Couple hit, 2002, including extenders
6. Per Beneficiary hit, 1996 - 2002, including extenders
7. Per Couple hit, 1996 - 2002, including extenders

Excluding Extenders

8. Total Beneficiary hit, excluding extenders
9. Per Beneficiary hit, 2002, excluding extenders
10. Per Couple hit, 2002, excluding extenders
11. Per Beneficiary hit, 1996 - 2002, excluding extenders
12. Per Couple hit, 1996 - 2002, excluding extenders

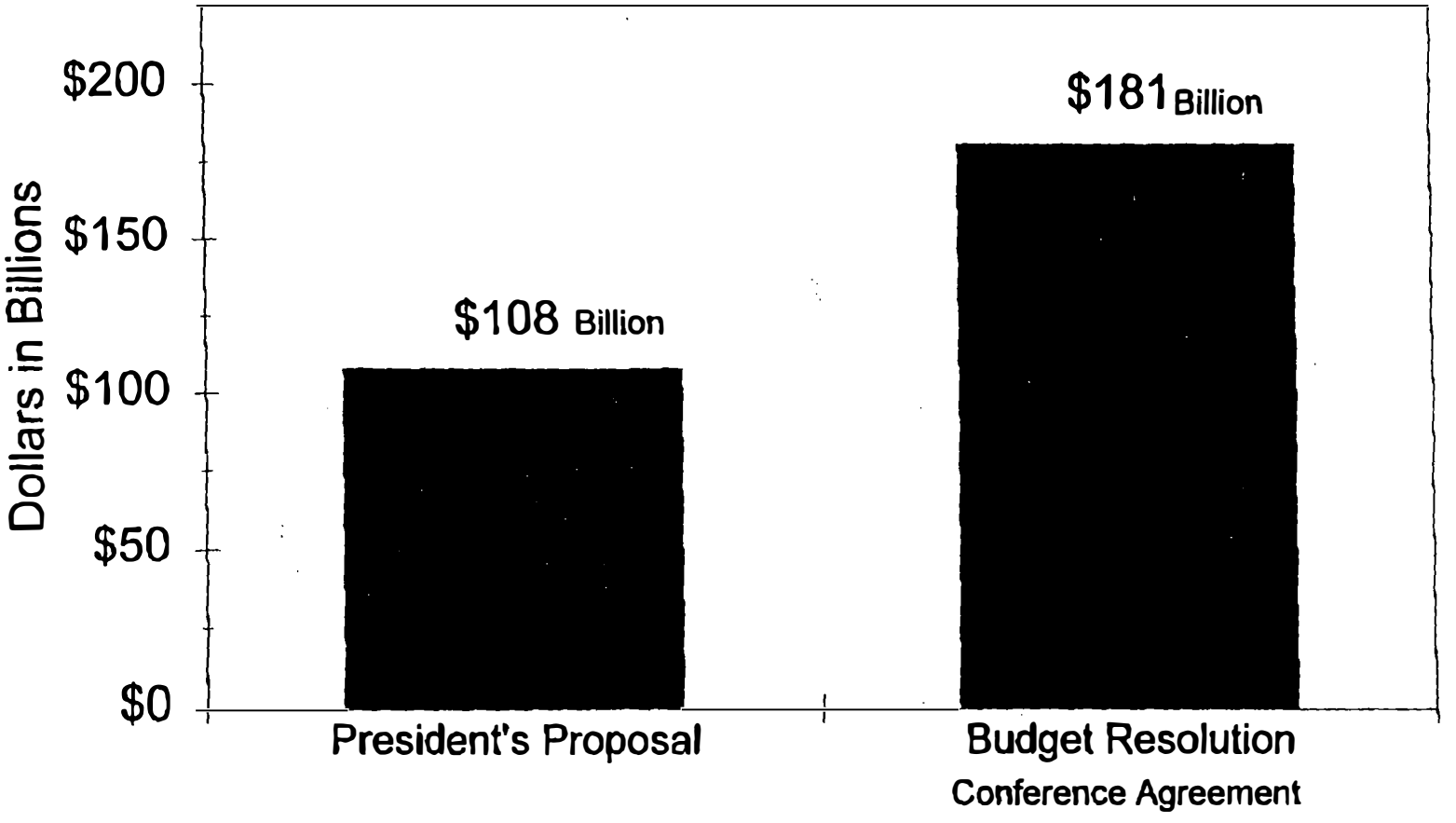
All per beneficiary and per couple effects were rounded to the nearest $25.

Savings From Medicare Proposals
1996 - 2002



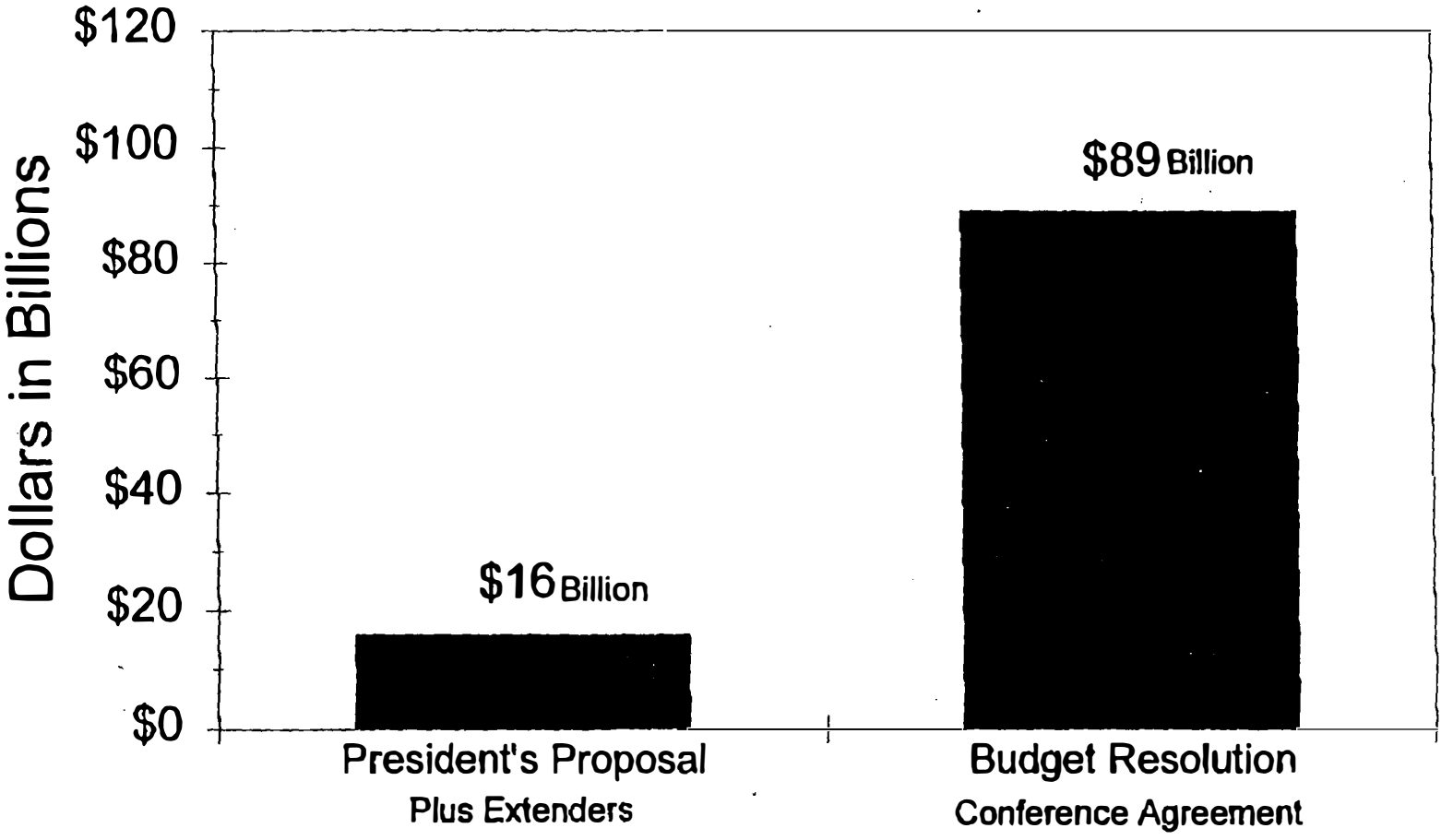
The President's Proposal includes the extenders that were previously incorporated in the President's Budget.

Savings from Medicare Health Care Providers, 1996 - 2002



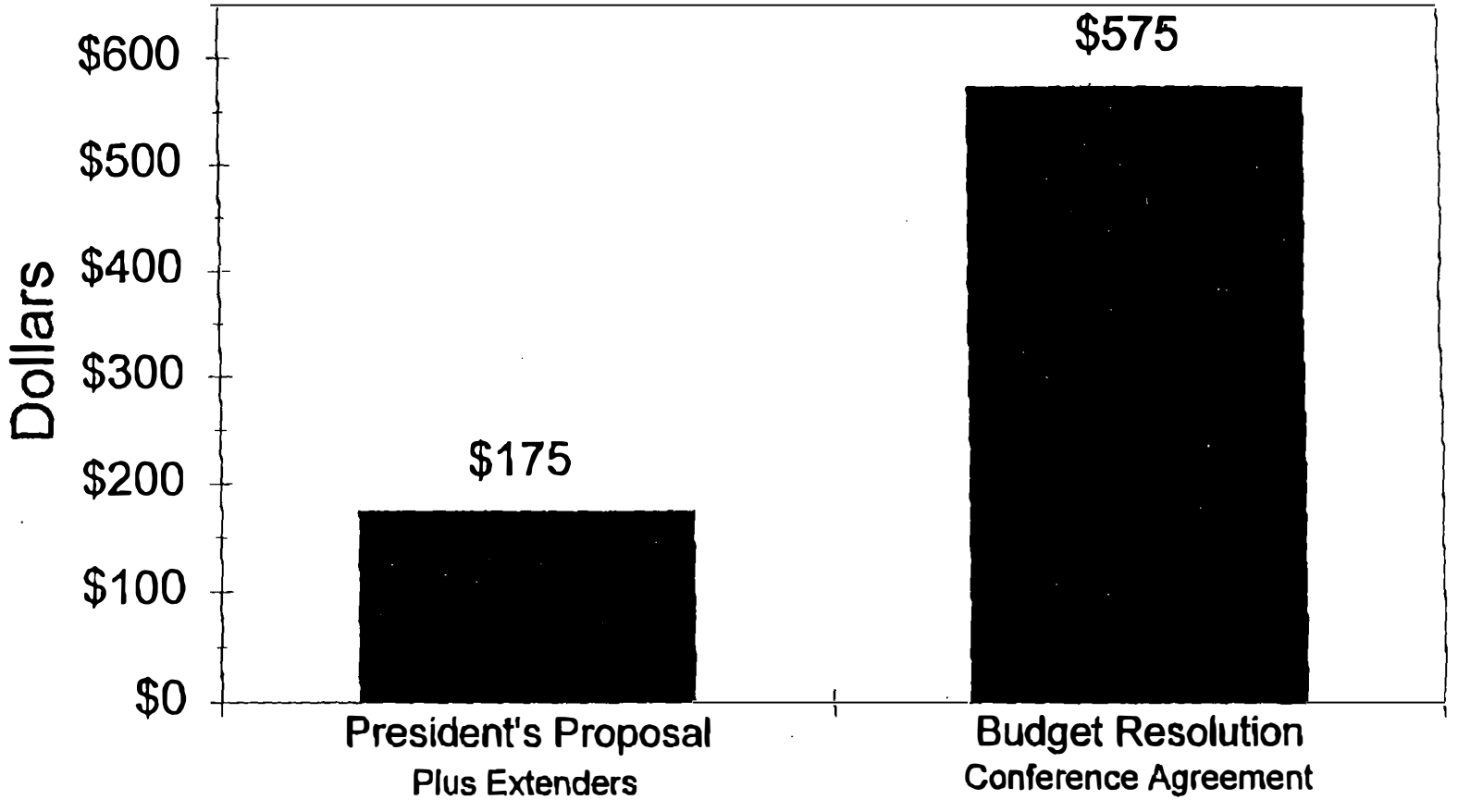
The President's Proposal includes the extenders that were previously incorporated in the President's FY 1996 Budget. This chart assumes 67% of Republican cuts affect providers, consistent with "Plan A" of the May 11, 1995 Republican Medicare proposal. US DHHS Estimates

Increased Medicare Beneficiary Out-of-Pocket Costs, 1996 - 2002



The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. The President's Proposal includes the Medicare Part B premium extender that was previously incorporated in the President's Budget. This chart assumes 33% of Republican cuts affect beneficiaries, consistent with "Plan A" of the May 11, 1995 Republican Medicare proposal. US DHHS Estimates

Increased Medicare Out-of-Pocket Costs Per Beneficiary, 2002



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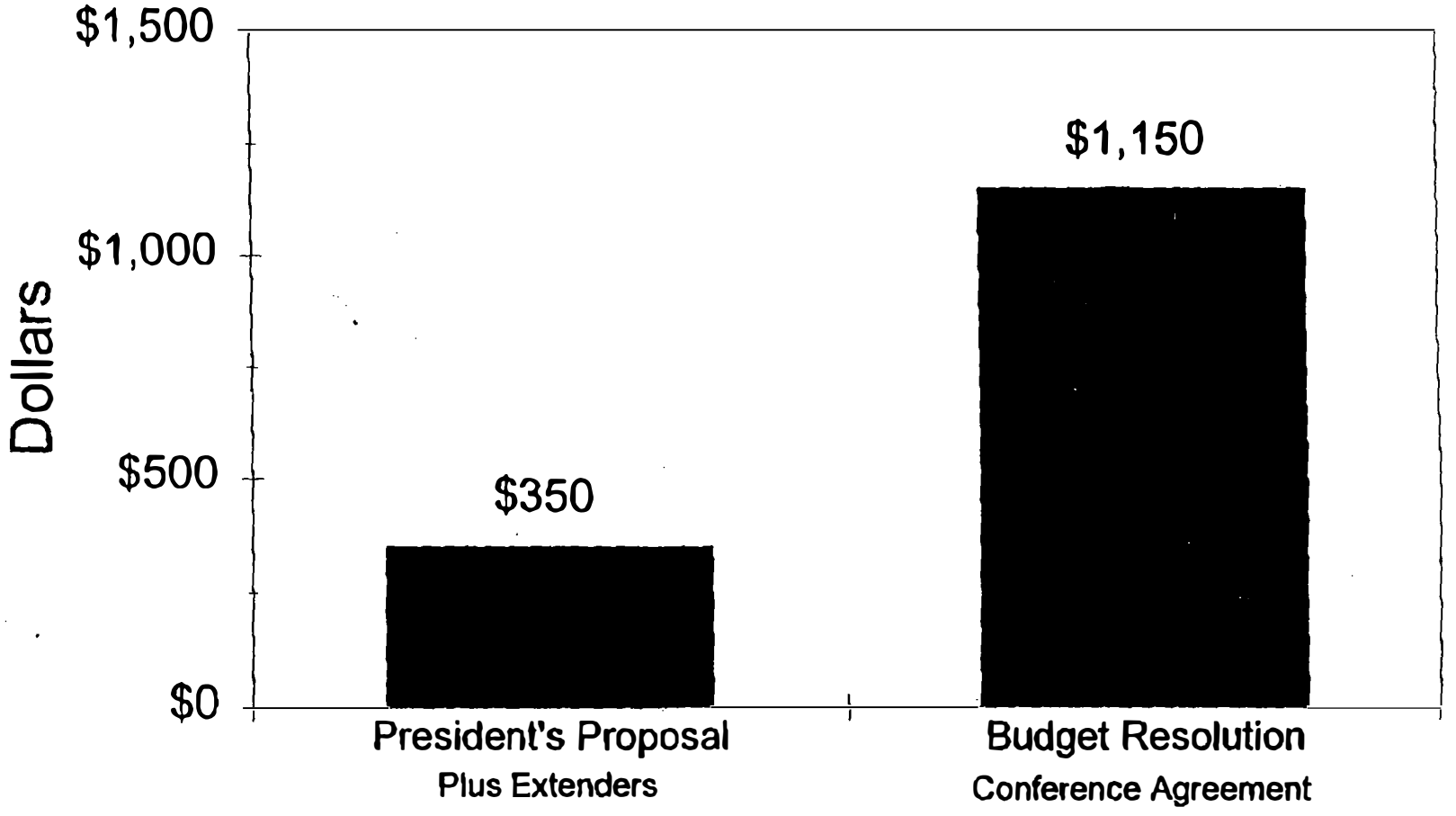
Increased Medicare Out-of-Pocket Costs Per Couple, 2002



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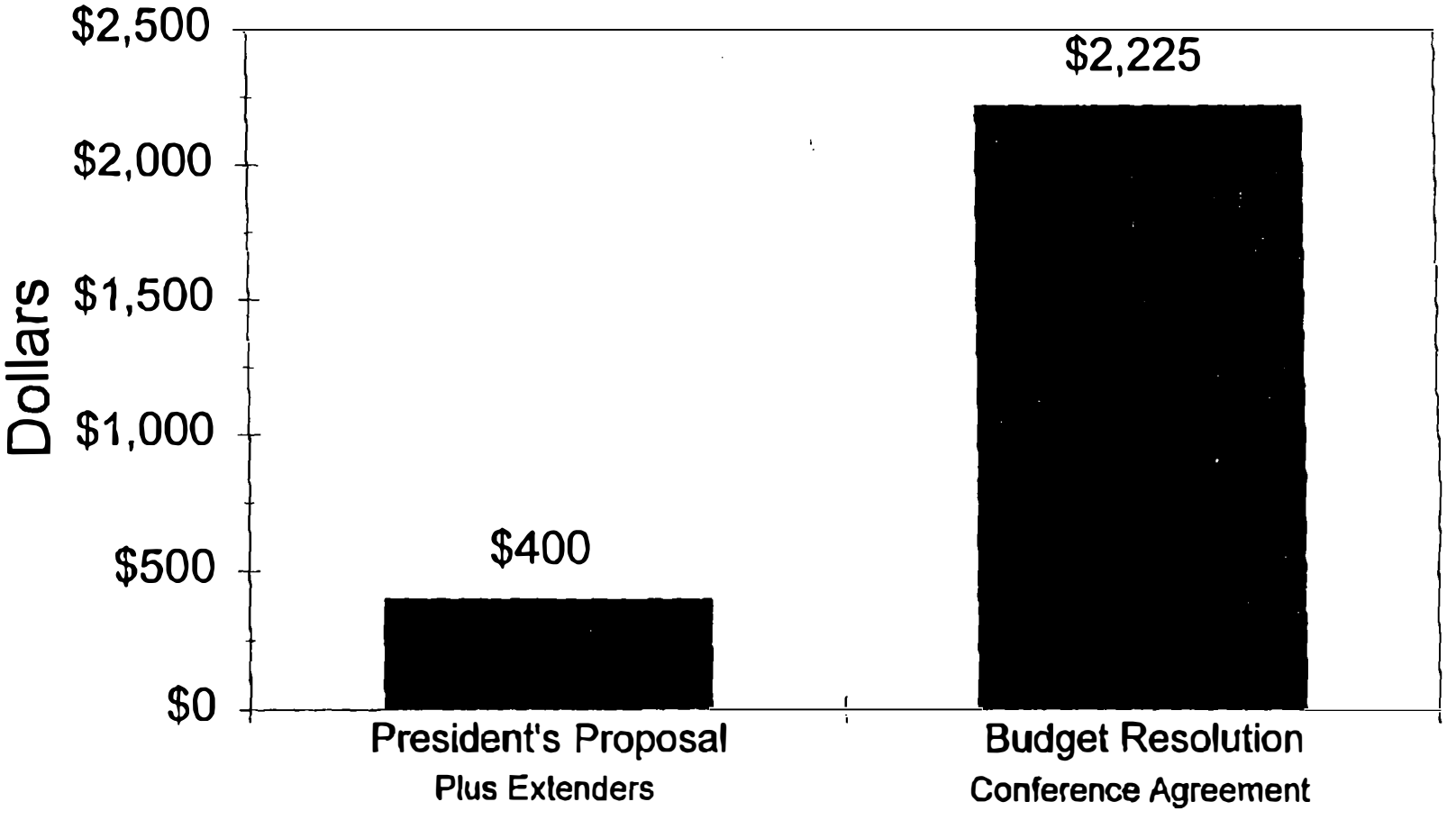
Increased Medicare Out-of-Pocket Costs Per Beneficiary, 1996 - 2002



