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%	5,178
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

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

Note: 1 estimates do not include supplemental amounts be l with the bill language.

Source: U.S. DHHS

01-Nov-95

REPUBLICAN BUDGET WIPES OUT QUALITY STANDARDS FOR NURSING HOMES AND INSTITUTIONS CARING FOR THE MENTALLY RETARDED

November 6, 1995

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. Since enactment of these 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: RTI and HCFA.) 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.

- 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.

- 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 their standards with much less Medicaid funding than they receive under current law.

Both Senate and House Republican Budgets Entirely Repeal Standards for Institutions Caring for People with Mental Retardation and Developmental Disabilities

- *Both eliminate federal standards, and do not require states to issue standards that would assure even the most basic rights,* such as protection from abuse and neglect, treatment designed to assist the person to achieving the greatest level of independence, and the right to adequate health care. States do not currently have such standards.

- Neither plan requires states to maintain their current level of services -- in facilities or in home and community-based care -- for people with mental retardation and developmental disabilities. And both plans eliminate the guarantee of anything more than custodial care.

Medicaid Currently Ensures Quality Nursing Home Care and Fundamental Protections
In 1986, a major report documented widespread substandard or poor care at nursing homes in every state. In response to these deplorable conditions, President Reagan signed into law federal minimum standards for nursing homes that: protect nursing home residents from abuse and neglect; limit the use of physical and chemical restraints; prohibit nursing homes from evicting residents when they run out of money and qualify for Medicaid; give nursing home residents the right to appeal decisions without retribution; and ensure that nursing aides are trained and do not have a history of abuse. The 1987 law has dramatically improved the quality of nursing home care, but more progress is needed.

Medicaid Currently Provides Standards for Institutions Caring for the Mentally Retarded Prior to the adoption of federal standards, people with mental retardation and developmental disabilities were routinely subject to abuse and lacked even minimally safe and sanitary living conditions. In respo federal standards were adopted in the 1970s and strengthened under President Reagan. *The federal presence has made a difference -- the federal process on average finds 17% of facilities out of compliance with the federal standards.* (Source: HCFA.)

THE REPUBLICAN MEDICAID PROPOSALS ONLY PRETEND TO PROTECT SENIORS FROM SPOUSAL IMPOVERISHMENT

I. **Current law protects spouses and their families from poverty. 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.

II. **Earlier versions of the Republican Medicaid Block Grant proposals repealed these spousal impoverishment protections.** Under the initial House and Senate plans any state government could force people whose husbands or wives have to go into nursing homes to give up their car, their furniture -- even their home before their spouse can qualify for any medical support.

III. **The President protested the elimination of these protections.**

> "Congress should strip these outrageous provisions from the budget bill. They're inconsistent with our core values. They're not what America is all about, and they are certainly not necessary to balance the budget".
>
> -President William Jefferson Clinton
> Radio Address to the Nation, September 30, 1995

IV. **Responding to the President's criticisms, Republicans modified their plans. <u>But they passed an empty shell -- their bill still does not protect against spousal impoverishment.</u>**

- Since both bills repeal the current Medicaid guarantee of nursing home care, there is also no guarantee of spousal impoverishment protections.

- Both House and Senate bills repeal current national requirements for beneficiary rights to notification, administrative hearings, and appeals.

- Under the House bill, eligible individuals who are not receiving the spousal impoverishment protections can no longer sue the State to obtain these essential protections.

  - Section 2117 of the House bill states: "no person (including an applicant, beneficiary, provider, or health plan) shall have a cause of action under Federal law against a State in relation to a State's compliance (or failure to comply) with the provisions of this title or of a MediGrant plan."

- Both bills make it more difficult for the Federal government to ensure that States comply with any beneficiary protection requirements.

REPUBLICAN HEALTH CARE PLANS
WILL NOT COVER ELDERLY IN POVERTY

NEWT GINGRICH CLAIMS THAT SENIOR CITIZENS AT THE POVERTY LEVEL, AND BELOW, WILL HAVE ALL OF THEIR PART B PREMIUM PAID FOR -- 100 PERCENT.

> "I must say with some sadness that we are ending this debate in the same spirit of misinformation that has characterized our opponents consistently. The fact is there is a provision in the medigrant program which provides that senior citizens at the poverty level, and below, have all of their Part B premium paid for by the taxpayers, 100 percent."
>
> -- Newt Gingrich
> Congressional Record
> 10/19/95
> Page H 10462

THE FACTS:

- Under current law, Medicaid pays all Medicare premiums, coinsurance, and deductibles for people below 100 percent of poverty (known as "qualified Medicare beneficiaries or "QMBs").

- 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.

- Both the House and Senate bills create a set-aside for a portion of the MediGrant funding for Medicare premiums equal to 90 percent of the average spending between 1993 and 1995 on these premiums.

- The Department of Health and Human Services estimates that the set-aside equals about 1.8 percent of total Medicaid spending. This means that states have to spend 1.8 percent of their block grant funds for Medicare premiums.

- **Contrary to the Speaker's claims, in the year 2002, the set-aside amount is estimated to cover <u>only 44 percent</u> -- or $3.7 billion -- of the amount that is projected to be spent on Medicare premiums ($8.5 billion) for people in the QMB program.** [This estimated spending includes the impact of the Republican's increase in Part B premiums.]

DAILY POINTS
THE PRESIDENT STANDS UP FOR A BALANCED BUDGET BASED ON AMERICAN VALUES
November 2, 1995

Yesterday, the President met with the Congressional Leadership and made clear his resolve to sign a balanced budget this year that is based on American values.

- Investing in Education and Training, so America's families can thrive in the new economy.
- Honoring our Commitment to America's Elderly, helping them live with the health and economic security they deserve.
- Protecting the Environment and Public Health, so our children grow up in a clean and safe world.
- Rewarding Work over welfare and providing tax relief for middle class families.
- Balancing the Budget to lift the burden of debt off our children.

The President rejects the Republican budget because it disregards our values and mortgages our future. The Republican budget:

- Makes dangerous cuts to Medicare and Medicaid
- Slashes education, the environment, and technology
- Levies $148 billion in new taxes and fees on working families and older Americans.
- Gives huge tax cuts for the wealthiest Americans
- Could blackmail the nation into defaulting on its loans for the first time in history

The President will not allow Republican leaders to blackmail the American people by threatening to plunge the nation into default for the first time in history if their extreme budget is not accepted. Republican leaders must not link the nation's credit worthiness to the budget debate.

- The President will not allow anybody to hold Medicare or education or the environment or the future of this country hostage.

- If the Republicans in Congress dare to send the President a budget that says simply, you take our cuts or we'll let the country go into default, he will veto it.

If the Republicans do not change their budget to reflect America's values, he will veto it. Then it will be up to the Republicans to change their plan to reflect America's values.

- For months, President Clinton has called on the Republican leadership to change their budget to reflect America's values -- family, community, opportunity, and responsibility.

- If they do not change their budget, he will veto it and send it back to them to fix.

- After the President rejects the Republican misguided budget, it is up to the Republicans to take action and change their plan to reflect America's values.

- ***The President will not negotiate on the budget until the Republicans turn away from their misguided budget plan that disregards America's values and mortgages our future.***

REPUBLICAN LEADERS HAVE IN THE PAST RECOGNIZED THE DANGER IN PLAYING POLITICS WITH THE DEBT CEILING

- "[D]efault would mean the full faith and credit of the U.S. Government is not adequate security for holders of our obligations. If this occurs, obviously it will have a destabilizing effect on financial markets and certainly result in long-term, higher interest costs for the Federal Government as investors seek a hedge against the risk of similar occurrences in the future. I hope we can all agree that this result must be avoided."

  -- **Senator Bob Dole** [Cong. Record, 11/12/85]

- "It would be an absolute disgrace if the United States defaulted for the first time in its over-200 year history. Any default will have swift and severe repercussions both domestically and internationally. It is our view that it will probably raise general interest rates, costing the United States a significant amount of money in the absence of congressional action."

  -- **James Baker**, then-Secretary of the Treasury
  [*Associated Press*, 11/8/85]

- " . . . the failure of Congress to act on the debt ceiling would in either case create great uncertainty and confusion in banking and money markets . . . . a failure to increase the debt limit would not only create havoc in the payments system because of the necessary delays that I have outlined, but it would undermine confidence at home and abroad in the government's ability to manage its affairs."

  -- **Paul Volcker**, then-Federal Reserve Board Chairman
  Letter to then-Treasury Secretary Donald Reagan, 11/9/93

- "I urge the Congress to act in a timely manner on a debt limit increase in order to advert default with its adverse consequences on domestic and international confidence and trust in the United States."

  -- **Nicholas Brady,** then-Secretary of the Treasury
  Letter to Speaker Foley, 9/21/90

- "No responsible government should place itself in a situation where it would default on its obligations. I therefore urge, in the strongest possible way, that the Congress act to spare our citizens from the hardship, the flood of litigation, and the unprecedented constitutional crisis that would be threatened by the inability of the United States to meet its financial obligations."

  -- **William French Smith**, then-Attorney General
  Letter to then-Senate Majority Leader Howard Baker, 11/11/83

THE REAL REPUBLICAN MEDICARE PLAN

October 26, 1995

The Real Republican Medicare Plan. After months of claiming that $270 billion in Medicare cuts are necessary to save Medicare and balance the budget, the Republican Leadership is now finally owning up to the truth behind their plan to decimate Medicare to pay for a huge tax cut for the wealthiest Americans.

Senate Majority Leader Bob Dole Says He Is Against Medicare Because It Doesn't Work. Speaking to the American Conservative Union on Tuesday, Dole said that he was against creating Medicare in 1965 "because we knew it wouldn't work."

> **"I was there, fighting the fight, voting against Medicare because we knew it wouldn't work in 1965."**
> -- Sen. Bob Dole, October 25, 1995

Speaker Gingrich Wishes That Medicare Would Just Wither Away. Speaking to the Blue Cross/Blue Shield Association conference on Tuesday, Gingrich reaffirmed that politics, not policy or values, is guiding his effort to end Medicare:

> **"Now, we don't get rid of it in round one because we don't think that's politically smart...But we believe it is going to wither on the vine because we think people are voluntarily going to leave it."**
> -- Rep. Newt Gingrich, October 24, 1995

In 1994, The Republicans Claimed They Wouldn't Slash Medicare. In 1994, the President claimed that the Republicans would have to slash Medicare to pay for their large tax cut and the Republican Contract. The Republicans denied it.

In Early 1995, The Republicans Changed Their Tune And Claimed That It Was Necessary To Slash Medicare. In 1995, the GOP turned around and called for a huge medicare cut -- three times the largest in history. They claimed that the only reason for this huge Medicare cut was to "save" Medicare.

> "Everything we're doing in Medicare is driven by the actuaries' estimate of what it takes to build a savable system; it's not driven by a budget need." -- Newt Gingrich, May 5, 1995

Now, The American People Know The Truth: The Republican Leadership Would Just As Soon End Medicare. The Republican leadership wants to send our country back to the days when there was no health security for older Americans:

- Before Medicare, 50 percent of America's elderly had no health insurance. Today, 97 percent of America's senior citizens are insured through the program.

