Jeanne Lambrew
09/01/97 06:06:40 PM

Record Type: Record

To: Mark E. Miller/OMB/EOP

cc: Christopher C. Jennings/OPD/EOP
Subject: follow-up on MSR

I have been looking over the material you presented on Friday and have a couple questions.

Medicare:
First, on the basic baseline comparisons. I think that there is a mistake on page 3 of your handout. The middle box says that baseline spending for 97-02 is 1432.7. When I sum up the net mandatory spending for those years from the following page, I only get $1412.7. This would fix the weird effect that shows up in the third box: that the OMB baseline is higher in the first 5 years but lower over 10 -- with 1412, it is lower in both time periods. The post-BBA spending is affected, but it looks like the growth rates are ok.

About the growth rates: I thought that the convention is that we use gross per capitas and Part A enrollment as the denominator. This keeps it consistent (I think) with CBO when they have done this in the past.

I am still wondering about the managed care difference. Could I get the baseline detail on the MSR by service category (e.g., managed care, hospitals)?

Medicaid:
It looks like the baseline has only changed by less than $3 billion over 5 years. How much of this is DSH? I am kind of curious because in January, the OMB and CBO DSH baselines were only $2 billion different over 5 years, implying the the DSH savings would be quite similar if hte same offset were used. Plus, I am interested in a breakout of hte savings by type: how much for the cost sharing, FQHC, etc?

On the baseline comparison table, what did you assume about the beneficiaries in the post-BBA growth?

Finally, is the MSR document really going to contain two displays? Why not two displays in Medicare then (since there was a Medicaid interaction implicit in the $115 billion table)?

Thanks, Jeanne

EXPLANATION OF OMB AND CBO SCORING DIFFERENCES FOR BBA: MEDICARE

Medicare: Summary of OMB and CBO Scoring
FY 1998 - FY 2002

(OACT standalone estimates, OMB calculations of managed care interactions)

	CBO Scoring	OMB Scoring	OMB over CBO
Managed Care	$21.7 billion	$45.5 billion	$23.8 billion
Hospitals	$39.9 billion	$56.3 billion	$16.4 billion
Medicaid Cost Sharing	($4.4 billion)	($2.3 billion)	$2.1 billion
Part B Premiums	$14.8 billion	$16.3 billion	$1.5 billion
SNF/Hospice	$9.7 billion	$10.4 billion	$0.7 billion
Home Health	$16.2 billion	$16.7 billion	$0.5 billion
Physicians	$4.9 billion	$5.3 billion	$0.4 billion
Fraud and Abuse	$0.1 billion	$0.3 billion	$0.2 billion
Other Policies	($1.7 billion)	($1.8 billion)	($0.1 billion)
MSP	$7.9 billion	$6.8 billion	($1.1 billion)
New Benefits	($3.9 billion)	($6.5 billion)	($2.6 billion)
Other Part B	$6.9 billion	$3.0 billion	($3.9 billion)
Total	$112.1 billion	$149.8 billion	$37.7 billion

- What is the difference between OMB and CBO scoring of the BBA Medicare provisions?

  OMB (the HCFA Actuaries) scored $149.8 billion in savings over five-years and $513.0 billion in savings over ten-years to the BBA Medicare policies. CBO scored the same policies at $112.1 billion ($37.7 billion less than OMB) over five-years and $386 billion ($127 billion less than OMB) over ten-years.

- Compare OMB savings to the savings in the Vetoed 1995 Conference Agreement.

  The initial seven year savings (FY96-FY02) attributable to the vetoed 1995 Conference Agreement, as scored by CBO, totaled $226.8 billion. Adjusting those policies forward, OMB estimates that the Conference Agreement would have reduced CBO's Medicare baseline by 17 percent, or $336.7 billion, over the seven-year period FY98-FY04. By contrast, the savings over the same seven-year period attributable to the BBA policies will reduce the OMB baseline by only 14 percent, or $270.3 billion.

- Explain the difference between OMB and CBO scoring.

The bulk of the difference occurs in the estimates for Medicare+Choice and hospitals.

Medicare+Choice. OMB scores $23.8 billion more savings to Medicare+Choice than does CBO ($45.5 billion from OMB vs. $21.7 billion from CBO). Disagreement about the effects of the BBA's mandated risk adjustment of Medicare+Choice payments accounts for $10 billion of this difference: OMB scores $10 billion in savings to this provision, while CBO scores no savings. Most of the remaining difference can be explained by larger OMB savings from fee-for-service providers. Due to the link between fee-for-service growth and Medicare+Choice payments every cut to a fee-for-service provider also results in a cut in managed care payments. Thus, OMB's higher level of fee-for-service savings automatically results in a higher level of managed care savings.

Hospitals. OMB scores $16.4 billion higher savings from the hospital provisions than does CBO ($56.3 billion from OMB vs. $39.9 billion from CBO). CBO and OMB scoring differed significantly for 4 of the approximately 20 hospital policies in the BBA:

-- *The PPS update* (+$5.7 billion over CBO). OMB assumes a higher hospital market basket than CBO, thus achieves more savings from a freeze in hospital payments than CBO (savings from a freeze are equal to the hospital market basket).

-- *PPS capital* (+$1.9 billion over CBO). CBO appears to attribute a higher percentage of their hospital baseline to operating costs than OMB, thus a capital cut achieves lower savings off of their baseline.

-- *Hospital Transfers* (+$3.9 billion over CBO). The final BBA policy was limited to 10 DRGs for two years. OMB assumes that this policy will be expanded beyond 10 DRGs after two years, whereas CBO believes that the policy will remain limited for a longer period of time.

-- *Graduate Medical Education* (+$3.1 billion over CBO). The main focus of the GME policy is a cap on residents. OMB assumes that resident slots will grow by between 3-4 percent per year while CBO assumes a growth rate of approximately 2 percent. Thus, OMB achieves more savings.

DRAFT

MEDICARE GROWTH RATES

Comparison of OMB and CBO BBA Impacts on Net and Per Capita Spending

Five and Ten Years, All Mandatory Outlay, $s in billions

CBO January Baseline	FY 1997 - FY 2002	FY 1997 - FY 2007
Baseline Spending	1,418.5	3,290.7
Spending Growth	*8.8%*	*8.6%*
Per Capita Growth	*7.5%*	*7.2%*
Post-BBA Spending	1,306.4	2,904.4
Spending Growth	*5.6%*	*7.1%*
Per Capita Growth	*4.3%*	*5.6%*
Spending Difference	(112.1)	(386.3)
Spending Growth (pct pt)	*(3.3)*	*(1.6)*
Per Capita Growth (pct pt)	*(3.3)*	*(1.5)*

OMB FY 1998 MSR Baseline	FY 1997 - FY 2002	FY 1997 - FY 2007
Baseline Spending	1,432.7	3,262.8
Spending Growth	*8.9%*	*8.7%*
Per Capita Growth	*7.6%*	*7.2%*
Post-BBA Spending	1,282.9	2,749.0
Spending Growth	*4.9%*	*6.2%*
Per Capita Growth	*3.6%*	*4.8%*
Spending Difference	(149.8)	(513.8)
Spending Growth (pct pt)	*(4.0)*	*(2.5)*
Per Capita Growth (pct pt)	*(4.0)*	*(2.5)*

OMB/CBO Difference, Pct. Point	FY 1997 - FY 2002	FY 1997 - FY 2007
Baseline Spending	14.2	(27.9)
Spending Growth	*0.1*	*0.1*
Per Capita Growth	*0.1*	*0.1*
Post-BBA Spending	(23.5)	(155.4)
Spending Growth	*(0.7)*	*(0.9)*
Per Capita Growth	*(0.7)*	*(0.9)*
Spending Difference	(37.7)	-127.5
Spending Growth (pct pt)	*(0.8)*	(1.0)
Per Capita Growth (pct pt)	*(0.7)*	(0.9)

MEDICARE: Comparison of 1995 Conference Agreement (CBO) and 1997 BBA (OACT) Seven Year Scoring DRAFT

(fiscal year, dollars in billions)