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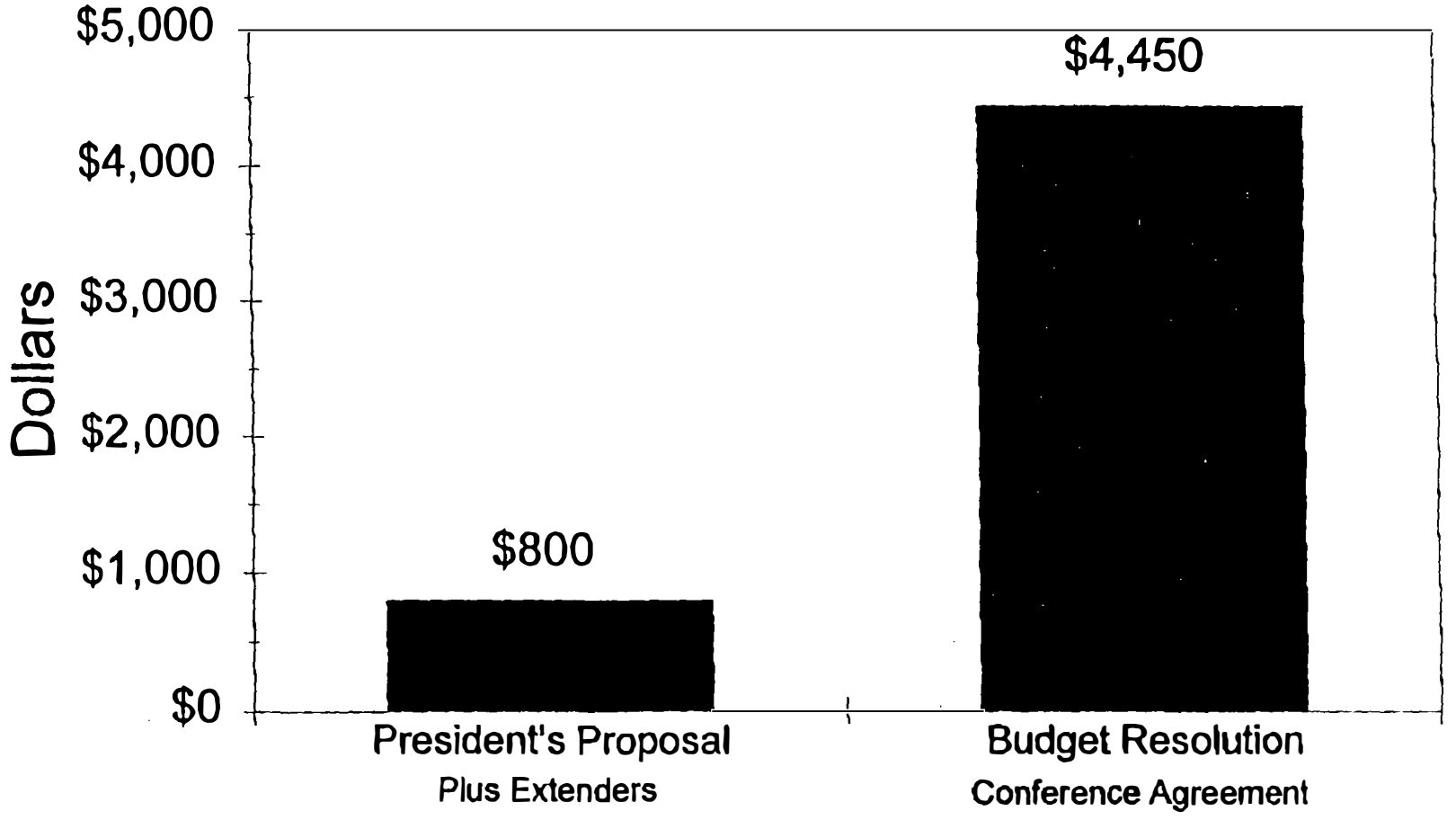
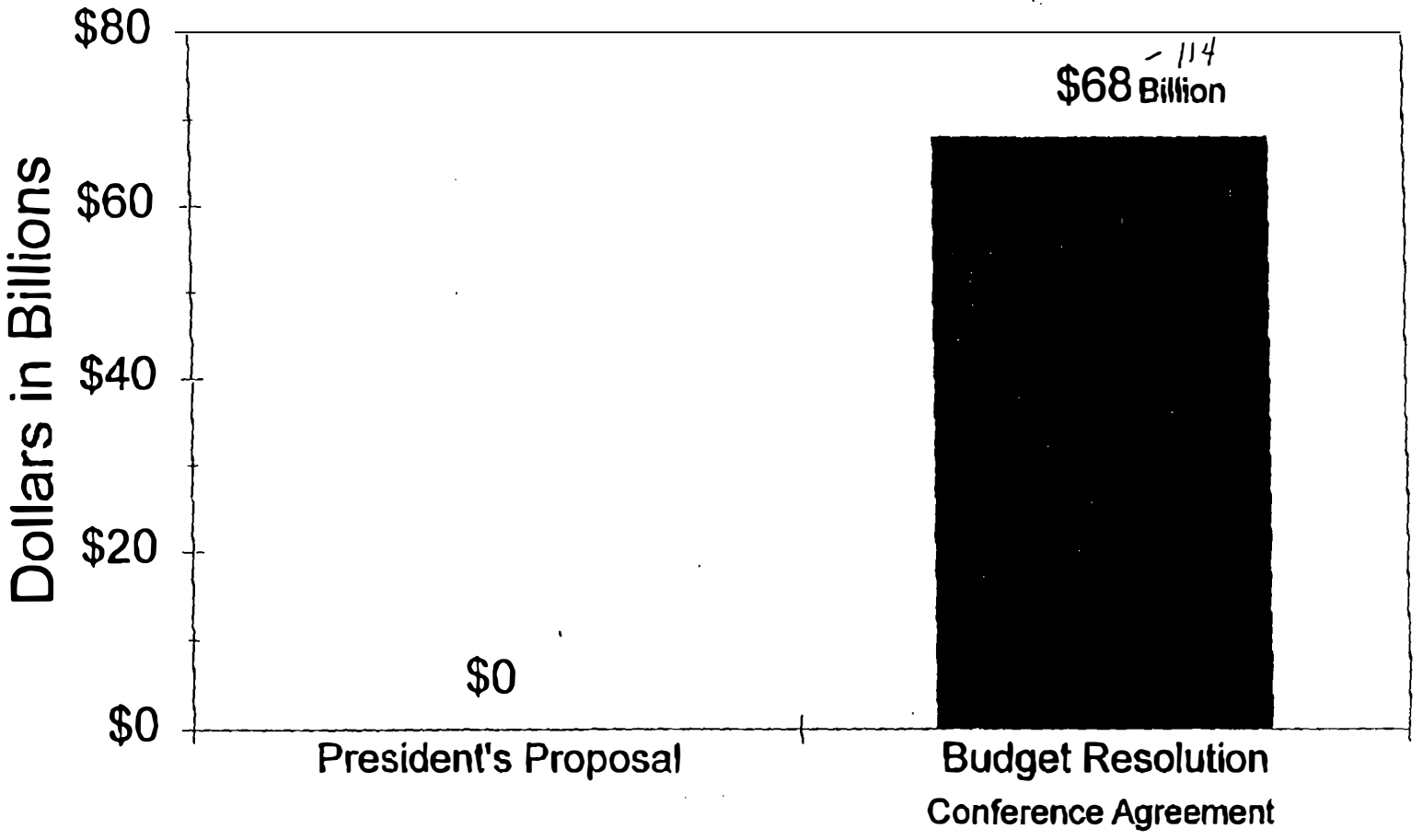
Increased Medicare Out-of-Pocket Costs Per Couple, 1996 - 2002



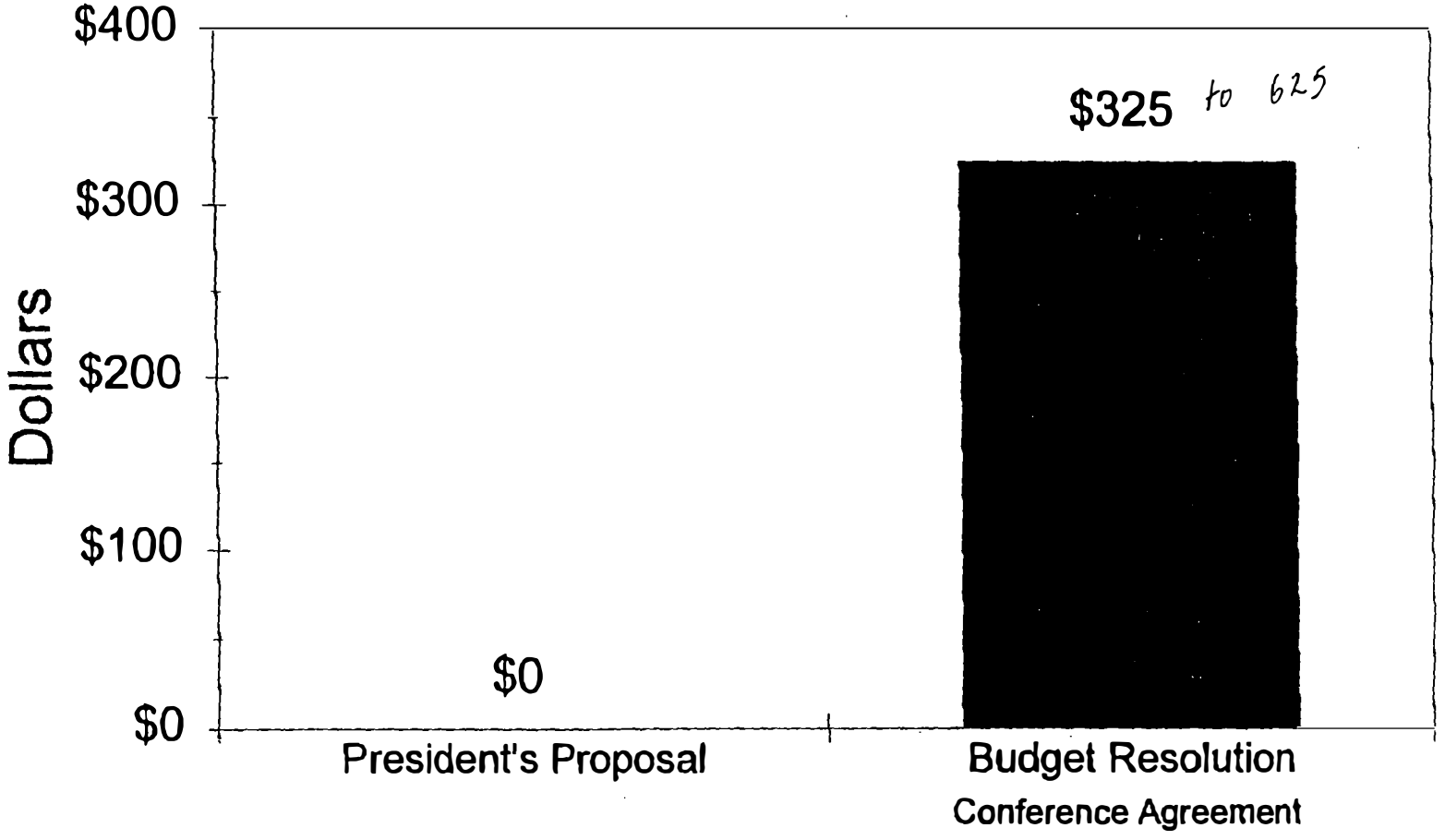
The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. The President's Proposal includes the Medicare Part B premium extender that was previously incorporated in the President's Budget. This chart assumes 33% of Republican cuts affect beneficiaries, consistent with "Plan A" of the May 11, 1995 Republican Medicare proposal. US DHHS Estimates

Increased Medicare Beneficiary Out-of-Pocket Costs, 1996 - 2002



The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 33% of Republican cuts affect beneficiaries, consistent with "Plan A" of the May 11, 1995 Republican Medicare proposal. US DHHS Estimates

Increased Medicare Out-of-Pocket Costs Per Beneficiary, 2002



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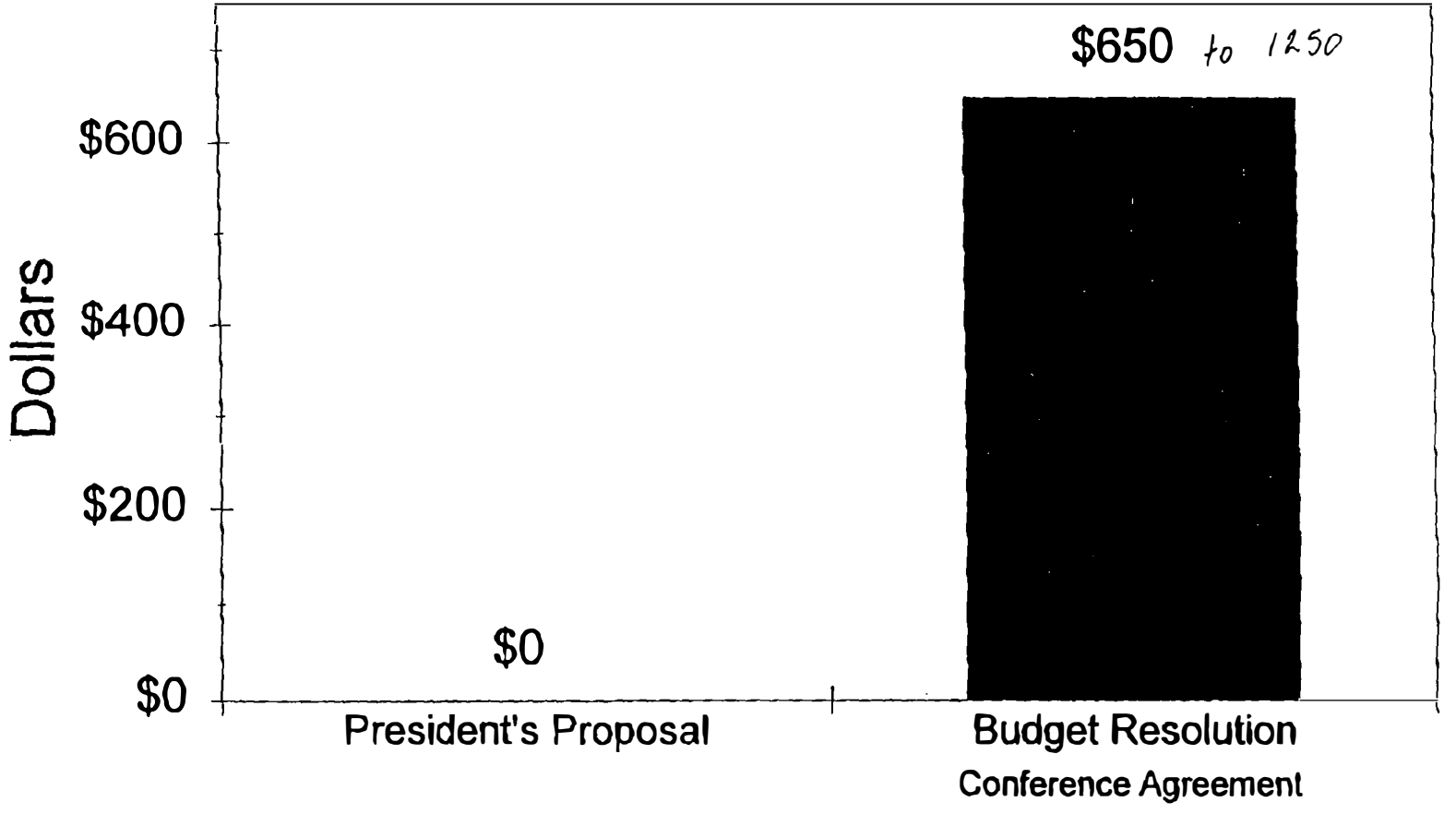
Increased Medicare Out-of-Pocket Costs Per Couple, 2002



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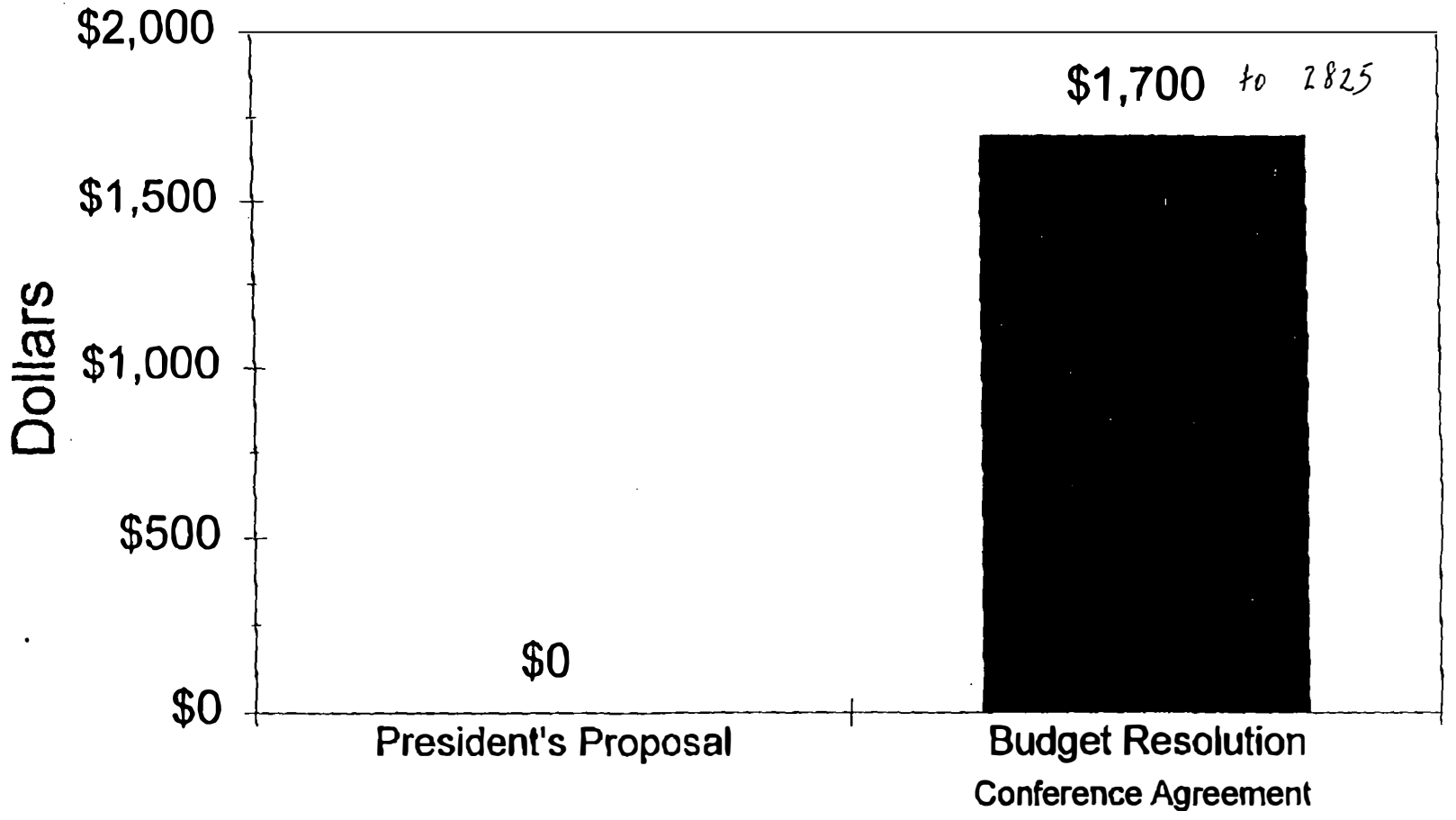
Increased Medicare Out-of-Pocket Costs Per Beneficiary, 1996 - 2002