- Before Medicare, nearly 1/3 of all senior citizens lived in poverty. By 1993, the poverty rate among elderly had dropped to 12 percent.

President Clinton Believes We Need To Bal nce The Budget While Maintaining Our Va ues And Honoring Our Commitment To America's Elderly -- Helping Them Live With The Health And Economic Security They Deserve.

The President And Congressional Democrats Have Taken Steps To Increase The Solvency Of The Medicare Trust Fund.

- In 1993, the President's five-year deficit reduction package extended the life of the Trust Fund by an additional three years. *Not one Republican voted for this extension.*
- In 1994, the President's health care reform proposal would have extended the Medicare Trust Fund for an additional five years. *The Republicans opposed health care reform.*
- The President's 1995 Balanced Budget would extend the Trust Fund until 2006 without increasing premiums or reducing services. *The Republican plan cuts Medicare three times greater than any cut in history just to finance a huge tax cut for the wealthiest Americans.*

The Republicans Are Just Smoke And Mirrors When It Comes To Medicare. First the Republicans voted against protecting Medicare (1993); then they opposed modest Medicare cuts (1994); then they claimed that they didn't need to cut Medicare to finance their huge tax cuts (1994); and now they stand up for a plan that cuts 3 times more out of Medicare than ever before -- decimating the health care system and increasing costs for older Americans (1995).

> ***Now, we know where they really stand. The Republican leadership would rather just do away with the Medicare system. The Republican leadership values tax cuts over health security for older Americans.***

The American People Know That The Republican Plan Is No Good. *New York Times/CBS Poll*, October 25, 1995:

- By more than a 2 to 1 ratio, the American people disapprove of the Republican Medicare plan.
- 65 percent of older Americans trust the President on Medicare, while only 18 percent trust the Republicans.

Even Republicans Are Now Calling Their Own Budget "Unfair." One Republican Senator called the $245 billion tax cut "unfair" and posed the same question the President has asked for months:

> "How can we justify cuts in Medicare and Medicaid, student aid, job training, low-income energy assistance, workplace safety, Head Start, child immunization and Earned Income Tax Credits while we simultaneously give corporate tax breaks ... and tax breaks to people in high brackets."
>
> -- Sen. Arlen Specter (R-PA), LA Times, Oct. 25, 1995

THE REAL REPUBLICAN MEDICARE PLAN

October 26, 1995

The Real Republican Medicare Plan. After months of claiming that $270 billion in Medicare cuts are necessary to save Medicare and balance the budget, the Republican Leadership is now finally owning up to the truth behind their plan to decimate Medicare to pay for a huge tax cut for the wealthiest Americans.

Senate Majority Leader Bob Dole Says He Is Against Medicare Because It Doesn't Work. Speaking to the American Conservative Union on Tuesday, Dole said that he was against creating Medicare in 1965 "because we knew it wouldn't work."

> **"I was there, fighting the fight, voting against Medicare because we knew it wouldn't work in 1965."**
> -- Sen. Bob Dole, October 25, 1995

Speaker Gingrich Wishes That Medicare Would Just Wither Away. Speaking to the Blue Cross/Blue Shield Association conference on Tuesday, Gingrich reaffirmed that politics, not policy or values, is guiding his effort to end Medicare:

> **"Now, we don't get rid of it in round one because we don't think that's politically smart...But we believe it is going to wither on the vine because we think people are voluntarily going to leave it."**
> -- Rep. Newt Gingrich, October 24, 1995

In 1994, The Republicans Claimed They Wouldn't Slash Medicare. In 1994, the President claimed that the Republicans would have to slash Medicare to pay for their large tax cut and the Republican Contract. The Republicans denied it.

In Early 1995, The Republicans Changed Their Tune And Claimed That It Was Necessary To Slash Medicare. In 1995, the GOP turned around and called for a huge medicare cut -- three times the largest in history. They claimed that the only reason for this huge Medicare cut was to "save" Medicare.

> "Everything we're doing in Medicare is driven by the actuaries' estimate of what it takes to build a savable system; it's not driven by a budget need." -- Newt Gingrich, May 5, 1995

Now, The American People Know The Truth: The Republican Leadership Would Just As Soon End Medicare. The Republican leadership wants to send our country back to the days when there was no health security for older Americans:

- Before Medicare, 50 percent of America's elderly had no health insurance. Today, 97 percent of America's senior citizens are insured through the program.

- Before Medicare, nearly 1/3 of all senior citizens lived in poverty. By 1993, the poverty rate among elderly had dropped to 12 percent.

President Clinton Believes We Need To Balance The Budget While Maintaining Our Values And Honoring Our Commitment To America's Elderly -- Helping Them Live With The Health And Economic Security They Deserve.

The President And Congressional Democrats Have Taken Steps To Increase The Solvency Of The Medicare Trust Fund.

- In 1993, the President's five-year deficit reduction package extended the life of the Trust Fund by an additional three years. *Not one Republican voted for this extension.*

- In 1994, the President's health care reform proposal would have extended the Medicare Trust Fund for an additional five years. *The Republicans opposed health care reform.*

- The President's 1995 Balanced Budget would extend the Trust Fund until 2006 without increasing premiums or reducing services. *The Republican plan cuts Medicare three times greater than any cut in history just to finance a huge tax cut for the wealthiest Americans.*

The Republicans Are Just Smoke And Mirrors When It Comes To Medicare. First the Republicans voted against protecting Medicare (1993); then they opposed modest Medicare cuts (1994); then they claimed that they didn't need to cut Medicare to finance their huge tax cuts (1994); and now they stand up for a plan that cuts 3 times more out of Medicare than ever before -- decimating the health care system and increasing costs for older Americans (1995).

Now, we know where they really stand. The Republican leadership would rather just do away with the Medicare system. The Republican leadership values tax cuts over health security for older Americans.

The American People Know That The Republican Plan Is No Good. *New York Times/CBS Poll*, October 25, 1995:

- By more than a 2 to 1 ratio, the American people disapprove of the Republican Medicare plan.

- 65 percent of older Americans trust the President on Medicare, while only 18 percent trust the Republicans.

Even Republicans Are Now Calling Their Own Budget "Unfair." One Republican Senator called the $245 billion tax cut "unfair" and posed the same question the President has asked for months:

> "How can we justify cuts in Medicare and Medicaid, student aid, job training, low-income energy assistance, workplace safety, Head Start, child immunization and Earned Income Tax Credits while we simultaneously give corporate tax breaks ... and tax breaks to people in high brackets."
>
> -- Sen. Arlen Specter (R-PA), LA Times, Oct. 25, 1995

REPUBLICAN PLAN ENDS MEDICAID: PUTS MIDDLE-CLASS FAMILIES AT RISK

1. **The Republican Medicaid Plan Will Force States to Eliminate Coverage for Millions of Americans, including:**
   - **4.4 million children,**
   - **More than 900,000 elderly, and**
   - **1.4 million people with disabilities.**

2. **The Republican Plan Will Force Families to Choose Between Nursing Home Care for Their Parents and Education for Their Children.**

3. **The Republican Plan May Force Elderly Spouses Into Poverty.**

4. **The Republican Plan Will Wipe Out Quality Standards for Nursing Homes and Institutions Caring for the Mentally Retarded.**

REPUBLICAN PLAN ENDS MEDICAID: PUTS MIDDLE-CLASS FAMILIES AT RISK

Republican Plan Will Force States to Eliminate Coverage for Millions of Americans. Medicaid currently covers 36 million Americans and provides middle-class families with protection from the high costs of nursing home care for their parents. In order to pay for their huge tax cut for the wealthy, Republicans propose slashing Medicaid by an unprecedented $182 billion -- cutting funding to states by 30% in 2002.

States will be forced to raise taxes, reduce Medicaid coverage, and cut services. According to data from the non-partisan Urban Institute, the GOP cuts will force states to eliminate Medicaid coverage for as many as 8.8 million Americans in 2002, including:

- 4.4 million children
- more than 900,000 seniors
- 1.4 million people with disabilities

Republican Plan Will Force Families to Choose Between Nursing Home Care for Their Parents and Education for Their Children. Medicaid currently is the largest insurer of long-term care, covering *over two-thirds* of all nursing home residents. Without the guarantee of Medicaid, families of elderly and disabled individuals needing long-term care could be stuck with nursing home bills, currently averaging *$38,000 a year.* This extra charge to middle-class families may force them to choose between nursing home care for their parents and education for their children. That's a false choice for millions of hard working families. And that's the wrong way to balance the budget.

Republican Plan May Force Elderly Spouses Into Poverty. Republicans are turning their backs on the common ground protection that President Reagan signed into law to ensure that seniors do not have to give up everything they own -- their car, their home, and all their savings -- in order to pay for nursing home care for their sick spouse. The GOP plan repeals this protection, putting seniors at risk of *losing their homes and being driven into poverty* by the cost of their spouse's nursing home care. The GOP plan also means that parents of mentally retarded children may be forced into poverty to pay for their children's care in an institution or at home.

Republican Plan Will Wipe Out Quality Standards for Nursing Homes and Institutions Caring for the Mentally Retarded. The Republican plan throws away a decade of progress by repealing another common ground law signed by President Reagan that established quality standards for nursing homes and institutions for the mentally retarded. These standards restrict the use of drugs and restraints and require that nurses' aides are properly trained. Under the guise of reform, Republicans would repeal this law and throw away these fundamental protections -- just to pay for their tax cut.

REPUBLICAN MEDICARE PLAN: PAY MORE FOR SECOND-CLASS HEALTH CARE

1. **ANY WAY YOU SLICE IT, THE REPUBLICAN MEDICARE CUT IS THREE TIMES LARGER THAN ANY CUT IN HISTORY AND MEANS YOU WILL PAY MORE TO GET LESS.**

2. **MEDICARE RECIPIENTS WILL PAY MORE OUT-OF-POCKET -- TO FUND A TAX BREAK FOR THE WEALTHY:**

    - $1,700 less per beneficiary in 2002
    - Double Deductibles
    - Raise Premiums
    - Raise the Medicare eligibility age to 67

3. **MEDICARE RECIPIENTS WILL PAY MORE, YET THE CUTS WILL MEAN AN INFERIOR, SECOND-CLASS MEDICARE PROGRAM:**

    - Private health premiums increased by cost-shifting
    - Hospital closings threatened
    - Doctors driven out of the program and turning away recipients

REPUBLICAN MEDICARE PLAN:
PAY MORE FOR SECOND-CLASS HEALTH CARE

Pay More and Get Less -- For Tax Cuts for the Wealthy. Any way you slice it, the Republican Medicare cuts will force you to pay more to get less -- just to fund a tax cut for the wealthy. The GOP plan will increase out-of-pocket costs for all seniors -- regardless of their income or health. Medicare *benefits per beneficiary will be cut $1,700* in 2002, forcing spending to grow *33 percent slower than in the private sector.* Both the House and Senate plans increase premiums, and the Senate plan also cuts benefits and doubles deductibles from $100 a year today to $210 a year in 2002. And not one penny of the increased premiums will go to the Medicare trust fund. Instead, seniors will pay more out-of-their-pockets to fund a huge tax cut for the wealthy.