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Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total FY96-FY02	Total FY98-FY04
CBO – SEVEN YEAR SAVINGS FROM 1995 VETOED CONFERENCE AGREEMENT												
Net Mandatory Outlays, CBO 12/95 /1	157.0	176.6	194.9	213.1	233.3	254.7	278.3	303.7	328.3	356.5	1,654.8	1,967.9
Growth	-	*12.5%*	*10.4%*	*9.3%*	*9.5%*	*9.2%*	*9.3%*	*9.1%*	*8.1%*	*8.6%*	*9.8%*	*9.0%*
Per Capita	$ 4,180	$ 4,632	$ 5,039	$ 5,448	$ 5,897	$ 6,363	$ 6,872	$ 7,415	$ 7,922	$ 8,496		
Growth	-	*10.8%*	*8.8%*	*8.1%*	*8.2%*	*7.9%*	*8.0%*	*7.9%*	*6.8%*	*7.2%*	*8.5%*	*7.7%*
Net Medicare Cut /2	-	6.4	13.8	22.8	34.2	41.8	50.0	57.8	62.4	67.7	[redacted]	
Percent of Baseline	-	*3.6%*	*7.1%*	*10.7%*	*14.7%*	*16.4%*	*18.0%*	*19.0%*	*19.0%*	*19.0%*		
Revised Net Mandatory Outays	157.0	170.2	181.1	190.3	199.1	212.9	228.3	245.9	265.9	288.8	1,427.8	1,631.2
Growth	-	*8.4%*	*6.4%*	*5.1%*	*4.6%*	*6.9%*	*7.2%*	*7.7%*	*8.1%*	*8.6%*	*6.6%*	*6.9%*
Per Capita	$ 4,180	$ 4,464	$ 4,683	$ 4,865	$ 5,032	$ 5,319	$ 5,637	$ 6,004	$ 6,417	$ 6,882		
Growth	*0.0%*	*6.8%*	*4.9%*	*3.9%*	*3.4%*	*5.7%*	*6.0%*	*6.5%*	*6.9%*	*7.2%*	*5.3%*	*5.7%*
Spending Growth Rate Change	-	*(4.1)*	*(4.0)*	*(4.3)*	*(4.9)*	*(2.2)*	*(2.0)*	*(1.4)*	*0.0*	*0.0*	*(3.3)*	*(2.1)*
Per Capita Growth Rate Change	-	*(4.0)*	*(3.9)*	*(4.2)*	*(4.8)*	*(2.2)*	*(2.0)*	*(1.4)*	*0.0*	*(0.0)*	*(3.2)*	*(2.1)*
OACT – SEVEN YEAR SAVINGS FROM 1997 BBA												
Net Mandatory Outlays, OACT FY 98 MSR	159.8	174.2	187.8	204.7	224.0	243.6	264.9	287.8	312.4	339.0	1,586.9	1,876.4
Growth	-	*9.0%*	*7.8%*	*9.0%*	*9.4%*	*8.8%*	*8.7%*	*8.7%*	*8.6%*	*8.5%*	*8.8%*	*8.6%*
Per Capita	$ 4,254	$ 4,569	$ 4,856	$ 5,233	$ 5,661	$ 6,087	$ 6,541	$ 7,027	$ 7,539	$ 8,079		
Growth	-	*7.4%*	*6.3%*	*7.8%*	*8.2%*	*7.5%*	*7.5%*	*7.4%*	*7.3%*	*7.2%*	*7.4%*	*7.5%*
Net Medicare Cut	-	-	-	8.7	18.7	31.4	41.3	49.6	56.5	64.1	[redacted]	
Percent of Baseline	-	-	-	*4.2%*	*8.4%*	*12.9%*	*15.6%*	*17.2%*	*18.1%*	*18.9%*		
Revised Net Mandatory Outays	159.8	174.2	187.6	196.0	205.2	212.2	223.5	238.2	256.0	274.9	1,437.2	1,606.1
Growth	*0.0%*	*9.0%*	*7.8%*	*4.4%*	*4.7%*	*3.4%*	*5.4%*	*6.6%*	*7.5%*	*7.4%*	*5.9%*	*5.6%*
Per Capita	4,254	4,569	4,856	5,012	5,188	5,301	5,520	5,816	6,176	6,552		
Growth	*0.0%*	*7.4%*	*6.3%*	*3.2%*	*3.5%*	*2.2%*	*4.1%*	*5.4%*	*6.2%*	*6.1%*	*4.6%*	*4.4%*
Spending Growth Rate Change	-	-	-	*(4.6)*	*(4.7)*	*(5.4)*	*(3.4)*	*(2.1)*	*(1.1)*	*(1.1)*	*(2.8)*	*(3.2)*
Per Capita Growth Rate Change	-	-	-	*(4.6)*	*(4.7)*	*(5.3)*	*(3.3)*	*(2.1)*	*(1.1)*	*(1.1)*	*(2.8)*	*(3.2)*
Enrollment	37.6	38.1	38.7	39.1	39.6	40.0	40.5	41.0	41.4	42.0		

Notes:

1/ FY 03 and FY 04 CBO 12/95 baseline grown by growth rates for those years in the 1/97 CBO baseline

2/ FY and FY 04 savings amounts are estimated as the same baseline reduction from FY 02 (19 percent).

All per capitas are calculated using OACT's unduplicated count of beneficiaries.

(4)

Questions & Answers on Medicaid and Children's Health in the Mid-Session Review

- What are the differences in OMB and CBO scoring of the Medicaid provisions?

  Net Medicaid savings from the BBA are $14 billion over five years under CBO scoring and $8.8 billion over five years under OMB scoring. The scoring of four policies (DSH, Boren Amendment, FQHC reimbursement, and Medicaid rates for Medicare cost sharing) contribute to most of the difference in the savings estimates. In general, the savings are lower under OMB scoring because the OMB Medicaid baseline is lower than the CBO baseline.

- Explain the Children's Health estimates.

  Both OMB and CBO scored the Children's Health provisions with $24 billion in costs over five years. Of the $24 billion, roughly $20 billion is for grants to States for the new program and $4 billion is from Medicaid interactions with the new program.

- Why are five-year Medicaid savings $0 in the Mid-Session Review?

  The Balanced Budget Agreement format was a convenient way for the Administration and Congress to track the major categories of spending and savings during the budget negotiations. In addition to the Medicaid savings policies, many other parts of the budget (e.g., changes for immigrants and Veterans' programs) affected Medicaid indirectly. At the time, these effects were tracked separately.

  When you shift to a more traditional budget accounting structure, with all of the changes to Medicaid tracked on a unified basis, OMB estimates that the total net effect on the Medicaid baseline will be $0 over five years. CBO would estimate that the total net effect on the Medicaid baseline would be approximately $7.2 billion in savings over the same period.

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Medicaid and Children's Health
(Costs/Savings, $ in Billions)

	Budget Agreement		CBO Scoring of BBA		OMB Scoring of BBA	
	98-02	98-07	98-02	98-07	98-02	98-07
Medicaid	-13.6	-65.5	-14.0	-48.0	-8.8	-31.0
Children's Health	16.0	38.9	23.9	48.1	24.3	51.5
Medicaid Immigrants	1.7	3.0	2.0	3.5	3.5	8.0
VA-Medicaid Costs	1.1	1.1	1.1	1.1	1.2	1.2

- The Budget Agreement called for net Medicaid savings of $13.6 billion over five years. CBO scored net Medicaid savings of $14.0 over five years from the BBA. OMB (the HCFA Actuaries) scored net Medicaid savings of $8.8 billion over five years.

- Four Medicaid savings proposals contribute to most of the difference in OMB and CBO scoring. Because the OMB Medicaid baseline is lower than the CBO baseline, the HCFA Actuaries assume less savings from: the new disproportionate share hospital (DSH) payment limits; the repeal of the Boren Amendment; the elimination of 100 percent of cost reimbursement for Federally-qualified Health Centers; and allowing States to pay Medicaid rates for Medicare cost-sharing obligations.