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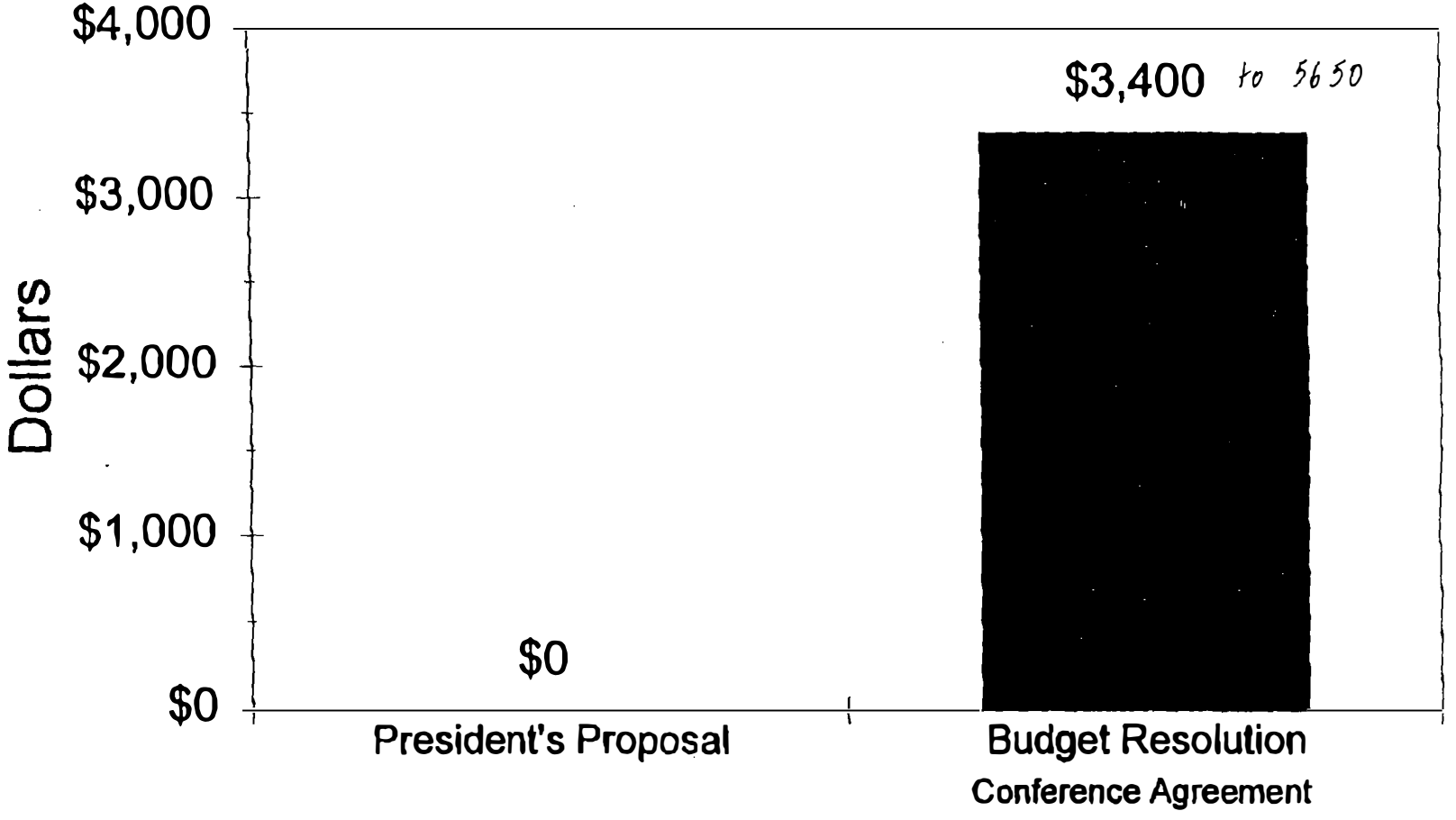
Increased Medicare Out-of-Pocket Costs Per Couple, 1996 - 2002



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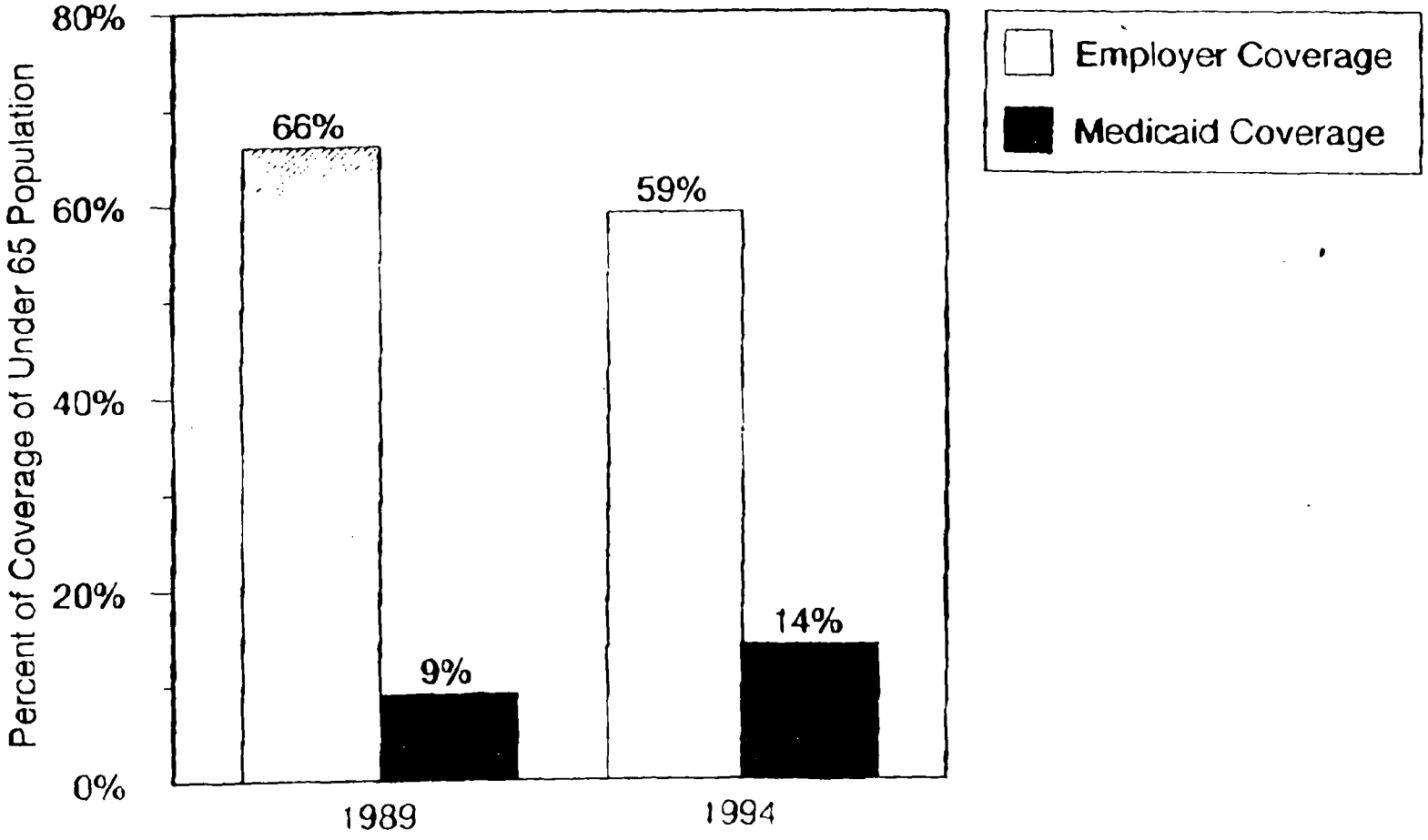
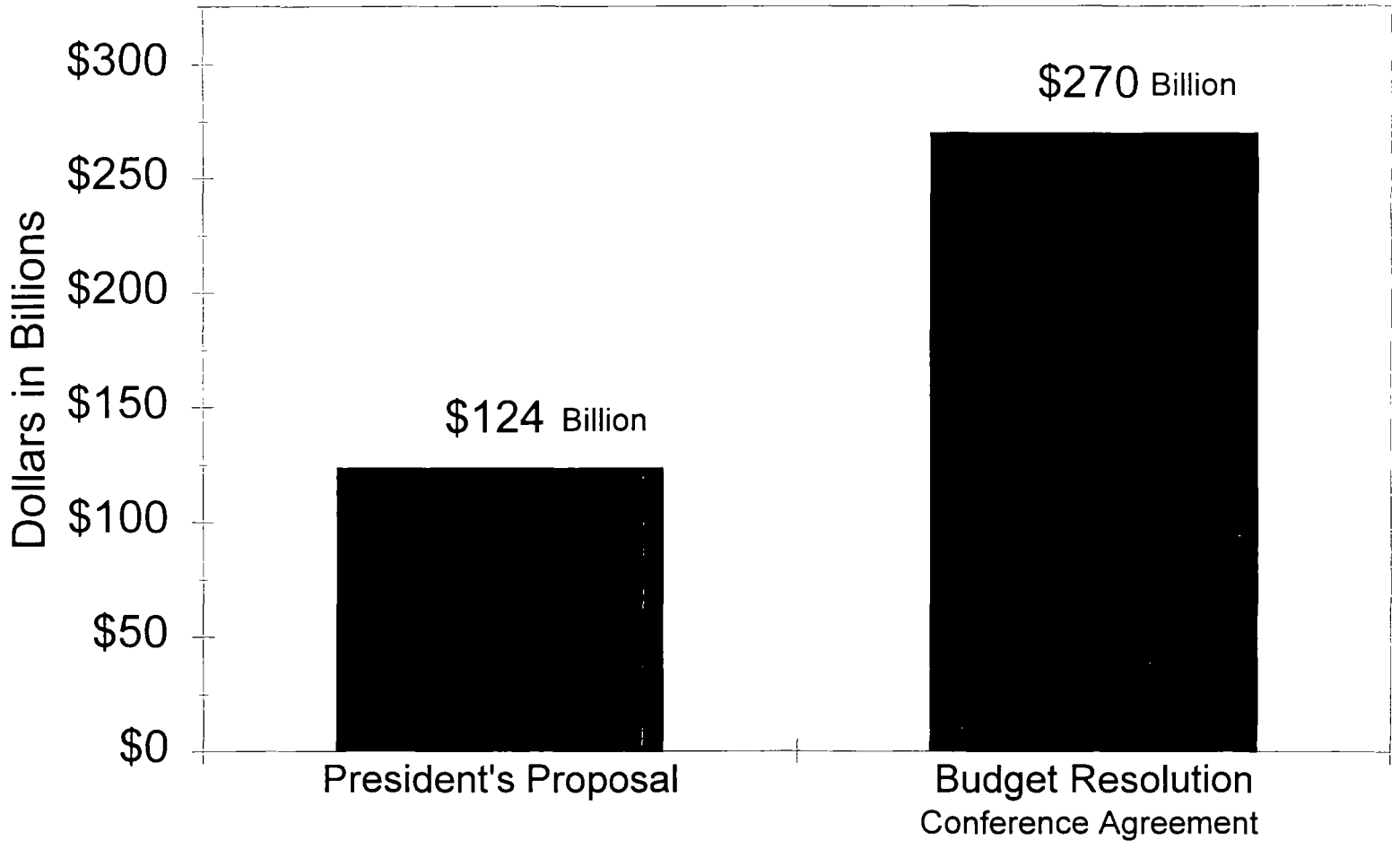
Medicaid is a Critical Safety Net

Employer Coverage Reduced, Medicaid Coverage Increased



Source: HCFA Office of the Actuary

Savings From Medicare Proposals
1996 - 2002



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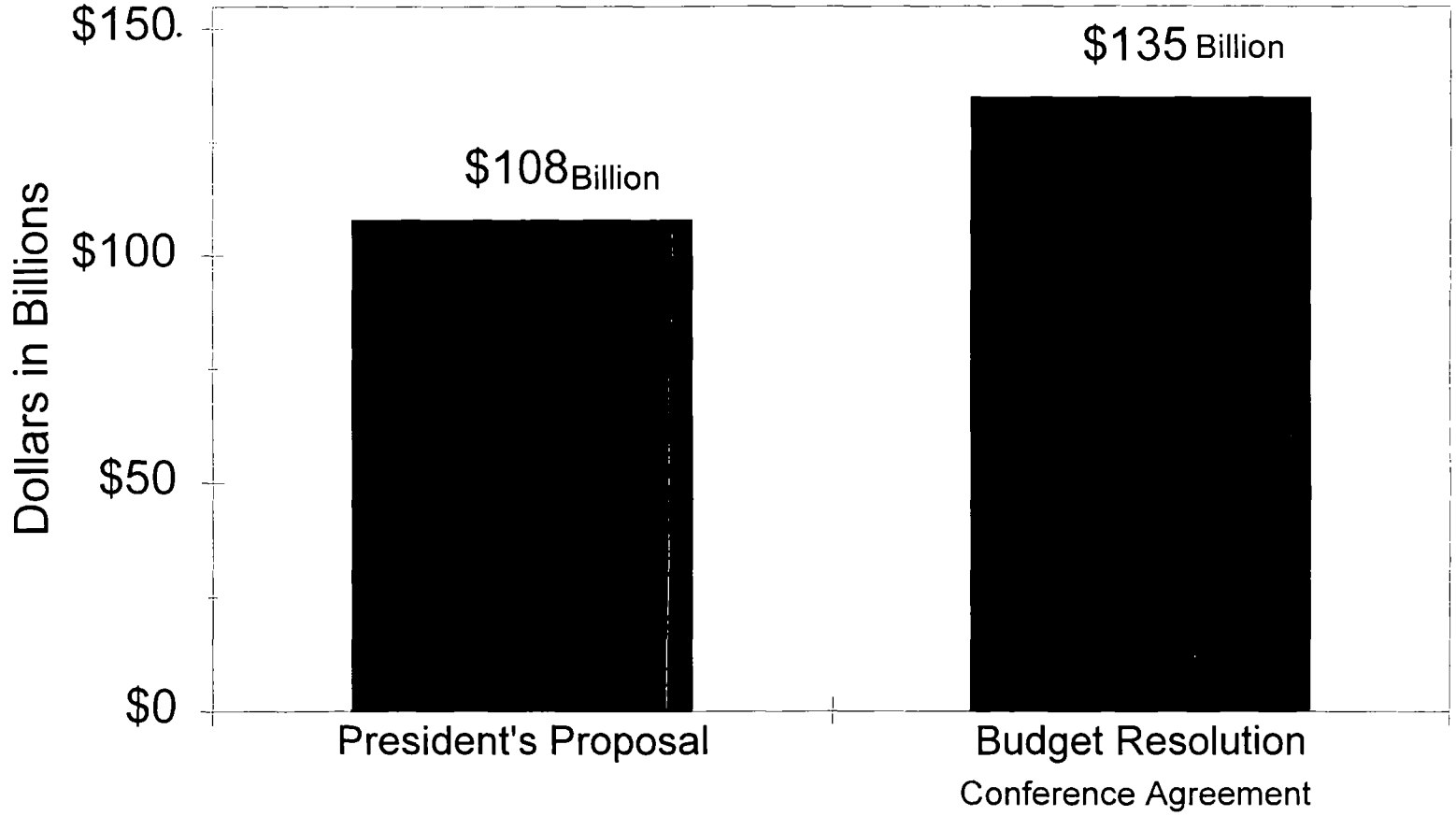
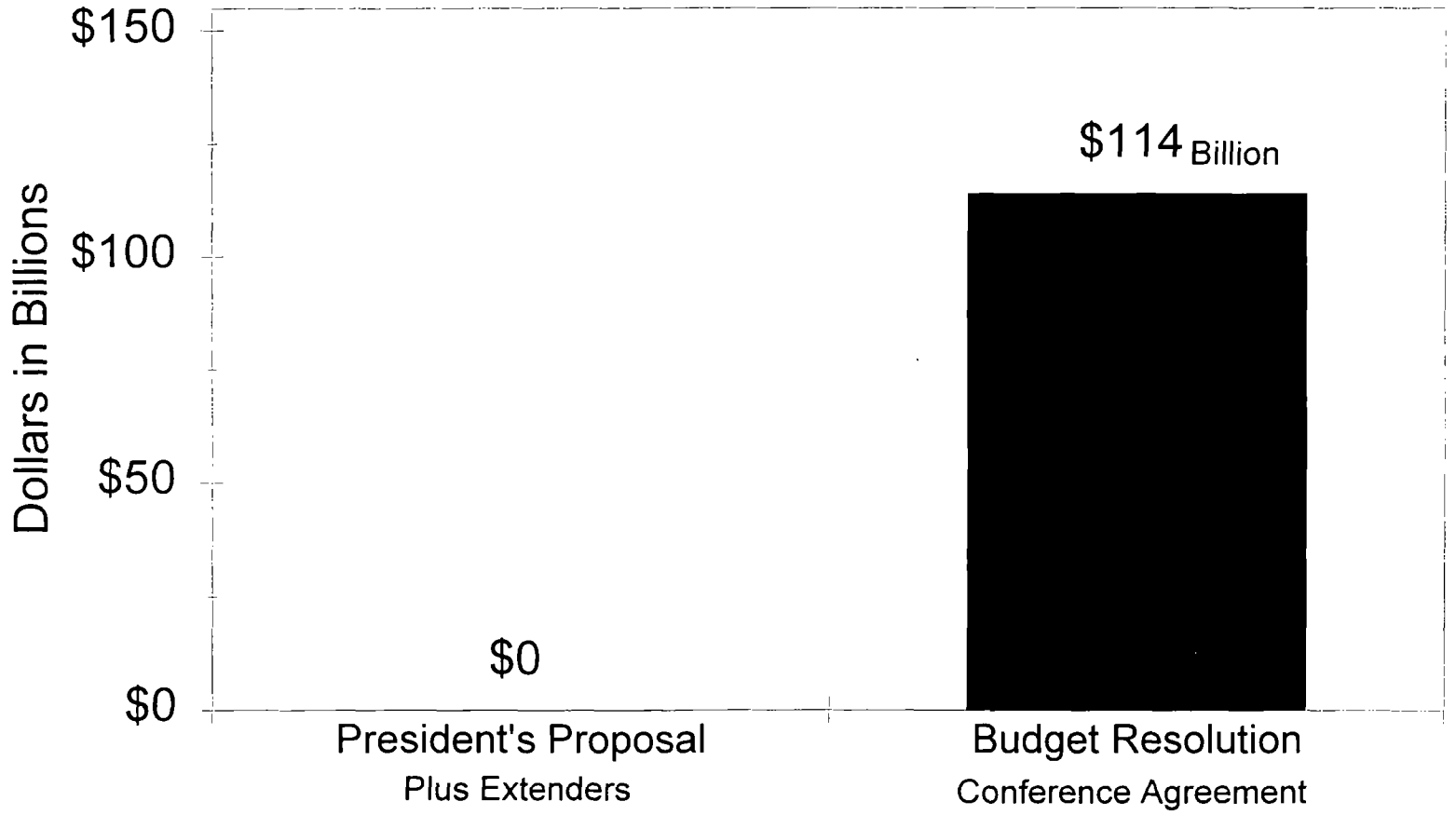
Savings from Medicare Health Care Providers, 1996 - 2002



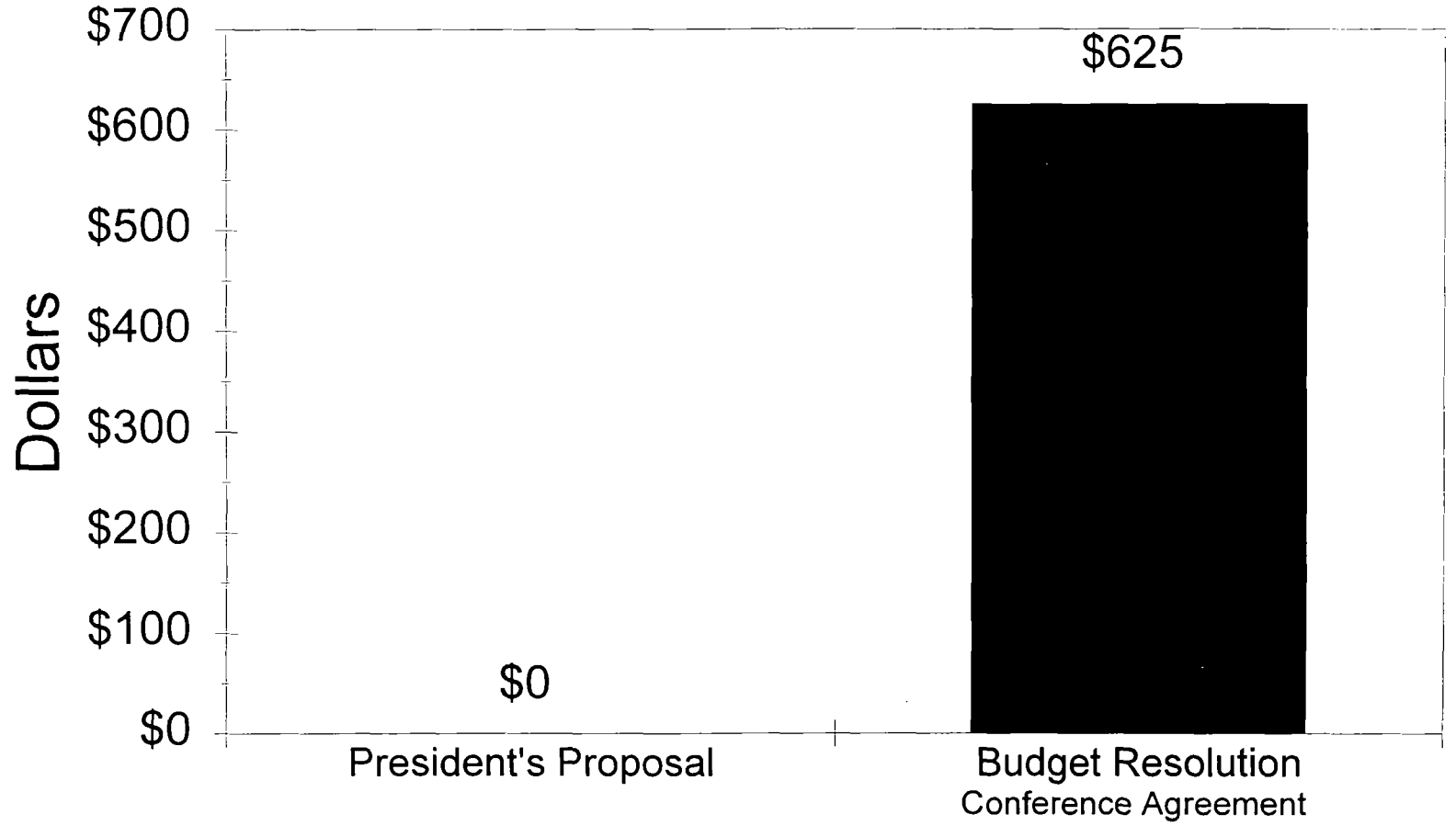
The Presidents Proposal includes the extenders that were previously incorporated in the President's FY 1996 Budget. This chart assumes 50% of Republican cuts affect providers. US DHHS Estimates