Pay Taxes for Two More Years and Wait Two More Years for Benefits. The Senate plan would gradually *delay the Medicare eligibility age from 65 to 67* beginning in 2003. Tens of millions of Americans would have to work longer and pay more taxes to get fewer years of Medicare. For someone working a desk job in Washington, that may not seem too bad, but to millions of Americans with physically demanding jobs, it is not just bad -- it is unfair.

Everyone's Premiums Will Increase From Cost Shifting. Lewin-VHI, an independent research firm, found that the Republican $452 billion cut in Medicare and Medicaid will lead doctors and hospitals to *raise their fees on private patients by at least $90 billion* -- essentially *a new $90 billion tax on everyone with private health insurance.* This cost-shifting will increase the cost of private health insurance, which would effectively reduce wage increases by 2.7%, and by as much as 10% for lower-wage workers.

Gambling with Medicare to Benefit the Healthiest and Wealthiest. Republicans would experiment with Medicare by creating Medical Savings Accounts (MSAs) under which the healthiest and wealthiest could gamble at the expense of everyone else. Under the MSA proposal, healthy seniors who could afford to risk paying a high deductible would have incentives to elect catastrophic health insurance with a very high deductible. This would leave the less healthy seniors with higher average health care costs -- and who cannot afford to gamble with deductibles starting at $3,000 -- in the traditional Medicare program. A new study by Lewin-VHI found that MSAs would substantially increase traditional Medicare program costs.

Hospitals Will Close and Doctors May Refuse Medicare Patients. Many rural and urban hospitals depend on Medicare for a large share of their income. By making the deepest cuts in health care provider payments in history, the Republican plan would force many rural and urban hospitals to close. Lower payments to doctors also would create huge incentives for physicians to refuse to take Medicare patients.

Raises Taxes on Working Americans. The Senate plan imposes new payroll taxes on many state and local government employees at a time when the Republicans are cutting taxes for the wealthy. Medicare does not currently cover government workers in many states who began work before 1986 and they therefore are not subject to the Medicare payroll tax. Republicans would require all state and local workers to pay Medicare payroll taxes, raising taxes on workers and imposing an "unfunded mandate" on state government in violation of the unfunded mandates law that Congress enacted earlier this year.

FACTS ON THE REPUBLICAN HEALTH CARE PROPOSALS
October 30, 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

- **As many as 8.8 million people will be denied Medicaid coverage.** The Department of Health and Human Services estimates that states will be forced to deny coverage for as many as 8.8 million people in 2002, including:

  - Over 4 million children

  - Approximately 900,000 older Americans

  - Over one million individuals with disabilities

  As many as 2.2 million of the 8.8 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 over 1 million children.**

- **Over a 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.

- **The Republican plans to block grant Medicaid threaten quality standards at nursing homes and 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 and have created a wider range of choices for families, including services at home and in the community.

4. **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 these protections 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 essential protections.

5. **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 or "QMBs").

- 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.

- Both the House and Senate bills create a set-aside for a portion of the MediGrant funding for Medicare premiums equal to 90 percent of the average spending between 1993 and 1995 on these premiums.

- **In the year 2002, the set-aside amount is estimated to cover <u>only 44 percent</u> -- or $3.7 billion -- of the amount that is projected to be spent on Medicare premiums ($8.5 billion) for people in the QMB program.** [This estimated spending includes the impact of the Republican's increase in Part B premiums.]

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% of Part B program costs.

  - Given the level of Medicare spending assumed in the Republican proposal, this 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.** Republican proposals double 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 at 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.

TALKING POINTS ON TIME FRAME FOR BALANCING THE BUDGET

October 23, 1995

BACKGROUND

The President has continually reached out his hand to Republicans to work together on a common ground balanced budget.

Last week, the President did not say he would simply move to a seven-year time period. He did say that if the Republicans leadership moves to common ground on the fundamental issues of health care, education and children, the environment, and tax fairness, he would then be willing to work with them on balancing the budget over seven years.

The President has also made clear that unless the Republicans move closer to mainstream economic forecasters, it will not be possible to balance the budget in seven years. Below are suggested talking points.

TALKING POINTS

- **Policy Should Dictate The Time Frame, And Not Vice-versa.** We have always said that policy should drive the date and not the other way around. We are not shifting by saying that we could agree to seven years, but we are saying that this is an area of math not policy principle, and that only if they can meet our policy principles can we start talking about the time frame.

- **President Stands Firm On His Principles.** The President is not willing to compromise on his basic policy principles -- health care for the elderly, disabled and children; education, the environment and tax fairness -- he is willing to negotiate on time if and only if Republican leadership is willing to satisfy those policy goals.

TALKING POINTS ON 1993 DEFICIT REDUCTION PLAN

October 23, 1995

The President Has Consistently Made Clear That He Is Proud Of His 1993 Budget And That He And Democrats In The Congress Did The Right Thing In Passing It. The President Is Proud Of The Democrats That Stood By Him.

The President's plan helped cut the deficit nearly in half, while leading to better job growth (7.5 million new jobs) than any Republican Administration since the 1920's.

- **Tax Fairness.** The President's 1993 plan cut taxes for 15 million working families while raising income tax rates on only the top 1.2%. Now, the Republicans are calling for $148 billion in "hidden taxes" on working families -- including a $43 billion tax on 17 million working families, new Medicare premium increases, and a new student loan tax -- while giving a huge tax cut that favors the well-off.

- **Republican Plan Increases Taxes For Millions Of Working Families.** The *Wall Street Journal* has reported that the revised Joint Tax Committee report shows that the bottom 51% of taxpayers would, as a group, pay higher taxes.

- **Republicans Could Not Balance The Budget Without The 1993 Clinton Budget**. Prior to the 1993 deficit reduction plan -- which every Republican opposed -- the deficit was projected to be over $300 billion in FY1995. Because of the Clinton deficit reduction plan, the deficit is now down to $160 billion.

- **If The Republican Majority Still Opposes The 1993 Deficit Reduction Plan, They Could Seek to Repeal It.** Instead, they have built their plan to balance the budget on top of the 1993 Clinton plan. Without the Clinton 1993 deficit reduction plan, the Republican balanced budget plan would have a hole the size of the Grand Canyon.

THE WHITE HOUSE

WASHINGTON

September 19, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
CHRIS JENNINGS
PAULINE ABERNATHY

SUBJECT: **Budget and Economic Q&As for Thursday Appearance on Larry King Radio**

Q&A CATEGORIES:

I. BUDGET/TRAIN WRECK
II. CBO/OMB BASELINE AND THE CPI
III. MEDICARE AND MEDICAID
IV. TAX REFORM AND CORPORATE WELFARE
V. THE MINIMUM WAGE

Note that virtually all answers to budget and train wreck questions can be answered in a three-part framework:

1) **Committed to balancing the budget in a responsible way:** I have shown my commitment to balancing the budget by putting forward a plan to balance the budget in a responsible manner and by making clear my willingness to work with Congress to develop a common-ground balanced budget.

2) **Want an open discussion, but there are real differences:** I want an open discussion, but there are real differences between our approaches and there are issues that I am going to stand up for. I am not going to let them balance the budget on the backs of the elderly and working families, and by slashing our children's education and the environment.

3) **Hopeful we can avoid a train wreck:** I have taken steps to prevent a train wreck, but I will not allow the American people to be blackmailed -- I am hopeful responsible minds will prevail.

Similarly, virtually any answer on Medicare has a common anchor you want to come back to:

1) **My balanced budget plan proves you can balance the budget and shore up the Medicare trust fund for more than ten years without taking a penny of new savings from beneficiaries.**

2) **Their premium increases go for a tax cut, not the trust fund:** Their plan increases Medicare premiums, taking money straight out of the Social Security checks of millions of Americans, and *not a single penny* of it will go to the Medicare trust fund. It will go to the general fund to pay for tax cuts for people who need them the least.

3) **Their cuts will turn the Medicare and Medicaid programs into second-class health care:** Any way you slice it, their Medicare and Medicaid cuts -- totaling nearly half a trillion dollars -- will turn the Medicare and Medicaid programs into second-class health care. These massive cuts threaten hospitals, especially rural and teaching hospitals, threaten to drive physicians out of both programs, threaten to reduce the choice of doctors, and would eliminate Medicaid coverage for hundreds of thousands of older Americans in nursing homes and millions of poor children.

4) **I ran for President because I wanted to improve the quality of our health care system:** I wanted to expand coverage and strengthen the Medicare and Medicaid programs. I will not sign a bill that under the guise of strengthening these programs takes us backwards and gives us less coverage, less choice, and higher costs.

I. BUDGET/TRAIN WRECK QUESTIONS:

1. MR. PRESIDENT, 3 YEARS AGO ON MY SHOW YOU PROMISED TO BALANCE THE BUDGET IN 5 YEARS. WHY DID YOU BACK OFF? IF IT WAS A GOOD IDEA THEN, WHAT'S WRONG WITH 7 YEARS NOW?

A: **Recommended short answer:**

My goal throughout the entire campaign and since I've been President has been to bring down the deficit while still investing more in the skills and abilities of our people. We've done that. In just three years, we've cut the deficit nearly in half -- from $290 billion to $160 billion -- while putting forth a broad life-long learning agenda.

Now I've taken the next step by putting forth a plan to balance the budget while still staying true to our commitment to education, the environment, and health care.

Answer with more explanation:

I've always believed we needed to bring down *two* deficits -- the budget deficit and our deficit in education and investing in people. Prior to the general election, I talked about dividing the budget between consumption and investment, and balancing the consumption budget in a shorter period of time while having a capital budget that would allow us to invest more in people at the same time.

Two weeks after I appeared on your show, however, I put out my economic plan, Putting People First. In that plan, I promised using traditional budget accounting to cut the deficit in half in four years, while still investing in people, rewarding work, and taking steps to improve our health care system. Less than three years later, I am very proud to be able to say that we have already nearly met our goal of cutting the deficit in half. And we have done it while giving millions of people more opportunity, more education, and more incentives to work.

The reason this budget battle is so important to me is that now that we have gone this far, I want to go the rest of the way to balance while still investing more in our people and protecting the values that the American people hold so dear, such as protecting our environment, honoring our parents and senior citizens, and rewarding work.

2. ARE WE HEADED FOR A TRAIN WRECK?

A: **Congress has not done its work on time:** Congress is not likely to be done by the beginning of the fiscal year on October 1st.

I have reached out my hand: I have told the Congressional leaders that I am willing to accept a *fair holding pattern* while they finish their task and we work out our differences. These differences do not have to cause a crisis.

