## Q&A FOR WHY INCREASE IN PER BENEFICIARY SPENDING IS A CUT

**How can you consider a $1900 increase in Medicare spending a cut? The Congressional Majority say they will pay $6,700 in 2002 per beneficiary, relative to the $4,800 per beneficiary now being spent. How can you characterize this as a cut?**

- **This is a cut because you cannot buy today's Medicare benefits with this amount of money in 2002.** Beneficiaries will pay substantially more or get less benefits. Nothing the Congressional Majority can do or say can dispute this fact.

- **They say $6,700. However, that is about $1,000 less per person than what it would be EVEN IF Medicare spending were constrained to the private sector growth rate.***

- And remember, the Congressional Majority wishes to constrain the growth rate well below the private sector even though Medicare beneficiaries are, by any definition, a much more difficult to manage and expensive population than those with private insurance.

- **To deny their proposal is a cut is like saying that reducing the Social Security cost-of-living adjustment (COLA) is not a cut.** To deny their proposal is a cut is like telling workers who get a 3% raise that their salary will remain sufficient to maintain their standard of living in an economy that has an inflation rate of 5%.

- **The real question is whether the $6,700 advocated by the Congressional Majority would be sufficient to pay for the same benefits in 2002 that Medicare beneficiaries have today. Clearly, it is not.**

* (NOTE: The 1996-2002 private sector per capita growth rate projection of 7.1% -- calculated from Congressional Budget Office data -- is 40% higher than the 4.9% growth rate the Republican budget allows for Medicare. Constraining the Medicare program to the 7.1% growth rate would reduce per beneficiary spending from its currently projected $8,400 to $7,600, and would produce substantial Federal savings. However, the Republican budget's 4.9% growth rate would reduce Federal spending per beneficiary by $1,700 to $6,630. This is $1,000 per person less than even the private sector growth rate would allow and could only be achieved through unprecedented cost-sharing increases on beneficiaries.)

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# REPUBLICAN MEDICAID PLAN
# MAY LEAVE ELDERLY SPOUSES IN POVERTY

September 27, 1995

**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 <u>over two-thirds</u> 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.

THE REPUBLICAN MEDICAID MISTAKE
September 29, 1995

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

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**Medicaid Coverage Eliminated Under The Republican Plan:**

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

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

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**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 institutions caring for the mentally retarded.**

**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.**

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## The Republican Medicaid Plan May Force Elderly Spouses Into Poverty.

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**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.**

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# 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 institutions caring for the mentally retarded.**

**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.

**Republicans Are Beginning To Realize That It Doesn't Make Sense To Leave Older And Disabled Americans Out In The Cold, Just To Finance Tax Cuts For The Wealthy**

*Wednesday, September 27, 1995*

**President Clinton Implores Republicans To Consider The Grave Effect of Their Actions.** As the Senate Finance Committee yesterday got down to the daunting task of trying to justify decimating Medicare and Medicaid simply to pay for tax cuts for the wealthiest Americans, President Clinton said that Congress and the American people need to consider: "Do we want to support that budget when it will deny 300,000 elderly people the right to be in nursing homes? Do we really want to eliminate all the quality standards for nursing homes?"

**Feeling the Heat.** Senator Alfonse D'Amato (R-NY) admitted that many American's don't want to destroy Medicare and Medicaid to pay for tax cuts: "I've had two elderly women approach me and say, 'You know, Senator, we're very upset. You're cutting Medicare so you can give tax break to the wealthy.' So that message is resonating out there."

**The Wrong Way To Balance the Budget.** D'Amato said the Democrats' argument that the Republicans are cutting Medicare to pay for tax cuts is being heard "and senior citizens are concerned. ... It's difficult to make the case that we are doing this to strengthen Medicare."

**Not Every Republican Wants to Take Money Out of The Pockets of Older Americans To Pay For Tax Cuts.** Senator Alan Simpson (R-WY) distanced himself from the Republican plan to turn Medicare into a second class health care system while raising costs for beneficiaries, simply to finance a huge tax cut: "I have never been for a tax cut -- for the rich or anyone else. There are many of us who don't embrace that. I don't. I don't see how we can get it done."

**Some Republicans Think The Plan Is Just Wrong.** "I don't think we're going to have $248 billion in tax cuts. I don't think anybody thinks that." -- Senator Orrin Hatch (R-UT).

**The Wrong Way to Pay For a Tax Cut.** The Republican tax cut for the rich would be funded by cuts in Medicare, Medicaid, and other protections for middle-class families, as well as raising taxes on the working poor. Any way you slice it, the cut is four times larger than any cut in history and it means that middle-class Americans and their parents will pay more to get less. President Clinton says that this goes against our nation's values:

> *"We ought to secure the Medicare Trust Fund, but we can do that without breaking our contract with the elderly of this country. ... Let's don't pretend that we can just jerk $450 billion out of the health care system of America without hurting anybody, and that we can do it without absolutely ignoring our obligations to our parents and our grandparents and to the children of this country. It is wrong. We should not do it. We can balance the budget without doing it. And we should listen to those who tell us that." --*
>
> President Clinton, September 23, 1995.

**The Republican Cuts Are Foolish and Unnecessary.** As Democratic Senators Bob Graham (D-FL) and Carol Mosely Braun (D-IL) noted yesterday, if the Republicans drop their $245 billion tax cut for the richest Americans, they can also get rid of their $450 billion cut in Medicare and Medicaid.

Budget Notes

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Wednesday, September 13, 1995

Republicans' Health Care Plans Leak Out:
Middle-Class Families & Older Americans Would Pay More

Today's Headlines:

"Senate Republicans' Medicare Overhaul Would Mean Higher Fees for Recipients" -- Wall Street Journal"

"GOP Plans $90 Premium in Medicare" -- New York Times

"Medicare is Squeezed, but Bottom Line is Short" -- USA Today

"Medicaid Plan Divides House, Senate GOP; Governors Also at Odds" -- Washington Post

"Republican Plans to Curb Medicaid Spending May Hit Purse Strings of Middle-Class Families." -- Wall Street Journal

Medicare. "Nearly all Medicare recipients would pay more for doctor visits, lab work and many other services under the Senate Republicans' soon-to-be released plan to overhaul the health-care system for the elderly." -- Wall Street Journal, September 13, 1995.

"Because of the magnitude of their cuts, they are caught in an inescapable bind -- raising costs for beneficiaries or imposing dramatic cuts on providers that could threaten the integrity of Medicare. -- Dr. Laura Tyson, quoted by the Wall Street Journal, September 13, 1995.

"To achieve the savings targeted by the Republicans...39 million seniors and disabled Americans would be forced to pay three times the amount estimated by the speaker in 2002." -- HHS Secretary Donna Shalala, quoted by the USA Today, September 13, 1995.

"Beneficiaries would be required to pay an additional $50 annually in deductibles for doctors' services." Wall Street Journal, September 13, 1995.

Medicaid. "Despite its image as the health safety net for the impoverished, [Medicaid] also is the nation's main provider of long-term care for the elderly....And that's why Republican plans to scale back planned increases in Medicaid spending to help balance the budget will touch middle-income families nationwide." -- Wall Street Journal, September 13, 1995.

"House and Senate Republicans are worlds apart on how to reduce spending on the [Medicaid] program and Republican governors are arguing about how to divide up money among the states." -- Washington Post, September 13, 1995.

"There will be a hang-up over the formula." House Republican Conference

Chairman John A. Boehner, quoted in the Washington Post, September 13, 1995.

**Facts on the GOP Health Care Proposals**
**Thursday, September 14, 1995**

## MEDICARE

**THE REPUBLICAN MEDICARE PLAN: Biggest Medicare Cut in History to Pay for Huge Tax Breaks for People Who Do Not Need Them.**

- The plan unnecessarily raises co-payments, deductibles and 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.

- The Republican cuts are three times greater per Medicare recipient than the largest in history. Any way you slice it, these 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.

**President Clinton Believes That This is the Wrong Approach.** We should strengthen, not gut Medicare, a program which has ensured that nearly all older Americans enjoy health care coverage and the freedom and security that come with it.

**President Clinton Has a Plan to Strengthen Medicare.** President Clinton has shown how we can balance the budget and strengthen the Medicare Trust Fund without imposing any new costs on Medicare beneficiaries. His plan will:
- Extend the solvency of the Medicare Trust Fund at least through 2005;
- Make **no** new cuts targeted at beneficiaries; and
- Expand benefits for seniors, including free mammograms and respite care for families of people with Alzheimer's disease.

## MEDICAID

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

**Today, the Administration releases a state-by-state analysis of the impact of the Republican Medicaid proposal. The study shows that states would be forced to eliminate coverage for millions of people.**

**Their 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.

- Over 40 percent of all people losing coverage would be concentrated in five states: California, Florida, New York, Texas, and North Carolina.

**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.**

**FACTS ON THE REPUBLICAN MEDICARE PROPOSAL:**

**The Biggest Medicare Cut in History**
**To Pay for Huge Tax Breaks for People who Do Not Need Them**
Friday, September 15, 1995

**"It is morally questionable at least to propose vast Medicare cuts which would increase the cost of Medicare to elderly people living on under $24,000 a year, and claim that it's going to the Trust Fund when [Republicans] know not one red cent of the money being paid by seniors will go to the Trust Fund. It will go to fund a tax cut that is too big....They want to charge the elderly people of this country more money and put that into the tax cut.**

**"They should tell the truth to the American people that they want to charge the providers more money and put that in the Trust Fund. They want to charge the elderly people of this country more money and put that into the tax cut.**

**"Now, that is the truth. And if we're going to talk about what morality requires, morality requires them to tell the truth to the American people."**

President Clinton
September 14, 1995

Today, President Clinton will meet with senior citizens at the White House to review his plan to strengthen Medicare. He will contrast his plan with the plan Republicans released yesterday to raise premiums to pay for their tax cut for the wealthy. That Republican plan is heavy on premium increases, short on specifics, and just does not add up.

**The Republican Medicare Plan:** Yesterday, the Republican leadership in Congress presented the biggest Medicare cut in history to pay for huge tax breaks for people who do not need them.

- Speaker Gingrich's Republican 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.
- The Republican $270 billion cuts are three times greater per Medicare recipient than the largest in history. Any way you slice it, these 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.
- *CBS Evening News* reports that 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.]

**Under the GOP Medicare plan, 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.*

**President Clinton Believes This is the Wrong Approach.** We should strengthen, not gut Medicare, a program which has ensured that nearly all older Americans enjoy health care coverage and the freedom and security that come with it.

**President Clinton Has a Plan to Strengthen Medicare.** President Clinton has shown how we can balance the budget and strengthen the Medicare Trust Fund without imposing any new costs on Medicare beneficiaries. His plan will:

- Extend the solvency of the Medicare Trust Fund at least through 2005;
- Make **no** new cuts targeted at beneficiaries; and
- Expand benefits for seniors, including free mammograms and respite care for families of people with Alzheimer's disease.

**Republicans Plan Huge Tax Increase On Working Families**
**And Decimation Of Medicare/Medicaid**
**To Pay For Tax Cuts For People Who Need Them Least**

## HIGHER TAXES FOR WORKING FAMILIES

**For 20 years, the EITC -- the Working Family Tax Credit -- has been a successful, bi-partisan program.** The EITC provides tax credits to lower-income working families to help them stay off of welfare, remain at work, and get into and stay in the middle-class. Presidents Reagan and Bush both expanded the EITC. President Clinton signed the largest expansion and has been the most successful in finding savings -- that CBO has already recognized -- by tightening the program and making it more efficient. President Reagan once called the EITC: "The best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." In 1996, this working family tax credit will reduce taxes, on average, by nearly $1,400 for more than 20 million working families.

**Raising taxes on working families.** Now, Congressional Republicans, short on money to balance the budget in seven years and pay for their huge tax cuts for the wealthiest Americans, propose cutting the EITC and raising taxes on millions of working families.

- The *Washington Post* dubbed this approach as, "Making the Wrong People Pay." In an editorial, the *Post* blasted the GOP's plan to target working families: "It's the wrong cupboard to be opening, absolutely the last place they ought to be looking for the large amounts of money they still need for their other purposes....**The budget ought to be balanced on other backs than these.**" [Washington Post, September 17, 1995.]

**Today, the Treasury Department releases a State-By-State Analysis of the most extreme GOP tax increase on working families -- the GOP Roth/Nickles Senate proposal to gut the EITC.** The proposal means that:

- 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.
- In Florida, over 1.1 million working families would face an average tax increase of $674.
- In Texas, 1.9 million taxpayers will face an average tax increase of $678.
- In California, 2.6 million taxpayers will face an average tax increase of $676 dollars.

## DECIMATION OF MEDICARE/MEDICAID

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

- 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.]

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

- "Despite its image as the health safety net for the impoverished, [Medicaid] also is the nation's main provider of long-term care for the elderly....And that's why Republican plans to scale back planned increases in Medicaid spending to help balance the budget will touch middle-income families nationwide." [*Wall Street Journal*, September 13, 1995.]

- Speaker Gingrich's Republican 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. Not one penny of these increases go to strengthen the Medicare Trust Fund.

- **Any way you slice it, as Leon Panetta said yesterday: "Almost 50 percent of their package comes out of health care, in terms of balancing the budget. They're going to produce a second-class health care system with those levels of cuts. They're going to close hospitals, they're going to close teaching institutions in this country."** [NBC Meet The Press, September 17, 1995].

**President Clinton Believes This is the Wrong Approach.** We should strengthen, not gut the Medicare and Medicaid programs.