Increased Medicare Beneficiary Out-of-Pocket Costs, 1996 - 2002



The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US DHHS Estimates

Increased Medicare Out-of-Pocket Costs Per Beneficiary, 2002



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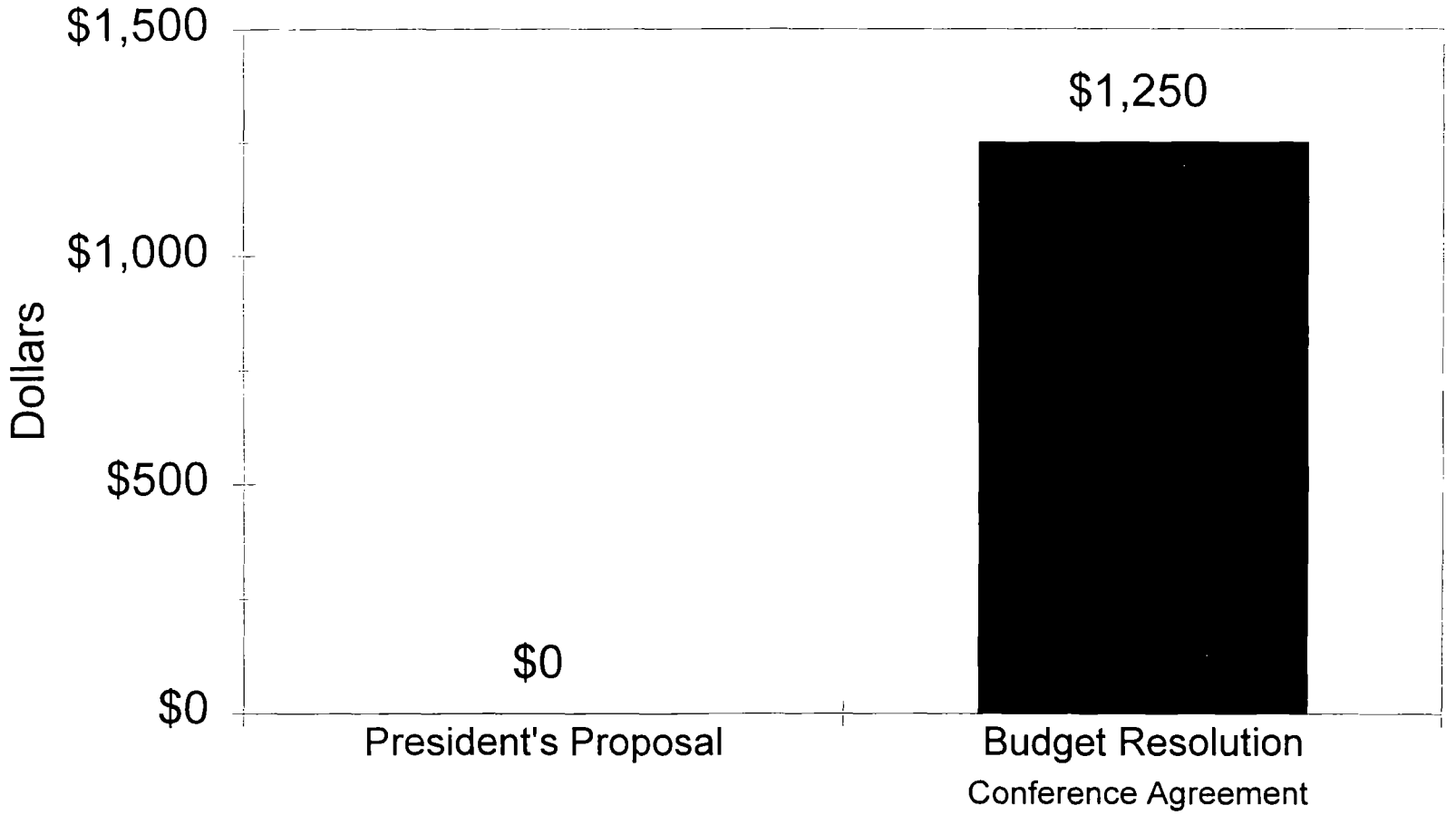
Increased Medicare Out-of-Pocket Costs Per Couple, 2002



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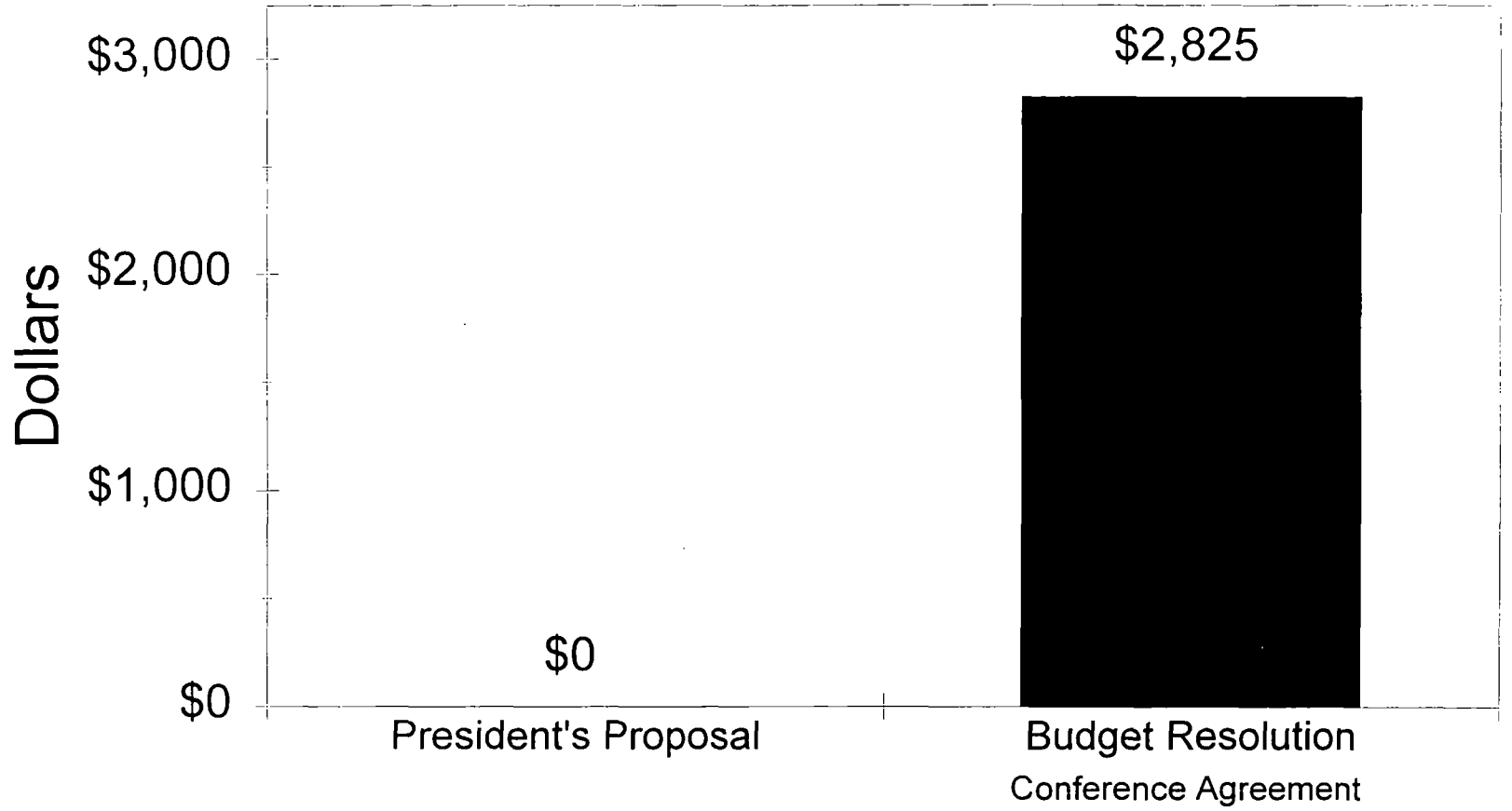
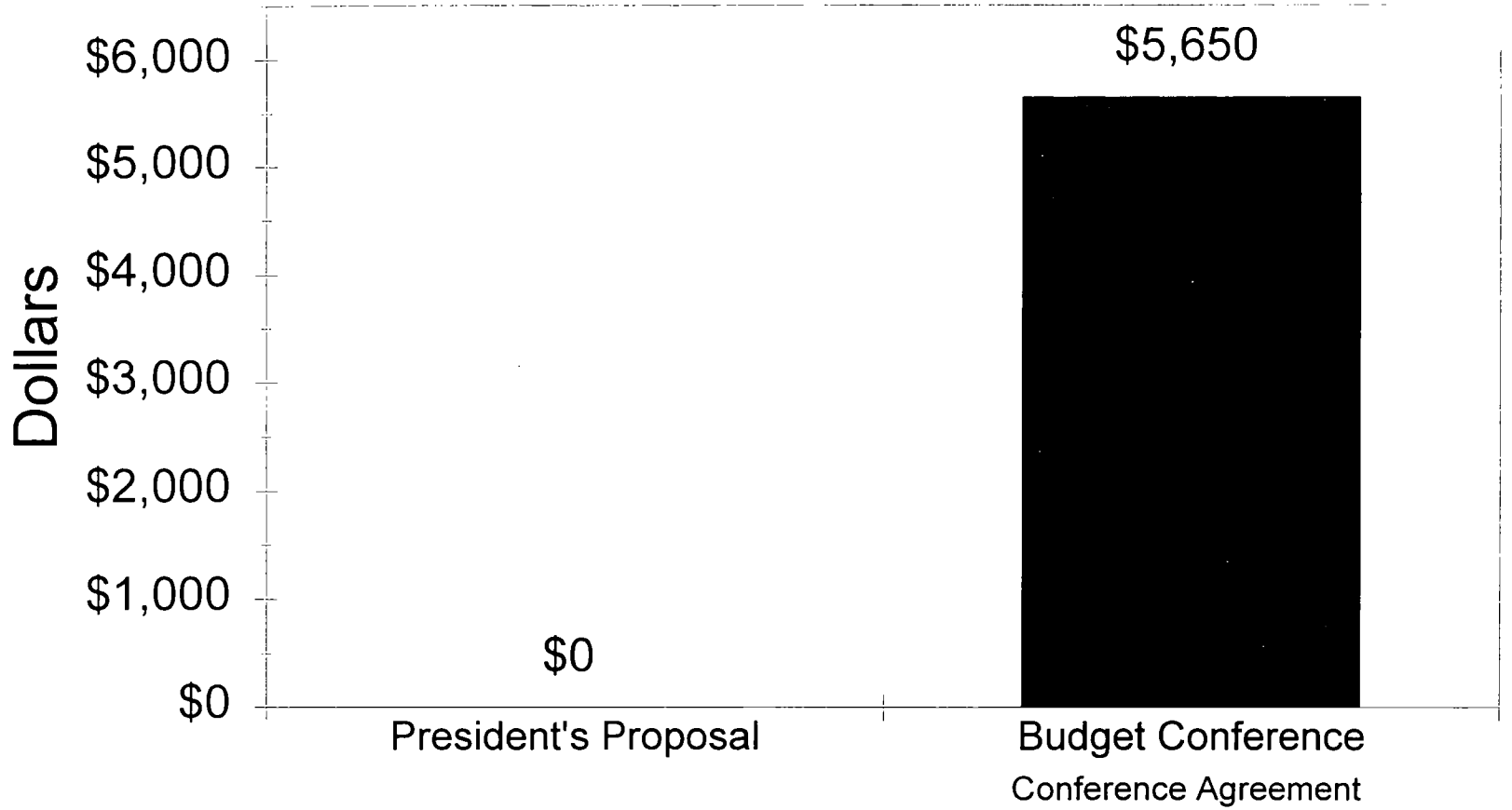
Increased Medicare Out-of-Pocket Costs Per Beneficiary, 1996 - 2002



The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US DHHS Estimates

Increased Medicare Out-of-Pocket Costs Per Couple, 1996 - 2002



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- **5 TO 7 MILLION KIDS WOULD LOSE COVERAGE;** and
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- **Doubling deductibles** from their current level.
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MEDICAID

Background:
Medicaid is a joint Federal-State entitlement program that provides medical assistance to certain low-income individuals and families and disabled and medically needy individuals. The program acts as a safety net for a broad range of Americans, financing care for more than 1 in 10 Americans, including coverage for 1 in 4 American children, over one third of all births in the US, more than one half of all nursing home care expenditures, and Medicare premiums and cost-sharing for 3 million low-income Medicare beneficiaries.

Alaska: Current Medicaid expenditures (FY1993) in Alaska total $301 million. In Alaska, Medicaid costs per recipient (FY 1993 HCFA) total $5673, as opposed to the national average of $4123.

California: Current Medicaid expenditures (FY1993) in California total $14.06 billion. Medicaid costs per recipient (FY 1993 HCFA) total $2771, as opposed to the national average of $4123. California is a high disproportionate share program state.

Hawaii: Current Medicaid expenditures (FY1993) in Hawaii total $386 million. Medicaid costs per recipient (FY 1993 HCFA) total $4073, as opposed to the national average of $4123.

Oregon: Current Medicaid expenditures (FY1993) in Oregon total $947 million. Medicaid costs per recipient (FY 1993 HCFA) total $3713, as opposed to the national average of $4123.

Washington: Current Medicaid expenditures (FY1993) in Oregon total $2.26 billion. Medicaid costs per recipient (FY 1993 HCFA) total $4098, as opposed to the national average of $4123. The State has expanded Medicaid coverage to children in families with incomes up to 200% of the federal poverty level. Now, more than one quarter of Washington's children below the age of 18 have access to primary health care services through the Medicaid program. At the same time, the State has enhanced access for some 325,000 Medicaid beneficiares through the Healthy Options program. Commercial managed care plans have contracted with the State to provide care to these Medicaid beneficiaries. Washington also intends to submit a proposal for an 1115 waiver.

Administration Positions and Proposals:
This Administration has been supportive of state innovation and flexibility in the structure of the Medicaid program. Its Balanced Budget Proposal continues this commitment.

Under the Balanced Budget Proposal, the Administration's plan expands state flexibility by allowing states to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and repealing ~~the Boren Amendment and other~~ Federal requirements that set minimum payments to health care providers.

The Administration's plan will reduce Medicaid costs through policies which:

- expand managed care;
- reduce and better target Federal payments to states for hospitals that serve a high proportion of low-income people; and
- limiting the growth in federal Medicaid payments to states for each beneficiary (per person limits).

These policies will produce $55 billion in savings between 1996 and 2002.

The Administration's proposal differs significantly from Republican Congressional proposals to block grant the Medicaid program. The House and Senate have proposed seven year savings of $188 and $156 billion respectively -- three times higher than the Administration's Proposal. This level of cuts would inflict large cutbacks on all states. State Medicaid program expenditures would be reduced by 19% to 22% over the 1996-2000 period under the House and Senate Budget proposals. In 2002, the final year of the reduction phase-in, the Federal Medicaid contribution in

all of the 5 Pacific states would be between 29% and 33.4% less than under current law. California is one of the six states which would acount for over 40% of the overall savings.

Administration Actions and Accomplishments:
The Administration has worked with States to expand health care coverage and to increase state flexibility in administering Medicaid through Medicaid 1115 Waivers:

Hawaii - Approved 1115 Medicaid Waiver (8/94) expands coverage for everyone up to 300% of the Federal Poverty Level. All Medicaid-eligible individuals except the Aged, Blind and Disabled receive care from capitated managed care plans. (The Aged, Blind and Disabled continue to receive fee-for-service care.)

Oregon - Approved Medicaid 1115 demonstration (2/94) expands Medicaid coverage to uninsured up to 100% of the Federal Poverty Level. A package of prioritized benefits, excluding 130 conditions, is delivered either through capitated health plans or primary care case management to all beneficiaries, including the Aged, Blind and Disabled.

ISSUE: MEDICARE

Background:

- The Medicare program provides health insurance for more than 37 million elderly and disabled individuals.

- In Fiscal Year 1995, this Federal only program will spend approximately $175 billion. About half of this total amount will go to inpatient hospitals, with physicians the next largest expenditure category. Other major recipients of Medicare payments include: skilled nursing facilities, home health agencies, hospital outpatient services, labs, and group practices.

- While the average amount spent per beneficiary approaches $5,000 (1995), the distribution across beneficiaries is quite uneven. In fact, in 1993, the top 10% of enrollees ranked by expenditures, were responsible for 70% of Medicare spending. This distribution is important to consider in light of voucher proposals.

- FIVE STATE INFORMATION- FY 1994 (Dollars in Billions)

	# of Beneficiaries	% of U.S. Total	Medicare $$	% of Total
Alaska	31,758	less than 1%	$ .1	less than 1%
Calif.	3,561,777	9.6%	$18.9	11.9%
Hawaii	145,609	less than 1%	$ .5	less than 1%
Oregon	460,062	1.2%	$ 1.6	1.0%
Wash.	671,463	1.8%	$ 2.3	1.4%

Administration Positions and Proposals:

- As part of the President's plan to balance the budget by FY 2005, changes to the Medicare program have been proposed. The Administration proposes to take a first serious step toward health care reform, providing net savings of $124 billion in Medicare over seven years while expanding coverage and initiating insurance reforms.

(Check this, there are big arguments about this date.)

- This plan will extend the life of the Hospital Insurance Trust Fund until 2007.

- Improves Medicare with new benefits that (1) provide Alzheimers respite care, and (2) waives the co-payment for ~~women who need~~ mammograms (screening) (~phy).

- Reforms Medicare to make quality managed care options more attractive while preserving choice.

- Administration believes that Republican proposals to cut Medicare by $250-290 billion over seven years will turn Medicare into a second class program. In addition, reductions of these magnitudes could lead to access problems for beneficiaries.

Administration Actions and Accomplishments:

- Administration policies are responsible for reducing the projected program growth by $200 billion over the 1994-1998 projection period when compared to the baseline estimate completed in January 1993.

- In addition to the general economic policies of the Administration that were responsible for this drop, the passage of the President's Budget in 1993 included more than $50 billion in spending reductions to the Medicare program.

- Medicare is a very efficient program when compared to private sector insurance companies. The administrative costs for the Medicare program are approximately 2% a year. This compares with 5.5% for the large group market and 25% for the small group market.

- On a per capita basis, Medicare spending has been significantly lower than the private sector in the past decade and is projected to grow at about the same rate over the 1996-2002 period when compared to private health insurance.

THE PRESIDENT'S APPROACH TO THE BUDGET: FIGHTING FOR WORKING FAMILIES

BUDGETS ARE ABOUT RAISING STANDARDS OF LIVING FOR WORKING AMERICANS--AND THE PRESIDENT'S BUDGETS HAVE MOVED TOWARD THAT GOAL. The test for a budget is whether it contains the balance of policies to enable more families to realize the American Dream. The budget is now beginning to approach balance only because President Clinton signed a plan--over strong Republican opposition--that is reducing the deficit by over $1 trillion over 7 years. (If not for the deficits accumulated during the Reagan/Bush years, the President would already be bringing the budget not only into balance, but to surplus.) Yet at the same time as he has reduced the deficit, the President has taken other steps that are essential to raise standards of living: dramatically expanding educational opportunity; providing a tax break to 15 million working families by expanding the Earned Income Tax Credit; and seeking to address the nation's health care challenges.

THE PRESIDENT WANTS TO MOVE TOWARD A BALANCED BUDGET--WITHIN A BALANCED APPROACH TO THE BUDGET. The status quo is not acceptable. The President is committed to achieving further deficit reduction in the context of serious, step-by-step health care reform. Yet as we reduce the deficit, the President believes we must also expand educational opportunity, preserve tax fairness for working families, and fulfill obligations to senior citizens.

THERE IS A RIGHT WAY AND A WRONG WAY TO REDUCE THE DEFICIT--AND REPUBLICANS WOULD DO IT THE WRONG WAY. WE ARE INSISTING ON THREE REASONABLE CONDITIONS FOR GOING FORWARD. President Clinton has proven that the deficit can be cut the right way. Republicans are proposing to cut Medicare and education in order to pay for tax breaks for the wealthiest. That is the wrong way. The right way to reduce the deficit means three things:

1. NO TAX CUTS TARGETED AT THE WELL-OFF. The Contract with America provides a $345 billion tax break targeted at the wealthiest--a $20,000 tax break for the top 1%. The President will not cut Medicare and student loans to pay for such a massive tax break for those earning over $230,000.