But I will not allow the American people to be blackmailed -- forced to accept extreme cuts or a financial crisis. I will not blink when it comes to standing up for working families. But I am hopeful that responsible heads will prevail and realize that path is unwise.

3. **MR. PRESIDENT, IT IS OCTOBER 1, AND YOU ARE SENT A CONTINUING RESOLUTION THAT GUTS MOST OF YOUR FAVORITE EDUCATION, CHILDREN'S AND ENVIRONMENTAL PROGRAMS. WILL YOU SIGN IT OR VETO IT AND ALLOW A SHUTDOWN OF THE GOVERNMENT?**

A: **I have told the Congressional leaders that I am willing to accept a fair holding pattern while they finish their job and we work out our differences.**

I don't want to comment on hypothetical scenarios, but let me tell you clearly and simply where I stand, and where I will not bend. I want to work with Congress, but if they don't want to work with me and they keep pushing their extreme cuts -- I cannot in good conscience let America gut its commitment to education, the environment, and health care.

I would rather accept the short-term political damage to me from a temporary shut-down than the long-term damage to the nation from allowing extreme cuts in education and the environment. I am not going to blink. But I hope it does not come to that and that we can work together. Our differences do not have to cause a crisis.

4. **DOES THAT MEAN YOU ARE WILLING TO SHUT-DOWN THE GOVERNMENT OR LET THE GOVERNMENT GO INTO DEFAULT?**

A: **Linkage is reckless:** It is irresponsible to link the acceptance of any budget to **increasing the debt limit. Congress' own budget office has said that risking default is "not a productive method of achieving deficit reduction," and that default could have "serious repercussions in the financial markets."** [CBO, *The Economic and Budget Outlook: An Update*, August 1995.]

It's their choice: They -- Congress -- will have to vote or not vote to lift the debt ceiling. Congress will have to decide whether they want to play straight with the American people or play games by using the nation's debt as a card to pay in trying to win an extreme hand in this budget negotiation.

Paul Volker, then-chair of the Federal Reserve Bank, wrote in 1983, "*the failure of the Congress* to act on the debt ceiling would...create great uncertainty and confusion in banking and money markets...and in individual cases, could result in hardship....it would also undermine confidence at home and abroad in the government's ability to manage its affairs." [Emphasis added; from a 1983 letter to then-Treasury Secretary Donald Regan.]

Hopeful that responsible heads will prevail: So, rather than speculate on hypotheticals, let me just say that based on recent statements by some members of Congress, I am hopeful that Congress will not use the threat of default to hold the economy and the American people hostage in a budget game.

5. **WHAT ABOUT A SUMMIT?**

A: **I have put down a common ground balanced budget that I believe could be a framework for agreement.** I will take all steps needed to sign a common-ground balanced budget.

We must share common ground basics before can sit down: Before we can have a summit. I would have to be sure that we are on common ground. There are areas where we can talk. But, if Republicans still want extreme cuts in Medicare, education, kids, and environmental protection to pay for tax breaks for the well-off, than I don't believe they are serious about a real conversation about reaching a balanced budget that the core of the American people can support.

But my door will always be open to those who want to find common ground.

6. YOU MADE A BIG DEAL ABOUT THE IMPORTANCE OF BALANCING **THE BUDGET IN 10 YEARS AS OPPOSED TO 7 YEARS. NOW YOUR PLAN BALANCES IN 9 YEARS. DOESN'T THAT SHOW THAT IT IS NOT SUCH A MAJOR DEAL TO GO TO 8 YEARS OR EVEN 7 YEARS?**

A: **Policy and Priorities Are the Key:** We looked at what the best policy was for the American people, and chose a date -- 10 years -- that fit those policy goals. My 10-**year balanced budget plan allows us to completely protect Medicare beneficiaries (theirs increases premiums by $2,600 per couple over seven years), and to increase education and training** by **$41 billion (theirs cuts it by $36 billion).**

10 Years Is Still the Best Policy: Because some in the Congressional majority do not share my desire to protect Medicare beneficiaries, the environment and education, they may not care about the downside of going too fast. I still believe a 10-year plan is vital to achieving those important priorities. The fact that it now shows we can get there in 9 years is a good insurance policy for getting there in 10 years.

II. OMB/CBO NUMBERS AND CPI QUESTIONS:

1. WHAT IS YOUR RESPONSE TO THOSE WHO SAY THAT YOU HAVE NO BALANCED BUDGET -- THAT YOU ARE USING ROSY NUMBERS AND THAT YOUR PLAN REALLY LEADS TO $200 BILLION DEFICITS?

A: **There is no case for that.**

Look at the record: The deficit has actually come down *more* than we projected. Indeed, we projected the 1995 deficit at $193 Billion and it is now likely to come in around $160 Billion.

The 50 top private sector forecasters recently found our forecasts more likely than Congress': The Blue Chip Forecasters -- the top private sector and business economists in the country relied on by the top corporations in our country -- found our forecasts more likely to be right than those being used by Congress.

Indeed, when the Federal Reserve Board of Philadelphia polled 59 top private sector economists, their growth estimates were *above* ours. In other words, if anything we are being too conservative. And our health care numbers come from the same career actuaries the Republicans rely on and who have been doing these estimate for years.

2. FOLLOW UP: BUT DIDN'T YOU PROMISE IN 1993 TO USE CBO PROJECTIONS?

A: **We have now established a record:** I needed to use CBO estimates when I first came into office because the previous Administration didn't have the best reputation **after 12 years of magic asterisks and smoke and mirrors.**

Our accurate projections and success on the budget over the past two years have restored faith in an Administration's ability to put forward reasonable, fair budget projections. Indeed, the nation has seen the unusual specter of the deficit coming down more than we projected.

So particularly when the Administration numbers are in line with the top private sector forecasters, it is appropriate for the President to rely on OMB for his budget projections.

3. LAST WEEK A BIPARTISAN COMMISSION SUGGESTED THE CPI WAS OVERSTATED BY 1 PERCENTAGE POINT AND THAT THE GOVERNMENT COULD SAVE BILLIONS FROM CORRECTING THE CPI. WHAT IS YOUR POSITION?

A: This is a very complicated and technical issue. Many economists believe that the consumer price index somewhat overstates changes in the costs of living, but there is a wide range of views on the size of the overstatement. The preliminary report of the Boskin Commission is at the high end of that range of views. Our economists are studying this preliminary report and other data very closely.

But I can tell you this -- we are going to balance the budget with straight and honest numbers. We are not going to use statistical gimmicks. Only if a change in the CPI is statistically warranted, should it be changed.

III. MEDICARE AND MEDICAID QUESTIONS:

1. REPUBLICANS SAY THAT THE MEDICARE TRUST FUND WILL GO BROKE WITHOUT THE REFORMS THEY ARE CALLING FOR AND THAT YOU HAVE NO PLAN. TRUE OF FALSE?

A: **False.** I have a balanced budget plan that shows you can balance the budget and secure the Medicare trust fund without any benefit cuts or new higher costs to seniors.

I have taken action to secure the trust fund until 2006:

> **One, the trust fund situation has improved due to actions we have taken over the last few years and which every Republican opposed.**
>
> **Two, my current plan has been shown by independent career actuaries** (relied on by Republicans and Democrats alike) to secure the trust fund until 2006 while only taking savings from providers -- and not by raising premiums, **copayments and deductibles, which take money out of seniors' pockets. That gives us time to work in a bipartisan manner to reach a longer-term solution.**

They go too far-- taking money from seniors is not necessary: The Republicans are right to finally join me in taking efforts to strengthen the Medicare trust fund. But the go too far. They take hundreds of dollars out of the pocket of seniors -- not for the trust fund -- but to pay for tax breaks for well-off Americans. Let me give you an example: their proposals raise premiums -- taking money right out of your Social Security check -- and not a penny of those savings goes to the Medicare trust fund. And it is wrong for them to pretend that it does.

2. REPUBLICANS PROPOSE TO MEANS-TEST MEDICARE FOR INDIVIDUALS WITH INCOMES OVER $75,000 AND COUPLES WITH INCOMES OVER $125,000. WHY NOT ASK PEOPLE WITH HIGH INCOMES TO PAY MORE?

A: I am *not* opposed to the principle of means-testing, but I *am* opposed to the principle of increasing beneficiary costs for a tax cut we don't need. *Not a penny* of their higher premiums would go to the Medicare trust fund. Instead, the money would go into the general fund to pay for excessive tax cuts for the wealthiest Americans.

My budget plan shows you can deal with the trust fund in a responsible way without *any* new cuts in benefits.

3. FOLLOW-UP QUESTION: DIDN'T YOUR HEALTH CARE REFORM PROPOSAL INCLUDE MEANS-TESTING?

A: As I said. I am not opposed to the principle of means-testing. We proposed it in the context of comprehensive health care reform -- not as a bank for excessive tax cuts for the wealthy.

4. ISN'T IT TRUE THAT YOUR MEDICARE CUTS MEASURED OFF THE CBO BASELINE ARE VERY SIMILAR TO THE REPUBLICAN CUTS?

A: No, that is not true. Our Medicare savings total $124 billion measured off *either the CBO or the OMB baseline.* The Republican Medicare cuts are more than twice as large as ours. They increase premiums $2,600 for elderly couples over seven years. Our plan does not.

Congressional Budget Office estimates and Administration estimates of my proposals **have consistently been very close.**

5. REPUBLICANS SAY THEIR PLAN WOULD ONLY INCREASE PREMIUMS BY $7 A MONTH. THAT DOESN'T SOUND UNREASONABLE.

A: While we still don't have all the details of their plan. **but under any circumstances, their premium increases are nearly three times as large as Speaker Gingrich claims** -- that means nearly $500 for a couple in 2002 and $2,500 for a couple over seven years. That's a lot of money when you consider that most Medicare beneficiaries have annual incomes below $25,000.

They are proposing the biggest Medicare cut in history -- $270 billion over seven years.

6. DOESN'T YOUR PLAN MAKE CUTS IN MEDICARE PART B AS WELL?

A: Everyone acknowledges that there is some waste and inefficiency in the Medicare program, both in fraud and abuse and in other places. My proposal would go after waste and inefficiencies, but it does it without damaging the Medicare program. And it does not use Medicare as a bank for excessive tax cuts for the wealthy.

7. **DON'T PREMIUMS INCREASE UNDER THE CLINTON PLAN, TOO?**

A: **My proposal simply extends the current policy and keeps premiums at 25% of program costs.** Throughout the 1980s and into the 90s, Congress has kept premiums at 25% of program costs. My plan would continue that policy.

Republicans want to change the law and permanently set premiums at 31.5% of program costs. Any way you slice it, that would increase premiums by nearly $500 for a couple in 2002 and by $2,500 for a couple over seven years. That's a lot of money when you consider that most Medicare beneficiaries have annual incomes below $25,000.