- OMB and CBO scoring of the Children's Health proposals is roughly the same. Of the $24 billion in spending on children's health over five years, approximately $20 billion is for grants to States and approximately $4 billion is from increased Medicaid spending related to children's health. The Budget Agreement called for $16 billion in spending over five years. The BBA included a tobacco tax, which increased spending on Children's Health to $24 billion over five years.

- The FY 1998 Mid-Session Review will include OMB scoring of Medicaid and Children's Health provisions in the BBA. Medicaid and Children's Health scoring will be displayed two different ways in the document. The document will show savings and spending that match the categories outlined in the Budget Agreement. The document will also show a total Medicaid savings estimate that includes the effects of all of the BBA proposals (Medicaid, Children's Health, Immigration, and Veterans' proposals) on Medicaid.

- The following tables show the two ways Medicaid savings will be displayed.

Display Similar to the Budget Agreement (Costs/Savings, $ in Billions)

	1998- 2002	1998-2007
Net Medicaid Savings	-8.8	-31.0
Children's Health*	24.3	51.5
Immigration (total will include Medicaid and SSI costs)	total will include 3.5 in Medicaid	total will include 8.0 in Medicaid
Net Savings from Veterans' Proposals (total will include VA savings and Medicaid costs)	total will include 1.2 in Medicaid	total will include 1.2 in Medicaid

* Children's Health total includes $4 billion in Medicaid costs over five years, and $11.8 billion over ten years.

Display Showing a Comprehensive Medicaid Total (Costs/Savings, $ in Billions)

	1998-2002	1998-2007
Total Medicaid Savings	0.0	-10.0
Children's Health	20.3	39.7

Medicaid Baseline Comparison - OMB and CBO Post-Reconciliation Baselines
(Fiscal Years, $ in Billions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total 98-02	Growth 97-02	Total 98-07	Growth 97-07
OMB Baseline															
FY 1998 Mid-Session Review Baseline	97.5	103.7	110.7	119.2	128.6	138.6	150.3	163.1	177.3	192.5	209.0	600.8		1,493.0	
Growth		6.3%	6.8%	7.6%	7.9%	7.8%	8.4%	8.5%	8.7%	8.5%	8.6%		7.3%		7.9%
Total Medicaid Effects of 1997 BBA*	0.0	1.1	0.7	-0.1	-0.7	-1.1	-1.6	-1.8	-2.0	-2.1	-2.3	0.0		-10.0	
FY 98 MSR "Post-BBA" Baseline	97.5	104.8	111.5	119.0	127.9	137.6	148.7	161.3	175.3	190.3	206.7	600.7		1,483.0	
Growth		7.4%	6.4%	6.8%	7.5%	7.5%	8.1%	8.5%	8.7%	8.6%	8.6%		7.1%		7.8%
CBO Baseline															
January 1997 CBO Baseline	98.6	105.3	113.6	122.9	132.8	143.8	155.9	168.7	183.1	198.9	216.2	618.4		1,541.2	
Growth		6.8%	7.9%	8.1%	8.1%	8.3%	8.4%	8.2%	8.6%	8.6%	8.7%		7.8%		8.2%
Total Medicaid Effects of 1997 BBA *	0.0	0.6	-0.4	-1.4	-2.9	-3.7	-4.5	-5.2	-5.8	-6.7	-7.7	-7.7		-37.7	
CBO "Post-BBA" Baseline	98.6	105.9	113.2	121.4	129.9	140.1	151.3	163.5	177.3	192.2	208.6	610.6		1,503.5	
Growth		7.4%	6.9%	7.3%	7.0%	7.9%	8.0%	8.1%	8.4%	8.4%	8.5%		7.3%		7.8%

*Includes Medicaid effects of Children's Health, Welfare, Medicare, and Veterans' Provisions

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The Kaiser Commission on

THE FUTURE OF MEDICAID

A Comparison of the Medicaid Provisions in the House and Senate Versions of the Balanced Budget Act of 1997 (H.R. 2015/S. 947) with Current Law

Prepared by

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July 1997

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DATE: 5-10-97 TIME: 12:00 noon.

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I am faxing comments to HBC and Minority SBC.

Comments on May 9, Draft: Bipartisan Budget Agreement

SBC Majority Staff

The big issues that appear in the draft seem to be ones we were aware of last Thursday:

(1) CBO economics versus OMB/CBO modified economics.

(2) Exempt immigrants with deceased sponsors from the ban.

(3) Superfund orphan share mandatory assumption.

(4) Medicaid expansion to cover low-income Medicare premiums.

(5) Food stamp number $2.5 versus $1.5 billion.

(6) Revenue discussion.

(7) Budget Process items. Particularly one bill versus two bills.

Specific comments, edits written on draft, except where noted here.

Note # 1. Page 1, # 8. Technical and procedural issue has been identified on two separate reconciliation bills in the Senate and conference report on the second reconciliation tax bill. Because of the Byrd rule, a bill can not on its own add to the deficit in the outyears. The second tax cut reconciliation -- permanent beyond 2002, would result in a 60 vote point of order as would the conference report on the second bill.

Three options to now consider: (1) only one reconciliation bill, permanent spending reductions and permanent tax cuts would not add to the deficit in outyear, (2) two reconciliation bills, but the spending increasers in the first bill would have to be included in the second bill, however, on the face of it the spending increasers do not offset the tax cuts over the last 5 years, therefore, still likely to have a 60 vote point of order, (3) secure unanimous consent before proceeding to consider second tax cut reconciliation bill to waive the Byrd rule for both the second bill in the Senate and the conference report. Option 3 unlikely to secure.

Note #2. Page 4. Chairman Kasich and Domenici now have been advised of the proposed OMB modification to the CBO "revenue surprise". At this time,

we would like to go back to the CBO "revenue adjustment" with the commensurate debt service added (or more correctly subtracted) from the March baseline economics. Other adjustments would be the .04% formula bias for the GDP deflator, and the agreed on CPI administrative adjustment assumptions.

For us to not use adjusted CBO economics at this time, would be very difficult, thought we are aware of the deficit pattern problems that might result.

Note #3. Page 23, I am very confused on the Medicaid net and gross number. For many weeks we have been carrying a gross Medicaid number of $16 billion. I believe it would be wise to show the gross and net Medicaid numbers in a table.

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BIPARTISAN BUDGET AGREEMENT
May 9, 1997

COMMENTS FROM
SBC MAJORITY
STAFF 5/10/97
Bill Hoagland.

BIPARTISAN BUDGET AGREEMENT BETWEEN THE PRESIDENT AND THE LEADERSHIP OF CONGRESS

1. The elements of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to result in a Balanced Budget by fiscal year 2002.

2. The Bipartisan Budget Agreement is approved by the President, and Leadership of Congress [insert leadership position titles].

3. The President and the Leadership of Congress will carry out this agreement. This represents commitments to good faith efforts; it does not purport to amend or suspend rules of the House or Senate; nor does it in any way affect Constitutional powers and prerogatives of the parties.

4. The President and the Congressional Leadership agree to engage in a coordinated effort seeking to enact the Bipartisan Budget Agreement. Their coordinated effort shall seek to produce support for the Agreement by a majority of both Democrats and Republicans in both the House and the Senate.

5. The following procedures will be utilized to implement this agreement: Congressional implementation will follow, as much as possible, the regular budget and legislative procedures. The House and Senate Budget Committees will each report a concurrent [resolution or resolutions] on the budget for fiscal year 1998 consistent with this budget agreement. The budget resolution(s) will contain reconciliation instructions necessary to implement the budget agreement and 602(a) allocations consistent with this budget agreement. The House and Senate Committees with jurisdiction over matters necessary to implement the agreement will be responsible for developing allocations, legislation, and budget levels consistent with this budget agreement. Regular House and Senate procedures applicable to the consideration of budget resolutions, appropriations bills, reconciliation legislation, and other measures will apply.

6. Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill, and not before presentment of the FY 1998 appropriations bills. ISSUE: SEE NOTE #1 ATTACHED.

7. Agreed-upon budget levels are shown on the tables included in this agreement, including Deficit Reduction levels, major category levels for discretionary, mandatory, user fees, and tax and receipt changes.