2. ADDRESS MEDICARE AND LONG-TERM CARE IN THE CONTEXT OF HEALTH CARE REFORM. We need to reduce health care costs in a way that treats seniors fairly and doesn't shift costs to the private sector--that is, with sensible but serious health care reform. By hitting Medicare and Medicaid in isolation--and with the deepest cuts in history--Republicans would transform Medicare into a second-class health care system, driving up out-of-pocket costs by $2000 per elderly couple in 2002 in order to pay for their tax cuts for the wealthy.

3. CUT THE EDUCATION DEFICIT, NOT EDUCATION. While we need a disciplined deficit reduction path, we must be equally disciplined about reducing the education deficit. Nothing is more important than investing in education if we care about raising our standards of living rather than fulfilling campaign promises. The GOP budgets assault education--eliminating Goals 2000, national service, and interest subsidies for college loans, while gutting or sharply cutting School-to-Work Opportunities, Head Start, Pell Grants, Safe- and Drug-Free Schools, Chapter One, and Job Training.

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DNC

MEMORANDUM

TO: FRIENDS IN THE DISABILITY COMMUNITY

FROM: BOB SEVIGNY, DIRECTOR OF DISABILITY OUTREACH

RE: PROPOSED REPUBLICAN CUTS IN MEDICAID AND MEDICARE

DATE: MAY 19, 1995

In their relentless drive to cut taxes for affluent Americans and balance the federal budget by the year 2002 at the expense of the poor, children, seniors and people with disabilities, the Republican dominated House and Senate Budget Committee's have proposed drastic cuts (cynically termed "reductions in growth") in both the Medicare and Medicaid programs. As we all know, these programs are the principal, in many cases the only, means for providing health care to senior citizens and people with disabilities. Listed below are a few facts on these proposed cuts and the impact they would have on our community.

MEDICAID:

- *The House Budget Committee has proposed cuts in the Medicaid program totaling $187 billion over seven years. The Senate Budget Committee has proposed a $175 billion cut in the Medicaid program over the same period.*

- *Both the House and Senate Budget Committees would cut Medicaid spending by imposing an aggregate cap on Federal spending which would limit the level of increases in the costs of the program that the Federal government would finance. Under the House plan, this would mean that for 1996 the Federal government would pay only 8% more than in 1995, the rate would be reduced in 1997 to 5.5%, down to 4% for the years 1998-2001, and lowered to 2% by the year 2002. Under the Senate plan, Medicaid would be increased by only 8% in 1996, 7% in 1997, 6% in 1998, 5% in 1999, and 4% per year thereafter.*

- *These cuts will drastically limit the growth of the program which the Congressional Budget office estimates under current law should grow at an annual rate of between 9% and 11% between now and 2002.*

- *Compared to the payments that states would be entitled to under current law, the effect of these "reductions" would be a cut of 32% under the House proposal by the year 2002 and, a cut of 30% by the year 2002 under the Senate proposal.*[1]

- *Under the House Budget Committee caps, 26 states would lose at least 1/3 of their Federal Medicaid payments by 2002. The largest cuts would occur in West Virginia (a loss of 39%) and Florida, Georgia, and North Carolina (38%). In contrast, New Hampshire's Federal payment would be cut only 10%; every other state would lose at least 1/5 of its federal payments.*[2]

- *Under the Senate Budget Committee caps, 25 states would lose at least 30% of their federal funds by 2002. Federal Medicaid payments to West Virginia and North Carolina would be cut by 36%, Florida and Georgia would be cut 35%, New Hampshire 15 %, Missouri 21%, and Kansas 22%.*[3]

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1 State Impacts of the House and Senate Budget Proposals for Medicaid, Cindy Mann and Richard Kogan, May 17, 1995, Center on Budget and Policy Priorities.

2 Ibid.

3 Ibid.

- *The state-by-state cap locks in the inequitable distribution of current funding since all future Federal payments will be based on current payments. Variation in the percentage cuts reflects the expectation that growth in the program will vary from state to state.*[4]

BACKGROUND:

- *Medicaid is the largest source of Federal and state funds for services and supports for children and adults with disabilities. It provides health and rehabilitation services for 4.9 million individuals with disabilities, most of whom qualify because they are eligible for the Supplemental Security Income program (SSI). Often this is the only form of health care coverage that people with disabilities can obtain.*[5]

- *While people with disabilities constitute only 15% of recipients under Medicaid, fully 39% of Medicaid funds are spent on both acute and long term services and supports for these individuals. This investment in children and adults with disabilities is essential to ensure that they receive the health, rehabilitative, and other services and supports each person needs to achieve and maintain independence and reach their full potential.*[6]

- *The table below shows Medicaid expenses by enrollment group:*[7]

	Beneficiaries	*Expenditures*
Elderly	*12%*	*28%*
Blind and Disabled	*15%*	*28%*
Adults	*23%*	*14%*
Children	*50%*	*19%*
Total	*32.1 Million*	*$124.9 billion*

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4 Ibid.

5 The Important Role of Medicaid in the Lives of Children and Adults with Disabilities, Consortium for Citizens with Disabilities, Kathy McGinley, Janet O'Keeffe and Peter Thomas, 1995.

6 Ibid.

7 Washington Watch, April 25, 1995. United Cerebral Palsy Associations.

MEDICARE:

- *The House Budget Committee recommends cuts in Medicare totaling $282 billion over a seven year period, reducing the growth rate from 10% a year to 5.4% per year. The Senate Budget Committee proposes to cut Medicare $256 billion over seven years, reducing the growth rate from 10% per year to approximately 7.1% per year.*

- *The House Budget Committee's proposed cuts for programs benefiting seniors and people with disabilities appear in the same budget in which House Republicans propose to provide nearly $350 billion in tax cuts which will mainly benefit the wealthiest Americans.*

- *In 1995 the average older American Medicare beneficiary is projected to spend approximately $2,750 for out-of-pocket health care expenses not covered by Medicare.*[1]

- *Under the Republican proposals, AARP estimates that the average Medicare beneficiary would pay an additional $3,500 in additional out-of-pocket expenditures over the next seven years under the House version, or an additional $3,200 more for out-of-pocket expenses under the Senate version.*[2]

- *To achieve these cuts, the Republicans would shift the costs currently paid by Medicare onto beneficiaries in the form of higher premiums, deductibles and coinsurance. These may include:*[3]
  - *a higher Medicare Part B premium and deductible;*
  - *a new 20% home health coinsurance;*
  - *a new 20% coinsurance for skilled nursing facility care;*
  - *and, a new 20% lab coinsurance.*

- *The proposed home health coinsurance is particularly damaging because it undermines a program that was intended to encourage the use of more effective, less costly non-institutional health care services. This program, designed to provide medically necessary care to seniors who are homebound but who need only intermittent or part-time care, serves almost 3.8 million beneficiaries 2/3 of whom are women and almost 2/3 of whom are over 75 years of age.*[4]

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[1] The Impact on Older Americans of Medicare and Medicaid Reductions in the Senate and House Budget Committee Proposals, American Association of Retired Persons, May 12, 1995.

[2] Ibid.

[3] Ibid.

[4] Ibid.

- *AARP estimates that a new 20% coinsurance would require the average home health user to pay an additional $900 in 1996 and almost $1,200 by the year 2002. The very frail individuals who need and use this program the most, which will number over 700,000 by 2002, would pay an annual coinsurance of over $3,800 in that year.*[5]

- *This 20% home health coinsurance would effectively impose a "sick tax" on frail seniors and seniors with disabilities who are struggling to remain independent and stay out of institutions and who can least afford increased costs for their health care.*[6]

- *The Republicans would also move most seniors on Medicare away from the current fee for service system for health care delivery into a managed care system. They would try to accomplish this through a combination of financial incentives and cost penalties.*

- *These cuts will dramatically increase the cost of services that are an absolute necessity for most seniors and strike at a portion of the population that is least able to absorb increased costs. As a percent of income, AARP estimates that older Americans already spend almost three times as much out-of-pocket for their health care as the non-elderly, yet their median annual income (about $17,000 in 1992) is only half that of those under 65.*[7]

- *Surveys of older Americans indicate that they have a much higher proportion of persons with disabilities compared to the population under age 64.*[8]

Type	*Under 18*	*18-44*	*45-64*	*65-74*	*75-84*	*85+*
% with Disability	*6%*	*14%*	*29%*	*45%*	*64%*	*84%*
% with severe disability	*1%*	*5%*	*15%*	*25%*	*42%*	*68%*

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5 Ibid.

6 Ibid.

7 Ibid.

8 Louis Harris and Associates, Inc. National Organization on Disability/Harris Survey of Americans with Disabilities. Harris and Associates, 1994, p. 10.

POST IMMEDIATELY / FYI AND CALL TO ACTION

TO: JUSTICE FOR ALL ADVOCATES

The assault on disability programs continues to occur at a rapid pace with the House passing its budget resolution and the Senate expects to pass its version by Memorial Day recess. Both bills are equally damaging, but the House goes further in its impact. The Resolution bills set the stage for the appropriations process, and it is imperative that our voices be heard regarding their devastating impact.

In a capsule look at the devastating cuts the Republicans are considering gutting federal Medicaid funding by $160 to more than $190 billion between 1996 and 2002. When confronted with the huge cuts they respond by stating they are not cutting, but merely slowing the rate of growth. Yet, these technical number disputes avoid the real question: WHO WILL BE HURT, WHO WILL LOSE COVERAGE AND WHO WILL LOSE BENEFITS?

While most people in the general public think that Medicaid helps only low-income mothers and children, about two-thirds of Medicaid funds are spent on services for disabled and elderly Americans. Without Medicaid, many more individuals with disabilities will be forced into segregated isolated nursing homes or the streets. At the present time, Medicaid provides acute health and long term services and supports for 4.9 million people with disabilities, most of whom qualify because they are eligible for the Supplemental Security income program. In some states, individuals with disabilities or their families may be eligible for Medicaid because they have high medical expenses in relation to their income. In many instances Medicaid is the only health care coverage that people with disabilities can obtain. This investment in children and adults with disabilities is critical if we are to ensure that they receive the health, rehabilitative, and other acute and long term support services they need to achieve and maintain independence and to reach their full potential.

The message we should all be sending to Members of Congress Governors, and the general public is that they should oppose the following measures:

* THE ELIMINATION OF THE ENTITLEMENT TO SERVICES: If Medicaid is no longer an entitlement for individuals, including those on SSI, many people will lose access to essential services and supports. Additional negative results would be the rationing of limited available dollars and the rise in private insurance costs because hospitals and other providers would be forced to provide uncompensated care. THE DOLLARS MAY GO AWAY, BUT THE NEED SURE WON'T!!!

* THE BLOCK GRANTING OF MEDICAID: If funds are capped and "block granted" to states without specific guidelines and protections for people with disabilities, states will be allowed to pick and choose how to spend their funds, most likely (we all know this to be true) leading to the neglect of the needs of people with disabilities. A block grant must continue federal oversight and standards for quality, accountability and consumer protections.

* A CAP ON FEDERAL PAYMENTS TO THE STATES: If a cap is imposed on federal Medicaid payments to states, states would have to bear the full risk of any costs beyond the capped amount, even where added costs were necessitated by factors beyond a state's control, such as a local recession. Once again, potentially threatening services for individuals with disabilities.

The cuts to Medicaid/Medicare are outrageous and mean-spirited to consumers as well as providers. The disability community must strike back in a concerted team effort to stop this out of control Republican Congressional attack. While this alert solely deals with Medicaid/Medicare the overall proposed budget does monumental harm to other programs that support individuals with disabilities. Later alerts will deal with these specific issues, but for now it is imperative to join in with others to get the word out that Medicaid/Medicare cannot be cut in the way in which the Republicans are proposing to do.

On that note, the disability community is combining advocacy efforts with several coalitions to fight off these massive cuts. Key states for Congressional Districts for potential recess activities are as follows and are scheduled to take place on June 1st:

LOCATIONS AND LEAD ORGANIZERS

City/State/Congressional Member	Lead Organizer	Phone Number
1. Portland, Oregon Sens. Hatfield, Packwood	Jack Bresch Catholic Health Assoc.	296-3993
2. Des Moines, Iowa Sen. Grassley	Jeff Fagan Long Term Health Care Campaign	434-3829
3. Miami, Florida Congresswoman Ros-Lehtinhen	Brent Ewig Inter Health (Protestant Hospitals)	547-5574
4. La Crosse, Wisconsin Congresswoman Gunderson	Jack Bresch Catholic Health Assoc.	296-3993
5. Stamford, Connecticut Congressman Shays	Tom Owens AFL-CIO	637-524[illegible]
6. Chicago, Illinois Congressman Flanagan	Patrick Burns National Council of Senior Citizens	624-9853
7. Roanoke, Virginia Congressman Boucher	Bill Samuels (to be confirmed) United Mine Workers	842-7200
8. Fargo, Minnesota Congressman Peterson	Jim Butler, AARP Nicole Duritz, AARP	434-3741 434-3710
9. Camden, New Jersey Congressman Andrews	Jim Butler, AARP Nicole Duritz, AARP	434-3741 434-3710

If anyone is interested in participating in these events they should contact Becky Ogle @ 703-836-6263.

The Long Term Care Campaign is trying to assess what kind of grassroots activities they can generate on Medicaid cuts in the states and districts of key members of the Senate Finance and House Commerce Committees. Over the next couple of weeks they will hold conference calls in each of the targeted areas with activists to discuss strategy and tactics. On Wednesday, May 31st at 2:00pm edst, 1:00pm Minnesota time, the LTC Campaign will be holding a conference call of members of the Minnesota Long Term Care Campaign. They welcome any and all participants. They will discuss how to encourage Gov. Carlson to speak out against Medicaid cuts and to generate grassroots attention to the issue. To join in on this call, dial (615)673-6715. Once on the line, dial the following access code to join the call--972-863. The long distance charges for the call will be billed to each caller's line, and they expect the call to last no longer than 30 minutes.

On Thursday, June 1 they are planning several calls in the following locations:

Rhode Island @ 10:00am edst/615-673-6715 and access code: 972-863
Florida @ 2:00pm edst/615-673-6715 and access code: 972-864
Oregon @ 4:00pm edst/615-673-6715 and access code: 972-865

Pleae allow JFA one final whining moment, it would be impossible to underestimate the severity of these budget cuts in both houses of Congress. Their devastation will be long felt if we (the disability community) allow the proposed cuts to guide the appropriation process. The proposed budget cuts would impact everything from A to Z. It would make it virtually impossible to realize the dream of a fully implemented ADA due to the lack of federal funding flowing to states and local governments. We know we're always the first to get hit when dollars dry up at the federal and local level.
We can stop this mess if we rally together and make our voices heard, so please have a wonderful Memorial Day and come back ready, willing and able to advocate for our lives.

FYI--Health Needs and Medicaid Financing: State Fact (all). If interested, call Becky Ogle.
We're also attempting to collect personal quotes from individuals whose lives' would be devastated from the impact of the Republican proposal. Visuals (photos) are great as well. Please send to Becky Ogle @ 625 Slaters Lane, Suite 200, Alexandria, VA. 22314. Thanks. These will be used by our friends in Congress as they attempt to scale back the Republican assault.

WASHINGTON WATCH

DEPENDABLE, TIMELY INFORMATION FOR AMERICA'S DISABILITY COMMUNITY

Volume 1, Issue 6 May 16, 1995

House and Senate 1996 Budget Plans Released

The House and Senate Budget Committees have introduced and passed, in short order, their respective Budget Resolutions for FY 1996. The Washington Post quoted one Democratic Senator as stating: "When I see it in writing, it is uglier than it sounded." (Washington Post, May 10, 1995)

The proposed budgets establish far-reaching spending parameters and budget policy for the next seven years. The House and Senate Committee's bills set spending targets for FY 1996 (October 1, 1995- September 30, 1996) and mandate a balanced budget by 2002. The balance is assumed through substantial reductions in Medicaid, which would be converted to a block grant for states, Medicare, and other social welfare programs, the elimination of several federal agencies, including the Departments of Education (House), Energy (House) and Commerce (Senate). Welfare reform, including the devastating hits in the Children's SSI program as passed earlier by the House, is also assumed as a budget reducer in the House bill. Eliminations, reductions, privatization, block grants and consolidations are prevalent throughout both documents. Special Education and Head Start are targeted for level funding in the Senate bill, while funding for Education Goals 2000 programs would be eliminated in the House Bill.

The House would reduce federal spending over ten years by $1.4 trillion while the Senate reductions would be $1 trillion. The House plan provides for the hotly debated tax reductions while the Senate only slightly nods to the tax breaks via a special reserve fund. The fund could use "resulting fiscal dividends" to finance tax breaks once Congress passes a budget that is certified by the Congressional Budget Office to achieve balance by the

(See **BUDGET**, Pg. 3, Col.1)

White House Conference on Aging Includes People with Disabilities

The 1995 White House Conference on Aging was held May 2-5 in Washington, D.C.. The purpose of the conference was for individuals to work jointly with States, public and private organizations to guide national aging policy into the 21st century. Resolutions considered corresponded with the four general issues on the conferences agenda, including 1) Assuring Comprehensive Health Care Including Access to Long Term Care, 2) Promoting Economic Security, 3) Maximizing Housing and Support Services Options, and 4) Maximizing Options for a Quality Life.

A coalition of conferees representing America's aging and disability populations successfully sought policy resolutions that would provide for long term care choices. "As delegates, we were trying to figure out how to make this White House Conference on aging fight for Medicaid and a needed look at long term health care," said Allan I. Bergman, a disability rights advocate and specialist on Medicaid and long term services for United Cerebral Palsy Associations. Delegates approved a resolution opposing block granting Medicaid and adopted resolutions calling for universal health care coverage and further development of home and community based long-term care services. These items were among 50 resolutions adopted by the conference whose delegates were selected primarily by Governors and Members of Congress.

Determining what it will take to live the "highest quality of life with the greatest degree of independence" for people with disabilities and people who are aging in America was

(See **CONFERENCE** Pg.3, Col. 2)

A popular government without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy or perhaps both. Knowledge will forever govern ignorance, and a people who mean to be their own governors must arm themselves with the power which knowledge gives. James Madison, 1822

House and Senate Produce 1996 Budget Proposals

(BUDGET, From Pg 1)

year 2002. The Senate Budget Committee Chair Pete Dominici (NM) has stated his opposition to a tax cut in the current economic environment.

Please be aware, this is just the beginning of the budget process. The Budget Resolution is the funding blueprint with spending ceilings and suggestions about how targeted figures might be achieved. The appropriation and authorizing committees have ultimate responsibility for funding and programmatic design decisions, and are free to choose their own strategies for meeting the targets.

Once the budget resolutions have passed the House and Senate and been through conference, the appropriations committees will establish the FY 96 discretionary spending levels. This must be completed prior to the October 1 deadline. A reconciliation bill will also be developed in both bodies to address the proposed changes in Medicaid, Medicare and other entitlement programs, as well as any other authorization adjustments necessary to meet the targets established in the final Budget Resolution.

These proposals are sounding the alarm throughout the disability community. For example, the loss of Medicaid as a federally directed entitlement program is a major set back; the Children's SSI program losses would prove devastating to families.

It is important that people with disabilities contact their Senators and House Members to make clear how vital services and programs such as Children's SSI, Medicaid, Medicare and others are to our community. All Members of Congress can be reached at their Washington, DC offices through the Congressional Switchboard: 202-224-3121.

"Promises to Keep" Rally Scheduled for June

A rally will be held on the West steps of the U.S. Capital on June 22, 1995, from 12:00 noon until 2:00 PM as a celebration and demonstration of democracy in action. Speakers will include Members of Congress, disability advocates and others speaking about the rights of people with disabilities and the need to preserve them.

Following the rally, rally participants will visit Members of Congress to share with them the realities of our lives as Americans with disabilities and our vision of the future.

For more information contact: Larry Searcy or Patti Smith at the National Parent Network on Disabilities, 1600 Prince St., Suite 115, Alexandria, VA 22314, Ph:703-684-6763.

White House Conference on Aging

(CONFERENCE From Pg.1)

also a priority for the 2,260 delegates who attended the conference. "By the year 2010, we estimate there will be over 85 million Americans who make up the population of seniors and people with disabilities in America. For the most part, we want to live our lives as independently as possible, in our homes and communities as long as possible, this will mean a new mind set and commitment to prioritizing services and Medicaid dollars," said Bergman.

According to sources from the National Coalition on Disability and Aging, there currently exists less than adequate personal assistant services and other home and community based care provisions within options for long term care. Yet, home and community supports have been proven to be more cost effective, more dignifying and can be more empowering. According to Bergman, in 1994, some 148 thousand people (with developmental disabilities) were in Medicaid financed institutional care at a cost of $10.6 billion, while 156 thousand people (with developmental disabilities) were in Medicaid financed home and community-based services at a cost of $4.3 billion. The Urban Institute analysis of HCFA data in 1994 indicated that 29% of all Medicaid expenditures went to institutional care while only 6% went to home health services and home and community based services.

Post-conference activities will focus on implementation of the 50 adopted resolutions and meetings will be held nationally throughout the coming year. A final conference report is due to be presented to Congress within 270 days.