8. **FOLLOW-UP: THEN WHY DO REPUBLICANS SAY THAT THEY ARE JUST EXTENDING CURRENT LAW AND KEEPING PREMIUMS AT 31.5% OF PROGRAMS COSTS?**

A: **Throughout the 1980s and into the 90s, Congress kept premiums at 25% of program costs. For a technical reason, this year premiums will equal 31.5% of program costs. But under current law, premiums will automatically return to 25%. Republicans want** to change the law and permanently set premiums at 31.5%. This makes a huge difference in seniors' out-of-pocket costs. My plan would keep premiums at 25%.

[**Background:** In the early 1990s, Congress was concerned that keeping premiums at 25% of program costs would lead to premiums that were too burdensome. Therefore in an attempt to protect seniors from excessive premium increases, Congress set premiums at a dollar level in the law, rather than as a percentage of program costs. But because we succeeded in slowing growth of health care costs, premiums this year will actually equal a higher percentage of program cost -- 31.5%. Under current law, premiums will automatically return to 25% of program costs.]

9. **THE REPUBLICANS SAY MEDICARE WILL SPEND $6,700 IN 2002 PER BENEFICIARY, RELATIVE TO THE $4,800 PER BENEFICIARY NOW BEING SPENT. HOW CAN YOU CHARACTERIZE THIS AS A CUT?**

A: **It is a cut because older Americans will have to pay more out of their pockets.** And they may have to pay more for fewer services, fewer choices, and less quality.

Simply put: if the program does not keep up with rising health care costs, you will either have to pay more out of your pocket or get less. To most people, that's a cut.

You cannot buy today's Medicare benefits with this amount of money in 2002. To give seniors what they are getting today, Medicare spending will rise to $8,400 per beneficiary in 2002. Republicans only want to spend $6,700 -- $1,700 <u>less</u> than is needed just to maintain today's benefits and services. Their $6,700 is about $1,000 <u>less</u> per person than would be needed even if Medicare spending were constrained to the private sector growth rate.*

It is like cutting a senior's COLA in half and saying it is not a cut, since they still get a little more than they used to -- even though it would not keep up with the costs of food, medicine and housing.

*** Background: Based on CBO data, private sector spending per capita is projected to increase 7.1% per year, compared to the 4.9% rate allowed under the Republican budget plan. The Republican budget's 4.9% growth rate would reduce federal** spending per beneficiary to $6,700. That is $1,000 less per person than even the private sector growth rate would allow and could only be achieved through <u>unprecedented</u> cost-sharing increases on beneficiaries.

10. REPUBLICANS CLAIM THAT THEY WILL OFFER SENIORS MORE CHOICE. WHAT'S WRONG WITH THAT?

A: **We all believe in expanding choice.** Today, three-quarters of Medicare beneficiaries can choose managed care. **Under my plan, those choices would be expanded.** Seniors could choose preferred provider organizations and other innovative health care plans.

So the debate is not over more choice, but providing real choices and not coercion. I want to make certain that older Americans always have the choice to stay in a fee-for-service plan that guarantees their choice of doctor. I do not want to see seniors forced into unattractive managed care options that require them to lose their doctors or receive fewer benefits if they get sick. Since 75% of beneficiaries have incomes below $25,000, it's hard to imagine how they could afford to pay the much higher costs.

11. SOME SAY GOVERNORS COULD LOWER THE COST OF MEDICAID IF THEY WERE GIVEN GREATER FLEXIBILITY. WHY NOT GIVE GOVERNORS THE FLEXIBILITY THEY WANT?

A: **Yes, we should reduce costs and increase program flexibility, but Republicans are proposing a massive $182 billion cut in Medicaid, slashing spending by 30% in 2002 alone.**

Their $182 billion cut will *force* states to eliminate coverage for 8.8 million elderly, disabled individuals, and children and their families in 2002, according to a study by the non-partisan Urban Institute. Some 4.4 million children would lose coverage in 2002 (based on HHS calculations using Urban Institute data). We need to move forward not backwards on health care coverage.

Their proposal risks bankrupting families with a parent or grandparent in a nursing home. Medicaid is the largest insurer of long-term care, covering 68 percent of all nursing home residents. The Republican Medicaid cuts would have a severe impact on the hundreds of thousands of American families whose parents or grandparents are forced out of nursing homes. Without Medicaid, these families could **not afford the nursing home care that costs an average of $38,000 per year.**

My balanced budget plan shows how we can increase state flexibility and reduce costs without turning Medicaid into a second-class health care system and increasing the ranks of the uninsured.

IV. TAX REFORM AND CORPORATE WELFARE QUESTIONS:

1. MANY OF THE REPUBLICAN CANDIDATES ARE CALLING FOR A FLAT TAX. WHEN CAN WE EXPECT TO SEE A TAX REFORM PROPOSAL FROM YOU?

A: Let me make three points:

First, I support efforts to simplify, but it must be true to our principles:
In evaluating any proposals for broad-based tax reform, we will look to see whether they are fair, ensure discipline on the deficit, promote growth and job creation, and simplify the tax system for average Americans.

Second, House Republican proposals threaten to raise taxes or the deficit:
I am concerned that some of the current proposals we have seen -- such as the most prominent of the House proposals -- have the effect of either exploding the deficit or raising taxes on everyone earning under $200,000 in order to give a tax cut to those making over $200,000. Tax reform can be a trojan horse for exploding the deficit or raising taxes on working families.

Third, Democratic proposals are more fair: some of the Democratic proposals do a better job of simplifying the tax code without making it less fair. Yet, even here, these proposals call for eliminating deductions and exemptions that tens of millions of working families rely on and we will have to examine closely their full impact.

2. REP. ARCHER RECENTLY PROPOSED CUTTING CORPORATE TAX SUBSIDIES BY $30 BILLION OVER SEVEN YEARS. DO YOU SUPPORT THAT PACKAGE?

A. The House tax proposals, taken together, are plagued by new and inefficient tax subsidies.

I believe we should be cutting taxes for working families, not large corporations, and that we should not be creating new corporate giveaways.

If the Republicans are serious about dropping their proposals for major new and **unnecessary corporate subsidies, and want to work on a package that cuts $25-$30 billion in corporate subsidies, I am eager to work with them.**

But the details of what we have seen so far are not encouraging:

1. **The House Republicans tax package passed earlier this year** contains a host **of new inefficient and unnecessary corporate tax proposals, and we do not know yet how they plan to change those proposals. For example, the House-passed** tax package **would repeal the Corporate Alternative Minimum Tax** that currently prevents large, profitable corporations from escaping paying any income tax at all.

2. The House plan also calls for a $23 billion tax increase on 14 million working families by **cutting the Earned Income Tax Credit.**

3. Rep. Archer's alleged $30 billion in corporate tax subsidies includes a proposal that gives major corporations a **green light to raid employee pension funds.** It could jeopardize people's pensions and risk another taxpayer bailout like we had for the savings and loan industry in the 1980s.

V. THE MINIMUM WAGE:

1. WHY DO YOU SUPPORT INCREASING THE MINIMUM WAGE?

A: **Inflation has eroded the value of the minimum wage -- if we want to reward work and responsibility, we need to raise the minimum wage.**

I have proposed a 90 cent increase in the minimum wage to counteract the effects of inflation. This 90 cent increase in the minimum wage -- from $4.25 to $5.15 -- only partially offsets the erosion in the minimum wage caused by inflation. The value of the minimum wage is now 27% lower than it was in 1979. If we don't raise the minimum wage this year, the minimum wage will fall to its lowest level in 40 years.

The 90 cent increase would help adult workers -- many of whom rely on the their minimum wage jobs to support their families. Nearly two-thirds of minimum wage workers are adults (64%); over one third of all minimum wage workers are the sole breadwinner in their family. My 90 cent increase in the minimum wage would raise a minimum wage worker's annual income by $1,800 -- as much as the average family spends on groceries in over 7 months.

Republican tax proposals are indexed to protect them from inflation. For example, the tax package that passed the House would index capital gains for inflation, allowing wealthy investors to reduce their taxes by adjusting their investment profits downward for inflation. ***It is ironic that they are insisting on protecting the value of tax breaks, and not the value of hard work.***

EDUCATION AND TRAINING:

INVESTMENTS	PRESIDENT CLINTON'S BALANCED BUDGET	REPUBLICAN CUTS
PELL GRANTS for Eligible Students	• Increases maximum award to record $2,620, reaching 200,000 more students next year. • Assistance for 800,000 more students by 2002.	• Sets maximum award at $2,440. • Eliminates eligibility for 360,000 students.
STUDENT LOANS	• Retains federal interest subsidies and six month grace period after graduation for loans to all eligible students.	• Could raise the costs of college loans by much as $3,100 for undergraduates and much as $9,400 for graduate students.
DIRECT LENDING Student Loan Reform	• Expands lending program which is already saving taxpayers $6.8 billion; lowers interest rates for students; and allows for flexible repayment plans.	• Could eliminate program. • Could prevent all interested schools from participating in the program.
NATIONAL SERVICE AmeriCorps	• Increases funding by $345 million next year. • Nearly 50,000 community service and college aid opportunities next year.	• Eliminates 50,000 AmeriCorp [illegible] next year. • Eliminates more than 4 million other service opportunities over 7 years.
HEAD START	• Increases funding by $400 million, adding 32,000 new Head Start children next year. • Services for 50,000 more children by 2002.	• Funds Head Start $500 million less than the President's request. • Up to 230,000 children would be denied Start in 2002.
GOALS 2000 School Reform	• Increases funding to $750 million next year, enabling communities to help all children meet higher standards. • Helps states reform education for more than 8 million children in 17,000 schools next year.	• Eliminated.
SAFE AND DRUG-FREE SCHOOLS	• Funds at $500 million per year. • Safer, more drug-free learning environments for 39 million children in 14,575 out of 15,000 school districts.	• Cuts program by 60% to $200 million. • Deprives over 23 million students of services next year.
TITLE I Improving Basic and Advanced Skills	• Increases funding by $300 million, reducing class size, and helping as many as 300,000 more children master basic and advanced skills next year.	• Reduces funding by $1.1 billion, denying learning opportunities for 1.1 million children next year.
SUMMER JOBS	• Funds 615,000 jobs for young people next year.	• Eliminates job opportunities for almost 4 million youth over the next 7 years.
JOB TRAINING	• Increases funding by $2 billion by 2002. • 800,000 Skill Grant recipients next year.	• Cuts funding by $1.4 billion. • No training opportunities for over 500,000 dislocated workers and 84,000 adults year.
ALL EDUCATION AND TRAINING	• **INCREASES EDUCATION, TRAINING, AND AID TO STUDENTS BY $40 BILLION WHILE BALANCING THE BUDGET IN 10 YEARS.**	• **CUTS EDUCATION AND TRAINING BY $36 BILLION INCLUDING $10 BILLION IN LOAN BENEFITS TO STUDENTS WHILE BALANCING THE BUDGET IN 7 YEARS.**

OMB Analysis of the President's FY 1996 Request vs. Republican Cuts in the House Labor/HHS/Education Appropriations Bill Passed on August 3, 1995, the Republican Budget Resolution

THE REPUBLICAN MEDICAID MISTAKE

September 29, 1995

The Republican Medicaid Plan Eliminates Vital Health Care Coverage For Millions of Americans.