> "We can balance the budget, without asking the seniors of this country to pay for a tax cut for people who don't need it or where the size of it is too big.
>
> And I'm telling you, you can have the right kind of tax cut, you can have a healthy Medicare Trust Fund, you can have reductions in cost inflation in Medicare and Medicaid, without these draconian consequences....If these were the only choices, it would be tough enough. But this is an easy choice once you know the alternatives. If these health care cuts come to my desk of this size, I would have no choice but to veto it.
>
> ....We ought to be here to build a bridge. I can't believe anyone would willingly damage the seniors of this country, the Americans with disabilities, the children of the country, as much as I believe this proposal will damage them -- especially to pay for a tax cut that is too large, when we can have a targeted tax cut for education and child-rearing for middle-class families without doing any of this; when we can balance the budget without doing any of this; when we can save the Medicare Trust Fund without doing any of this."
>
> President William J.Clinton
> September 15, 1995

**President Clinton Has a Plan to Strengthen Medicare and Medicaid.** President Clinton has shown how we can balance the budget and strengthen the Medicare Trust Fund without imposing any new costs on Medicare beneficiaries. His plan will:

- Extend the solvency of the Medicare Trust Fund at least through 2005;
- Make **no** new cuts targeted at beneficiaries;
- Expand benefits for seniors, including free mammograms and respite care for families of people with Alzheimer's disease.
- Increase flexibility to states without threatening loss of coverage for children and people in nursing homes.

**PRESIDENT CLINTON CAUTIONS AGAINST**
**EXCESSIVE CUTS IN MEDICAID,**
**WARNS OF IMPACT ON MIDDLE CLASS AND ELDERLY**
Wednesday, September 20, 1995

**Today, President Clinton travels to Denver, Colorado where he meets with seniors at a nursing home. The President will discuss the dramatic impact of the proposed Republican Medicaid cuts on older Americans and middle-class families.** Last week's Wall Street Journal had it right: "Republican Plans to Curb Medicaid Spending May Hit Purse Strings of Middle-Class Families." [WSJ, September 13, 1995.]

**Without Medicaid, middle-class families would be put at risk.** Many Families would be forced to pay the nursing home costs of their elderly parents, which average $38,000 per year. Today, 68 percent of all nursing home residents are on Medicaid. And Medicaid pays for 50 percent of all nursing home costs.

**The bottom line: The Republican Medicaid cuts are too deep.** They cut funds to states by $182 billion over 7 years. Faced with these cuts, states will be forced to either raise taxes, reduce Medicaid coverage, or cut services. The Republicans aim to achieve these savings by capping growth per person to only 1.4 percent annually. That is 80 percent below the projected private health spending per person (7.1 percent) and 50 percent below the rate of inflation -- therefore representing a real cut by any definition.

**The Republican plan cuts as many as 8 million pregnant women, children, people with disabilities, and older Americans from Medicaid by 2002. Every Medicaid benefiary would be put at risk.**

- The elderly, disabled, and children would no longer be guaranteed coverage.
- Older Americans may no longer be able to afford basic health services. Assistance for Medicare premiums, copayments, and deductibles for low-income elderly would no longer be guaranteed by Medicaid -- at the same time, the Republican Medicare plan will increase premiums.
- Protections for elderly spouses of nursing home residents would be eliminated. Medicaid currently protects the spouse of a person who is in a nursing home from being forced into poverty.
- Bipartisan nursing home protections that seek to guarantee a safe and high quality environment for the disabled and frail elderly would be repealed.

**Even Republican governors have tough words for Republican Medicaid cuts**. Republican Governor Mike Leavitt (R-UT), who was charged with rounding up support for the House plan, admitted yesterday that Republican Governors are not unanimously behind these proposals. Governor Carlson (R-MN) told the House Commerce Committee that an earlier proposal -- the basis for the House Medicaid plan -- was "unfair, harmful and completely unacceptable." [Washington Post, September 19, 1995.] And the Republican Governor of New Jersey, Christie Todd Whitman labeled that Republican proposal, "unreasonable." [Washington Post, September 19, 1995.]

**GOP Plan Will Undercut State Efforts at Health Reform.** The GOP plan will undercut states that have begun to move forward on health care reform. The Clinton Administration has approved 12 Medicaid waivers, giving states flexibility they need to develop innovative approaches to reforming health care. The GOP plan will limit or eliminate their ability to move forward on reform.

**Common Ground**. The President wants a common sense approach to balancing the budget by slowing the rate of growth -- without unfairly hurting the elderly, middle class families and poor children.

**President Clinton has a Better Plan to Balance the Budget.** Medicaid spending cannot be cut as deeply as Republicans propose without severe damage to the urban and rural hospitals and to our seniors. We do not have to hurt people to balance the budget. President Clinton has a plan that:

- Balances the budget while protecting older Americans.
- Slows the rate of growth in both Medicaid and Medicare.
- Does not pit Americans against each other across generational lines.
- Protects the Medicare trust fund.

**THE REPUBLICAN BUDGET: RADICAL AND RECKLESS BEHAVIOR**
*September 21, 1995*

Republicans in Congress have abandoned the sacred compact between government and the people by pushing common ground aside and putting political posturing first. Congressional Republicans have foreclosed on their responsibility to govern by employing tactics that put our seniors' retirement security and our nation's financial integrity at risk, simply to jam through an arbitrary budget proposal and a huge and unnecessary tax cut. That is the absolute wrong way to balance the budget.

**Speaker Gingrich Has Abandoned The Common Ground Belief That It Is Wrong To Put The United State's Fiscal Standing In Jeopardy Just For Political Points.** Yesterday, Speaker Gingrich threatened to send the United States into default on its debt for the first time in the nation's history. Speaker Gingrich said: "I don't care if we have no executive office and no bonds for 60 days..."If we don't have a deal, then they don't have an executive office for the Secretary of Labor."

- In 1985, Treasury Secretary James Baker III warned that if Congress forced the country to default on its loans for the first time: "That default...would have swift and severe domestic and international repercussions. No longer would investors view United States securities as riskfree, and a substantial financing price would have to be paid. Any increase...would probably adversely affect general interest rates." [Letter to Congressman William H. Gray, October 22, 1995]

- Yesterday, Treasury Secretary Bob Rubin echoed that caution: "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." [New York Times, September 22, 1995]

**Republicans Abandon Their Duty To Hear The Voices Of Our People By Giving America's Seniors Only One Day To Be Heard On <u>Three Times The Largest Medicare Cut In History</u> .** Yesterday, the GOP released an outline of their plan to cut Medicare by $270 billion dollars, three times greater than any cut in history. Not one penny of the increased premiums for beneficiaries would be used to maintain the solvency of the trust fund. Rather, the new charges would go into the general fund, to pay for tax cuts for people who need them least.

- Trying to hide the grave consequences of their cuts from the nation's elderly, Republicans hold their <u>one day of hearings</u> on their Medicare proposal today. Representative Green of Texas remarked: "We had 28 days of hearings on Waco, and 8 days of hearings on Ruby Ridge.... But this shows the hypocrisy of the Republicans when they are taking only 1 day to hold hearings on their plan they are so proud of."

- Any way you slice it, their cuts are going to destroy Medicare. Their plan is so extreme that it would clearly have dramatic effects on beneficiaries and hospitals. Rashi Fein, Harvard University economist said of the cuts: "If this plan were enacted it would be disastrous. And not simply for the aged and disabled who are well served by Medicare, but for anyone who thinks that they might intersect with the medical care system in the coming years." ["McNeil/Lehrer," PBS, 9/18/95.]

**Republicans Force Through Medicaid Provisions That Push Elderly Spouses Into Poverty.** Efforts by Congressional Democrats to at least soften the extreme impact of the Republican Medicaid proposal were fought off by a unanimous Republican opposition, even thought the Urban Institute estimates that the Republican plan would end up denying coverage to 8.8 million Americans. Republicans even insisted, over vigorous objection by Democrats, of taking away the common ground that Ronald Reagan signed into to law ensuring that spouses did not have to be reduced to poverty before a disabled spouse was able to get nursing home coverage.

# EDUCATION ALERT

## INVESTING IN EDUCATION AND TRAINING VS. CUTTING 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.<br>• Assistance for 800,000 more students by 2002. | • Sets maximum award at $2,440.<br>• 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 as much as $3,100 for undergraduates and as 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.<br>• Could prevent all interested schools from participating in the program. |
| NATIONAL SERVICE AmeriCorps | • Increases funding by $345 million next year.<br>• Nearly 50,000 community service and college aid opportunities next year. | • Eliminates 50,000 AmeriCorps opportunities next year.<br>• 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.<br>• Services for 50,000 more children by 2002. | • Funds Head Start $500 million less than the President's request.<br>• Up to 230,000 children would be denied Head Start in 2002. |
| GOALS 2000 School Reform | • Increases funding to $750 million next year, enabling communities to help all children meet higher standards.<br>• 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.<br>• 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.<br>• 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.<br>• 800,000 Skill Grant recipients next year. | • Cuts funding by $1.4 billion.<br>• No training opportunities for over 500,000 dislocated workers and 84,000 adults next 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 Included in the House Labor/HHS/Education Appropriations Bill Passed on August 3, 1995, and the Republican Budget Resolution

August 17, 1995

TO: Distribution

FROM: Chris Jennings
Jennifer Klein

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Attached are responses to a number of claims/distortions that the Republicans are making about the Medicare issue. We thought you might find this information helpful. Please call with any questions.

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 vs. 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 split 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 (CBO) 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 (see June 16, 1995 letter to Sen. Domenci) assumed that the Administration's Medicare savings amounted to "$128 billion" over seven years.

It is true that CBO and Office of Management and Budget (OMB) Medicare baselines are different -- about $70 billion over 7 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. <u>Historically, despite variations in the CBO and OMB baselines, scoring of specific policies have been very close</u>. 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.

Updated: 8/17/95

<u>Q&A FOR WHY INCREASE IN PER BENEFICIARY SPENDING IS A CUT</u>

How can you consider a $1900 increase in Medicare spending a cut? The Congressional Majority say they will pay $6,700 in 2002 per beneficiary, relative to the $4,800 per beneficiary now being spent. How can you characterize this as a cut?

? This <u>is</u> a cut because you cannot buy today's Medicare benefits with this amount of money in 2002. Beneficiaries will pay substantially more, get less benefits, or both. Nothing the Congressional Majority can do or say can dispute this fact.

? They say $6,700. However, that is about $1,000 <u>less</u> per person than what it would be EVEN IF Medicare spending were constrained to the private sector growth rate. It is a staggering $1,700 less per person than it would be under current law.*

? And remember, the Congressional Majority wishes to constrain the growth rate well below the private sector even though Medicare beneficiaries are, by any definition, a much more difficult to manage and expensive population than those with private insurance.

? The real question is whether the $6,700 advocated by the Congressional Majority would be sufficient to pay for the same benefits in 2002 that Medicare beneficiaries have today. Clearly, it is not.

* (NOTE: The 1996-2002 private sector per capita growth rate projection of 7.1% -- calculated from Congressional Budget Office data -- is 40% higher than the 4.9% growth rate the Republican budget allows for Medicare. Constraining the Medicare program to the 7.1% growth rate would reduce per beneficiary spending from its currently projected $8,400 to $7,600, and would produce substantial Federal savings.

However, the Republican budget's 4.9% growth rate would reduce Federal spending per beneficiary by $1,700 to $6,630. This is $1,000 per person less than even the private sector growth rate would allow and could only be achieved through reduction of benefits, unprecedented cost-sharing increases on beneficiaries, or both.)

Current as of 8/17/95 jcc

Thomas told Smith the hearings will begin in September, but Thomas' spokesman said he is not aware of any decisions on timing. Reform-minded House GOP freshmen believe the hearings have been scheduled in part because of their pressure on GOP leaders. The Republican freshmen recall that Democratic freshmen in the 103rd Congress failed to get their leadership to push hard for campaign finance, lobbying and gift reform, and believe that many of the Democrats lost their re-election races because of it, said an aide to a member pushing for political reforms.

Smith and **Rep. Sam Brownback**, R-Kan., are the primary sponsors of a reform bill that would ban PAC contributions, would require that all individual contributions come from a member's home state and would bar gifts, trips and meals for members, staff and families. A bipartisan group of members — led by **Reps. Christopher Shays**, R-Conn., **Enid Greene Waldholtz**, R-Utah, and **Tom Barrett**, D-Wis. — also have introduced a set of wide-ranging political reform proposals. **Speaker Gingrich** has promised the group a hearing on gift reform, and a hearing on lobbying reform is scheduled for early September.

Smith and Brownback presented their proposal Saturday to the Dallas gathering of United We Stand America, which has made political reform one of its top priorities. The bill was met with strong approval from the convention and specifically from Ross Perot, who told Smith to call him personally if anybody stood in the way of her bill, Smith spokesman Stephen Daniels-Brown said. Perot was so enthusiastic about the proposal that he even offered to give Smith his spot on Sunday's "Meet the Press," but NBC declined to change guests, according to Daniels-Brown. UWSA members also picked up about 20,000 post cards to send to their representatives in the House and Senate urging them to pass the bill, Daniels-Brown said.

HEALTH

## Chief Of Endangered Health Agency Takes Offensive ...

Officials of the endangered Agency for Health Care Policy and Research — facing a budget cut of nearly two-thirds as a result of a late night amendment during House floor consideration of the Labor-HHS appropriations bill earlier this month — are going on the offensive. At a press briefing Friday, AHCPR Administrator Clifton Gaus charged the campaign against the agency's continued existence is being waged by, among others, back surgeons outraged by a practice guideline issued last year that found surgery ineffective in many cases of acute low back pain in adults. "It's worrisome for the future that such a small segment of the industry can have such a profound effect," said Gaus, although he acknowledged the agency's mission — to determine what works best and is most cost effective in health care — is by its very nature going to create enemies. "There's no question that in cost-effectiveness there are economic winners and economic losers," Gaus said.

Among those most active in seeing the agency eliminated or reduced is the Center for Patient Advocacy, created by Dr. Neil Kahanovitz, an Arlington, Va., back surgeon who is a member of the executive committee of the North American Spine Society. The center already counts among its champions several members from the Texas delegation, most notably GOP **Reps. Henry Bonilla** and **Joe Barton**. The late night amendment to cut the agency's budget from the committee-approved level of $125 million — already down from FY95's $162 million — back further to $59 million was offered by a third Texas Republican, **Rep. Sam Johnson**. A Johnson spokeswoman told *CongressDaily* the effort to defund the agency was based on Johnson's own findings as a member of the Ways and Means Health Subcommittee, but conceded the office has been in contact with Kahanovitz's group.

continued

Ironically, the chairman of the subcommittee on which Johnson serves. **Rep. Bill Thomas**, R-Calif., is one of the agency's biggest Hill backers. Thomas told *CongressDaily* after the voice vote to cut the agency's budget on the floor that he allowed it to pass without a fight because he was confident that "the committee level [of $125 million] was the appropriate level and at the end of the day I think that's what it will be."