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AIDS Action Council

The House Budget Resolution and HIV/AIDS

- No specific mention is made of the Ryan White CARE Act or AIDS prevention.
- Calls for the maintenance of federal housing funding for low income, vulnerable populations including "seniors. disabled persons and people with HIV/AIDS."
- Recommends a 5 percent cut for the National Institutes of Health (NIH) in FY 96 and freezes funding at that level for seven years.

The Senate Budget Resolution and HIV/AIDS

- Contains broad language calling for "full funding for HIV- and AIDS-related programs" at Health and Human Services. Full funding in this context means funding at FY 95 levels.
- Calls for full funding for the Centers for Disease Control and Prevention.
- Calls for the preservation of funding for the HOPWA program.
- No specific mention of the NIH. Given protections offered for other programs, coupled with the size of the cuts, NIH estimates it might be subject to a 5-20 percent cut.

Medicaid

The House and Senate Budget Committees both proposed substantial cuts in Medicaid funding. This is important because at least 40% of PWAs and 90% of children with HIV/AIDS rely on Medicaid funding at some point. Both the Senate and the House describe their proposed budgets as increasing spending. In fact the budget amount does not keep pace with medical inflation, which will result in Medicaid funding falling further behind the actual need.

Specifically, the **Senate's budget** seeks a reduction of $175 billion, to be cut by utilizing block grants and/or reducing the amount of matching payments which the federal government makes to the states. The **House Budget Committee** has proposed only the block grant option with cuts of approximately $184 billion. Block granting is especially problematic since it turns the administration of Medicaid over to the states. Without federal regulation or federal matching dollars, standards of care will likely deteriorate and the number of people served will be severely cut.

AIDS *Action*: Call your Members of Congress

The federal safety net is being dismantled to increase defense spending and to support middle class tax cuts. The AIDS community must quickly move to let all Senators and House members know how devastating adoption of these budget resolutions will be to people living with HIV/AIDS.

House Switchboard - (202) 225-3121 **Senate Switchboard - (202) 224-3121**

AIDS *Action* Council
1875 Connecticut Avenue, NW • Suite 700 • Washington, DC 20009
(202) 986-1300 • fax 986-1345 • E-Mail HN3384@Handsnet.org

Balancing the Budget & People with AIDS

AIDS Action opposes plans for a budget resolution that would achieve a balanced budget by the year 2002 through cuts in programs serving the most vulnerable Americans, including those with HIV/AIDS. Cuts in Medicare, Medicaid, other entitlement programs and domestic discretionary spending will have a severe impact on the lives of people living with HIV and AIDS.

Medicaid Cuts and the impact on People Living with HIV/AIDS (PLWA)

Cuts in medicaid, the nation's major public financing program for providing health and long-term care coverage to low-income people, would hurt Americans living with HIV/AIDS. AIDS is an impoverishing disease that strikes Americans from every income level, and at least 40% of all persons living with HIV/AIDS are on Medicaid. The Health Care Financing Administration (HCFA) estimates that Medicaid served 56,000 PLWAs during 1994, spending almost $3 billion in combined federal and state funds. An estimated one million Americans are currently HIV-infected, and the need for adequate resources to meet this future demand is critical. Cuts in Medicaid come, ironically, at a time of great success in the treatment of AIDS. The average survival time for people with AIDS has doubled in recent years, and the average cost of treatment has declined as well. A decrease in the level and quality of care for people with AIDS as a result of cuts in medicaid would be cruel, lead to more expensive inpatient care and result in shifting of health care costs.

AIDS Action is also concerned about severe cuts in other "entitlement programs," which would affect programs such as Social Security Disability Insurance. Many people with disabling HIV disease and AIDS who are no longer able to work, rely on this programs for their most basic subsistence needs.

Cuts in Domestic Discretionary Spending

Plans to cut domestic discretionary spending by thirty to forty percent would have a devastating effect on HIV prevention, care, housing and research programs. Federal spending for AIDS programs currently totals less than $2.9 billion. These are highly effective federal programs that provide urgently needed resources to states and cities to prevent HIV and care for PLWAs and to the nation's leading scientists to find more effective treatments and ultimately a cure. Failing to meet the urgent HIV/AIDS research, care, housing and prevention needs will only lead to passing the financial burden for dealing with the epidemic to local and state governments. Promoting good health and preventing the spread of disease could not be a better investment in our nation's future. Providing resources to local communities for cost effective care services helps PLWAs to live longer and avoid expensive treatment in emergency rooms and other acute care facilities. Aggressive and targeted AIDS research benefits other biomedical research efforts and will lead to better treatments and ultimately a cure. We firmly believe that deferring spending that addresses this epidemic assures that the budgetary impact of AIDS will be far greater in the years ahead, and that countless lives will be needlessly lost.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

24-May-1995 11:16pm

TO: justice-outgoing

FROM: owner-justice

SUBJECT: - no subject (01HQWD6RXKQQ000KIM) -

May 24, 1995

The Hon. Phil Gramm

Dear Senator Gramm:

I ask you to oppose current budget proposals that would undercut the foundations of our society and reduce taxes.

As a Republican, a grandfather and an advocate for people with disabilities, I have the most profound respect for all those in the Congress who are campaigning to eliminate the deficit. When societies go bankrupt, people with disabilities are the first to suffer and to die. If we are to avoid leaving our grandchildren a culture of chaos, if we are to achieve the magnificent potential of 21st century America, we must eliminate not only the deficit, but also the greater part of the debt.

I know that politics is the art of the possible. I understand the sincerity and the logic of those who say that almost any method of reducing the deficit is better than letting this great democracy go bankrupt.

And so I intend no personal affront to you or anyone when I say that I believe drastically reducing investments in the education, health, economic security and employment of our citizens in order to cut the taxes of well to do persons like myself, is economically and morally irresponsible. It will lead directly to increased unemployment, welfare, illness and medical costs. It will limit the growth of productivity and the nation's ability to compete in world trade.

I strongly favor change, but that change must be much more profound than a devil-take-the hindmost struggle among powerful lobbies to cut up the old pie in new ways. Let each one of us rise above fear of losing and invest ourselves in a society of winners. Let each one of us, according to our resources, make the sacrifices necessary to eliminate the deficits and the debts we have created. Let each one of us make the sacrifices necessary to focus the full force of science and free enterprise on creating education, health care, social services, job development, communications, commerce, communities and governments that truly empower all future Americans

to take command of their lives and their communities, and to live their God given potential.

But what about cutting taxes? Absolutely. After we make responsible investments in our children and grandchildren, after we ensure that their dreams will not be crushed by exploding national, state, local and family debts.

I believe that we can maintain investments in the future and at the same time balance the budget and reduce the debt - if all of us in the public and private sector will commit to carrying our fair share of the load.

If a responsible budget reduction plan is adopted, Mrs. Dart and I would be proud to pay temporarily higher taxes, and to contribute our per capita share of the national debt in cash.

Please search your conscience.

Yoshiko and I deeply appreciate your service to the nation. God bless you and yours.

Justin Dart, Jr.

Jennifer Klein

Talking Points

on Republican Budget Proposals:

"A Broken Contract with American Families and Their Parents"

May 10, 1995

INTRODUCTION (Leon Panetta):

- 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 (Alice Rivlin)

- 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 (Alice Rivlin):

- 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 (Donna Shalala):

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 (Donna Shalala):

- 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 (Laura Tyson):

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)

Comparison of Growth Rates: Calendar Years 1996 - 2002

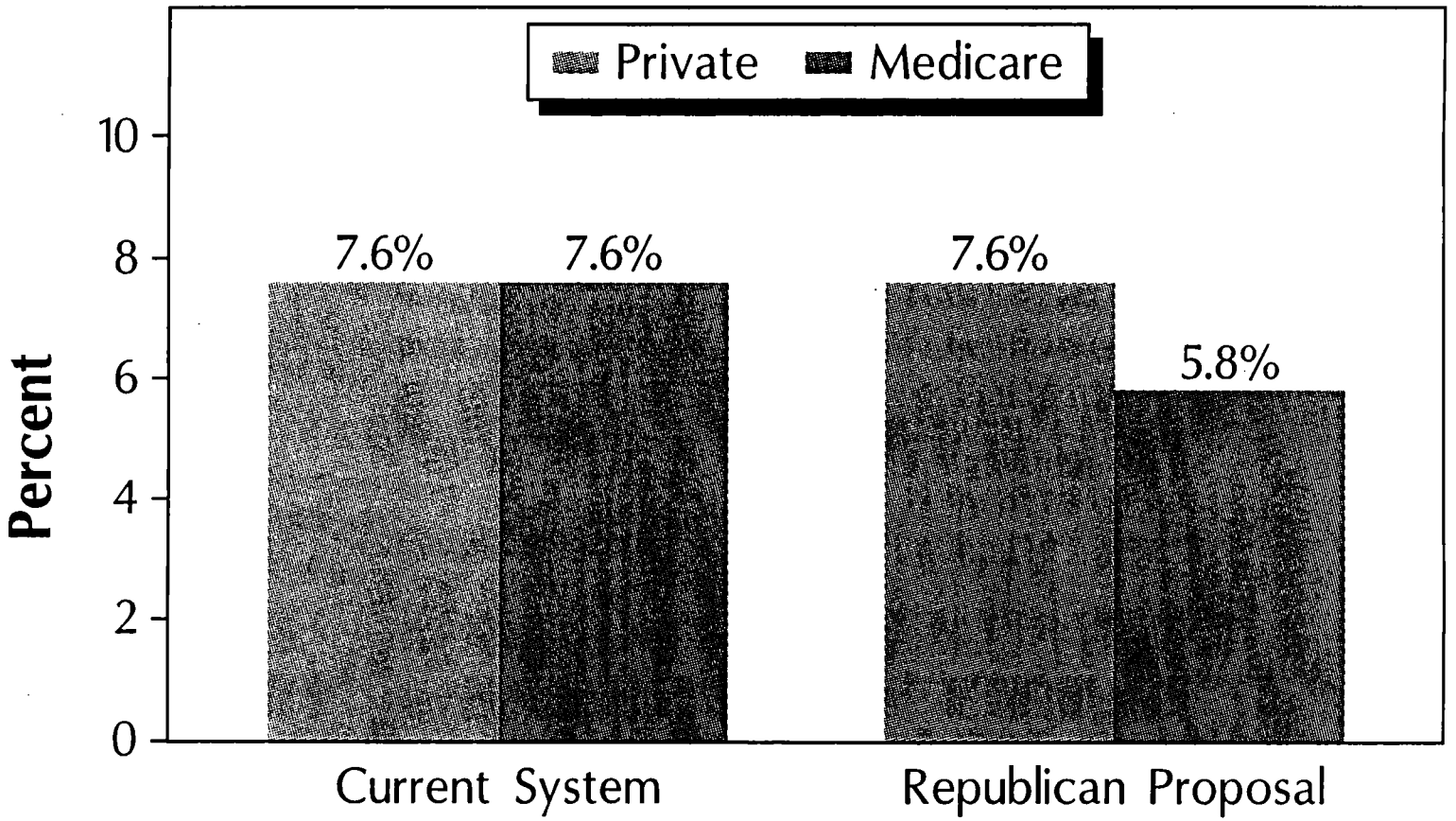
	BASELINE		REPUBLICAN PROPOSALS	
	Admin.	CBO	Admin.	CBO
Private				
Total	8.1%	7.5%		
Per Capita	7.6%	7.2%		
Beneficiaries	0.4%	0.3%		
Medicare				
Total	8.9%	9.7%	7.1%	7.1%
Per Capita	7.6%	8.3%	5.8%	5.8%
Beneficiaries	1.3%	1.3%	1.3%	1.3%
Medicaid				
Total	9.3%	10.2%	4.5%	4.5%
Per Capita	5.3%	7.0%	0.7%	1.4%
Beneficiaries	3.8%	3.1%	3.8%	3.1%

SOURCES: HCFA National Health Accounts; HCFA Medicare & Medicaid Baselines
CBO: Projected National Health Expenditures, Medicare & Medicaid Baselines

Note: Medicaid recipient growth is from program data, since the NHA use unduplicated counts of recip and are thus lower than program data

Per Capita Growth Rates

Private and Medicare, 1996-2002



SOURCE: Administration baseline, calendar years

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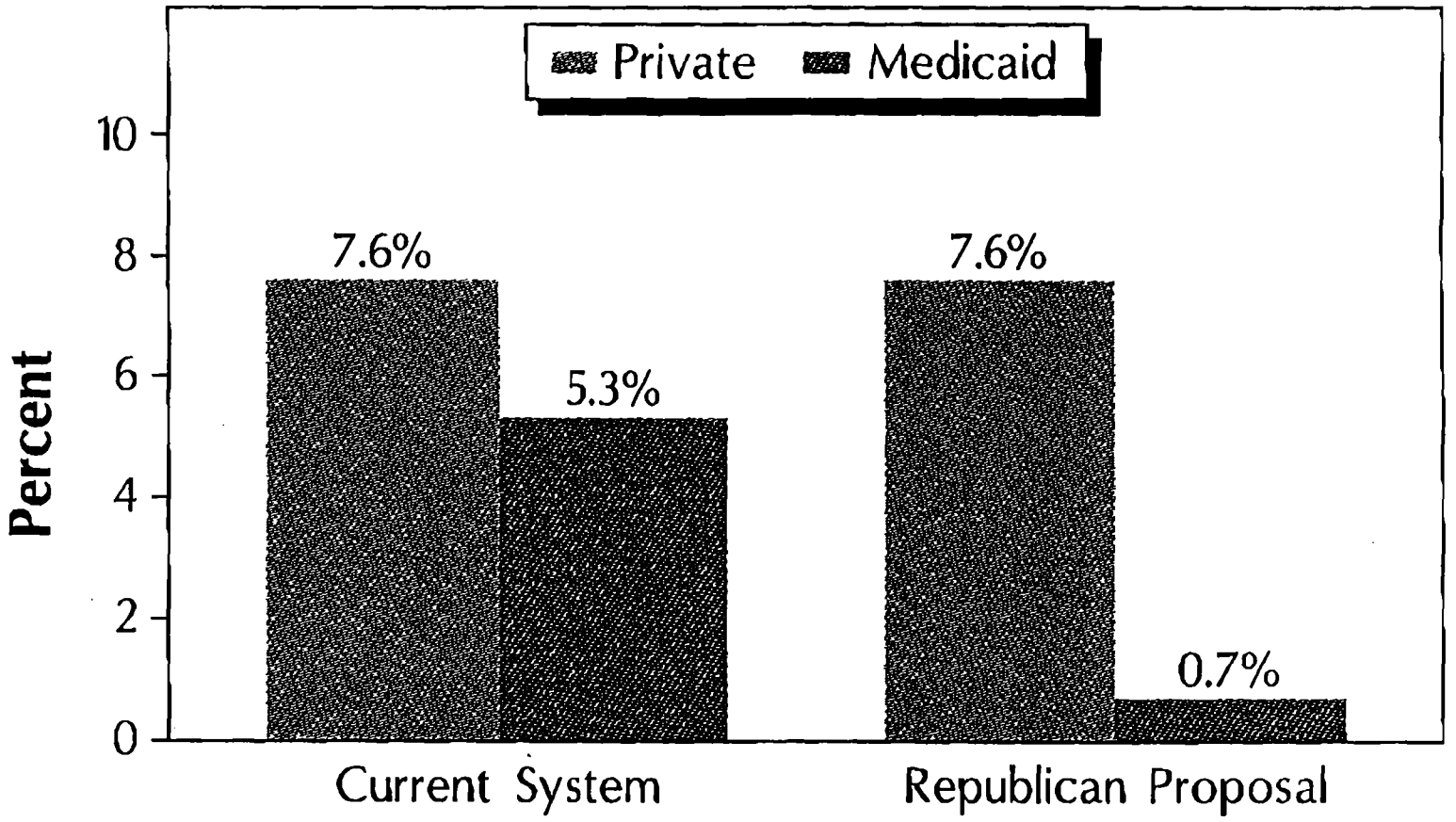
Per Capita Growth Rates