Medicaid Coverage Eliminated Under The Republican Plan:

- **4.4 million children,**
- **More than 900,000 elderly, and**
- **1.4 million people with disabilities.**

The Republican Medicaid Plan Will Wipe Out Quality Standards For Nursing Homes And Institutions Caring For The Disabled And Mentally Ill.

The Republican Medicaid plan throws away decades of progress by repealing the common ground law signed by President Reagan, establishing quality standards for nursing homes and other institutions caring for the elderly, disabled, and mentally ill.

The Republican message to middle class families is simple and clear: Don't put your parents in a nursing home, we had to take away safety precautions to pay for tax cuts.

The Republican Medicaid Plan May Force Elderly Spouses Into Poverty.

The Republican Medicaid plan would repeal the common ground law signed by President Reagan, protecting elderly 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.

Common sense Americans know that it is wrong to balance the budget by forcing elderly spouses into poverty. It's wrong. It's unnecessary. There's a better way to balance the budget.

THE REPUBLICAN MEDICAID MISTAKE COSTS MIDDLE-CLASS FAMILIES

"Would be Medicaid reformers tell you not to worry. They say their plan to turn Medicaid over to the states is sound and safe and sensible. Don't believe them. It endangers the health security of millions of older Americans and the financial solvency of millions of wage earners who rely on Medicaid to help defray the ruinous cost of caring for disabled and aging relatives."

-USA Today Editorial, September 28, 1995

Republican Medicaid Plan Will Force States to Eliminate Coverage for Millions of Americans. Medicaid currently covers 36 million Americans and provides middle-class families with protection from the high costs of nursing home care for their parents. In order to pay for their huge tax cut for the wealthy, Republicans propose slashing Medicaid by an unprecedented $182 billion -- cutting funding to states by 30% in 2002.

States will be forced to raise taxes, reduce Medicaid coverage, and cut services. According to data from the non-partisan Urban Institute, the GOP cuts will force states to eliminate Medicaid coverage for as many as 8.8 million Americans in 2002, including:

- 4.4 million children
- more than 900,000 seniors
- 1.4 million people with disabilities

Republican Medicaid Plan Will Force Families to Choose Between Nursing Home Care for Their Parents and Education for Their Children. Medicaid is currently the largest insurer of long-term care, covering *over two-thirds* of all nursing home residents. Without the guarantee of Medicaid, families of elderly and disabled individuals needing long-term care could be stuck with nursing home bills, currently averaging *$38,000 a year.* This extra charge to middle-class families may force them to choose between nursing home care for their parents and education for their children. That's a false choice for millions of hard working families. And that's the wrong way to balance the budget.

Republican Plan May Force Elderly Spouses Into Poverty. Republicans are turning their backs on the common ground protection that President Reagan signed into law to ensure that seniors do not have to give up everything they own -- their car, their home, and all their savings -- in order to pay for nursing home care for their sick spouse. The GOP plan repeals this protection, putting seniors at risk of *losing their homes and being driven into poverty* by the cost of their spouse's nursing home care. The GOP plan also means that parents of mentally retarded children may be forced into poverty to pay for their children's care in an institution or at home.

Republican Plan Will Wipe Out Quality Standards for Nursing Homes and Institutions Caring for the Mentally Retarded. The Republican plan throws away a decade of progress by repealing another common ground law signed by President Reagan that established quality standards for nursing homes and institutions for the mentally retarded. These standards restrict the use of drugs and restraints and require that nurses' aides are properly trained. Under the guise of reform, Republicans would repeal this law and throw away these fundamental protections -- just to pay for their tax cut.

THE REPUBLICAN MEDICAID MISTAKE WIPES OUT QUALITY STANDARDS FOR NURSING HOMES AND INSTITUTIONS CARING FOR THE DISABLED AND MENTALLY ILL.

The Republican Medicaid plan throws away decades of progress by repealing the common ground law signed by President Reagan, establishing quality standards for nursing homes and other institutions caring for the elderly, disabled, and mentally ill.

The Republican message to middle class families is simple and clear: Don't put your parents in a nursing home, we had to take away safety precautions to pay for tax cuts.

Medicaid Currently Ensures Quality Nursing Home Care and Fundamental Protections. In response to deplorable conditions in some nursing homes, President Reagan signed into law federal minimum standards for nursing homes that:

- Protect nursing home residents from abuse and neglect
- Limit the use of drugs and restraints
- Prohibit nursing homes from "dumping" seniors -- evicting them when they've run out of money and qualify for Medicaid
- Give nursing home residents the right to appeal decisions without retribution
- Ensure that nursing aides are trained and do not have a history of abuse

The Republican Medicaid Plan Repeals These Fundamental Protections. Under the guise of reform, Republicans propose to repeal these federal Medicaid quality standards, as well as the requirement that Medicaid cover nursing home care at all.

- As many as 350,000 elderly would lose nursing home coverage in 2002.
- Once again, 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 and qualify for Medicaid.

President Clinton Questions The Values of The Republicans' Medicaid Plan. "Do we really want to eliminate all quality standards for nursing homes?...can anybody remember what it was like to go in those places when there were no quality standards?"

-- President Clinton, September 26, 1995

Revoke the Republican Medicaid Plan and Continue The American Commitment to Older and Disabled Americans. We have federal quality standards for airplanes, cars, and drinking water, and we should certainly have them for our nursing homes and institutions caring for the disabled and mentally ill. We should not balance the budget by reducing the quality of their health care. We should instead honor our parents and grandparents, and improve nursing home care.

REPUBLICAN MEDICAID MISTAKE
RISKS LEAVING ELDERLY SPOUSES IN POVERTY

The Republican Medicaid plan would repeal the common ground law signed by President Reagan, protecting elderly 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.

Common sense Americans know that it is wrong to balance the budget by forcing elderly spouses into poverty. It's wrong. It's unnecessary. There's a better way to balance the budget.

President Clinton Questions The Values Of The Republicans' Medicaid Plan. "Do we want to say to a woman whose husband has to go to a nursing home...in order for your husband to qualify for any assistance you have to sell your car, your house, you have to spend all your life savings, you have to be totally impoverished?"

-- President Clinton, September 26, 1995

Medicaid: The Critical Safety Net For Older Americans and Their Families. Medicaid is the largest insurer of long-term care, covering over two-thirds of all nursing home residents. If federal protections for spouses are eliminated, the spouses and families of nursing 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.*

Republicans Want to Repeal The Current Law Protecting Older Americans and Their Families From Poverty. Current law ensures that spouses and families of people needing nursing home care do not have to lose everything they have in order for their spouse to qualify for Medicaid. In 1993, this law protected 287,000 spouses of nursing home residents. Most of these spouses were women. It also protected their families from being forced to pay the nursing home costs and from having to support the spouse not needing nursing home care.

The Republican Medicaid Block Grant May Force Elderly Spouses into Poverty. The Republican Medicaid block grant repeals nearly all federal requirements, including those that protect seniors from going broke paying for their spouse's nursing home bills. There would be no federal assurance that spouses could keep a minimum amount of their income and assets. The end of the federal commitment to Medicaid, coupled with the Republican 30% cut in Medicaid funding to states, would force many states to eliminate their spousal impoverishment protections.

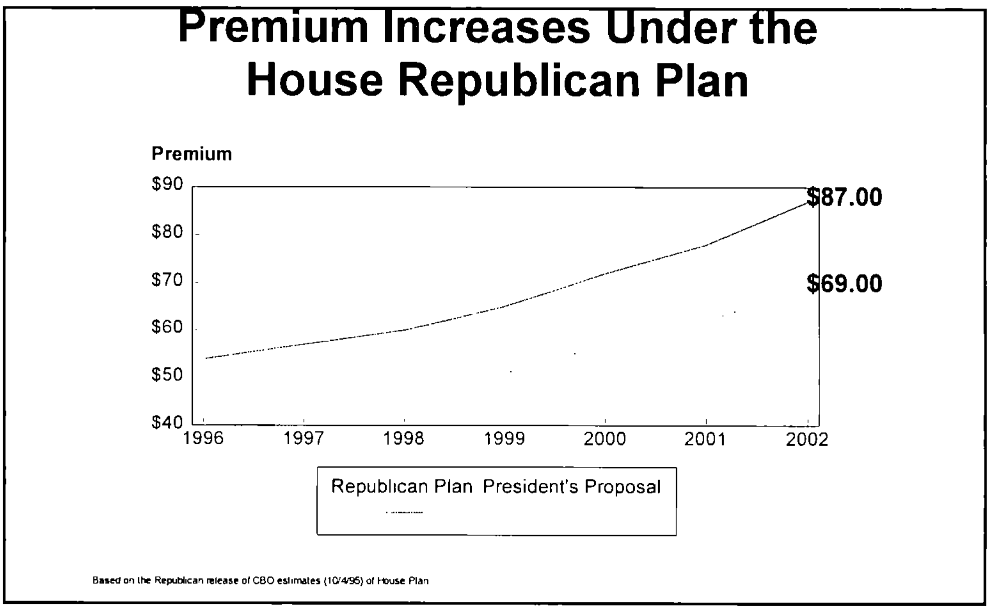
Facts On The Republican Medicare Premium Increase
October 5, 1995

Republicans Can't Hide Their Premium Increases. No matter what the Republicans say, the bottom line always remains the same:

- The President's proposal maintains premiums at 25 percent of Medicare program costs.
- The Republicans' proposal increases premiums to 31.5 percent of Medicare program costs.

Medicare premiums are based on a percentage of the total Medicare Part B costs. No matter how much you shrink the Part B program, the above percentages always remain the same. If you apply a 25 percent premium (our plan) and a 31.5 percent premium (their plan) to the same Medicare Part B program, the 25 percent premium will always be smaller.

The Republican Plan Raises Premiums by $18. When the Republicans claim that their 31.5% premium amounts to only $4 more than the President's proposal, they are being deceptive -- they are comparing apples to oranges. They are not applying the 25% premium and the 31.5% premium to the same size Medicare program. If they compared apples to apples and applied the President's 25% policy to the Medicare program they are calling for, the difference would be $18.



The Reality is That Under The Republican Plan: Older Americans Pay More and Get Less -- In Order To Finance Tax Cuts For The Wealthy. Any way you slice it, the Republican $270 billion Medicare cuts -- three times larger than any cuts in history -- will force you to pay more to get less -- just to fund a tax cut for the wealthy.

- Increased Out-of-Pocket Costs. The GOP plan will increase out-of-pocket costs for all seniors -- regardless of their income or health.

- Increased Premiums and Deductibles. Both the House and Senate plans increase premiums, and the Senate plan also cuts benefits and doubles deductibles from $100 a year today to $210 a year in 2002.

- Reduced Spending. Medicare benefits per beneficiary will be cut $1,700 in 2002, forcing spending to grow about 30 percent slower than in the private sector.