~~8. Funding will be provided in the FY 1997 Bosnia and disaster supplemental at agreed levels without the McCain automatic CR amendment or other objectionable provisions.~~

9. Discretionary priority spending will be protected in the amounts and in the manner as set forth in this agreement.

10. Agreed budget process items will be included in the budget resolutions (as appropriate) and reconciliation, and are set forth in the budget process description included in this Agreement, and will be included if -- in the Senate -- unanimous consent can be reached to waive supermajority points of order that would lie against provisions.

~~11. An increase in the debt limit sufficient to extend the limit to fiscal year 2002 will be included in the reconciliation bills carrying out this Agreement.~~

(NOTE: NO MORE NO LESS THAN REGULAR PROCESS)

12. Both Houses shall pass the 1998 budget resolution(s) with ~~detailed~~ reconciliation instructions fully reflecting the Bipartisan Budget Agreement ~~and no other matters~~. Such budget resolution(s) shall instruct appropriate Committees to report, with or without a recommendation, all legislation necessary to implement fully this Agreement. Byrd rule provisions will be strictly enforced.

13. The Bipartisan Budget Agreement shall be fully legislated (except for appropriations) through reconciliation bills as specified in the budget resolution. (Note: May not be possible if -- in Senate -- agreements can not be reached to waive supermajority points of order.)

14. Throughout Congressional consideration of the budget resolution(s), reconciliation and appropriations bills, including consideration in conference, each bill and conference report shall be reviewed by the parties to this Agreement to assure its consistency with the Bipartisan Budget Agreement. If it is deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include Leadership amendments as necessary.

15. Conference Reports on the reconciliation bills that fully reflect the Bipartisan Budget Agreement shall be voted in both houses of Congress.

16. Conference reports on all appropriations bills consistent with the Bipartisan Budget Agreement shall be voted in both houses.

17. All effort will be exercised to exclude ~~Other~~ other mandatory* savings unacceptable to the Administration as so identified in official Administration announcements, letters, SAP's or other communications ~~such as ANWR and EITC, and appropriations riders unacceptable to the Administration, such as endangered species and labor matters, will not be included in bills or resolutions carrying out this agreement.~~

18. The parties to this Agreement shall work together to support all amendments and provisions consistent with the Agreement and to oppose ~~all~~ amendments and provisions inconsistent with the Agreement.

19. The budget resolution report or print will contain an addendum that sets forth this Agreement, if completed in a timely manner.

(Note: Material would not be germane in a Budget Resolution; print or report ... but not B.R.)

Agreement Levels
(In billions of dollars)

	1997	1998	1999	2000	2001	2002
Outlays:						
Discretionary:						
Defense..................	267.5	263.8	266.5	269.0	270.7	275.1
Nondefense............	281.0	286.6	293.8	295.4	294.1	289.5
Subtotal, discretionary..	548.5	550.4	560.3	564.4	564.8	564.7
Mandatory:						
Medicare....................	188.6	198.7	210.7	225.1	231.8	248.8
Medicaid.....................	98.6	105.7	112.6	120.9	129.6	139.1
Children's health.........	--	2.3	2.7	3.2	3.7	3.9
Other.........................	538.7	582.2	618.3	655.6	676.7	703.7
Subtotal, mandatory......	825.9	889.0	944.3	1,004.9	1,041.9	1,095.4
Net interest..................	246.8	249.2	253.2	249.0	242.5	237.3
Total outlays....................	1,621.2	1,688.6	1,757.8	1,818.3	1,849.2	1,897.3
Receipts..........................	1,550.2	1,588.7	1,658.1	1,736.8	1,814.5	1,897.3
Deficit(-)/surplus..............	-71.1	-100.0	-99.8	-81.5	-34.7	0.0

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* ISSUE: SEE NOTE —
NEED TO REVISE NOW
TO CBO ONLY.

Agreement: Changes From Baseline
(in billions of dollars)

	1997	1998	1999	2000	2001	2002	'98-'02
Current Services Deficit	112.2	134.9	155.9	172.3	148.3	162.7	
CBO revenue adjustment	-40.0	-29.5	-38.4	-40.5	-41.6	-42.8	-190.7
Other adjustments	-0.3	-0.9	-1.6	-5.8	-7.7	-11.7	-27.7
Related debt service	-0.9	-3.3	-5.4	-7.7	-10.1	-13.0	-39.5
Revised baseline	71.1	101.2	112.4	118.4	88.8	95.2	
Discretionary savings							
Defense	--	-6.0	-9.9	-17.9	-18.3	-25.6	-77.8
Nondefense	--	-1.5	-2.2	-8.5	-17.7	-31.1	-61.2
Subtotal, discretionary savings	--	-7.5	-12.2	-26.4	-36.0	-56.8	-138.9
Mandatory savings							
Medicare, net	--	-6.8	-15.0	-24.4	-29.3	-39.5	-115.0
Medicaid, net	--	0.0	-1.4	-2.3	-3.5	-5.0	-12.1 ←
Other mandatory savings:							
Spectrum	--	--	-3.0	-4.0	-5.7	-13.6	-26.3
Other	--	-1.5	-1.9	-2.2	-2.0	-2.3	-9.9 ← OTHER ITEMS TO BE [illegible]
Subtotal, mandatory savings	--	-8.3	-21.3	-32.8	-40.5	-60.6	-163.4
Debt service, net	--	-0.0	-0.4	-1.7	-3.9	-7.6	-13.6
Subtotal, savings proposals	--	-15.8	-33.9	-61.0	-80.4	-124.7	-316.8
Domestic initiatives	--	5.6	6.2	6.8	6.3	6.5	31.4 ← ISSUE.
Net tax cut	--	9.0	15.0	17.3	19.9	23.0	84.2 ← ISSUE # AND STREAM
Total changes	--	-1.3	-12.7	-36.9	-54.2	-95.2	-200.2
Resulting deficit/surplus (-)	71.1	100.0	99.8	81.5	34.7	-0.0	

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Agreement: Long Range Summary, 1997-2007
(in billions of dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'98-'02	'98-'07
Current Services Deficit...............	71.1	101.2	112.4	118.4	88.8	95.2	93.2	97.0	119.6	115.1	111.5		
Discretionary savings:													
Defense..................................	--	-6.0	-9.9	-17.9	-18.3	-25.6	-23.7	-23.6	-25.1	-27.8	-30.0	-77.8	-208.0
Nondefense..............................	--	-1.5	-2.2	-8.5	-17.7	-31.1	-36.4	-39.8	-42.6	-45.1	-47.5	-61.2	-272.5
Subtotal, discretionary savings.....	--	-7.5	-12.2	-26.4	-36.0	-56.8	-60.1	-63.5	-67.7	-72.9	-77.4	-138.9	-480.6
Mandatory savings:													
Medicare, net..........................	--	-6.8	-15.0	-24.4	-29.3	-39.5	-44.2	-49.9	-58.1	-64.7	-71.8	-115.0	-403.7
Medicaid, net..........................	--	0.0	-1.4	-2.3	-3.5	-5.0	-5.7	-6.5	-7.7	-8.8	-10.5	-12.1	-51.3
Other mandatory													
Spectrum............................	--	--	-3.0	-4.0	-5.7	-13.6	-3.0	-0.9	-0.8	-0.7	-0.6	-26.3	-32.3
Other..................................	--	-1.5	-1.9	-2.2	-2.0	-2.3	-1.1	-1.2	-1.3	-1.3	-1.4	-8.9	-16.3
Subtotal, mandatory savings........	--	-8.3	-21.3	-32.8	-40.5	-60.5	-54.1	-58.5	-67.9	-75.5	-84.3	-163.4	-503.6
Debt service, net......................	--	-0.0	-0.4	-1.7	-3.9	-7.5	-12.0	-16.6	-21.8	-27.8	-34.5	-13.5	-128.2
Subtotal, savings proposals.........	--	-15.8	-33.9	-61.0	-80.4	-124.7	-126.2	-138.6	-157.4	-176.1	-196.3	-326.7	-1,007.1
Domestic initiatives....................	--	5.6	6.2	6.8	6.3	6.5	6.8	6.9	7.2	7.3	7.8	31.4	67.4
Net tax cut.............................	--	9.0	15.0	17.3	19.9	23.0	25.8	31.0	33.1	37.7	37.7	84.2	249.5
Total changes...........................	--	-1.3	-12.7	-36.9	-54.2	-95.2	-93.6	-100.7	-117.1	-131.1	-150.8	-200.2	-793.4
Resulting deficit/surplus (-)..........	71.1	100.0	99.8	81.5	34.7	-0.0	-0.3	-3.8	2.4 *	-16.9	-39.3		

* FY2005 has 13 benefit payment periods. Adjusted to normalize for 12 benefit payment periods, the FY2005 surplus would be $11.9 billion.