## ... As Dems, GOP Continue To Maneuver Over Medicare

With Congress on recess, a handful of House Democrats — including **Minority Leader Gephardt** — returned to a nearly abandoned Capitol Hill today to hold a "Medicare Forum" in the Ways and Means Committee room, continuing their assault on Republican plans to slash Medicare growth by $270 billion over seven years. The session came as Senate Republicans have formed a new task force to help coordinate the GOP message on Medicare and deal with what **Senate Republican Policy Committee Chairman Don Nickles** of Oklahoma termed Democratic "demagoguery" on the subject.

Today's forum was chaired by **Health Subcommittee ranking member Pete Stark**, D-Calif., and attended by **Ways and Means ranking member Sam Gibbons**, D-Fla., and **Rep. Benjamin Cardin**, D-Md., as well as Gephardt. Gephardt read a June 25, 1994, quote from now-**Ways and Means Chairman Archer**, who at the time was attacking Medicare expenditure reductions proposed by Democrats during last year's healthcare reform debate. "'Make no mistake about it for the elderly in this country, [these cuts are] going to devastate their program under Medicare,'" Gephardt quoted Archer as saying, adding, "'I just don't believe that quality of care and availability of care can survive these additional cuts.'"

Meanwhile, Nickles said the Senate GOP task force — headed by freshman **Sen. Bill Frist** of Tennessee, the Senate's only physician — has not been charged with developing Medicare policy or recommendations. Nickles said the task force was created "to coordinate our message" on Medicare. Besides Frist and Nickles, others on the task force include **Senate Finance Chairman Packwood**, whose panel must develop the details of the Medicare savings proposal, and **Sens. Paul Coverdell**, R-Ga., and **Judd Gregg**, R-N.H.

AGRICULTURE

## Santorum Aims At Peanut Program; Roberts' Bill Panned

**Sen. Rick Santorum**, R-Pa., late last week proposed legislation that would gradually lower the support level of peanuts to $542 a ton in 1996 and $515 in 1997, $489 in 1998 and $465 in 1999. The quota system would end in 2000. Santorum said in a Senate speech: "Given how bad this program is, immediate elimination is probably justified. However, immediate elimination would create some transition problems." He said his proposal would give "people plenty of notice and ability ... to adjust." Two weeks ago, two Georgia legislators — Democratic **Rep. Sanford Bishop** and GOP **Rep. Saxby Chambliss** — introduced a bill to revamp the peanut program to eliminate all taxpayer costs, but to keep the support price guaranteed farmers with government quotas at twice the world market level.

In a related development, Marty Strange, director of the Center for Rural Affairs in Walthill, Neb., in an interview late last week contended **House Agriculture Chairman Roberts**' proposed Freedom to Farm Act — which would guarantee payments to farmers over the next seven years whether prices go up or down — "should be called the Freedom to Farm Irresponsibly Act." Roberts' proposal, Strange said, "will turn farm programs into the worst

# *Budget Notes*

**August 22, 1995**

## GOP MEDICARE CUTS TAKE FROM OLDER AND DISABLED AMERICANS TO PAY FOR TAX CUTS FOR THE WEALTHIEST AMERICANS

**Stealing From The Pockets of Elderly and Disabled to Hand Tax Cuts to The Rich.** Republicans claim that their $270 billion in Medicare cuts are necessary to save the Part A Trust Fund. This is false. A substantial part of the cuts they seek--at least $100 billion--*would seriously hurt seniors without contributing one penny to the Trust Fund.*

> **On Sunday, August 20, GOP Chairman Haley Barbour confirmed that the some $100 billion of their Medicare cuts won't go to save the Trust Fund.** In an interview with NBC's *Meet The Press*, after saying that the Republicans were trying to "save" Medicare, Barbour acknowledged that "the other $100 billion [in cuts] would be in Part B. That's where you come up with the $270." Those Part B cuts will seriously hurt seniors, while not strengthening the Trust Fund and not extending the Trust Fund's life by one single day.
>
> **But Part B Savings have nothing to do with the Trust Fund.** Not one penny of savings from Medicare Part B, which basically covers visits to the doctor) would go to the Part A Trust Fund (covering mostly hospital stays). As a result, those cuts would not extend the life of the Trust Fund by one single day. <u>The cuts in Part B spending will just go to help fund an enormous tax cut for the wealthiest Americans.</u>

**Barbour Contradicts Republican Working Documents.** According to the *Washington Post,* a leaked version of GOP Medicare options under consideration suggests that Part B premiums could increase to 33 percent, 35 percent, or 50 percent of costs. However, Barbour asserted on Sunday that Part B premiums would not increase from their current level of 31 percent of costs: "We will not increase the percentage beyond what it is in Part B... I agree that the percentage...will not go up from there." Who should we believe: Barbour or the documents produced by the Republican Ways and Means Committee?

**The Congressional Majority Is Cutting Medicare, Not Increasing It As They Claim.** The Republicans continue to call their Medicare proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But it is a cut. It's a cut because it means a cut to older Americans incomes after they pay more out of their pockets in higher premiums, deductibles, and co-payment; it's a cut, because for many it may mean less services, a cut in choices or a cut in quality; and it's a cut because it will effectively drive half a million seniors into poverty.

**We Should Not Place Extreme Financial Burdens on Older Americans and the Disabled Just to Finance Tax Cuts for the Wealthiest Americans.** The Republican budget cuts Medicare by $270 billion -- $71 billion in the year 2002 alone. The cuts shift costs to seniors who already spend 21 percent of their income out-of-pocket on health care. Since 75 percent of these beneficiaries have incomes below $25,000, it is hard to see how they can afford to pay more. <u>The fact is that if the Congressional majority wasn't insisting on their $245 billion in tax cuts for wealthy Americans, they wouldn't have to impose these burdens on middle class Americans.</u>

# 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 vs. 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 split 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 (CBO) 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 (see June 16, 1995 letter to Sen. Domenci) assumed that the Administration's Medicare savings amounted to "$128 billion" over seven years.**

It is true that CBO and Office of Management and Budget (OMB) Medicare *baselines* are different -- about $70 billion over 7 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 variations in the CBO and 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.**

**Updated:** 8/17/95

## Q&A FOR WHY INCREASE IN PER BENEFICIARY SPENDING IS A CUT

**How can you consider a $1900 increase in Medicare spending a cut? The Congressional Majority say they will pay $6,700 in 2002 per beneficiary, relative to the $4,800 per beneficiary now being spent. How can you characterize this as a cut?**

- **This is a cut because you cannot buy today's Medicare benefits with this amount of money in 2002.** Beneficiaries will pay substantially more, get less benefits, or both. Nothing the Congressional Majority can do or say can dispute this fact.

- **They say $6,700. However, that is about $1,000 less per person than what it would be EVEN IF Medicare spending were constrained to the private sector growth rate. It is a staggering $1,700 less per person than it would be under current law.***

- And remember, the Congressional Majority wishes to constrain the growth rate well below the private sector even though Medicare beneficiaries are, by any definition, a much more difficult to manage and expensive population than those with private insurance.

- **The real question is whether the $6,700 advocated by the Congressional Majority would be sufficient to pay for the same benefits in 2002 that Medicare beneficiaries have today. Clearly, it is not.**

* (NOTE: The 1996-2002 private sector per capita growth rate projection of 7.1% -- calculated from Congressional Budget Office data -- is 40% higher than the 4.9% growth rate the Republican budget allows for Medicare. Constraining the Medicare program to the 7.1% growth rate would reduce per beneficiary spending from its currently projected $8,400 to $7,600, and would produce substantial Federal savings. However, the Republican budget's 4.9% growth rate would reduce Federal spending per beneficiary by $1,700 to $6,630. This is $1,000 per person less than even the private sector growth rate would allow and could only be achieved through reduction of benefits, unprecedented cost-sharing increases on beneficiaries, or both.)

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# *Budget Notes*

**August 17, 1995**

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**"Many Seniors Will Find That Their Choice Is Really No Choice At All"**

Michael Tanner
Cato Institute
August 11, 1995

**Even Cato Agrees: Seniors Will Have No Choice At All.** The Congressional Majority claim that their Medicare proposal will offer seniors more choice. In reality, their plan will just coerce the elderly to either pay more or get less. Michael Tanner, the director of health care studies at the Cato Institute, agrees. He recently told the *Washington Times* (August 11, 1995) that "those seniors who do not choose the managed care option will have to pay higher premiums, deductibles, and co-payments. Thus, many seniors, particularly low-income seniors, will find that their choice is really no choice at all."

**Misinformation on Medicare: You Can't Hide The Facts.** The GOP cannot hide the fact that their Medicare cuts would effectively push at least 500,000 elderly Americans into poverty by 2002. They can't hide the fact that older couples will have to pay $5,650 more out of their own pockets over the next 7 years. And they can't hide the fact that they want to use their $270 billion Medicare cut to help pay for their $245 billion tax cut. Since they can't hide from the facts, they have resorted to promulgating distortions.

***Myth:*** Republicans claim that if you use 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), the President's balanced budget plan would cost the elderly $443 more seven years from now.

***Reality:*** The President's balanced budget proposal has **NO** new Medicare cost increases. The comparison is $600 in the Republican plan vs. **ZERO** under the President's plan.

***Myth:*** Republicans claim that the President's $124 billion in Medicare savings really amounts to $192 billion off the Congressional Budget Office (CBO) baseline.

***Reality:*** In an analysis of the President's balanced budget proposal, CBO (see June 16, 1995 letter to Sen. Domenici) assumed that the Administration's Medicare savings amounted to "$128 billion" over seven years. Moreover, CBO and the Office of Management and Budget (OMB) have different baseline estimates for Medicare. Thus, one cannot simply compare a CBO baseline to an OMB one--it's like comparing apples to oranges. Historically, when the proper comparisons are made, CBO and OMB--despite the differences in baselines--have scored specific policies very similarly.

**Congressional Majority Will Add Billions of Dollars to Older Americans' Already High Costs:**

- Every beneficiary choosing to stay in the fee-for-service plan would pay at least $2,825 more in premiums and co-payments over 7 years; couples would pay at least $5,650.

- The average Medicare recipient of skilled nursing home services will pay at least $1,400 more. The average beneficiary receiving home health care services will pay at least $1,700 more in 2002.

# *Budget Notes*

**August 14. 1995**

## "Medicare Premiums Would Soar Under New Option in GOP Plan"

The Washington Post
August 12, 1995

**Unprecedented Cost Increases to Beneficiaries.** In the Saturday, August 12, 1995 *Washington Post*, Spencer Rich examines the new "revised version" of the Republican plan to overhaul Medicare, and finds, **"far greater cost increases to beneficiaries than previous GOP proposals."**

- Monthly Medicare premiums in 1996 are now set to be $43.70 (25 percent of cost). Assuming continuation of current law that sets premiums at 25 percent of costs, premiums will be $82.80 in 2002.

- The previous leaked version of the Republican Medicare Working Document set Medicare premiums at 31.5 percent of costs.

**The Republicans are now considering a new option which would raise Medicare premiums to 50 percent.** This dramatic increase from current levels, would have a drastic affect on beneficiaries: "...this jump would more than double premiums by the year 2002." [Rich, *Washington Post, 8/12/95].*

| | Premium | 1996 Monthly | 1996 Yearly | 2002 Monthly | 2002 Yearly * |
|---|---|---|---|---|---|
| **President's Plan** | 25 Percent | $43.70 | $524.40 | $82.80 | $993.60 |
| **Old GOP Option** | 31.5 Percent | $55.00 | $660.00 | $104.30 | $1251.60 |
| **New GOP Option** | 50 Percent | $87.40 | $1048.80 | $165.60 | $1987.20 |

**In addition, the $100-a-year deductible beneficiaries must pay out of pocket on doctor bills would be increased.**

- Rich reports that the Republicans are considering three options: $150, $200, and $250. Previous estimates of the impact of the GOP plan were conducted based on a $150 increase. This new jump to $250 exceeds all initial estimates.

- Ironically, the GOP claims that the Administration's calculations are wrong. In fact, This latest GOP document shows that in a way, they are right: <u>The drastic new increases show that the Administration has been too conservative in its estimates.</u>

**Stealing From The Pockets of Elderly and Disabled to Hand Tax Cuts to The Rich.** Republicans argue that major reductions in the growth of Medicare are needed to save Medicare from disaster. However, these explicit part B premium and deductible increases laid out by this new document do not contribute one penny to the Medicare trust fund. The Republicans say they want to save the Medicare program, but instead, they are bankrupting older Americans and disabled Americans just to finance tax cuts for the wealthiest Americans.

* Assumes current baseline

## Congressional Majoritys' Excessive Tax Cuts Force Medicare Beneficiaries And Their Families To Pick Up The Tab

**We Should Not Place Extreme Financial Burdens on Older Americans Just to Finance Tax Cuts for the Wealthiest Americans.** The Republican budget cuts Medicare by $270 billion -- $71 billion in the year 2002 alone. The cuts shift costs to seniors who already spend 21 percent of their income out-of-pocket on health care. Since 75 percent of these beneficiaries have incomes below $25,000, it is hard to see how they can afford to pay more. <u>The fact is that if the Congressional majority wasn't insisting on their $245 billion in tax cuts for wealthy Americans, they wouldn't have to impose these burdens on middle class Americans.</u>

**Their Cuts Are Real:** Republicans will call their proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But, their increases won't come close to matching even the private sector growth rate they say they wish to emulate. As a result, the increases will be too small to keep pace with health inflation, and beneficiaries will either have to pay more, get less, or both.

**BUT Many of Their Cuts Have Nothing To Do With The Trust Fund.** The Part B premium, deductible, and copayment increases the Republicans are considering produce savings, but are not dedicated to the Part A Trust Fund. If they are not being used for the Trust Fund, what are they being used for? Tax Cuts?