- Taking Money From Seniors To Pay For Tax Cuts. Not one penny of the increased premiums will go to the Medicare trust fund. Instead, seniors will pay more out-of-their-pockets to fund a huge tax cut for the wealthy.

- Raising the Eligibility Age. The Senate plan would gradually delay the Medicare eligibility age from 65 to 67 beginning in 2003. Tens of millions of Americans would have to work longer and pay more taxes to get fewer years of Medicare.

CBO ANALYSIS CONFIRMS:
REPUBLICAN MEDICARE PLAN WILL
MAKE BENEFICIARIES PAY MORE TO GET LESS
October 2, 1995

A leaked September 27th memo from the Congressional Budget Office (CBO) confirms that under the Republican Medicare plan beneficiaries will have to pay more to get less.

The Republican Plan is Based on Price Controls. The CBO memo confirms that $43 billion in savings from the Senate Republican plan comes not from managed care efficiencies but from price controls -- caps on Medicare payments for managed care set 31 percent below private sector growth rates. Therefore, the benefits these plans provide would have to be reduced over time. Simply put, beneficiaries will have to pay more in premiums to get less services.

Medical Savings Accounts Increases Medicare Costs. CBO confirms that MSAs don't save money as the Republicans would have you believe; they *cost* money. CBO says MSAs "would cost about $2.3 billion as a result of adverse selection." This means that CBO assumes that only healthy and wealthy beneficiaries will opt for this high deductible option, leaving less healthy and more expensive beneficiaries in the traditional plan.

Medicaid Block Grants Force Low Income Elderly Out of Fee-For-Service Plans. At the same time Republicans are cutting Medicare by an unprecedented $270 billion, they are block granting Medicaid and cutting it by $182 billion. CBO reports that most State Medicaid programs would no longer be able to afford to pay for low-income Medicare beneficiaries' premiums, deductibles, and copayments. As a result, many beneficiaries would be forced out of their fee-for-service plans. CBO concludes, "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."

**CBO ANALYSIS CONFIRMS:
REPUBLICAN MEDICARE PLAN WILL
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- **ANY WAY YOU SLICE IT, THE REPUBLICAN MEDICARE CUT IS THREE TIMES LARGER THAN ANY CUT IN HISTORY AND MEANS YOU WILL PAY MORE TO GET LESS.**

- **MEDICARE RECIPIENTS WILL PAY MORE OUT-OF-POCKET -- TO FUND A TAX BREAK FOR THE WEALTHY:**
    - $1,700 less per beneficiary in 2002
    - Double Deductibles
    - Double Premiums
    - Raise the Medicare eligibility age to 67

- **MEDICARE RECIPIENTS WILL PAY MORE, YET THE CUTS WILL MEAN AN INFERIOR, SECOND-CLASS MEDICARE PROGRAM:**
    - Private health premiums increased by cost-shifting
    - Hospital closings threatened
    - Doctors driven out of the program and turning away recipients

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Tuesday, September 19, 1995

PRESIDENT CLINTON REJECTS REPUBLICANS' PLANS TO RAISE TAXES ON WORKING FAMILIES

In an interview with the *New York Times* yesterday, President Clinton lashed out at the Republicans' plans to cut the Earned Income Tax Credit and raise taxes on millions of working families. In 2002, under the Republican Roth/Nickles proposal to cut the EITC:

- Taxes will be raised on 12.4 million working taxpayers and their families by an average of $655.00.
- Taxes will be raised on over 7.6 million families with two or more children by an average of $959.

President Clinton chided the Republicans' approach to balancing the budget and giving huge tax cuts to people who need them least, while putting the financial burden on the backs of working families:

> **"Let's don't raise taxes on working people while we're lowering taxes on everybody else in the country. It just does not make sense, and it is inconsistent with rewarding work and responsibility and strengthening families. It's inconsistent with those basic bedrock values this country should be standing for now."**
>
> President William J. Clinton.
> New York Times, September 19, 1995

GOP HEALTH CARE CUTS WOULD DECIMATE MEDICARE AND MEDICAID

The GOP plan to cut Medicare and Medicaid by $452 billion is four times greater than the largest cuts in history.

MEDICARE

- **Any way you slice it, $270 billion in cuts threaten the integrity of the Medicare program,** imposing unprecedented out-of-pocket increases on beneficiaries, decreasing choice of doctors, reducing the number of physicians willing to participate, and threatening the financial viability of hospitals.

- **The *New York Times* labeled Speaker Gingrich's health care proposal a, "Medicare Misfire."** His plan, "would shut of effective competition and possibly damage heath care for the elderly...The plan Mr. Gingrich released owes more to his concern about saving $270 billion to balance the budget than it does to his concern about reforming Medicare [Sunday, September 17, 1995.]

- **Speaker Gingrich's Medicare proposal takes money directly out of social security checks** by increasing premiums of today's 37 million Medicare beneficiaries simply to pay for an excessive tax cut for the well-off.

- **Even by the Republicans' own numbers, their plan would cut spending per beneficiary from $8400 to $6700 in 2002 alone.** [*CBS Evening News with Dan Rather*, September 14, 1995.]

- **Monthly premiums will increase almost 3 times more than Speaker Gingrich claims**. Using their own numbers and assumptions, if Part B premiums were kept at the current 25% level, premiums would be set at $71.40 in 2002. Raising premiums to the Republican level of 31.5% would raise the premiums to $90. This is an increase of $18.60, *almost 3 times greater than the $7 increase previously claimed by the Speaker*

<u>MEDICAID</u>

- **"Republican Plans to Curb Medicaid Spending May Hit Purse Strings of Middle-Class Families."** -- *The Wall Street Journal*, September 13, 1995..

- **The Republican Plan Reduces Medicaid Payments to States by 30 Percent in 2002.** Even if states absorb half of the cuts by reducing services and provider payments, they would still have to eliminate coverage for 8.8 million people in 2002, according to the Urban Institute. Coverage would be eliminated for 6.3 million children and their families, 1.4 million people with disabilities, and 920,000 older Americans.

- **The Republican Proposal Would Force States To Eliminate Coverage For About 350,000 Nursing Home Residents and Another 330,000 People Needing Home Care in 2002.**

- **The Republican Proposal Would Force States to Eliminate Coverage for 4.4 Million Children in 2002.**

REPUBLICAN MEDICAID MISTAKE
WILL LEAVE ELDERLY SPOUSES IN POVERTY
October 2, 1995

The Republican Medicaid plan repeals the common ground law signed by President Reagan, protecting elderly 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.

"Congress should strip these outrageous provisions from the budget bill. They're inconsistent with our core values. They're not what America is all about, and they are certainly not necessary to balance the budget."
-- President Clinton, September 30, 1995

Gingrich's Plan Will Force Elderly Spouses into Poverty. The Speaker's Medicaid plan repeals nearly all federal requirements, including those that protect seniors from going broke paying for their spouse's nursing home bills. There would be no federal assurance that spouses could keep a minimum amount of their income and assets.

Yesterday, Speaker Gingrich Refused To Back Down From His Proposal.

Appearing on ABC's This Week With David Brinkley, Speaker Gingrich defended his position:

Sam Donaldson: "The House Bill would put Medicaid back to the states, taking away a federal mandate. On nursing homes, for instance, a state could do it right, a state could do it wrong.

Gingrich: "That's right."

When asked why he would erase the bill signed by President Reagan, Gingrich said: "We believe that you can, frankly, run most of these programs less expensively at the state level."

Chief of Staff Panetta Leon Panetta Blasted Gingrich For His Continued Support Of This "Unconscionable" Provision. "The Speaker is wrong. House Republicans must drop this provision and must drop it now because it defies our deeply held values that our parents and grandparents should be able to live with independence and dignity. Valuing families means doing what we can to keep them together, not tear them apart. House Republicans must change their Medicaid bill now so that no elderly woman will ever again have to fear that her house will be taken or that she will be reduced to poverty so that her husband of fifty years can get nursing home care."

Desperate Republicans Continue Medicare Misinformation Campaign

Republicans Cannot Defend Their Medicare Cuts Without Resorting to Distortions:

(1) **Republicans claim that the same analysis that shows that their plan would increase Medicare beneficiaries out-of-pocket costs by at least $600 more in 2002 ($2,800 over 7 years) would translate into $443 more under the President's balanced budget plan.**

This claim is simply untrue. The President's balanced budget proposal has NO new Medicare cost increases. The comparison is $600 in the Republican plan v. zero under the President's balanced budget.

The Republican $600 out-of-pocket increase that has been documented is based on an analysis by the Department of Health and Human Services that simply assumes 50% of the $270 billion in Republican Medicare cuts come from beneficiaries. This is actually a conservative assumption as the spit between beneficiary to health care provider cuts in the July Republican Ways and Means Committee Medicare working document is 65% to 35%.

(2) **Republicans are now claiming that the President's $124 billion in Medicare savings really amounts to $192 billion off of the Congressional Budget Office baseline.**

Wrong again. The CBO has never stated or suggested that the President's $124 billion in savings proposals equates to a $192 billion cut. In fact, the only analysis of the President's balanced budget proposal by CBO (June 16, 1995) assumed that the Administration's Medicare savings amounted to $128 billion over seven years.

It is true that the CBO and OMB *baselines* are different -- about $70 billion over seven years. But because there are different assumptions behind the baselines and the policies that affect them, one cannot simply subtract the Administration's Medicare baseline from the CBO baseline and add that number to the President's Medicare savings number.

The $124 billion in savings included in the President's balanced budget represents assumed policy changes that produce specific savings amounts. Historically, despite significant variations in the CBO and Office and Management and Budget (OMB) baselines, scoring of specific policies have been very close. For example, the Medicare savings in the Health Security Act was scored by OMB to save $118.3 billion; CBO scored them to be $117.6 billion. Most recently, OMB scored the Medicare "extenders" to produce $28 billion in savings; CBO scored them at $30 billion. Therefore, there is no reason to believe that CBO would score the President's Medicare savings at anywhere near the $192 billion suggested by the Republicans.

REPUBLICANS AND THE DEBT CEILING: RECKLESSLY GAMBLING WITH THE NATION'S FUTURE

THE STRENGTH OF A NATION'S CREDIT IS A VITAL ASSET.

- Through our more than 200 year history, through good times and crisis alike, the United States has never abandoned its obligations to honor its debt.

- "A sovereign country's creditworthiness is a precious asset not to be sacrificed under any circumstances." [Treasury Secretary Rubin, The New York *Times*, 9/22/95]

IT IS RECKLESS TO THREATEN DEFAULT FOR POLITICAL PURPOSES.

- It is reckless for Congressional leaders to link passage of a debt limit bill -- upon which the creditworthiness of the nation depends -- on getting their own way, or no way, on the budget.