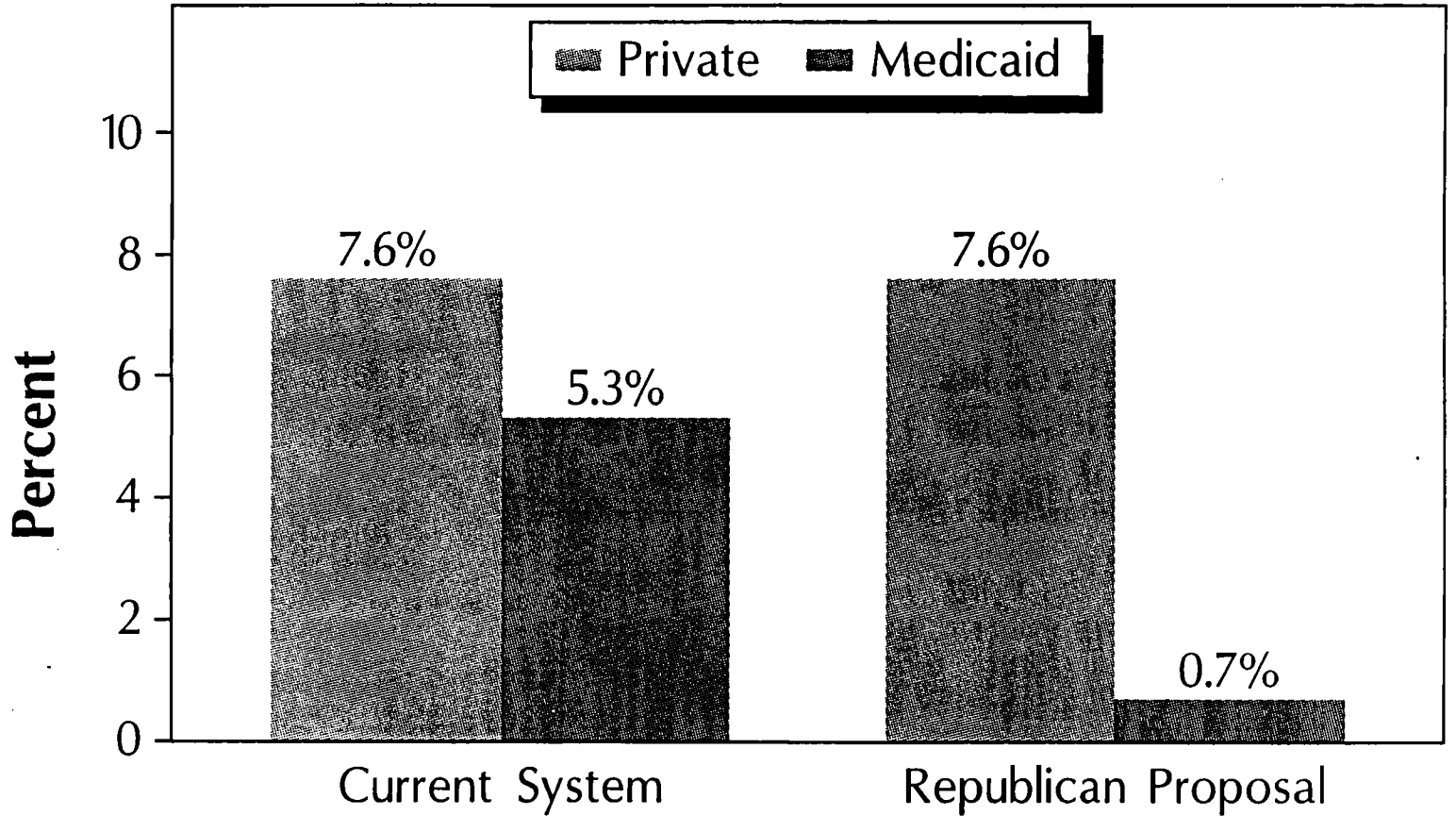
Private and Medicaid, 1996-2002



SOURCE: Administration baseline, calendar years

Per Capita Growth Rates

Private and Medicaid, 1996-2002



SOURCE: Administration baseline, calendar years

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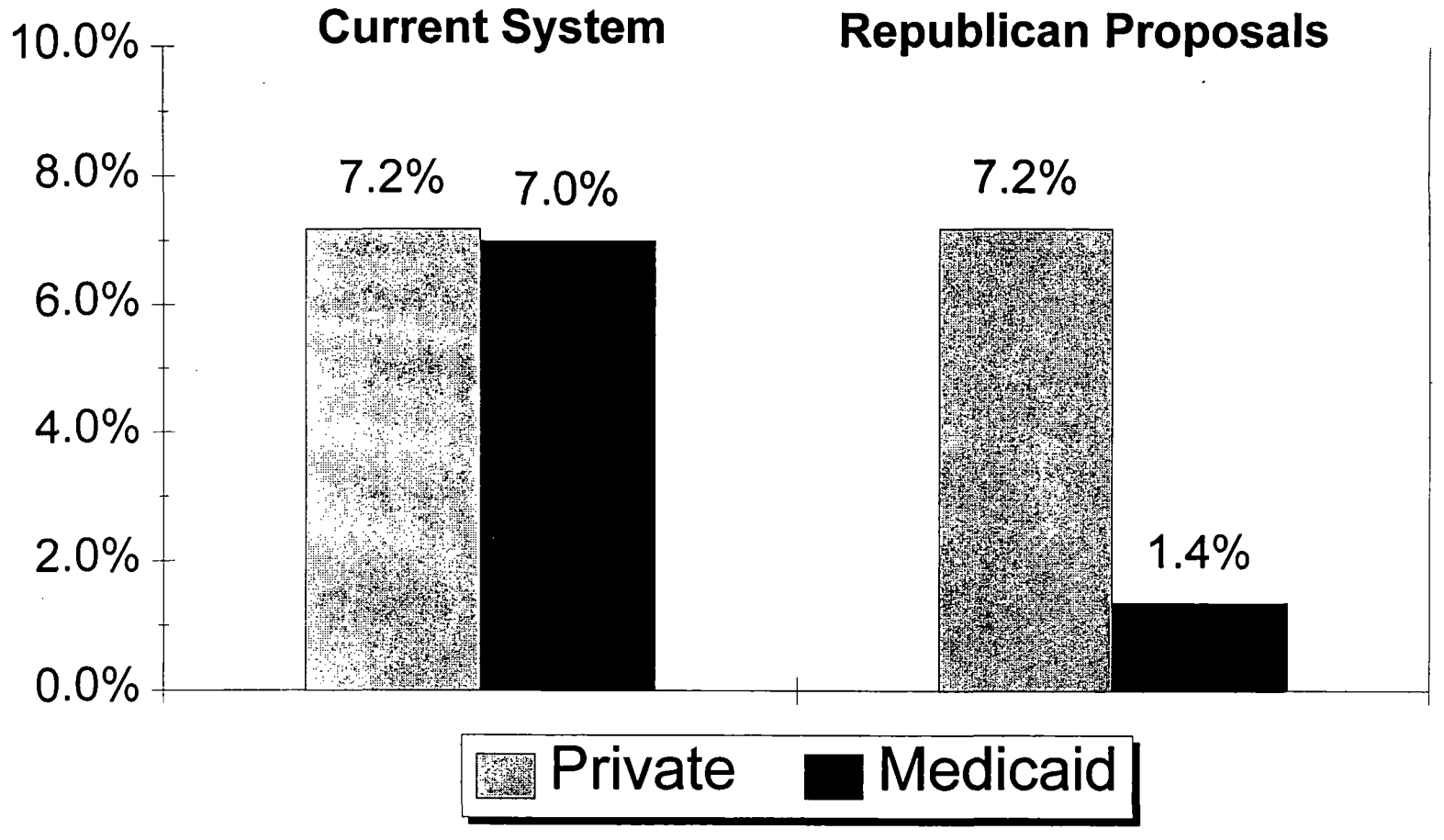
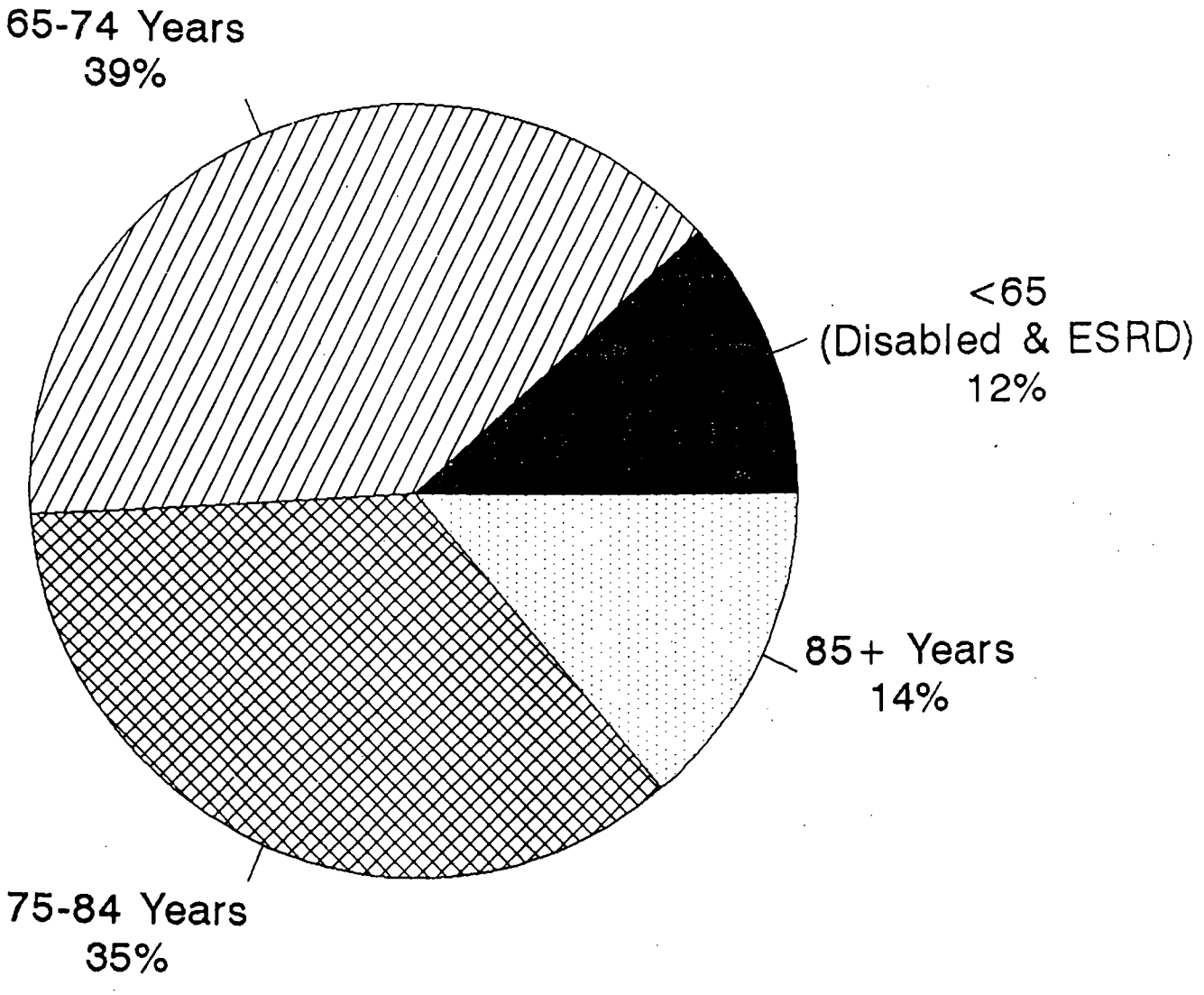
Per Capita Growth Rates

Private & Medicaid, 1996 - 2002



CBO Baseline, Calendar Years

Distribution of Medicare Program Payments, 1992

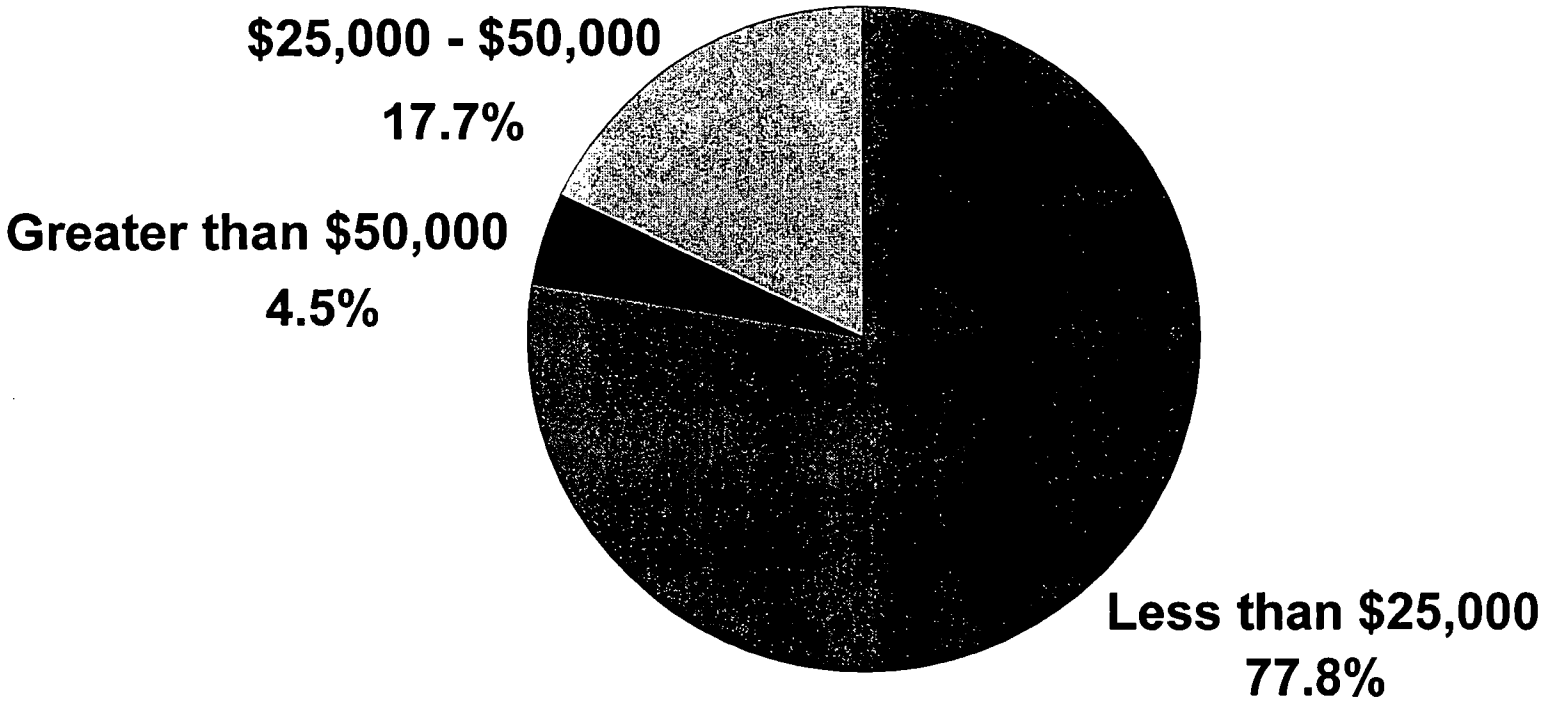


Total Payments = $120.7 Billion

HCFA: Bureau of Data Management and Strategy

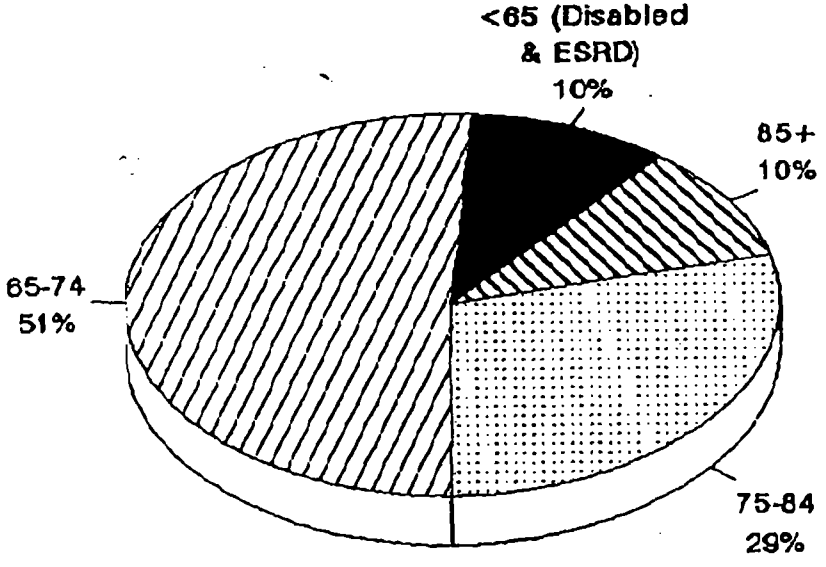
Medicare Beneficiaries' Income

Distribution in 1992

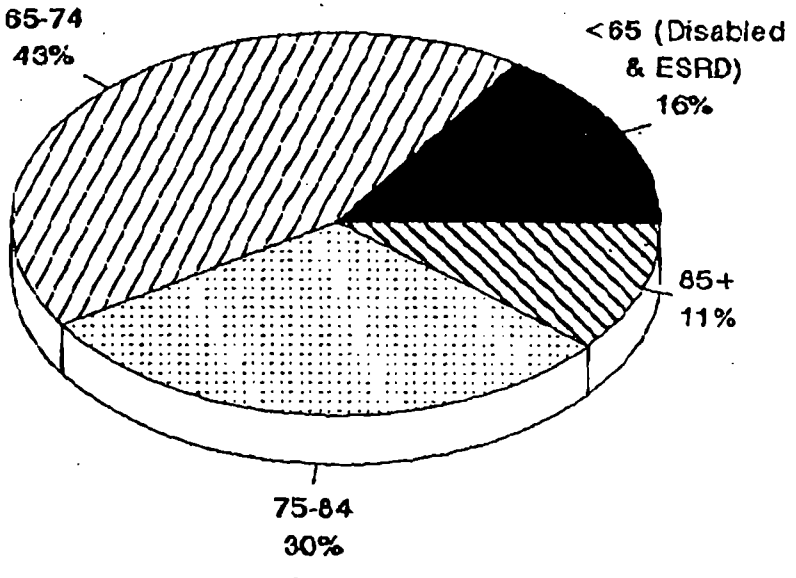


HCFA/OAct: Medicare Current Beneficiary Survey

The Composition of the Medicare Population, by Age 1992 and 2002



1992

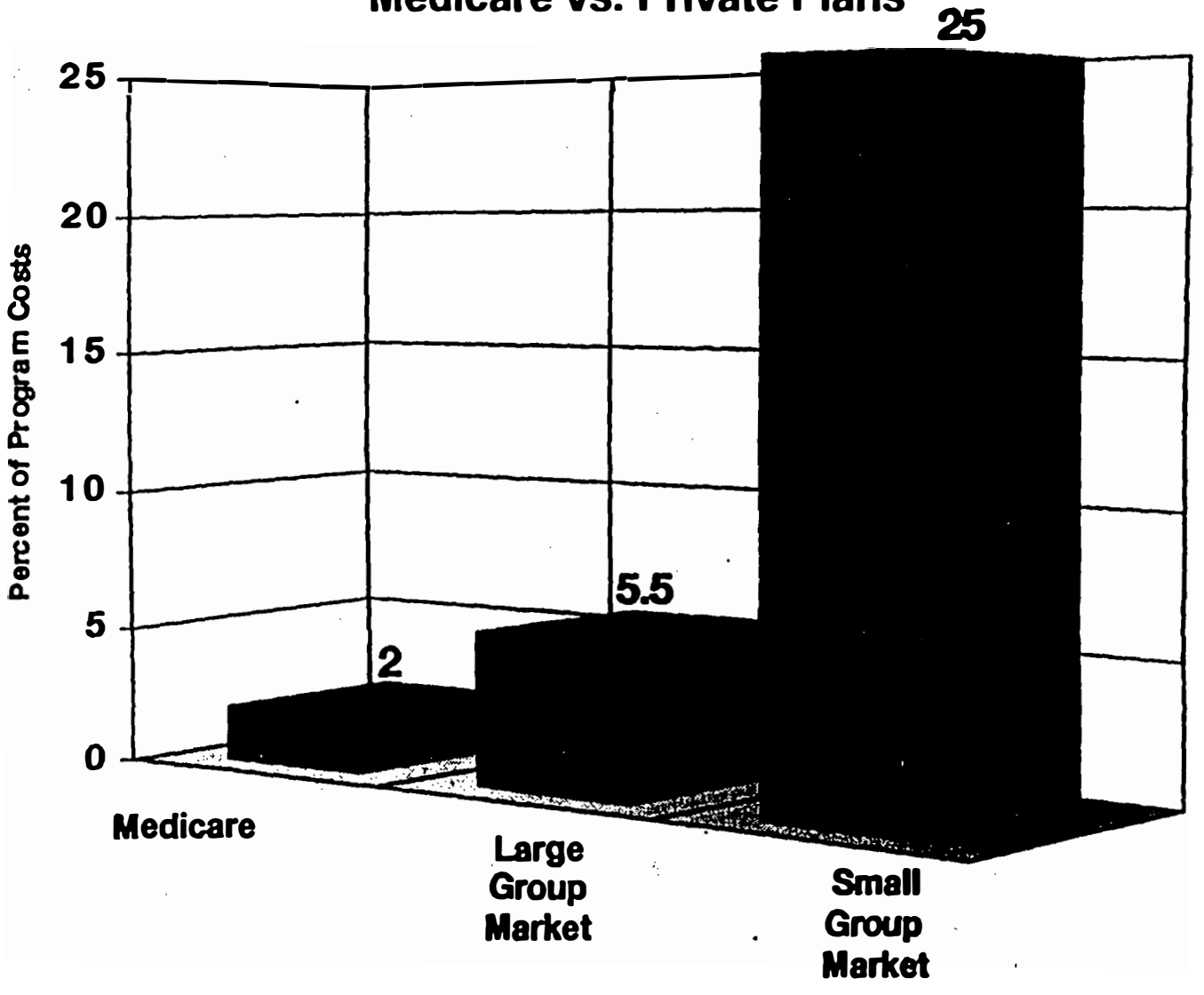


2002

Source: HCFA/BDMS (1992), HCFA/OAct (2002)

Administrative Costs

Medicare vs. Private Plans



Small group market = firms<50 employees; Large group market = firms 10,000+ employees
Sources: HCFA/OACT and CRS, "Costs and Effects of Extending Health Insurance Coverage," 1988

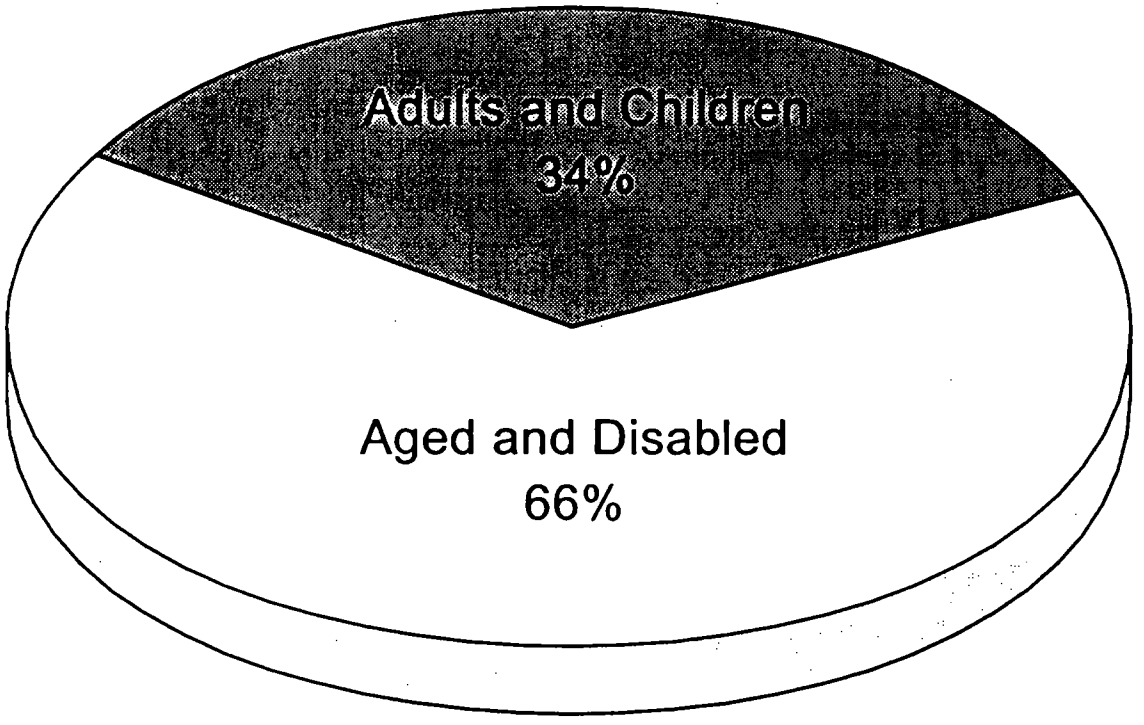
Note: Administrative activities in the two sectors differ; e.g., private costs include marketing and profit.