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Domestic Initiatives in Agreement
(In billions of dollars)

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	1997	1998	1999	2000	2001	2002	'98-'02	
Welfare reform:								
Assistance to immigrants:								
Elderly/disabled:								
Medicaid....................................	--	0.4	0.4	0.3	0.3	0.4	1.8	
SSI..	--	1.7	1.6	1.6	1.1	1.2	7.4	
Exempt immigrants with deceased sponsors from ban	--	0.0	0.0	0.0	0.1	0.1	0.2	ISSUE
Disabled kids (SSI only)................	--	0.1	0.1	0.1	0.1	0.1	0.3	
Refugees/asylees........................	--	0.0	0.0	0.0	0.0	0.0	0.2	
Subtotal, immigrants......................	--	2.3	2.2	2.1	1.6	1.8	9.9	
Food stamps:								
Add 190,000 work slots by 2002 for 18-50's..............................	--	0.3	0.4	0.4	0.4	0.5	2.0	#ISSUE KASICH
15% exemption for 18-50's..........	--	0.1	0.1	0.1	0.1	0.1	0.5	
Subtotal, food stamps.....................	--	0.4	0.5	0.5	0.5	0.6	2.5	
Welfare to work add to TANF.........	--	0.4	0.6	0.8	0.3	--	2.0	
Subtotal, welfare reform....................	--	3.1	3.3	3.3	2.4	2.4	14.4	
Children's Health..............................	--	2.3	2.7	3.2	3.7	3.9	16.0	ISSUE
Superfund orphan shares...............	--	0.2	0.2	0.2	0.2	0.2	1.0	
Subtotal, Domestic Initiatives.........	--	5.6	6.2	6.8	6.3	6.5	31.4	
Medicaid expansion to cover low-income Medicare premiums.	--	0.3	0.3	0.4	0.5	0.5	2.0	ISSUE
Total, Domestic Initiatives...............	--	5.9	6.5	7.2	6.8	7.0	33.4	

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Discretionary Policy by Category, FYs 1997 - 2002
(In millions of dollars)

	1997		1998		1999		2000		2001		2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Defense 1	265,846	267,539	269,000	263,823	~~270,500~~ 271,500	266,516	275,367	268,995	281,847	270,663	289,810	~~27[illegible],138~~ 274.1
Non-Defense Discretionary:												
International:												
International Organization Arrearages	--	--	415	120	1,227	969	242	98	--	117	--	139
Other International	18,081	19,164	19,038	19,179	18,601	18,842	18,533	18,809	18,348	18,505	18,216	18,442
Total, International	18,081	19,164	19,453	19,299	19,828	19,811	18,775	18,907	18,348	18,622	18,216	18,581
Domestic:												
Violent Crime Reduction Trust Fund (VCRTF):												
COPS program	1,420	784	1,545	1,693	1,546	1,736	315	1,691	--	931	--	295
Other programs	3,267	1,469	3,955	1,899	4,254	3,217	4,185	3,863	4,400	5,050	4,500	4,235
Total, VCRTF	4,687	2,253	5,500	3,592	5,800	4,953	4,500	5,554	4,400	5,981	4,500	4,530
Priorities	95,808	91,957	102,856	98,671	104,588	102,478	105,718	104,624	107,037	106,372	108,994	108,073
Other Discretionary	125,824	167,619	130,278	166,073	132,825	166,516	133,685	166,313	131,050	163,131	131,328	166,336
Total, Non-Defense Discretionary	244,400	280,993	258,087	286,535	263,041	293,768	262,678	285,398	260,835	294,106	263,038	289,522
Total Discretionary	510,246	548,532	527,087	550,358	533,541	560,274	538,045	584,393	542,682	564,769	552,848	564,660
Anomalies Included Above:												
International Organization Arrearages	--	--	415	120	1,227	969	242	98	--	117	--	139
Subsidized Housing	--	--	5,682	--	9,652	--	12,047	--	13,295	--	14,504	--
Fixed Assets:												
Up-Front Funding (Alternative):												
Defense	--	--	2,167	--	--	--	--	--	--	--	--	--
Non-Defense	--	--	161	--	197	--	145	--	44	--	20	--
Advance Appropriations	--	--	--	--	5,247	--	3,893	--	2,930	--	1,918	--
Total, Anomalies	--	--	8,425	120	16,323	969	16,327	98	16,280	117	16,449	139
Total Discretionary Less Anomalies	510,246	548,532	518,662	550,238	517,218	559,305	521,718	584,295	526,413	564,652	536,208	564,521

ISSUE

1 Assumes agreed ceiling for Defense outlays in all years.

OUTLAYS WITH BA (?)

NOTE: STILL MAKES RESOLUTION SUBJECT TO 60 VOTE PT. OF ORDER

7

Protected Non-Defense Discretionary Priority Functions

(dollars in billions)

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Implementing legislation will protect the function levels identified under the "FY 1998 Budget Agreement" heading below.

	1998 BA	1998 OL	1999 BA	1999 OL	2000 BA	2000 OL	2001 BA	2001 OL	2002 BA	2002 OL	Five-Year BA	Five-Year OL
1998 Budget -- (CBO Scoring):												
Function 150 -- International Affairs	23.0	19.3	20.1	19.9	19.1	19.1	18.8	18.9	18.8	18.9	99.8	96.2
Function 300 -- Environment	22.5	21.1	22.4	21.7	21.9	22.1	21.8	22.2	21.9	22.1	110.4	109.3
Function 400 -- Transportation	13.5	37.3	14.9	37.1	14.7	37.2	15.0	37.6	15.2	37.8	73.4	186.8
Function 500 -- Education, Training, etc.	46.5	43.2	47.5	46.4	48.5	47.5	49.5	48.5	50.4	49.6	242.4	235.2
Function 750 -- Justice	24.4	22.2	25.2	24.4	24.4	25.4	24.8	26.3	25.5	25.4	124.3	123.7
Other Functions	140.9	144.5	136.3	145.9	138.5	146.4	137.5	144.3	139.0	140.6	692.2	721.7
Total, FY 1998 Budget	270.8	287.5	266.4	295.4	267.1	297.8	267.4	297.7	270.8	294.5	1,342.5	1,472.9
1998 Budget Agreement:												
Function 150 -- International Affairs	19.5	19.3	19.8	19.8	18.8	18.9	18.3	18.6	18.2	18.6	94.6	95.2
Function 300 -- Environment	22.5	21.1	22.1	21.6	21.5	21.9	21.2	21.9	21.2	21.7	108.5	108.2
Function 400 -- Transportation [1]	13.5	37.6	14.9	38.4	14.7	38.9	15.0	39.3	15.2	39.6	73.4	193.8
Function 500 -- Education, Training, etc.	46.7	43.2	47.1	46.3	48.0	47.4	48.6	48.2	49.3	49.0	239.8	234.1
Function 750 -- Justice	24.4	22.2	24.8	24.3	24.0	25.2	24.2	25.9	24.7	24.9	122.1	122.5
Other Functions	131.6	143.2	134.2	143.4	135.7	143.1	133.5	140.2	134.3	135.7	669.3	705.6
Total, FY 1998 Agreement	258.1	286.5	263.0	293.8	262.7	295.4	260.8	294.1	263.0	289.5	1,307.7	1,459.3
1998 Budget Agreement less FY 1998 Budget:												
Function 150 -- International Affairs	-3.5 [2]	---	-0.3	-0.1	-0.3	-0.2	-0.5	-0.3	-0.6	-0.4	-5.2	-0.9
Function 300 -- Environment	---	---	-0.3	-0.1	-0.4	-0.2	-0.6	-0.3	-0.7	-0.4	-1.9	-1.1
Function 400 -- Transportation	---	0.3	---	1.4	---	1.7	---	1.8	---	1.8	---	7.0
Function 500 -- Education, Training, etc.	0.3	0.0	-0.3	-0.1	-0.5	-0.2	-0.9	-0.3	-1.1	-0.6	-2.6	-1.1
Function 750 -- Justice	---	---	-0.3	-0.2	-0.4	-0.2	-0.6	-0.4	-0.8	-0.5	-2.2	-1.2
Other Functions	-9.4	-1.3	-2.1	-2.5	-2.8	-3.3	-4.0	-4.1	-4.7	-4.9	-22.9	-16.1
Total, NDD	-12.7	-1.0	-3.4	-1.7	-4.4	-2.4	-6.6	-3.6	-7.7	-4.9	-34.8	-13.5