- "It would be unprecedented and unwise for anyone in a position of authority to dismiss the consequences of default on the debt of the United States of America for the first time in our history." [Treasury Secretary Rubin, The New York *Times*, 9/22/95]

- In the recent past, top Republican officials -- such as Treasury Secretary Baker, Treasury Secretary Brady, Attorney General William French Smith, Federal Reserve Board Chairman Paul Volker -- have roundly condemned the use of the debt ceiling for political purposes. Treasury Secretary Baker warned that, "it would be an absolute disgrace if the United States defaulted for the first time in its over-200 year history. Any default will have swift and severe repercussions." [Treasury Secretary Baker, *Associated Press*, 11/8/85]

THE PRESIDENT WILL NOT BE BLACKMAILED INTO MAKING DEEP CUTS IN HEALTH CARE AND EDUCATION IN ORDER TO PAY FOR TAX BREAKS FOR THE WELL-OFF.

- Speaker Gingrich has demanded that the President accept drastic cuts in Medicare, Medicaid, and education or Congress will force the nation into default for the first time in history. The President will not be blackmailed when the nation's core interests are at stake.

RECENT REPUBLICAN PROPOSALS CONCERNING THE DEBT CEILING WOULD STILL FORCE THE NATION INTO DEFAULT AND WOULD DEBASE ITS CREDIT STANDING.

- Majority Leader Dick Armey and others have made proposals that allow the President to selectively default on the nation's debt. These proposals are neither credible nor serious, for they would require the United States, for the first time in history, to renege on obligations and debts already incurred.

REPUBLICANS AND THE DEBT LIMIT: RECKLESSLY GAMBLING WITH THE NATION'S FUTURE

The Republican majority in Congress has threatened to the bring the nation to the brink of default -- or further -- in order to serve its own political ambitions. In so doing, the majority has taken a dangerous gamble with the nation's financial system and has abdicated its most solemn responsibility to ensure that the nation does not default on its debt.

A RECKLESS GAMBLE. REPUBLICANS CONTINUE TO GAMBLE WITH THE NATION'S ECONOMIC FUTURE BY PLAYING POLITICS WITH THE DEBT CEILING.

Republicans have repeatedly threatened to bring the nation to the brink of default -- or beyond.

- On Thursday, Speaker Gingrich boasted, "I don't care what the price is. I don't care if we have no executive offices and no bonds for 60 days -- not this time." [*Washington Post*, 9/22/95]

- On Friday, Gingrich declared: "I will not schedule the debt ceiling [increase] until we get the agreement to balance the budget." [*Washington Post*, 9/23/95]

And they have downplayed the consequences of default.

- "Gingrich brushed aside suggestions that a default would undermine global investors' confidence in the credit-worthiness of the federal government, sending Treasury borrowing costs soaring and pushing down the value of the U.S. dollar. Instead, the House Speaker argued that, if anything, a showdown involving a debt ceiling would have a positive impact on the markets." [*Washington Post*, 9/23/95]

- "We have talked to a lot of people . . . and a lot of people of Wall Street who think that . . . the market will not overreact as negatively as some indicate." Rick May, Majority Staff Director of the House Budget Committee [*Knight Ridder*, 9/21/95]

But Secretary Rubin -- along with past Republican Cabinet Members and Federal Reserve Board Chairmen -- have warned of the dire ramifications if Congress fails to raise the debt ceiling.

- "It would be unprecedented and unwise for anyone in a position of authority to dismiss the consequences of default on the debt of the United States of America for the first time in our history. Even the appearance of a risk of default can have adverse consequences, and a default itself would increase the cost of debt for the United States Government for many, many years to come. A sovereign country's credit worthiness is a precious asset not to be sacrificed under any circumstances." Treasury Secretary Rubin [The New York *Times*, 9/22/95]

- "It would be an absolute disgrace if the United States defaulted for the first time in its over-200 year history. Any default will have swift and severe repercussions both domestically and internationally. It is our view that it will probably raise general interest rates, costing the United States a significant amount of money in the absence of *congressional* action." James Baker, then-Secretary of the Treasury [*Associated Press*, 11/8/85] (emphasis added)

- " . . . the failure *of Congress* to act on the debt ceiling would in either case create great uncertainty and confusion in banking and money markets . . . . a failure to increase the debt limit would not only create havoc in the payments system because of the necessary delays that I have outlined, but it would undermine confidence at home and abroad in the government's ability to manage its affairs." Letter from then-Federal Reserve Board Chairman Paul Volker to then-Treasury Secretary Donald Reagan, 11/9/93 (emphasis added)

- "I urge *the Congress* to act in a timely manner on a debt limit increase in order to advert default with its adverse consequences on domestic and international confidence and trust in the United States." Secretary Brady, Letter to Speaker Foley, 9/21/90 (emphasis added).

- "Since September, the failure *of Congress* to increase the debt limit has resulted in . . . costly delays of auctions and uncertainty throughout the capital markets. . . . The uncertainty and delay will likely cost the American taxpayer millions of dollars." Secretary of the Treasury Baker [*Associated Press*, 10/23/85] (emphasis added)

- "No responsible government should place itself in a situation where it would default on its obligations. I therefore urge, in the strongest possible way, that *the Congress* act to spare our citizens from the hardship, the flood of litigation, and the unprecedented constitutional crisis that would be threatened by the inability of the United States to meet its financial obligations." Letter from then-Attorney General William French Smith to then Senate Majority Leader Howard Baker, 11/11/83 (emphasis added)

Speaker Gingrich's careless threats have already spooked the markets.

- The *Wall Street Journal* reports: "Message from the bond market to House Speaker Newt Gingrich: You're starting to scare us. . . . Prices may actually fall, perhaps sharply, in the next two months because of what might be called the Newt Factor. In a threat unveiled Thursday and reinstated Friday, Mr. Gingrich said he was willing to let the government risk default on its debt if President Clinton didn't agree to Republican budget priorities." [*Wall Street Journal*, 9/26/95]

- "Mr. Gingrich's remarks came in the middle of a day in which the dollar plunged as much as 5 percent against major currencies before recovering slightly, sending interest rates up sharply. The Speaker's statements appeared to be one of several factors that added to the market's unsettled condition." [The New York *Times*, 9/22/95]

- "[Speaker Gingrich doesn't] understand the risk. The guy is a gunslinger. He shoots at everything that moves and he doesn't stop to think before he pulls the trigger." F. Ward McCarthy of Stone & McCarthy, a financial research firm [*Washington Post*, 9/23/95]

- "I was very distressed to learn of [Speaker Gingrich's] remarks. It affects the way we invest. You have to ask: Do I need all this uncertainty." Daniel Fuss, who manages $32 billion in bonds for Loomis Sayles & Co. [*Wall Street Journal*, 9/26/95].

- "We know people who are selling [as a result of Speaker Gingrich's remarks]. They feel they are too far from the situation to know what's brinkmanship and what's reality." Nancy Zimmerman, general partner of Farallon Fixed Income Partners, a Boston hedge fund [*Wall Street Journal*, 9/26/95].

- "Gingrich's threat to permit a government default also contributed to the uneasiness in the markets and helped push bond prices lower this morning." [*Bloomberg*, 9/22/95]

- To financial traders, Gingrich's statement, "suggested he is willing to sacrifice their interests to further his own political ambitions." [*USA Today*, 9/25/95]

Financial experts confirm that the failure to raise the debt ceiling would have wide-ranging and dire effects.

- ". . . failure to pay interest or principal would have severe ripple effects in the U.S. payment system. . . . the price of default . . . would he high. It would be ironic if Congress, in an effort to cut the deficits, raise U.S. savings and reduce interest rates, adopted a confrontational strategy that forced the government to pay higher interest rates." Susan Herring, Solomon Brothers, Testimony before the Senate Finance Committee, 7/28/95.

- "If the federal government missed a timely payment of interest or principal as a result of a debt ceiling confrontation, the consequences seem almost imponderable. Even the mere risk of default by the world's most creditworthy public borrower, for whatever reason, cannot be tolerated." Richard Kelly, Public Securities Association, Testimony before the Senate Committee on Finance, 7/28/95

- ". . . even a temporary default -- that is, a few days' delay in the government's ability to meet its obligations -- could have serious repercussions in the financial markets." James Blum, Deputy Director of the CBO, Testimony before the Senate Finance Committee, 7/28/95

- "One of the risks is that foreign investors will not understand what is happening here. And if they get nervous, they will just flee until it all sorts out." ,David Jones, Vice Chairman of Aubrey G. Lanson & Co., which trades in Government bonds [The New York *Times*, 9/22/95]

- The risk of default "is a concern around the globe, among central bankers, investors, and it's not being taken lightly." Philip Braverman, Chief Economist DKB Securities [*Bloomberg*, 9/22/95]

Republican claims that a debt ceiling crisis can be "managed" dramatize their reckless refusal to acknowledge the dangers of default. House Majority Leader Dick Armey recently declared on *Face the Nation*, that even if the nation's reached an impasse over the debt limit, "we can manage the debt ceiling by managing the cash flow. . . . I am prepared to pass a bill to the President . . . that allows him the authority to set priorities in managing the economy on a cash-flow basis, during an interim period between debt ceilings circumstance" [*Face the Nation*, 9/24/95]. Armey's statement offers a deceptively sanguine view of a debt ceiling crisis.

- Armey's suggestion, "doesn't make any sense at all. . . . It's a simplistic idea that you can treat the obligations of the U.S. government like the obligations of an individual citizen with a credit card. [The proposal] would still require making intolerable decisions. How do you decide whether you are going to pay for good and services the government has purchased, or the wages of employees?" Undersecretary Hawke [The New York *Times*, 9/25/95]

- "Some suggestions have been made that the Government can operate on a cash-flow basis without an increase in the debt. This is simply not realistic, The government's expenditures do not match its receipts on a day to day basis." Secretary Rubin, Letter to Speaker Gingrich, 9/18/95

A QUESTION OF INTEGRITY. EVEN REPUBLICAN MEMBERS OF THE SENATE FINANCE COMMITTEE HAVE RECOGNIZED THAT DEFAULT THREATENS OUR NATIONAL INTEGRITY, SINCE IT WOULD COMPEL THE GOVERNMENT TO RENEGE ON COMMITMENTS ALREADY MADE.

- "It seems to me now, to get tough and say, well, we are not going to raise the debt ceiling because we don't want to pay those bills which we have incurred, doesn't make an awful lot of sense." Senator Chafee, Hearing Before the Subcommittee on Taxation and Debt Management of the Senate Finance Committee, 9/10/85.

- " . . . the decision to increase the debt limit of the Federal Government is not discretionary. Default on obligations already incurred is not an option . . . The debt limit must be increased." Senator Roth, Hearing Before the Subcommittee on Taxation and Debt Management of the Senate Finance Committee, 7/31/90.

THE PRESIDENT WILL NOT BE BLACKMAILED INTO SACRIFICING AMERICA'S CORE VALUES.

- The President has shown he is willing to work together to achieve a common ground balanced budget, but, as Secretary of the Treasury Rubin has said, "the President won't be blackmailed by the use of the debt limit as a negotiating lever." Secretary Rubin [The New York *Times*, 9/22/95]