**Billions of Dollars Added to Older Americans' Already High Costs:**

- Every beneficiary choosing to stay in the fee-for-service plan would pay at least $2,825 more in premiums and copayments over 7 years; couples would pay at least $5,650.

- The average Medicare recipient of skilled nursing home services will pay at least $1,400 more. The average beneficiary receiving home health care services will pay at least $1,700 more in 2002.

**Half A Million Beneficiaries Effectively Thrown Into Poverty:** The out-of-pocket increases would effectively push at least 500,000 elderly into poverty by 2002.

**Vouchers Aren't Choice, They're Financial Coercion:** Beneficiaries who wish to keep their fee-for-service plan and a guarantee of their choice of doctor will have to pay significantly more. Even those beneficiaries who go into managed care will have their current benefits threatened. This is because the Republicans' overly tight growth rates will, over time, diminish the value of the voucher and the type of coverage it can purchase. The Republicans' choice for seniors and the disabled: choose to pay more or choose to get less.

**To Preserve Medicare For Our Grandchildren, President Clinton Believes We Have To Strengthen The Medicare Trust Fund,** which holds the money we all pay in to cover hospital, nursing home and home health bills. Real reform means fixing the Trust Fund, without putting beneficiaries in a fix.

**President Clinton's Balanced Budget Will Strengthen Medicare Without Burdening Beneficiaries.**

- Reduce Medicare spending by $124 billion -- less than half the Republican cuts;

- Extend the solvency of the Medicare Trust Fund at least through October 2006; This fact has been confirmed by the Chief Actuary of the Health Care Financing Administration (HCFA).

- Make **no** new cuts targeted at beneficiaries; and

- Accompany reductions in Medicare spending with: 1)new prevention and long-term care benefits; 2) more plan choices for beneficiaries; 3) aggressive pursuit of fraud and abuse; 4) insurance reform; and 5) important new insurance affordability protections for small businesses and working families.

# *Budget Notes*

**August 10. 1995**

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***"A survey of top economic forecasters...rates the 10-year U.S. economic growth projections from the White House as more likely to be right than the figures Congress is using in its balanced-budget plan."***

Patrice Hill
The Washington Times
August 10, 1995

**The Blue Chip Forecasters Favor Administration's Projections.** Any doubts about the credibility of the Clinton Administration's OMB forecasts were laid to rest yesterday. The Blue Chip Forecasters, the top private sector and business economists in the country -- relied on by all of the top corporations in the country -- were asked which forecast for long term economic growth they thought was more accurate -- OMB's or that Congressional Budget Office? These 50 top Blue Chip forecasters found the Clinton OMB projections the most likely to be accurate.

> Blue Chip members were asked to rate the long-range projections for real economic growth between 1996 and 2005. OMB forecasts an average of 2.5% growth; CBO forecasts an average of 2.3%. The Blue Chip panel was asked to rate estimates in terms of probability on a scale of 1-10 with 10 being most probable. The OMB forecasts rated a 6.4 while CBO received a 6.1 rating.
>
> ***"The 2.5 percent growth estimate has a better chance of being more accurate,"*** said Robert J. Eggert, Arizona economist and Blue Chip forecaster.

**The Demise of Rosy Scenarios.** In previous administrations, OMB calculations have been discredited for being "cooked" to make their deficit projections look better. That is why the President used CBO estimates in formulating his first budget. Now, President Clinton's OMB has restored credibility to the office, and shown that an Administration can use reliable, credible numbers. The Blue Chip endorsement of the White House forecast "represents a historic reversal for the group of 56 top economists, whose consensus forecasts have always been closer before to those of the Congressional Budget Office." [Hill, Washington Times, Aug. 10, 1995]

> **Indeed, in another study, when the Federal Reserve Board of Philadelphia polled 59 top private sector economists, their growth estimates were above OMB's: in other words, if anything the Clinton Administration is being too conservative.**

**The Proof is in the Pudding**: Look at the Clinton Administration record. The Clinton Administration has passed a real deficit plan with honest numbers and the proof is in the pudding: the deficit has actually come down faster than projected. The original OMB estimates were actually too conservative. For example, the Clinton OMB in February projected the 1995 deficit at $193 Billion and it is now likely to come in around $160 billion.

**This Proves That We DO NOT Need to Make the Kind of Irrational Cuts In Medicare, Education, Environment, and Science And Technology that the Congressional Majority Proposes in Order To Balance The Budget.** The truth is, were it not for their excessive tax cuts to the wealthiest Americans, none of these drastic cuts would be necessary.

# M E M O R A N D U M

TO: Gene and Jen July 29, 1995

FR: Chris J.

RE: Latest/Greatest Draft Trust Fund/RNC Talking Points

Here they are. Gene, you get a disc with your edition. I think these are pretty good. They incorporate the Part B point and the bankruptcy line that George and the POTUS like. However, they probably are about a half page too long.

Edit as you please, but please get back to me ASAP, so we can widely circulate. Gene, hope this helps for the news shows. If you are in a real rush to get something over to Dodd, I have a feeling these will more than suffice.

CJ

# RESPONSE TO RNC MEDICARE TRUST FUND SCARE TACTIC AD

- **As the Republican National Committee (RNC) ad proves, some Republicans will do anything to cover up the truth about their budget and tax cut priorities.** No $70,000 ad in USA Today will fool Americans into believing that Republicans are not using their $270 billion in Medicare cuts to help pay for their $245 billion in tax cuts.

- **The Congressional Majority is now going so far as to lie about (to distort) the President's record on the Medicare Trust Fund. The RNC ad states:** "President Clinton knows Medicare is dying, but he has done nothing to save it. Apparently his plan is to just let Medicare go bankrupt." **The truth is:**

  -- **President Clinton's 1993 budget strengthened the Medicare Trust Fund by three years -- without one single Republican vote.**

  -- **President Clinton's Health Security Act would have further strengthened the Medicare Trust Fund by reducing Part A spending and reducing overall health care inflation -- the ultimate solution to the trust fund problem.**

  -- **President Clinton's balanced budget proposal guarantees that payments for Medicare recipients benefits will be secure through at least the next decade. (At least 2005).**

- **The RNC ad flies in the face of Speaker Gingrich's own words of praise for the President.** After the President released his balanced budget, the Speaker specifically acknowledged that the President was addressing the Medicare trust fund problem. **"(H)e validated that you have to do something significant to save Medicare..."** (Baltimore Sun, 6/23/95)

- **The Congressional Majority says that the trust fund insolvency problem is startling, brand-new news** that ought to alarm America's seniors and their families.

  -- **Virtually every single one of the Medicare Trustees' reports has projected an insolvency date.** In fact, 8 earlier trustee reports have predicted insolvency within seven years or less. Every time, Congress and the President addresses the problem; they will do it again this year. This year's report is actually more optimistic than the 1993 forecast. **The President addressed the problem in 1993 and has addressed it in his balanced budget proposal. He welcomes Speaker Gingrich's new found concern, but he abhors the scare tactics that are being used to provide cover for large and unnecessary tax cuts.**

- **The truth is that their proposals for unprecedented Medicare Part B beneficiary cost sharing increases have NOTHING to do with strengthening the Medicare Trust Fund.** The Part B premium and deductible increases that have been suggested by the Republicans in their own leaked documents would increase out-of-pocket costs by hundreds of dollars. These savings would not contribute one cent toward helping the trust fund because the Part B program has nothing to do with the Medicare Hospital Insurance trust fund. **The Congressional Majority is not using this money for the trust fund; they are using Medicare as their piggy bank for their tax cuts.**

- **The truth is that the Congressional Majority is calling for between $110 and $185 billion more in cuts than are necessary for dealing with the Medicare solvency issue.** According to the non-political, career Medicare actuaries and the CBO, the most Medicare savings that would be necessary to assure the short-term solvency of the Medicare HI trust fund is $160 billion. In fact, $85-90 billion would be sufficient to push back the insolvency date of the trust fund through at least 2005.

- **We hope they will soon recognize that there is a right and wrong way to balance the budget and strengthen the trust fund. The wrong way is to increase out-of-pocket costs for beneficiaries by $2,800 for singles and $5,600 for couples, and to use the savings for tax cuts. The right way is to enact the President's Medicare savings plan that imposes NO new cuts on beneficiaries.**

- **The President's balanced budget proposal shows that you can protect the Medicare program from going bankrupt without bankrupting older Americans and their children.**

# THE REPUBLICAN MEDICARE PROPOSAL -- DEMOCRATIC TALKING POINTS

Republicans are trying to make our seniors believe that the changes they're proposing for Medicare are necessary to save the program. All they're doing, according to Gingrich, is updating Medicare to be a program for the 1990's, with the same choices that people have in the private sector. None of which is true.

The reality is that Republicans are using Trust Fund solvency and the choice issue to mask the real reason they are looking to "reform" Medicare. They need those funds to finance their $245 billion in tax breaks for the wealthy. The Republicans are using the health of America's seniors to give tax breaks to the rich.

**Let's look at the facts:**

- **The Republican proposal does not protect the solvency of the Trust Fund.**

  Their rhetoric states that these changes are necessary to keep the Trust Fund from going broke. However, their plan doesn't accomplish this. At most, the Republicans would push out the bankrupcy date to the 2010. After that point, the baby boomers become eligible for Medicare. None of the Republican changes would enable the program to face that tremendous influx of new recipients. The solvency of the Trust Fund is not a new issue. Democratic controlled Congresses have dealt with this issue in every Congress and have extended the solvency of the Trust Fund without jeopardizing seniors' health care.

  The Republicans don't really care about the Trust Fund solvency issue. Already this year, the House Republicans have taken $87 billion out of the Trust Fund over the next 10 years. They did that by lowering the percentage of Social Security income subject to income taxes from 85% to 50% -- those funds were dedicated to the Trust Fund. In order to help wealthy seniors, the Republicans have short-shrifted the Medicare Trust Fund already. How can they then claim that solvency of the Trust Fund is the sole reason for their efforts to cut Medicare spending? It just doesn't ring true.

  If solvency of the <u>Part A</u> Trust Fund is their reason for "reforming" Medicare, then why do they increase the <u>Part B</u> premium? Once again, this shows that their real goal is to cut spending -- not reform the program.

- **The Republican proposal will cost seniors more.**

  It's one thing to model Medicare changes after the lessons learned in the private sector, but it's quite another matter to believe that Medicare can magically outperform the best managed care. The Republicans plan to limit the growth of Medicare to a per capita average of 4.6% a year compared to private health insurance cost growth of 7.1%. Seniors will be expected to purchase health plans with vouchers that are significantly undervalued -- paying the difference out of their own pockets. Simultaneously, the Republicans will increase the Part B premium and increase other cost-sharing levels. Seniors already spend 21% of their income on health care, the Republicans want to push that percentage even higher. It is estimated that by the year 2002 the Republican plan will cost seniors an extra $850 per year in out-of-pocket health costs.

  If the Republican proposal becomes law, Medicare will no longer guarantee our nation's seniors of health insurance coverage that meets their needs.

- **The Republican proposal will take away choice.**

  Today, seniors can choose to enter a managed care plan in Medicare and they usually get extra benefits when they make that decision. The Republicans will force seniors into managed care by drastically increasing the costs of remaining in the traditional fee-for-service program. By creating a "defined contribution" that Medicare will pay for each beneficiary, the Republicans will give many seniors no choice but to go into the lowest-cost managed care plan in their community. Seniors who want to keep the choice of their own doctor will be forced into a plan that will take away that choice.

- **All of this is being done to finance a tax break for the wealthy -- not to save Medicare.**

  It's no coincidence that the Republicans are proposing $270 billion in Medicare cuts and simultaneously enacting a $245 billion tax break for the wealthy. The Republicans need a revenue source for these breaks -- they can't turn to defense, they can't turn to Social Security, they can't cut enough in discretionary spending -- so Medicare is their bank.

# *Budget Notes*

**August 9. 1995**

REPUBLICAN MEDICARE CUTS HIT ELDERLY AND DISABLED AMERICANS IN EVERY STATE AND COUNTY

**We Should Not Place Extreme Financial Burdens on Older Americans and the Disabled Just to Finance Tax Cuts for the Wealthiest Americans.** The Republican budget cuts Medicare by $270 billion -- $71 billion in the year 2002 alone. The cuts shift costs to seniors who already spend 21 percent of their income out-of-pocket on health care. Since 75 percent of these beneficiaries have incomes below $25,000, it is hard to see how they can afford to pay more. The fact is that if the Congressional majority wasn't insisting on their $245 billion in tax cuts for wealthy Americans, they wouldn't have to impose these burdens on middle class Americans.

**Vouchers Aren't Choice, They're Financial Coercion:** Beneficiaries who wish to keep their fee-for-service plan and guarantee their choice of doctor will have to pay significantly more. Even beneficiaries who go into managed care will have their current benefits threatened. This is because the Republicans' overly tight growth rates will, over time, diminish the value of the voucher and the type of coverage it can purchase. The Republicans' choice for seniors and the disabled: choose to pay more or choose to get less.

**Billions of Dollars Added to Older Americans' Already High Costs:**

- Every beneficiary choosing to stay in the fee-for-service plan would pay at least $2,825 more in premiums and copayments over 7 years; couples would pay at least $5,650.

- The average Medicare recipient of skilled nursing home services will pay at least $1,400 more. The average beneficiary receiving home health care services will pay at least $1,700 more in 2002.

**Half A Million Beneficiaries Effectively Thrown Into Poverty:** The out-of-pocket increases would effectively push at least 500,000 elderly into poverty by 2002.

**Some Examples of the Impact of the Republican Cuts on Specific States and Counties:**

- Each of **Florida**'s over 2.6 million Medicare beneficiaries would pay at least $4,400 more in premiums and copayments over the 7 years; couples would pay $8,800 more.

- Each of the 290,300 Medicare beneficiaries in **Kings county, New York**, who wanted to stay in their current fee-for-service plan would face over 7 years, on average, $3,175 in additional out-of-pocket costs and $6,350 more per couple.