[1] Outlays are based on a $2 billion per year increase (for a total of $10 billion) in contract authority for highways. ( )

[2] Includes special treatment for NAB.

ISSUE: ADDITIONAL SPENDING FUNCTION 500 - FY1998(?)
ASSUMED ABSORBED WITHIN ALLOCATION.

8

Protected Priorities

Protection for these programs will be provided at the levels proposed in the President's FY 1998 Budget

Department of Commerce
National Institute of Standards and Technology (NIST) [redacted]

Department of Education
Education Reform (includes Technology Literacy Challenge Fund, GOALS 2000)
Bilingual and Immigrant Education
Pell [redacted]
America Reads Program (Third Grade Literacy)

Department of Energy
Energy Conservation

Department of Health and Human Services
Head Start [redacted]

Department of the Interior
National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers)

Department of Labor
Training and Employment Services, including Job Corps
[redacted]

Department of Treasury
Community Development Financial Institution Fund

Environmental Protection Agency
EPA Operating Program

Corporation for National and Community Service

[redacted]

Violent Crime Reduction Trust Fund, including COPS and Ounce of Prevention

Spectrum and Other Mandatory Savings in the Agreement 1/
(in millions of dollars)

	1998	1999	2000	2001	2002	98-02	98-07
Spectrum	—	-3,000	-4,000	-5,700	-13,600	-26,300	-32,300
Student loans	-394	-393	-304	-233	-439	-1,763	-1,996
Federal retirement:							
Increase agency CSRS contributions	-597	-591	-588	-582	-577	-2,933	-2,933
Increase employee contributions (revenues)	—	-214	-423	-571	-621	-1,829	-1,985
End transitional payment to Postal Service for Workers compensation	—	-25	-33	-32	-31	-121	-261
Subtotal, federal retirement	-597	-830	-1,042	-1,185	-1,229	-4,883	-5,179
Veterans:							
Allow VA to use refund offset to collect deficiency balances	-90	—	—	—	—	-90	-90
Round down monthly compensation benefits after applying COLA	-23	-51	-88	-101	-128	-391	-1,469
Mandatory administrative savings resulting from moving receipts to discretionary	-118	-123	-128	-133	-139	-641	-1,427
Extension of OBRA provisions for VA pensions 2/	—	-133	-211	-143	-190	-677	-1,868
Extend loan asset sale enhancement authority	-5	-5	-5	-5	-5	-25	-50
Extend higher loans fees and resale loss provisions (OBRA) and increase home loan fees for non-veterans	-11	-228	-227	-224	-218	-908	-1,993
Subtotal, veterans	-247	-540	-659	-606	-661	-2,733	-6,895
Other:							
Extend FHA assignment alternative	-136	-145	-147	-128	-110	-666	-1,126
Extend vessel tonnage fees	---	-49	-49	-49	-49	-196	-441
Lease excess SPR capacity	—	-1	-2	-4	-6	-13	-43
Raise unemployment trust fund ceilings	---	---	-200	-208	-216	-624	-621
Unemployment benefits integrity	-118	-158	-160	-162	-165	-763	-1,658
Earned income tax credit:							
Revenues	---	-3	-8	-8	-8	-27	-70
Outlays	—	-10	-28	-29	-30	-97	-262
Subtotal, EITC	---	-13	-36	-37	-38	-124	-332
Repeal appropriations under Smith Hughes	-1	-7	-7	-7	-7	-29	-64
Subtotal, other	-119	-179	-405	-418	-432	-1,553	-2,721
Total other mandatory savings	-1,493	-5,136	-6,606	-8,319	-16,540	-38,094	-50,658
Revenues	—	-217	-431	-579	-629	-1,856	-2,055
Outlay	-1,493	-4,919	-6,175	-7,740	-15,911	-36,238	-48,603

1/ Excludes Medicare, Medicaid, Welfare reform, and Kids initiatives.
2/ Includes Medicaid interaction costs.

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Spectrum Auctions
(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Spectrum [redacted]	---	-3.0	-4.0	-5.7	-13.6	-26.3	-32.3

Note: Estimates for 1998-2002 were developed by the Congressional Budget Office (CBO). CBO has not formally provided estimates for 2003-2007. Tentative estimates for 2003-2007 are provided.

Four auction proposals and a ~~user~~ penalty fee are assumed with expected receipts totaling $26.3 billion over five years and $32.3 billion over ten years (CBO scoring).

(1) Auction of 78 Megahertz (MHZ) of spectrum currently allocated to analog broadcasting: Codify current Federal Communications Commission (FCC) plans to reclaim surplus "analog" broadcast spectrum after broadcasters have migrated to new digital channels that the FCC has given the broadcasters at no charge.

(2) Auction of 36 MHZ of spectrum currently allocated to television channels 60-69: This proposal assumes that 60 MHZ currently assigned to television channels 60-69 is reallocated . Of the 60 MHZ, 36 MHZ will be available for new commercial applications assigned through auction and 24 MHZ will be reserved for public safety uses (e.g., police and emergency vehicle communications).

(3) "Broaden and Extend" FCC Auction Authority: Expand the FCC's current authority to auction non-broadcast spectrum and extend FCC auction authority beyond 1998, when it currently expires. This proposal continues a policy to allocate spectrum via auctions.

(4) Auction "Vanity" Toll Free Telephone Numbers: Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g. 1-888-FLOWERS) through an auction.

(5) Spectrum Fee: ~~Impose spectrum-associated fee of $3.0 billion in 2003 and in 2002~~ A penalty fee would be levied against those entities ~~that~~ who received "free" spectrum for HDTV development but then diverted the spectrum to other non-TV-HDTV uses.

May 9, 1997

Student Loans
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-yr. Savings	10-yr. Savings
Total, Student Loans savings	-394	-393	-304	-233	-439	-1,763	-1,996

The Agreement provides for outlay savings of $1.763 billion over five years and $1.996 billion over ten years from the student loan programs. ~~The Agreement includes~~

Savings will be achieved

- ~~achieve savings~~ without increasing costs, reducing benefits, or limiting access to loans for students and their families

- ~~no cap on either direct or guaranteed student loan volume~~

- ~~the Department of Education will continue to pay administrative costs to guaranty agencies as necessary to ensure effective operations of the agencies~~

- savings will be derived as follows:

  (a) $1,000 million over five years from guaranty agency reserves

  (b) $603 million over five years , and $606 million over ten years, from Section 458 of the Federal Direct Student Loan Prog ~~"Sec. 458," including $221 million in FY 1998 and $310 million in FY 1999~~

  (c) $160 million over five years and $390 million over ten years from elimination of the $10 per loan fee paid to institutions participating in the direct loan program.