Medicare Administrative Costs

Year	Administrative Costs as Percent of Program Costs
1990	2.1%
1994	1.9%
2002	1.2%

Source: 1995 Annual Report of the Board of Trustees

Medicaid Expenditures by Recipient, FY95



*Excluding DSH payments to Hospitals

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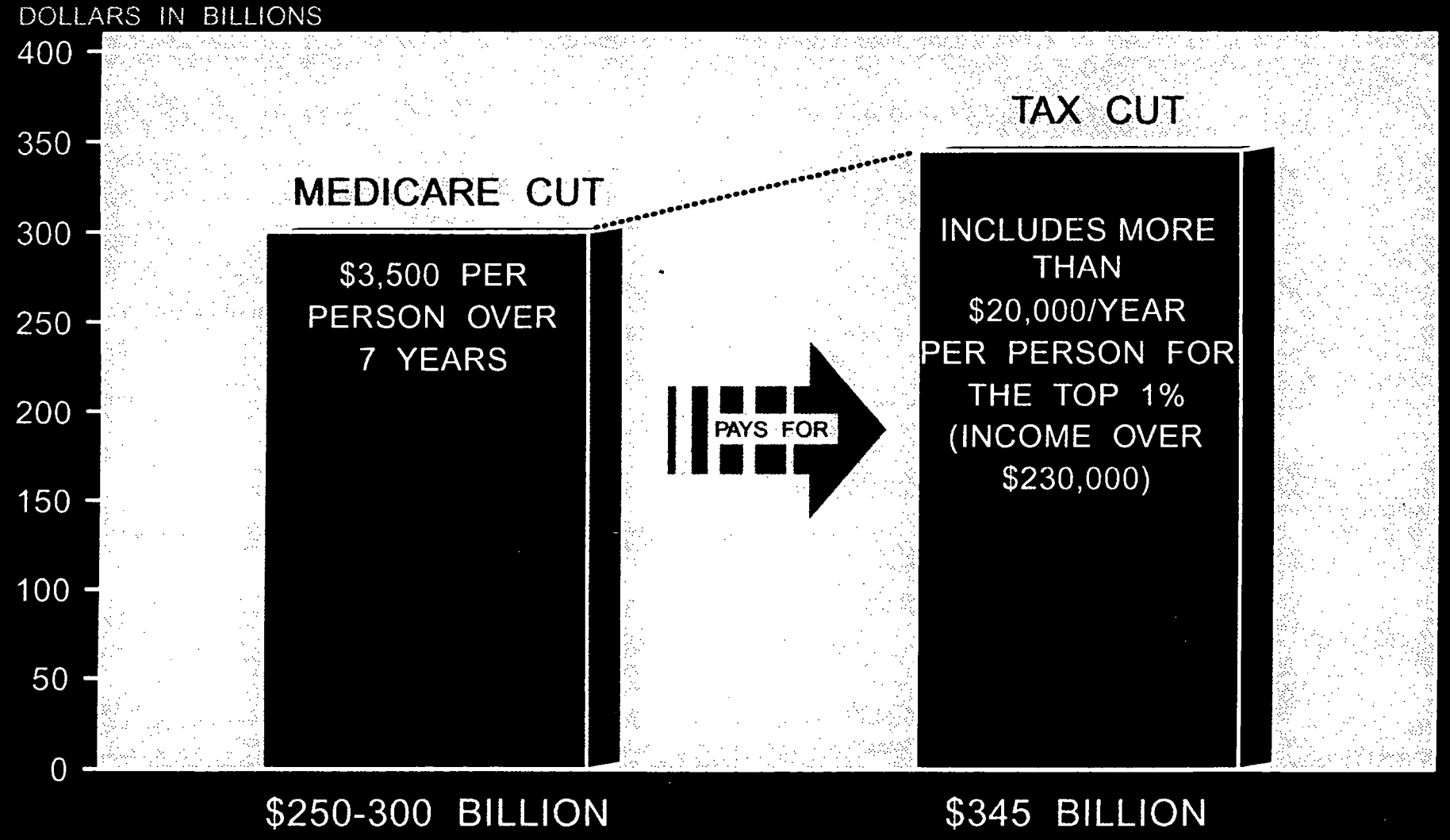
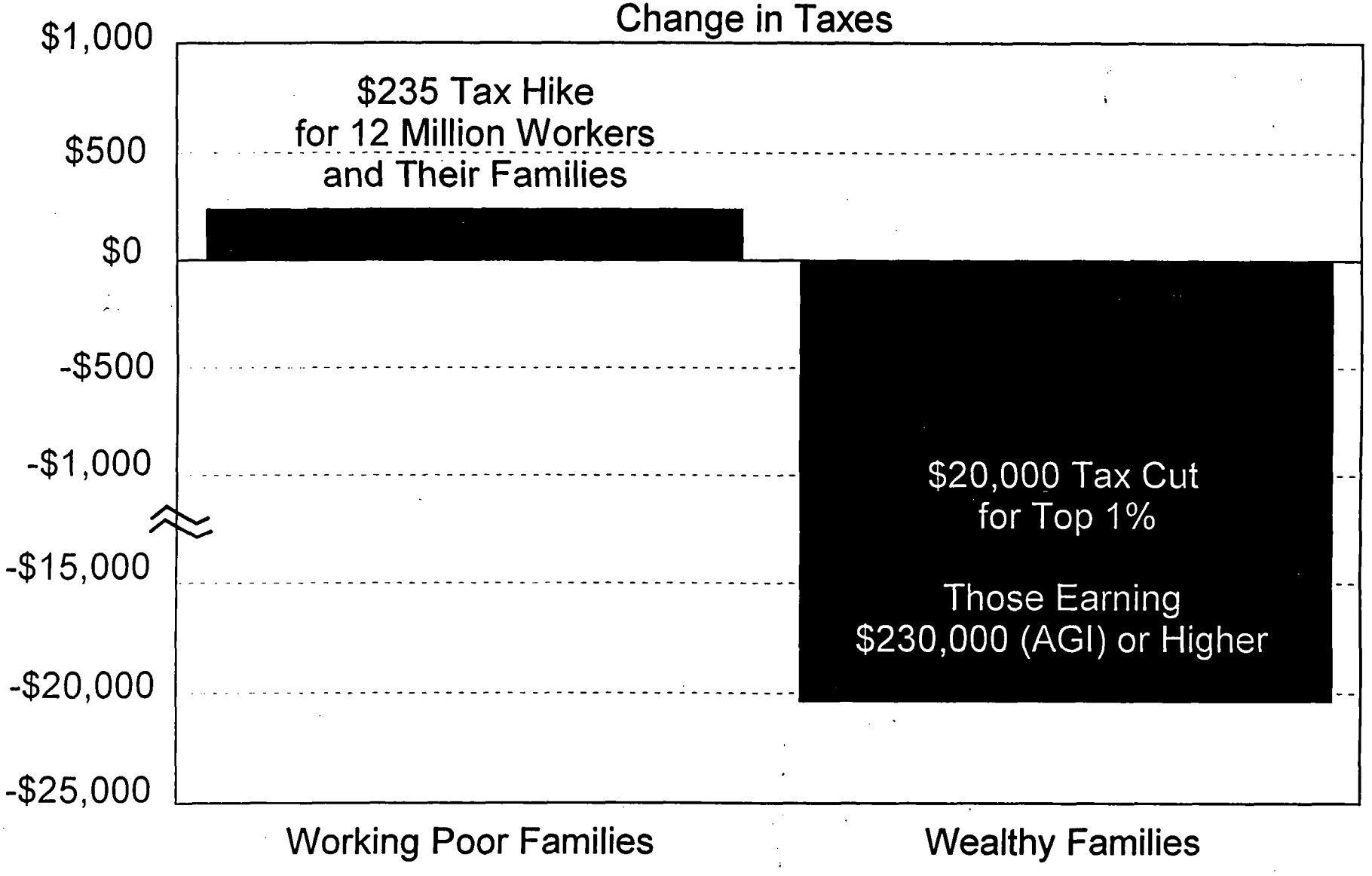
CUTTING MEDICARE TO PAY FOR TAX CUTS FOR THE WEALTHY

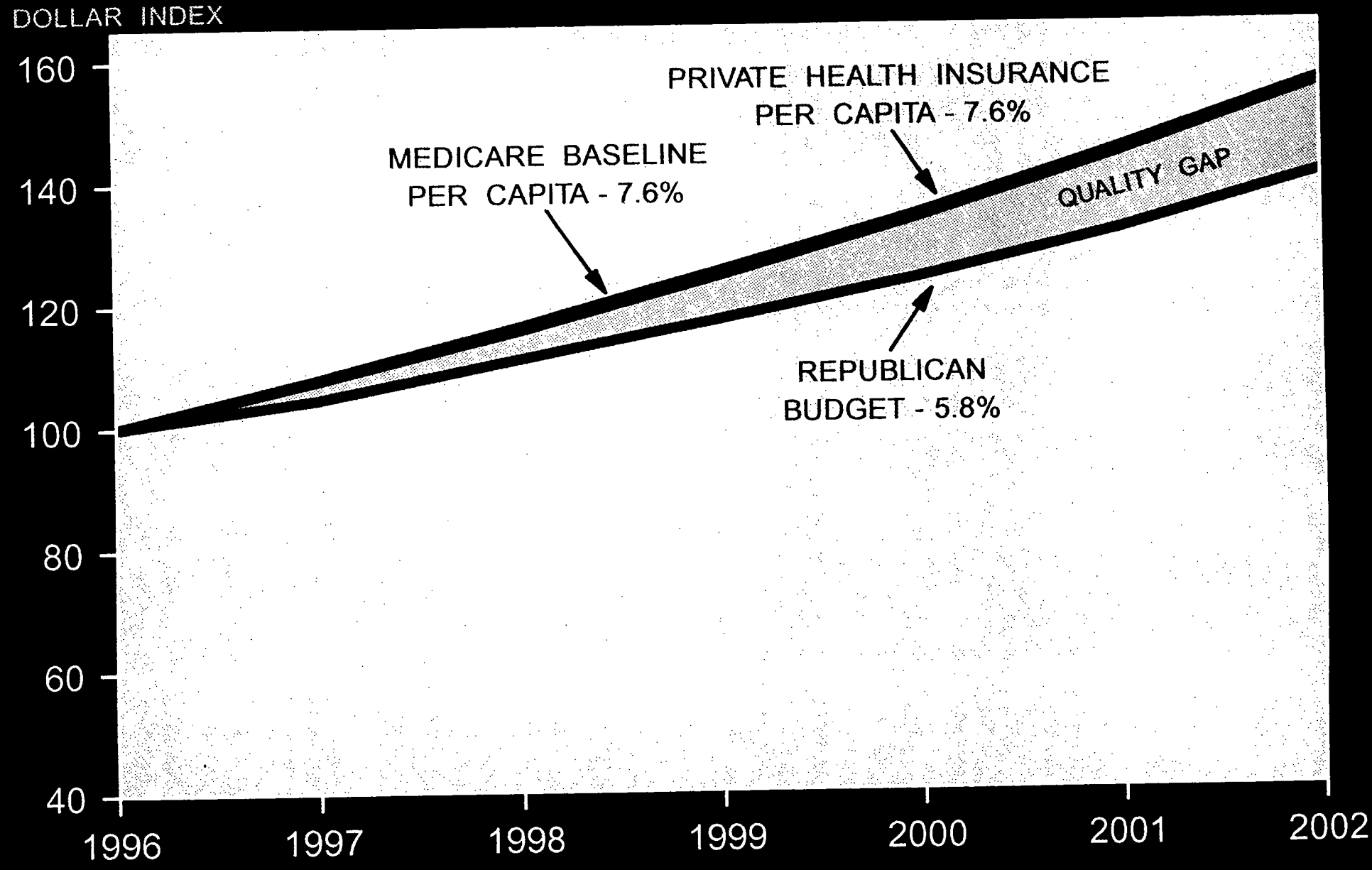
(FY 1996 - 2002)



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

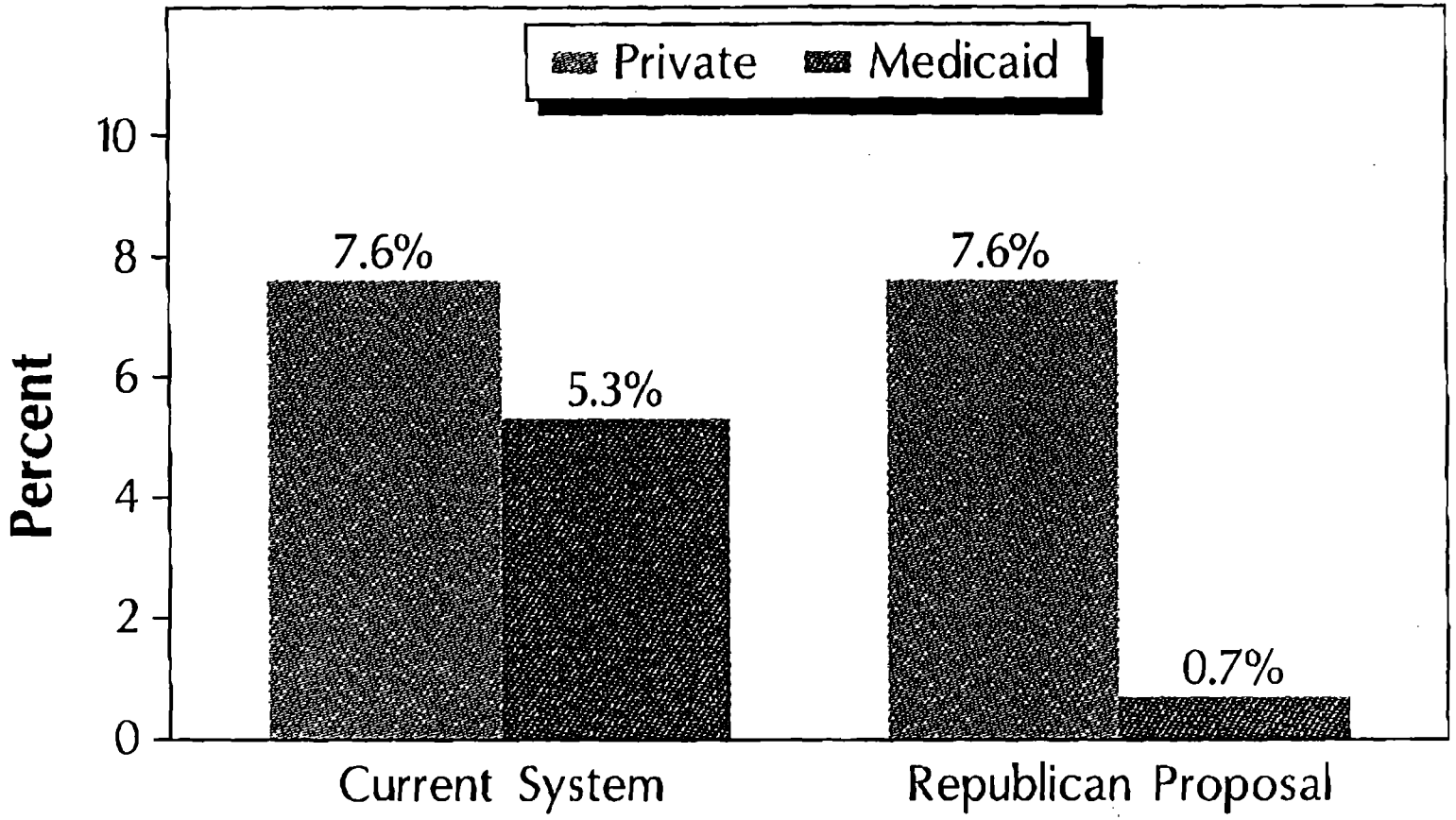


REPUBLICAN CUTS CREATE A MEDICARE QUALITY GAP FOR SENIORS



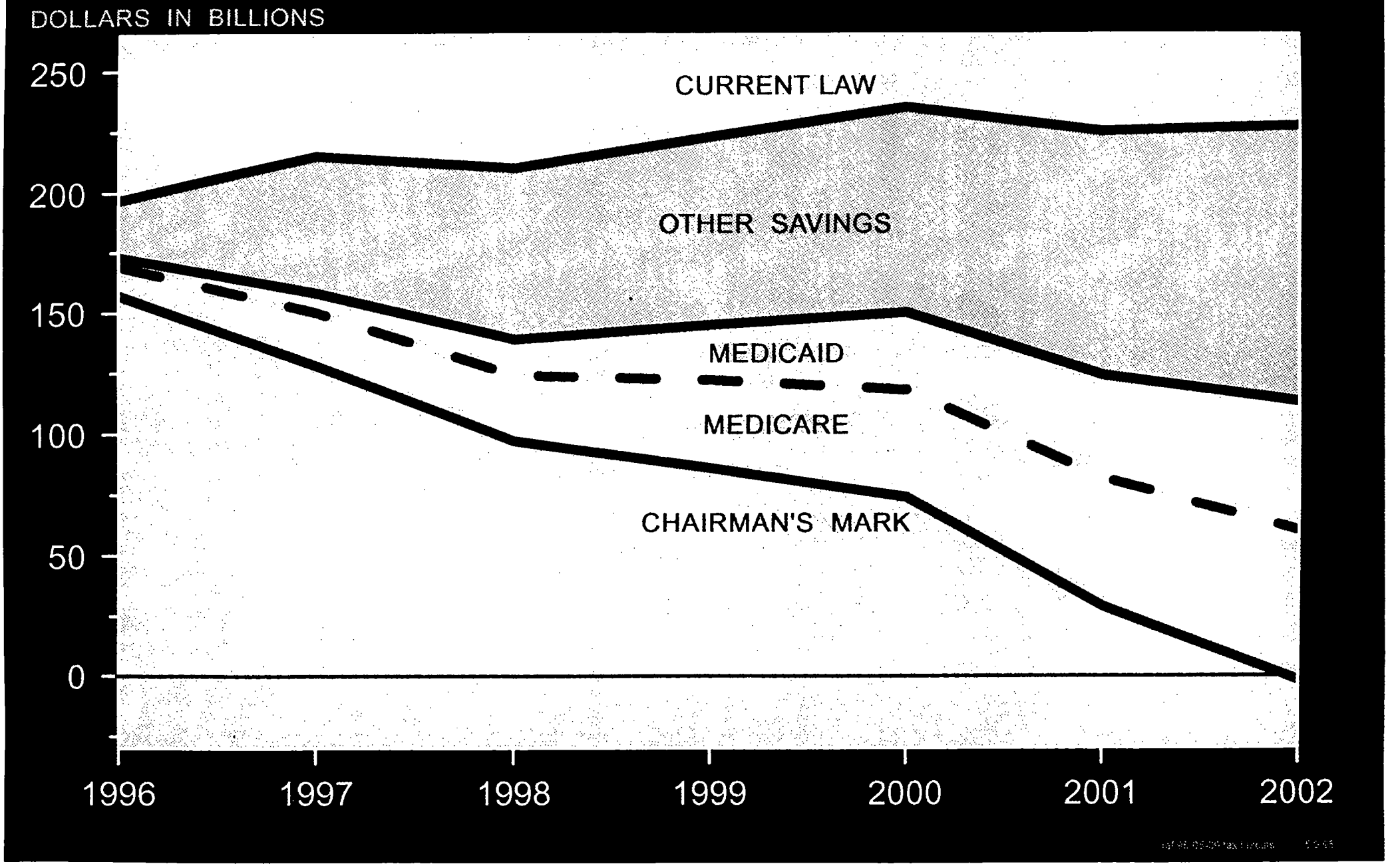
Per Capita Growth Rates

Private and Medicaid, 1996-2002



SOURCE: Administration baseline, calendar years

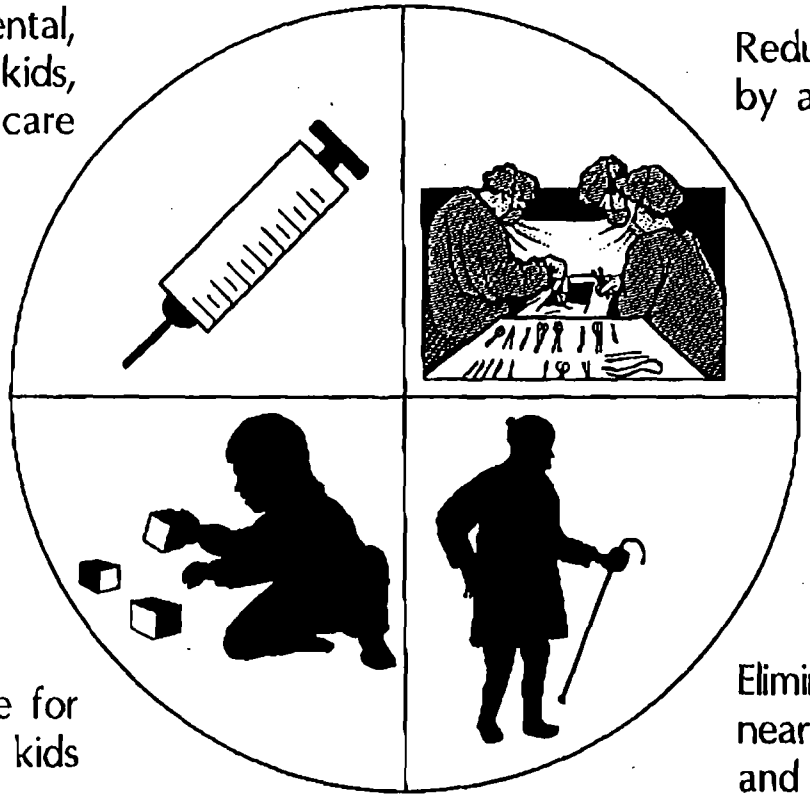
MOST OF PROGRAMMATIC SAVINGS COME FROM MEDICARE / MEDICAID



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.