- Loss in Medicaid funding to the state of **Michigan** would have a devastating impact on the state's current 1.2 million recipients. Michigan would be forced to eliminate coverage for as many as 215,000 recipients in 2002, many of whom are elderly, nursing home residents, or home care recipients.

- Over the seven-year period, the combined Medicare and Medicaid cuts would reduce Federal health care dollars to **California** by $54 billion.

- **Fairfield county, Connecticut** would lose $983 million in Medicare funding over seven years, and $258 million in 2002 alone.

- **Essex county, Massachusetts** would lose $1.03 billion in Medicare funding over seven years, and $282 million in 2002 alone.

## Congressional Majoritys' Excessive Tax Cuts Force Medicare Beneficiaries And Their Families To Pick Up The Tab

**We Should Not Place Extreme Financial Burdens on Older Americans Just to Finance Tax Cuts for the Wealthiest Americans.** The Republican budget cuts Medicare by $270 billion -- $71 billion in the year 2002 alone. The cuts shift costs to seniors who already spend 21 percent of their income out-of-pocket on health care. Since 75 percent of these beneficiaries have incomes below $25,000, it is hard to see how they can afford to pay more. The fact is that if the Congressional majority wasn't insisting on their $245 billion in tax cuts for wealthy Americans, they wouldn't have to impose these burdens on middle class Americans.

**Their Cuts Are Real:** Republicans will call their proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But, their increases won't come close to matching even the private sector growth rate they say they wish to emulate. As a result, the increases will be too small to keep pace with health inflation, and beneficiaries will either have to pay more, get less, or both.

**BUT Many of Their Cuts Have Nothing To Do With The Trust Fund.** The Part B premium, deductible, and copayment increases the Republicans are considering produce savings, but are not dedicated to the Part A Trust Fund. If they are not being used for the Trust Fund, what are they being used for? Tax Cuts?

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**Vouchers Aren't Choice, They're Financial Coercion:** Beneficiaries who wish to keep their fee-for-service plan and a guarantee of their choice of doctor will have to pay significantly more. Even those beneficiaries who go into managed care will have their current benefits threatened. This is because the Republicans' overly tight growth rates will, over time, diminish the value of the voucher and the type of coverage it can purchase. The Republicans' choice for seniors and the disabled: choose to pay more or choose to get less.

**To Preserve Medicare For Our Grandchildren, President Clinton Believes We Have To Strengthen The Medicare Trust Fund,** which holds the money we all pay in to cover hospital, nursing home and home health bills. Real reform means fixing the Trust Fund, without putting beneficiaries in a fix.

**President Clinton's Balanced Budget Will Strengthen Medicare Without Burdening Beneficiaries.**

- Reduce Medicare spending by $124 billion -- less than half the Republican cuts;
- Extend the solvency of the Medicare Trust Fund at least through October 2006; This fact has been confirmed by the Chief Actuary of the Health Care Financing Administration (HCFA).
- Make **no** new cuts targeted at beneficiaries; and
- Accompany reductions in Medicare spending with: 1)new prevention and long-term care benefits; 2) more plan choices for beneficiaries; 3) aggressive pursuit of fraud and abuse; 4) insurance reform; and 5) important new insurance affordability protections for small businesses and working families.

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And older women — worse — median income over 65 = $8,500

**Their Cuts Are Real for Seniors:** Republicans will call their proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But, that's like saying a 3 percent raise is sufficient to keep up with 5 percent inflation. Clearly, seniors will not be able to afford the same benefits they get today.

**BUT Many of Their Cuts Have Nothing To Do With The Trust Fund.** For example, the Part B premium, deductible, and copayment increases produce savings but are not dedicated to the Part A Trust Fund. If they are not being used for the Trust Fund, what are they being used for? Tax Cuts?

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# REPUBLICAN VOUCHER PROPOSALS OFFER FALSE CHOICES

- **Republicans Offer the Ultimate False Choice: You Can Choose to Pay More OR You Can Choose to Get Less.** Under the Republican "voucher" plan, beneficiaries who wish to keep their fee-for-service plan and a guarantee of their choice of doctor will have to pay significantly more. Even those beneficiaries who go into managed care will have their current benefits threatened. This is because the Republicans' overly tight growth rates will, over time, diminish the value of the voucher and the type of coverage it can purchase.

- **The Republican Medicare working document provides a preview of what is in store** for beneficiaries who want to keep their fee-for-service plans. Specifically, preliminary estimates indicate that:

  -- **The average Medicare recipient of skilled nursing home services will pay at least $1,400 more.**

  -- **The average beneficiary receiving home health care services will pay at least $1,700 more in 2002.**

  -- **Every beneficiary choosing to stay in the fee-for-service plan would pay at least $2,825 more in premiums and copayments over 7 years; couples would pay at least $5,650. Couples would pay at least $1,250 more in 2002 alone.**

- **Republicans Slash Medicare Growth Rate Levels Far Below Private Sector.** The Republicans claim they want to emulate the health care cost containment successes of the private sector. Permitting Medicare to grow at a 7.1 percent pace -- CBO's projection of the per person growth rate in the private sector -- would save significant Federal dollars. However, the Republican $270 billion in cuts would constrain Medicare to a much tighter and unrealistic 4.9 percent per beneficiary growth rate. That is not emulation; that is decimation.

- **Capped Vouchers Mean Cruel Medicare Birthday Present.** At best, on the eve of the 30th anniversary of Medicare's enactment, Republicans would force beneficiaries to pay much more to keep what they have today. Since 75% of these beneficiaries have incomes below $25,000, it's hard to imagine how they could afford to do so. At worst, beneficiaries would be forced to buy coverage that doesn't meet their needs. **That's not choice; that's financial coercion.**

- **The President's Plan Offers Real Choice and Has No New Cost Increases.** The President's approach shows that you can strengthen the Medicare Trust Fund, offer more choice of plans, and provide new benefits without imposing new Medicare beneficiary cuts. **In contrast, Republican House Majority Leader Armey says that Medicare is "a program I would have no part of in a free world."**

#

*Revised July 25, 1995*

# MEDICAID

- **REPUBLICANS' UNPRECEDENTED CUTS:** The Republican Budget Resolution Conference Agreement would cut $182 billion from Medicaid over the next seven years by making the program a block grant to states.

- **HEAVY BURDENS TO FAMILIES FACING LONG-TERM CARE:** While most people think that Medicaid helps only low-income mothers and children, about two-thirds of Medicaid funds are spent on services for elderly and disabled Americans. Without Medicaid, working families with a parent or spouse who need long-term care would face nursing home bills that average $38,000 a year.

- **MANAGED CARE SAVINGS NOT NEARLY SUFFICIENT:** Savings from managed care cannot produce anywhere near the magnitude of cuts proposed by the Republicans. Two-thirds of Medicaid funds are spent on the elderly and disabled, and there is little evidence that putting them in managed care can produce savings. And because the baseline projections already assume that a growing number of mothers and children on Medicaid will be in managed care plans, there are little additional savings left in the remaining one-third of the program.

- **LIKELY IMPACTS:** The Republicans argue that they are not cutting Medicaid since states will get an increase in the block grant every year. But, given that CBO projects that the number of people covered will grow by 3 percent and that the Republicans block grant will grow by only 4 percent by 1998, the funding does not even keep up with inflation. It's a cut in real terms.

  - o Assuming states would be forced to respond to these cuts by reducing services, provider payments and coverage in equal proportions:

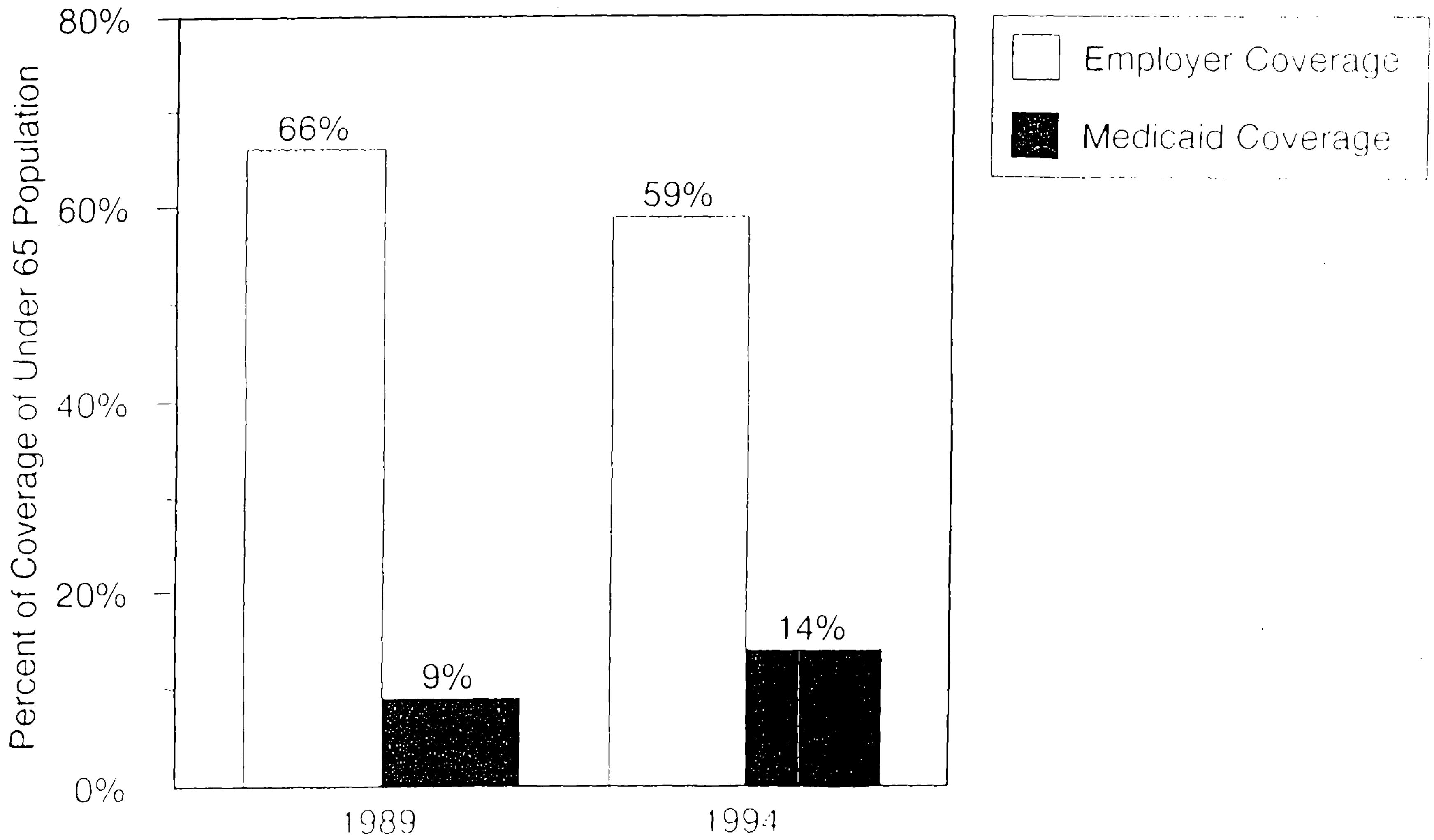
    - ♦ **7 million children and nearly one million elderly and persons with disabilities could lose insurance coverage.** This would further worsen our nation's uncompensated care problem and create more incentives for cost-shifting to American businesses and families who still have insurance.

- **THE PRESIDENT'S PROPOSAL PROTECTS COVERAGE:** The President's proposal contains a mix of policies that save $54 billion between now and 2002 -- less than a third of the Republican proposal. It promotes efficiency and gives states more flexibility while protecting coverage. Every single Democratic Governor has endorsed the President's Medicaid target as a reasonable and achievable savings number.

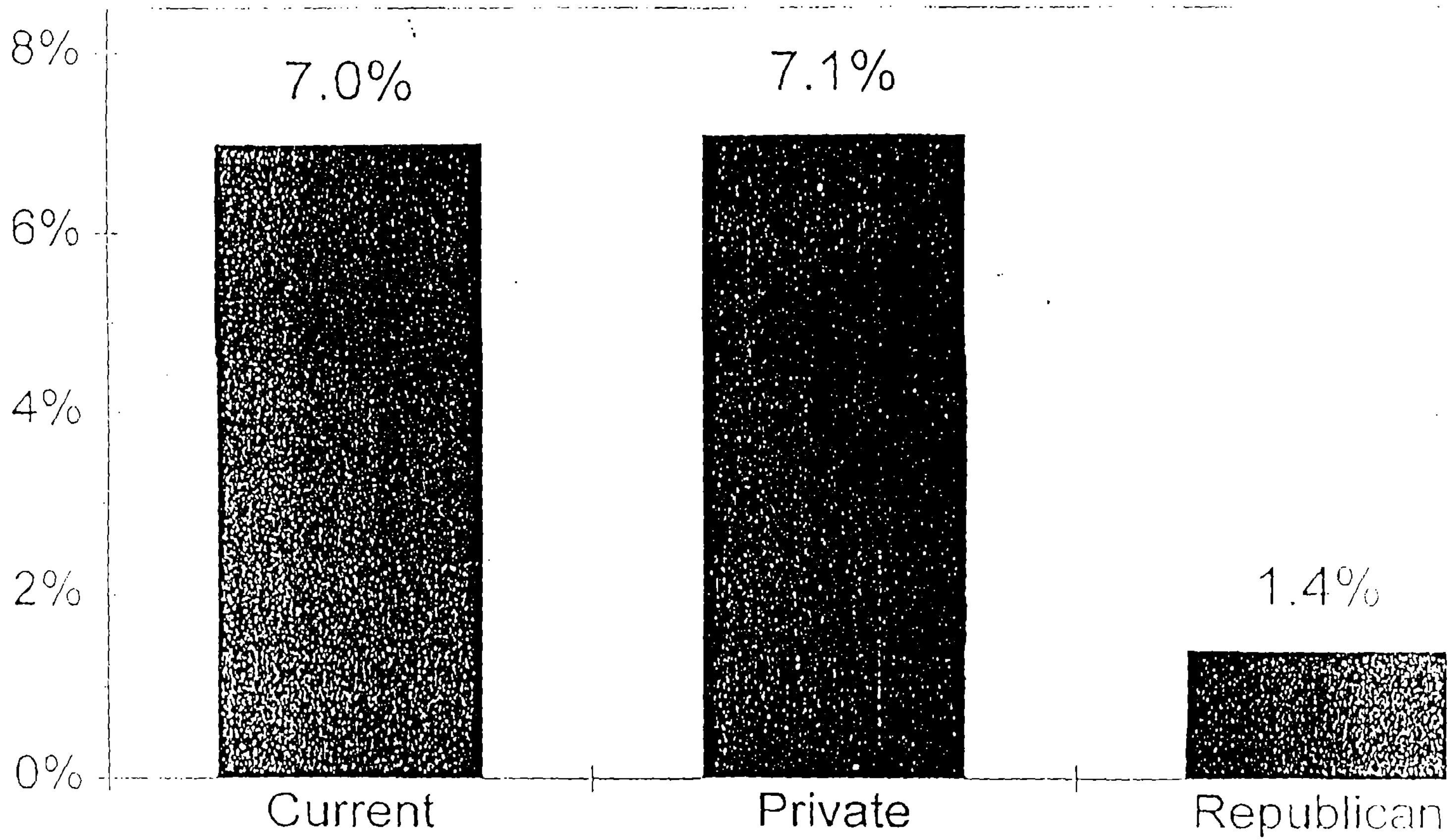
  - o Maintaining coverage under Medicaid is critical since it serves as a safety net for many Americans. Between 1989 and 1994, employer health coverage declined from 66 percent of the nonelderly population to 59 percent. Medicaid coverage increased from 9 to 14 percent during this same period.