~~There is no agreement on the Republican proposal for limited scoring of Federal administrative expenses in the direct student loan program.~~

May 9, 1997

Civil Service Retirement
(deficit reduction in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Increased Agency Contributions	-597	-591	-586	-582	-577	-2,933	-2,933
Increased Employee Contributions	---	-214	-423	-571	-621	-1,829	-1,985

- Increase agency contributions (except Postal Service and D.C.) for Civil Service Retirement System (CSRS) by 1.51 percentage points effective October 1, 1997 through September 30, 2002.

- Phase-in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).

percentage point p— p—

- Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 January 1, 2000; and a final 0.10 for a total cumulative increase of 0.50 January 1, 2001. Increased contributions remain in effect through December 31, 2002.

- Legislation provides that agency contributions to FERS would remain unaffected by this change.

- ~~The CBO March Baseline is explicitly assumed for all Civil Service Retirement options, including any potential FEHB options.~~

U.S. Postal Service
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
End Transitional Payment for Worker's Compensation							
~~Paygo~~	~~35~~	~~34~~	~~33~~	~~33~~	~~31~~	~~165~~	~~305~~
~~Non-paygo~~	~~35~~	~~8~~				~~43~~	~~43~~
~~Net savings~~	---	-25	-33	-32	-31	-121	-261

- The proposal would repeal the payment to the U.S. Postal Service (USPS) to finance workers compensation benefits for employees injured before the USPS was created in 1971. USPS would be required to pay these costs out of the Postal Fund.

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Veterans Home Loan Benefit Fund
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Allow VA to use refund offset to collect deficiency balances...	-90	0	0	0	0	-90	-90

- This provision would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income tax offset. Currently VA is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if a court has determined that the debtor is liable to VA for the deficiency.

- This will save the program $90 million in outlays in the first year of implementation. [redacted]

Veterans Compensation Program
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Round down monthly compensation benefits after applying COLA	-23	-51	-88	-101	-128	-391	-1,469

- Authorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA in each year, on extension of current law.

- The practice of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions and military and civilian retirement benefits.

May 9, 1997

Medical Care Cost Recovery
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Mandatory Admin. savings from moving receipts to discretionary	-118	-123	-128	-133	-139	-641	-1,427

- This proposal allows Medical Care to retain user fees to offset the cost of care provided in VA facilities. Currently, all receipts in excess of administrative costs are returned to Treasury. Under this structure, the administrative costs of debt collection are mandatory spending. Allowing the discretionary VA Medical Care account to retain all of these receipts and fund the cost of this activity out of its collections will result in a mandatory savings of $641 million over five years and $1,427 million over ten years.

Veterans Pension Program
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extension of OBRA Provisions for VA Pensions (See Note 1)		-133	-211	-143	-190	-677	-1,866

There are two OBRA savings provisions related to the veterans pension program. The overwhelming majority of the above savings are attributed to the $90 benefit limit ~~(Provision 1)~~ described below.

- This provision extends the current limitation on VA pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision veterans get to keep a greater monthly benefit (the $90 VA benefit). The full cost of the beneficiaries' nursing home care would be paid by the Medicaid program, where costs are shared with the states.

- This provision extends authorization for VA to match income information submitted by beneficiaries with IRS and SSA records.

Note 1: The savings reflected in ~~this chart~~ the table are net of Medicaid costs.

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Veterans Housing Benefit Fund
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Loan Asset Sale Authority	-5	-5	-5	-5	-5	-25	-50

- This provision would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their value.

- To cover obligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates sold to investors. VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Real-Estate Mortgage Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Higher Loans Fees/Resale Loss Provisions (OBRA) & increase home loan fees for non-veterans	-11	-228	-227	-224	-219	-909	-1,993

Spec

This includes two proposals--extend OBRA provisions and increase the fee for non-veterans financing through "vendee" loans.

- The OBRA provisions permanently extend three provisions that sunset September 30, 1998. This extends VA's authority to:

Spec

1) charge borrowers using VA's home loan guaranty program a 2% instead of 1.25% percent fee,
2) charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and
3) include expected losses on the resale of foreclosed properties.

- Second, this provision increases the fee for non-veterans using VA's vendee loan program to match FHA fees. When VA takes possession of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. VA finances these properties through its vendee loan program, charging fees that are lower than those offered to veterans. This provision would raise these fees to 2.25%--the same up-front funding fee that the general public pays for FHA loans.

FHA Assignment ~~Alternative~~ Program
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend FHA Assignment ~~Yr~~	-136.	-145	-147	-128	-110	-666	-1,126

- This assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow FHA homeowners experiencing temporary economic distress to stay in their homes.

Vessel Tonnage Duties
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Extend Vessel Tonnage Fees	---	-49	-49	-49	-49	-196	-441

This proposal would extend vessel tonnage duties at their current levels through 2002. These duties, which would otherwise be reduced after 1998, are collected by the U.S. Customs Service from commercial vessels entering U.S. ports from foreign ports, based on their cargo-carrying capacity.

Lease of Excess Strategic Petroleum Reserve Capacity
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Lease Excess SPR Capacity	---	-1	-2	-4	-6	-13	-43

- Proposal would lease excess Strategic Petroleum Reserve storage capacity to foreign nations for storage of their crude oil.

- Proposal assumes that a total of five million barrels of oil are stored with a fee of $1.20 per barrel.

Unemployment Trust Fund
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Raise UTF Ceilings	---	---	-200	-208	-216	-624	-624

- Increases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund[redacted] to increase trust fund solvency [redacted]
- [redacted]

Unemployment Benefits
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
UI Benefits Integrity	-118	-158	-160	-162	-165	-763	-1,658

- Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities (e.g., increased eligibility reviews, tax audits).
- [redacted]
- Assumes President's Budget requested level of funding for UI integrity ($89 million in 1998) is provided in addition to continuing integrity activities already funded in the base UI administrative grant [redacted] to obtain these savings.

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Earned Income Tax Credit
(deficit reduction savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
~~April~~ EITC ~~compliance proposals~~	---	-13	-36	-37	-38	-124	-332

- Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance levels. The savings shown above are estimates of likely JCT scoring of the initiatives. Final scoring is not available.

- Other EITC reforms targetted to reducing noncompliance and fraud may also be considered.

The Smith-Hughes Act of 1918
(outlay savings in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Repeal appropriations under Smith Hughes	-1	-7	-7	-7	-7	-29	-64

- Eliminate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training and vocational education in the Administration's GI Bill for America's Workers.

- Eliminating this program would save $29 million over five years and $64 million over ten years.

- Activities funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education program.

Mandatory Superfund Orphan Share Spending
(outlay increases in millions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Orphan share spending	150	200	200	200	200	950	2,028

- ~~The proposal would provide new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.~~

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NO AGREEMENT - WORDS COULD BE DRAFTED TO MAKE CLEAR THAT:
ORPHAN SHARE FUNDING WILL BE ACCOMODATED IN DISCRETIONARY FUNCTION 300.

• STRUCTURAL REFORMS WILL INCLUDE PROVISIONS TO GIVE BENEFICIARIES MORE CHOICES AMONG COMPETING PRIVATE SECTOR INSURANCE OPTIONS (SUCH AS NOW PROVIDED FEDERAL EMPLOYEES AND ANNUITANTS IN THE FEHB PROGRAM.).

Major Mandatory Programs

Medicare
(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicare, net	-6.8	-15.0	-24.4	-29.3	-39.5	-115.0	-403.7

- Reduce projected Medicare spending by $115 billion over five years
- Extend the solvency of the Part A Trust Fund ~~to at least 2007~~ for ten years through a combination of savings and structural reforms (including the home health reallocation)
- ~~Limit savings from increased beneficiary contributions to~~ Maintaining the Part B premium at 25 percent of program costs and phase in over seven years inclusion in the calculation of the Part B premium the portion of home health expenditures reallocated to Part B, ~~including expanded mandatory benefits under Medicaid for SLMB-eligible~~ Medicare beneficiaries ~~to 150% of poverty, with 100 percent Federal reimbursement~~ protection would be provided to low-income
- Reform ~~managed care~~ payment methodology to ~~address current Medicare overpayment to HMOs~~ improve cost-effectiveness & and to address geographic disparit~~y that has limited HMO access in rural areas~~
- ~~Reform payment methodology by establishing prospective payment for home health providers, skilled nursing facilities, and outpatient departments~~
- ~~Include policies for competitive pricing for durable medical equipment and laboratory services, and further expand~~ the ~~"Centers of Excellence" program~~
- Funding for new health benefits including: (1) expanded mammography coverage ~~and lower cost sharing for mammography~~ (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for

will be reduced.

preventive vaccinations. ~~Invest $4 billion over five years (and $20 billion over ten years) to limit~~ beneficiary copayments for outpatient services.

private health insurance coverage

- Increase the number of ~~health plan~~ options, ~~by adding provider sponsored organizations and preferred provider organizations,~~ and provide beneficiaries with comparative information about their options.