# Medicaid is a Critical Safety Net

## Employer Coverage Reduced, Medicaid Coverage Increased



# Medicaid Growth Per Recipient
## Effect of the Republican Proposal
## 1996-2002



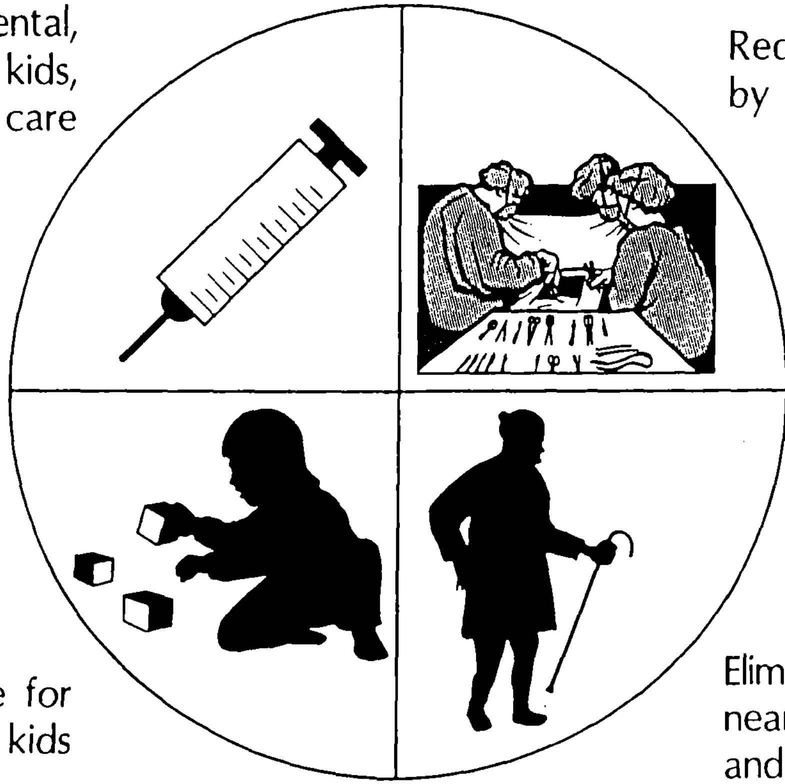

All estimates are calculated by the Administration using CBO data.

# Medicaid Cuts
# That States Would Be Forced to Make

## 2002

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

Reduce provider payments by almost $13 billion



Eliminate coverage for 7 million kids

Eliminate coverage for nearly one million elderly and persons with disabilities

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

# The President's Health Reform Initiative

## 1. Reforming the Insurance Market

Insurance reforms, based on proposals that both Republicans and Democrats supported in the last Congress, will improve the fairness and efficiency of the insurance marketplace.

- **Portability and Renewability of Coverage** -- Insurers will be barred from denying coverage to Americans with pre-existing medical conditions, and plans will have to renew coverage regardless of health status.

- **Small Group Market Reforms** -- Insurers will be required to offer coverage to small employers and their workers, regardless of health status, and companies will be limited in their ability to vary or increase premiums on the basis of claims' history.

- **Consumer Protections** -- Insurers will be required to give consumers information on benefits and limitations of their health plans, including the identity, location, and availability of participating providers; a summary of procedures used to control utilization of services; and how well the plan meets quality standards. In addition, plans would have to provide prompt notice of claims denials and establish internal grievance and appeals procedures.

## 2. Helping Working Families Retain Insurance After a Job Loss

Families that lose their health insurance when they lose a job will be eligible for premium subsidies for up to 6 months. The premium subsidies will be adequate to help families purchase health insurance with benefits like the Blue Cross/Blue Shield standard option plan available to Federal employees.

## 3. Helping Small Business Afford Insurance

- **Giving Small Employers Access to Group Purchasing Options** -- Small employers that lack access to a group purchasing option through voluntary state pools would get that option through access to the Federal Employees Health Benefits Program (FEHBP) plans. This would increase the purchasing power of smaller businesses and make the small group insurance market more efficient. Small firms would get coverage from plans that also provide coverage to Federal employees through FEHBP, but the coverage would be separately rated in each state, leaving premiums for Federal and state employees unaffected.

- **Expanding the Self-Employed Tax Deduction** -- The President's plan provides a fairer system for self-employed Americans who have health insurance. Self-employed people would deduct 50 percent of the cost of their health insurance premiums, rather than 25 percent as under current law.

## 4. Reforming and Strengthening Medicare

- **Strengthening the Trust Fund** -- The President's plan would reduce Medicare's Part A by $79 billion over 7 years to ensure the solvency of the Medicare HI Trust Fund to 2005. The plan finds such savings by reducing provider cost growth, not raising beneficiary costs.

• **Eliminating the Co-Payment for Mammograms** -- Although coverage by Medicare began in 1991, only 14 percent of eligible beneficiaries without supplemental income tap this potentially lifesaving benefit. One factor is the required 20 percent co-payment. To remove financial barriers to women seeking preventive mammograms, the President's plan waives the Medicare co-payment.

• **Expanding Managed Care Choices** -- The President's plan expands the managed care options available to beneficiaries to include preferred provider organizations ("PPOs") and point-of-service ("POS") plans. The plan also implements initiatives to improve Medicare reimbursement of managed care plans, including a competitive bidding demonstration proposal. Also included in his plan are important initiatives to streamline regulation.

• **Combatting Fraud and Abuse** -- "Operation Restore Trust" is a five-state demonstration project that targets fraud and abuse in home health care, nursing home, and durable medical equipment industries. The President's budget increases funding for these critical fraud and abuse activities.

**5. Long-Term Care**

• **Expanding Home and Community-Based Care** -- The President's plan provides grants to states for home- and community-based services for disabled elderly Americans. Each state, will receive funds for home- and community-based care based on the number of severely disabled people in the state, the size of its low-income population, and the cost of services in the state.

• **Providing for a New Alzheimer's Respite Benefit within Medicare** -- The President's plan helps Medicare beneficiaries who suffer from Alzheimer's disease be providing respite services for their families for one week each year.

**6. Reforming Medicaid**

The President maintains Medicaid, expanding state flexibility, cutting costs, and assuring Medicaid's ability to provide coverage to the vulnerable populations it now serves.

• **Eliminating Unnecessary Federal Strings on States** -- To let states manage their Medicaid Programs more efficiently, the President's plan substantially reduces Federal requirements.

-- States will be allowed to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and

-- The "Boren Amendment" and other Federal requirements that set minimum payments to health care providers will be repealed and restructured.

• **Reducing Medicaid Costs** -- The President proposes a combination of policies to reduce the growth of Medicaid spending, including expanding managed care, reducing and better targeting Federal payments to states for hospitals that serve a high proportion of low-income people, and limiting the growth in federal Medicaid payments to states for each beneficiary. Per-person limits, as opposed to a block grant on total spending, promote efficiency while protecting coverage.

## MEDICARE Q & A'S

**Question:** The Republicans say that they are proposing that the current Medicare expenditure of $4,800 will grow to $6,400 under their proposal. How can you characterize this huge growth in spending as a cut?

**Answer:** This per capita spending sounds like a big increase until you remember how it compares to the underlying growth in health care costs. Don't forget, the Republican budget permits per capita Medicare spending to grow at 4.9% per year, while private sector per capita costs will grow at 7.1% per year according to CBO data. The Republican voucher plan, therefore, throws beneficiaries into the private market place with a voucher that steadily loses value each year. It does no more than limit federal spending by shifting costs onto beneficiaries. This cannot be characterized in any way other than a cut.

**Question:** Why is it that the out-of-pocket numbers being referenced by Hill Democrats are so much higher than your numbers?

**Answer:** There are a number of ways to do this out-of-pocket analysis. We chose a way that is most conservative and reflects an assumption that current law -- relating to the Part B premium tied to 25 percent of program costs -- is extended, as has been the case in the past. Another reasonable approach to this analysis, however, would be to assume that the 25 percent rule will expire, as it is scheduled to do under current law, and therefore, in 1998, the Part B premium will actually drop beneath 25 percent of program costs. This approach would yield out-of-pocket costs to beneficiaries even higher than those estimated by the Administration. Although either approach is reasonable, we chose the more conservative one.

**Question:** The President indicated that he opposes using Medicare cuts to balance the budget. Is this true?

**Answer:** The President was indicating that he opposed Medicare cuts that are made in the absence of broader health reform, and Medicare cuts that impose new beneficiary cost increases. In fact, his balanced budget proposal does offer health reform initiatives and <u>does not</u> include any new increases in beneficiaries' health care costs, which are already 21% of their income.

**Question:** Isn't it true that the Republican's Medicare savings will be achieved through expanded and voluntary managed care options that empower beneficiaries with the ability to choose less costly plans?

**Answer:** No, the Republican's savings will be achieved through financial coercion and shifting costs onto beneficiaries. CBO has consistently refused to score significant savings from a voluntary managed care option. CBO will, however, score savings from a voucher proposal that limits the federal government's spending to a fixed amount. Beneficiaries will have choices under a voucher plan, but they are unlikely to be able to afford those choices if the voucher steadily erodes in value every year. The likely outcome of the Republican plan is seniors being forced into plans which they do not want and which provide less and less choice or benefits each year.

**Question:** If the CBO baseline were used instead of the OMB baseline, wouldn't the Administration's Medicare and Medicaid savings estimates translate into numbers very similar to those advocated by Republicans?

**Answer:** Absolutely not. The translation of baselines doesn't work that way. The difference in baselines should not be used as a way to confuse the marked difference in what the President and the Republicans are proposing. An easy way to compare apples and apples on the baseline issue is as follows: The Administration's proposed Medicare savings constitute a 7 percent reduction off the OMB baseline. By contrast, the Congressional Republican's Medicare savings constitute a 14 percent reduction off the CBO baseline.

**Question:** Didn't the President propose an increase in the home health coinsurance in the Health Security Act? How can he criticize Republicans for doing the same?

**Answer:** There are fundamental differences between the Republican's proposal to balance the budget using Medicare, and the President's attempt to improve the health care system including Medicare. The amount of the home health coinsurance in the Health Security Act was much lower than that discussed by Republicans. It was made in the context of a new long-term care program, and was not accompanied by across-the-board premium hikes. It cannot be compared to the proposal made by the Republicans, which increases costs both for the average beneficiary, and then again for those who are the sickest and use the most services.

# MEMORANDUM

TO: Distribution July 25, 1995

FROM: Chris Jennings and Jen Klein

RE: Updated Health Care Talking Points/Charts/Back-up Materials

Attached is a revised set of talking points/back-up materials that have been updated to reflect the two most important recent developments related to health care: a) the health care provisions included in the President's balanced budget proposal AND b) the Medicare/Medicaid cuts that the Republicans included in the final budget resolution passed June 29th. Enclosed you will find:

| | |
|---|---|
| Tab 1 | Back-up to numbers used in the President's speech |
| Tab 2 | A one-pager on the Republican Medicare cuts and how they contrast with the President's proposal. |
| Tab 3 | A separate one-pager focused on the Republican Medicare voucher issue. |
| Tab 4 | A one-pager on the Republican Medicaid cuts and how they contrast with the President's proposal. |
| Tab 5 | A chart illustrating the savings from the President's Medicare proposal versus the Republicans' proposal. |
| Tab 6 | A chart illustrating Republican tax cuts versus Medicare cuts. |
| Tab 7 | Three charts illustrating the out-of-pocket cost increases under the Republican plan as it relates to Medicare and the President's plan. |
| Tab 8 | Medicare and Medicaid growth charts. |
| Tab 9 | Two charts illustrating Republican Medicaid cuts. |
| Tab 10 | A two-pager outlining President Clinton's health reform initiative. |
| Tab 11 | A two-pager providing additional Medicare talking points. |

## Numbers Cited by the President on Medicare

1. "They would ... raise premiums and out-of-pocket costs by **$1,250** per couple in 2002, ... by **$5,600** over seven years".

The Republican Conference Agreement estimates of saving were released on June 30, 1995. That document contained:

- $270 billion in Medicare cuts over seven years;
- $71 billion in Medicare cuts in 2002 alone.

The Republicans gave no indication of how those savings targets would be met. To estimate the impact of these cuts on beneficiaries, it was assumed that 50% of the total cuts would be borne by beneficiaries. This is consistent with the recent Republican Ways and Means document outlining Medicare cuts. These estimates assume that the current policy of setting the Part B premium at 25% will be extended when it expires in 1998.

For couples, this increase in premiums and out of pocket costs is multiplied by two. For the seven year period, the increases in each year are added together to get a cumulative total.

2. "But each year, private health care costs increase over **40%** more than the value of a voucher."

Data from the Congressional Budget Office (CBO) suggest that the projected private sector spending per insured person will grow at 7.1% between 1996 and 2002. The Republican Conference Agreement estimates of spending after their cuts show Medicare spending per beneficiary growing at 4.9%. The private rate of 7.1% is about 44% higher than the Republican Medicare growth rate per beneficiary of 4.9%.

3. "But under the plan of the congressional majority, he must pay **$1,400** in copayments to get the visiting nurse."

The Congressional Budget Office, in its "Reducing the Deficit: Spending and Revenue Options", estimated the cost of a 20% coinsurance for all home health care for Medicare beneficiaries. Their 2000 estimate, extended to 2002, was divided by the projected number of users of home health to get an average of $1,400 in 2002. This is consistent with the AARP's analysis of the same policy, which showed the increase cost of $1,200 in the year 2000.

4. "Every person in Medicare will pay **$1,650** more in premiums over seven years to cover their doctor bills."

In the Republicans' Ways and Means document outlining potential premium increases, they listed increasing the premium to 31.5%, 33%, or 35% The Congressional Budget Office has estimated the change in premiums for several different levels. These estimates suggest that the monthly premium would be $109 under the mid-range option of 33% in 2002, relative to $61 under current law, and $83 if the current policy of 25% is extended beyond its expiration in 1998. When the 33% premium is subtracted from the 25% premium, multiplied by 12 to get the annual savings, this means a $320 increase in 2002, and approximately $1,650 increase over the seven years.

5. "The average person who receive care in their home will pay at least **$1,700** more in the year 2002 alone"

This estimate of $1,700 includes the increased premium in 2002 (about $300) plus the average increase in coinsurance for home health users ($1,400).

6. "Remember these are people who already pay **21%** of their income on health care."

The Urban Institute estimated that in 1994, the elderly paid on average $2,519 in out-of-pocket costs for health care, which translates into 21% of their income. This is more dramatic for the poor elderly, who pay 34% of their income for out-of-pocket costs, and for the oldest elderly, who pay on average $3,782 in out-of-pocket costs. (See: "Out-of-Pocket Health Care Costs for Older Americans in 1994", The Urban Institute, May 1995).

# MEDICARE

- **REPUBLICANS' UNPRECEDENTED CUTS:** The Republican Budget Resolution Conference Agreement would cut $270 billion from the Medicare program over the next seven years -- $71 billion in the year 2002 alone. This approximately triples anything previously enacted.

- **CUTS ARE REAL:** Republicans will call their proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But by that logic, reducing the Social Security cost-of-living adjustment (COLA) would not be considered a cut. In fact, the Repubicans' out-of-pocket increases would have the effect of taking half of the Social Security (COLA) from the pockets of the average Medicare beneficiary.

- **BILLIONS ADDED TO OLDER AMERICANS' ALREADY HIGH COSTS:** The Republican Budget would increase beneficiaries' out-of-pocket costs by tens of billions of dollars. Assuming their cuts were equally divided between beneficiaries and providers:

  - **Over the seven-year period, beneficiaries would be forced to pay an additional $2,825 ($5,650 per couple) out-of-pocket relative to the President's proposal.**

- **VOUCHERS AREN'T CHOICE, THEY'RE FINANCIAL COERCION:** Republican proposals that promise choice through Medicare "vouchers" actually threaten to undermine fundamental Medicare protections.

  - Medicare guarantees beneficiaries that it will pay the cost of covered services, subject to fixed and predictable cost-sharing requirements. That's a benefit guarantee.

  - A voucher would replace this benefit guarantee with a fixed dollar amount. This means that beneficiaries would be on their own to find a health plan, with a voucher that is losing value over time.

  - Republicans claim you can keep the Medicare coverage you've got. How can you keep what you can't afford? The only way for Republicans to achieve the level of savings they are proposing is through requirements that beneficiaries have to pay much more to stay in the current Medicare program. That's not choice, that is financial coercion.

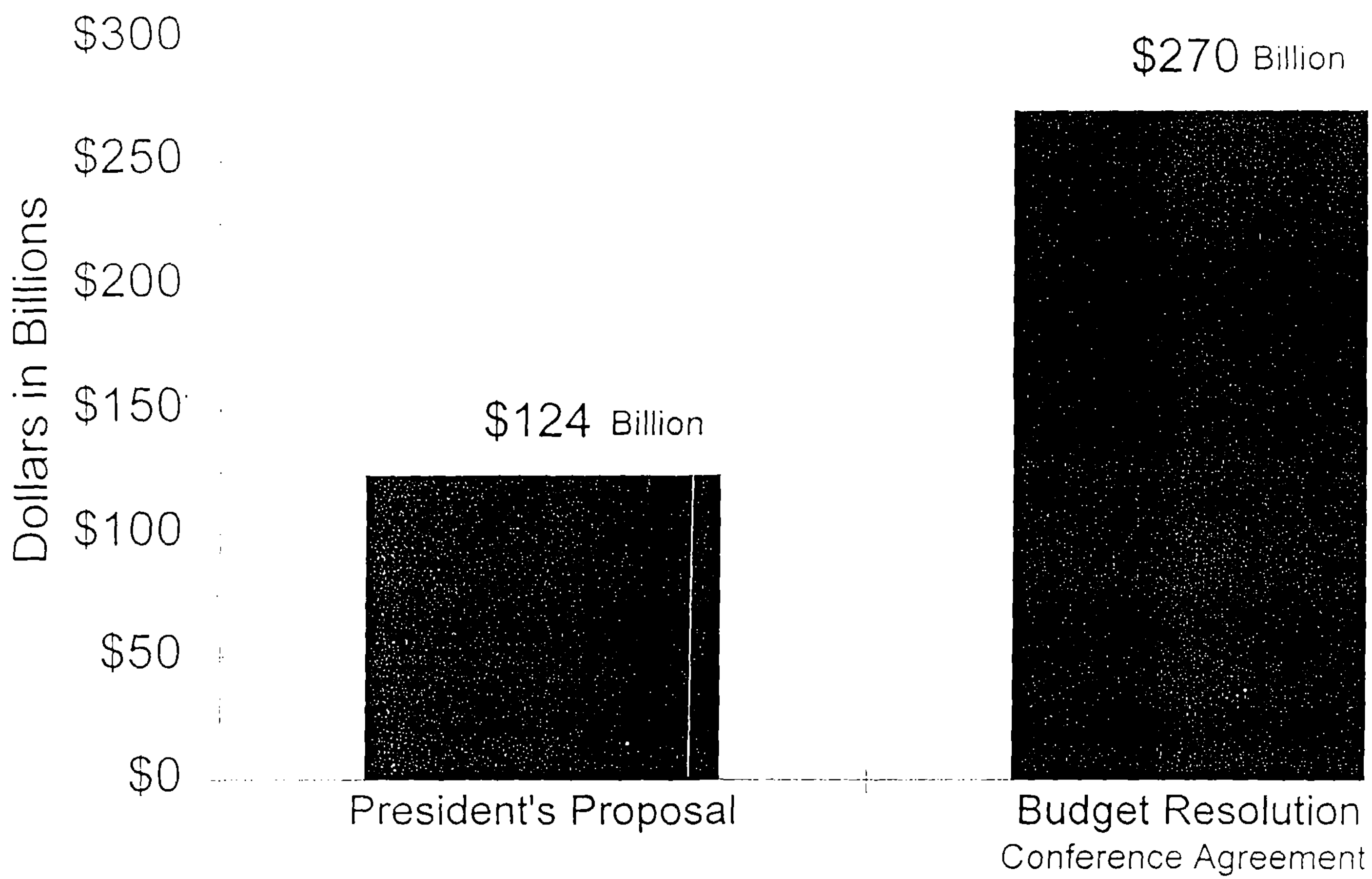
- **NO NEW BENEFICIARY CUTS IN THE PRESIDENT'S PROPOSAL:** While the Republicans would cut beneficiary protection to finance tax cuts for the well off, the President would strengthen Medicare financing <u>without new burdens</u> for beneficiaries. The President's proposal would:

  - Reduce Medicare spending by $124 billion -- less than half the Republican cuts;

  - Ensure Medicare trust fund solvency through at least 2005, without any new beneficiary cuts;

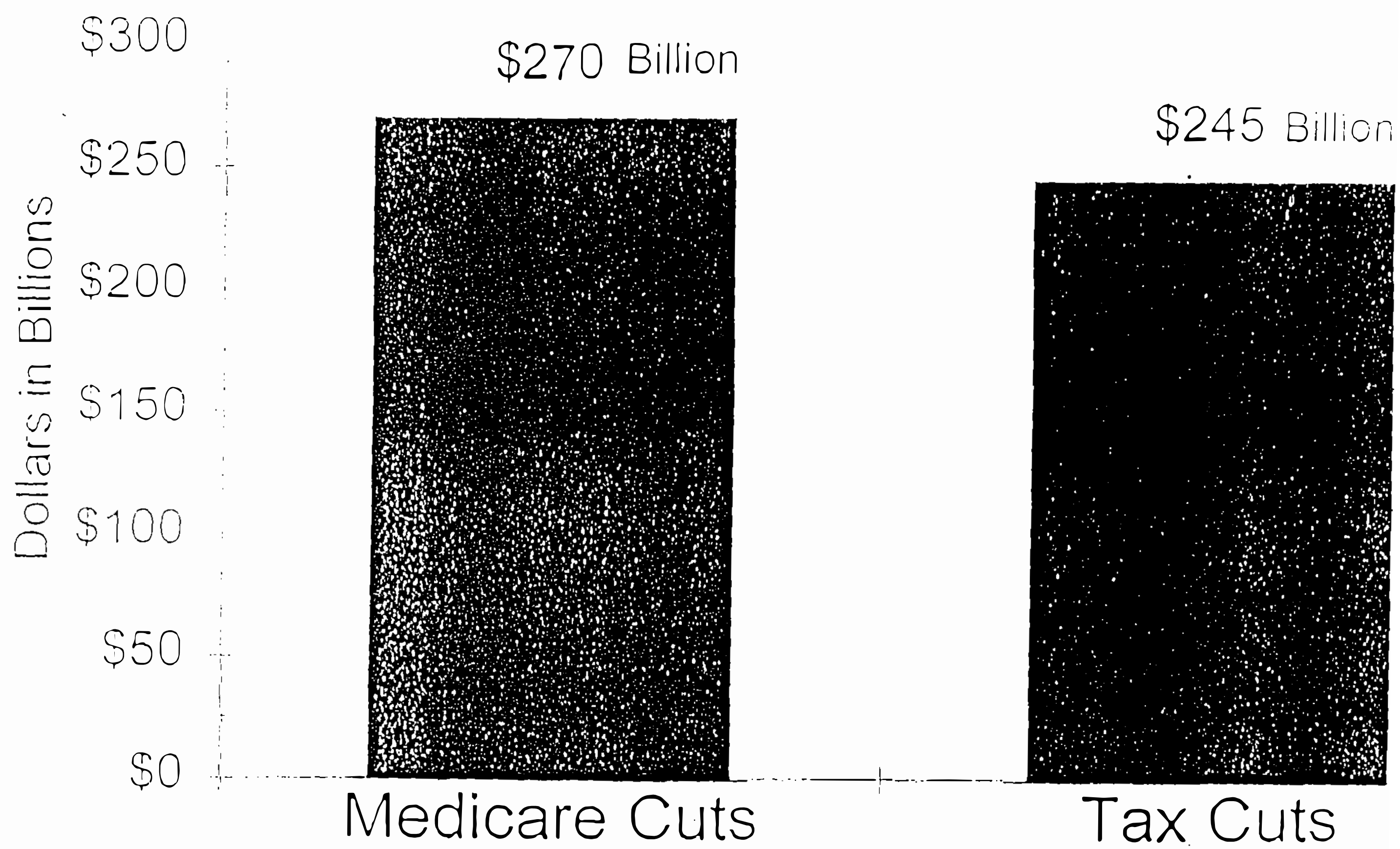
  - Accompany reductions in Medicare spending with: 1) new prevention and long-term care benefits; 2) more plan choices for beneficiaries; 3) aggressive pursuit of fraud and abuse; 4) insurance reform; and, 5) important new insurance affordability protections for small businesses and working families.

# Savings From Medicare Proposals 1996 - 2002



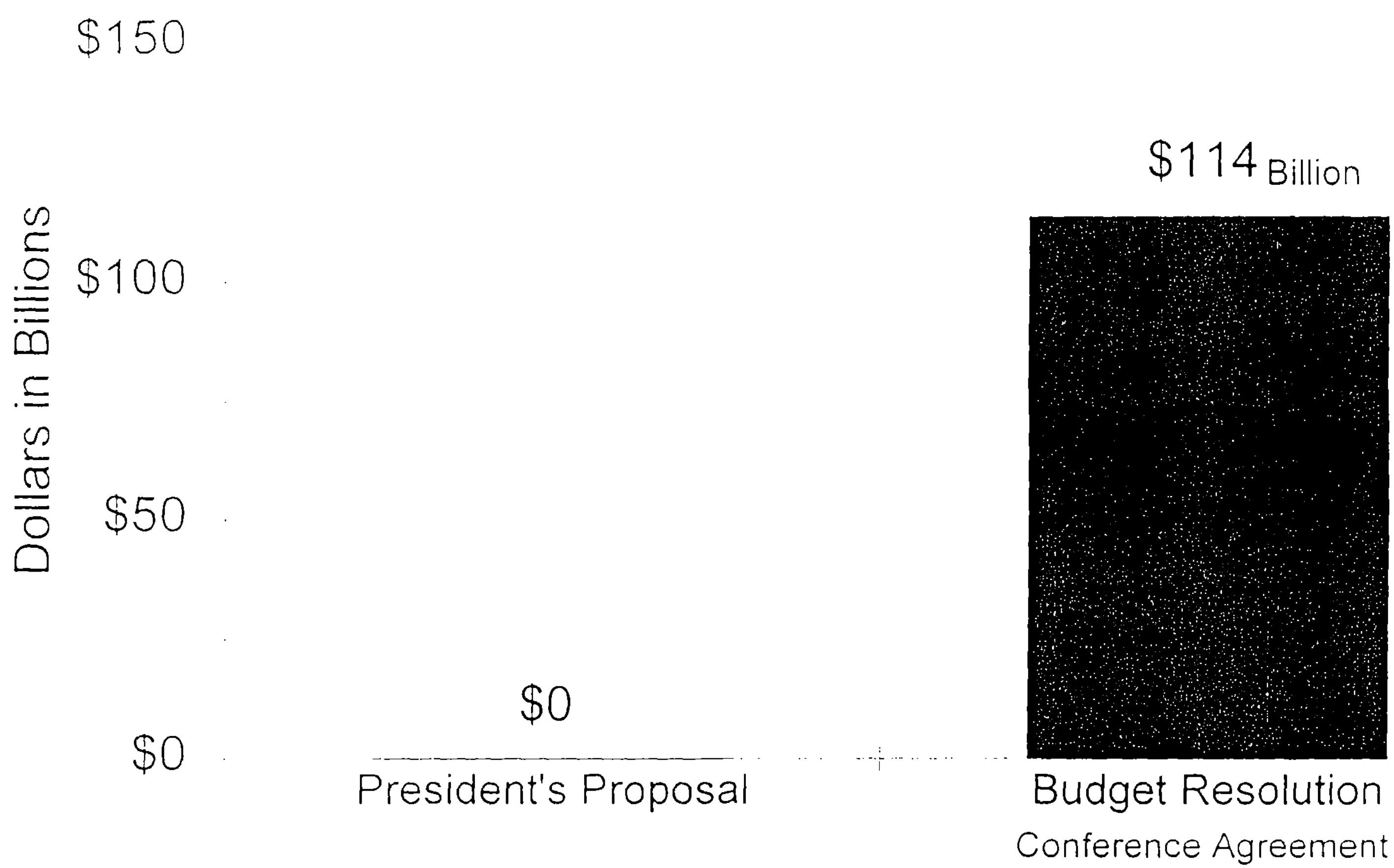

The President's Proposal includes the extenders that were previously incorporated in the President's Budget

# Cutting Medicare to Pay for Tax Cuts, 1996 - 2002



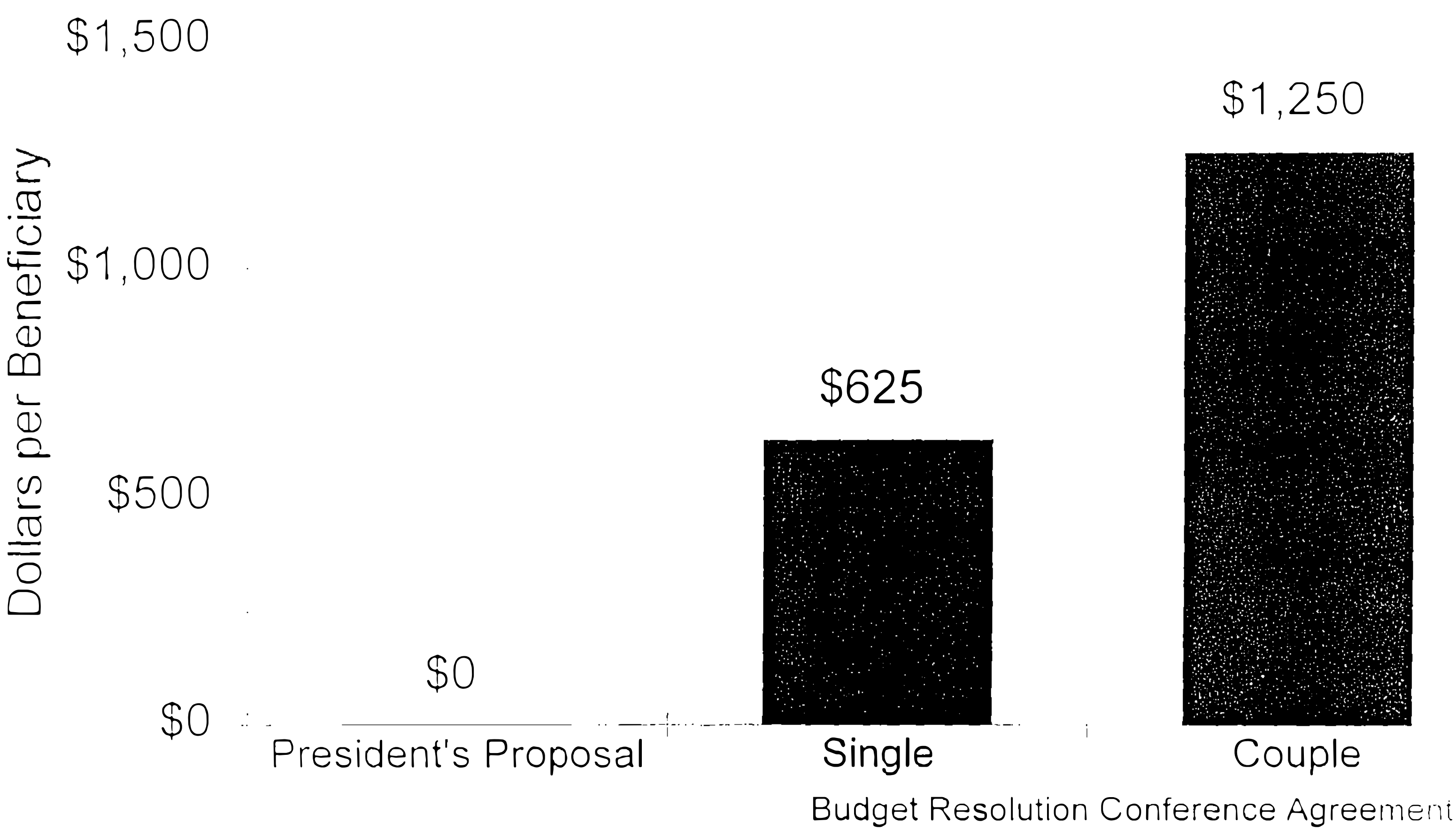

Conference Agreement estimates from CBO baselines

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



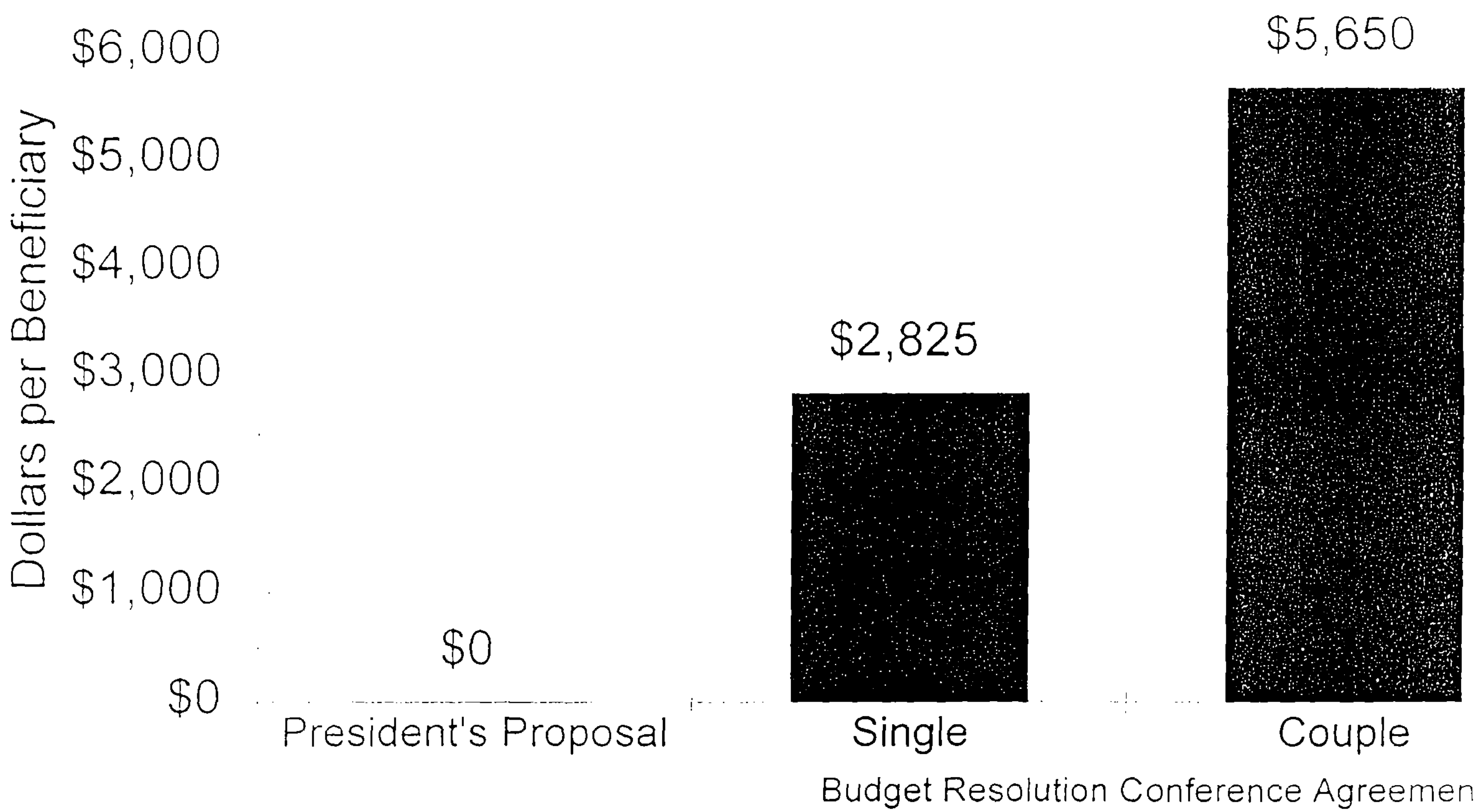

The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US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

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



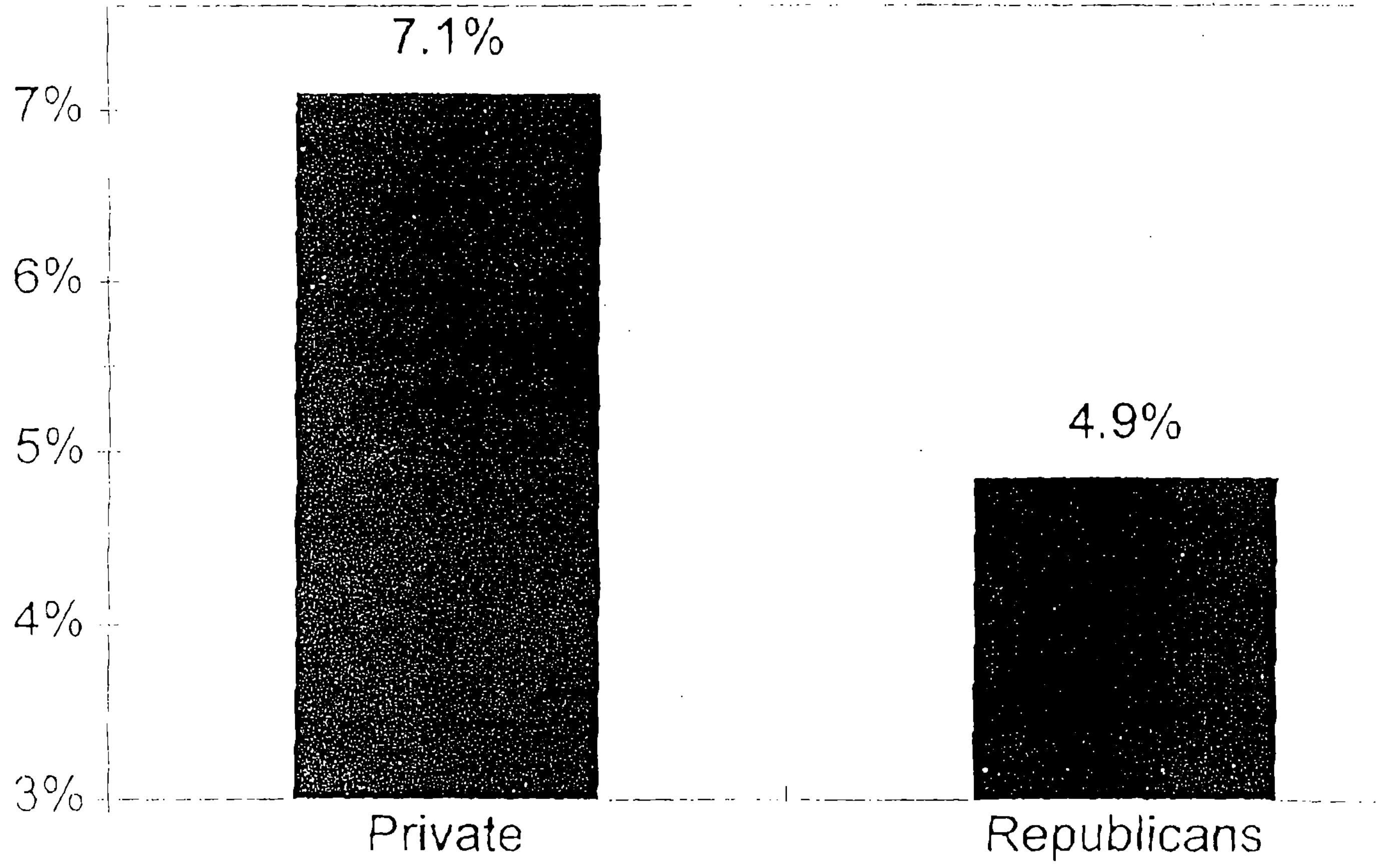

The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US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

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




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

# Private Sector Health Plan versus Republican Medicare Growth per Beneficiary, 1996-2002




All estimates are calculated by the Administration using CBO data.