- ~~Exclude provisions for: (1) association plans, (2) budget "lookback" mechanisms, (3) proposals that eliminate or weaken current law balance billing restrictions, or (4) medical savings accounts beyond the provisions in the Health Insurance Portability and Accountability Act (HIPAA).~~

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NOTE 3.

Medicaid
(outlay savings in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Savings	10-Year Savings
Medicaid, net	~~0.0~~	~~-1.4~~	~~-2.3~~	~~-3.3~~	~~-5.0~~	~~-12.1~~	~~-31.5~~

I think it would be better to show the ~~[illegible]~~ net.

ISSUE

- Gross Medicaid ~~Include $12.1 billion in~~ Medicaid savings over five years ~~(net additional Medicaid spending on a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, expanded Specified Low-income Medicare Beneficiaries (SLMB) protections, and Part B premium interactions)~~ will total ....
- ~~The $12.1 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of Medicaid income protections.~~
- Savings derived from reduced disproportionate share payments and administrative flexibility provisions
- Include provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, repeal of cost-based reimbursement for federally-qualified health centers, converting current managed care and home/community-based care waiver process to State Plan Amendment ~~(with appropriate quality standards)~~, and elimination of unnecessary administrative requirements

May 9, 1997

THIS IS GETTING VERY CONFUSING --

- ~~[illegible]~~ Net Medicaid savings is derived by reducing the gross savings for the assumed following policies in the Agreement:
  - -- the Medicaid portion of children's health ($__)
  - -- the Medicaid costs associated with legal immigrant provisions; and
  - -- provisions for D.C. and Puerto Rico; and
  - -- Medicaid's interaction with the Medicare program.

Welfare Reform
(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Immigrants	2.3	2.2	2.1	1.6	1.8	9.9	18.9
Food Stamps	0.4	0.5	0.5	0.5	0.6	2.5	5.7
Welfare to Work	0.4	0.6	0.8	0.3	---	2.0	2.0
Welfare reform, net	3.1	3.3	3.3	2.4	2.4	14.4	26.5

Break out Medicaid costs

Immigrants

- Current recipients and new applicants. Restore SSI and Medicaid benefits for all legal immigrant adults who are currently receiving SSI and Medicaid who became disabled after entering the U.S. Provide access to SSI and Medicaid to all legal immigrants who became disabled after entering the U.S. and who are not currently receiving benefits if the immigrant entered before their sponsor was required to sign a legally binding affidavit of support (September 30, 1997).

- ~~Exempt immigrants with deceased sponsors from ban. Retain SSI and Medicaid for new entrants who become disabled after entering the U.S., but deem sponsors income for those with legally binding affidavits of support from their sponsors.~~

- Children. Restore SSI for legal immigrant children currently receiving SSI. Provide access to SSI and Medicaid for legal immigrant children who are not currently receiving benefits and do not have legally binding affidavits of support. ~~Non-citizen children who have legally binding affidavits of support would have the income of their sponsors deemed for SSI and Medicaid.~~

- Refugees and asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to provide SSI and Medicaid.

Food Stamps

- Redirect $470 million in existing Food Stamp Employment and Training program funds and add $750 million in new capped mandatory funding to create an additional 190,000 work slots monthly by 2002 for individuals subject to the time limits. The total cost of $2 billion includes the cost of providing on-going benefits to individuals fulfilling the work requirements. Kasich Issue

- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limit (at a cost of $0.5 billion)~~, enabling States to exempt nearly 70,000 individuals who want to work but are unable to find a job within the three-month time limit.~~

Welfare to Work

high high

- Add $2.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates~~, at least 20 percent higher than the State average. A share of funds would go to cities with large poverty populations commensurate with the share of long-term welfare recipients in these cities. Among the eligible activities are job retention services; job retention or creation vouchers; and private sector wage subsidies for new jobs lasting 9 months.~~

May 9, 1997

Children's Health
(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

- Spend upto $16 billion over five years ~~(to provide up to 5 million additional children with health insurance coverage by 2002)~~ includig Medicaid's portion of the initiative.

- The funding will be divided between --

(1) Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and

(2) a program of capped mandatory grants to States to finance health insurance coverage for uninsured children

- The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of upto 5 million currently uninsured children being served.

May 9, 1997

1 Child credit
2 Capital gains
3 Education
Please reorder.

~~REQUISITE~~ ELEMENTS OF A TAX PACKAGE

The net tax cut shall be $85 billion through 2002 and ~~not more than~~ $250 billion through 2007.

3 Education

▪ ~~At a minimum,~~ The package shall include a ~~$10,000~~ tuition deduction and the HOPE credit as envisioned under the President's FY 1998 Budget.

-- The education package shall also replace the dollar-for-dollar offset with a 50 cent per dollar offset of Pell grants and other Federal aid against the HOPE credit.

-- The estimated cost through 2002 of the education package shall be no more ~~at least~~ $35 billion. ~~To meet this revenue target, the HOPE credit may be reduced from $1,500 (the minimum acceptable HOPE credit is $1,000).~~

Capital gains and estate taxation

2 ▪ The package shall include a ~~If there is~~ a capital gains ~~or~~ and estate tax cut ~~in the package, several conditions shall be met:~~

- ~~Any capital gains relief should be provided in a generally uniform manner relative to income tax brackets.~~

- The capital gains provisions shall not include indexing of basis or other indexing mechanism. The combination of a reduced rate on capital gains and indexation would ~~be too generous, and in the view of tax associations and other experts would~~ be ~~so~~ complex ~~as to be unadministrable. Indexing the basis of capital assets without indexing debt used to finance these assets would unacceptably~~ expand the potential for tax arbitrage and tax sheltering. ~~Indexing would also cause the cost to explode in the out years.~~
and without indexing debt used to finance assets that would be indexed

- ~~The capital gains provisions shall not include corporate capital gains relief. The arguments for capital gains relief for individuals do not extend to corporations. For example, corporations already have tax-induced incentives to invest because they generally have a strong incentive to retain their earnings rather than distribute them. Also, corporate capital gains tax relief is expensive relative to individual capital gains relief, because there is not the same unlocking effect to mitigate the cost.~~

may

ins

- ~~The FY 1998 Budget proposal that~~ excludes up to $500,000 ($250,000 if filing other than jointly) of gain on sale of principal residences ~~must~~ be included, and deductibility of losses on sales of personal residences may not be included. ~~Loss deductibility would set an undesirable precedent for claiming losses on personal consumption assets. Also, by requiring taxpayers to keep track of basis to calculate loss, it would undermine the simplification achieved by the Administration's proposal to exclude residential capital gains.~~

- Any capital gains relief provision should include depreciation recapture to ensure that a new lower capital gains tax rate does not apply to amounts that the taxpayer previously deducted as depreciation at ordinary income rates -- the worst case of tax arbitrage.

Revenue Raisers

redundant

- The package shall have at least $50 billion (through 2002) in ~~permanent~~ revenue raisers from extension of expiring (or expired) excise taxes and closing of corporate loopholes.

  The raisers shall not generate reductions in the ~~outlay or~~ revenue portions of the EITC ~~(other than those proposed by Treasury)~~, the low-income housing credit, or in other programs designed to benefit primarily lower-income individuals. ~~The raisers may not include corporate pension reversions.~~

  Any measures designed to close loopholes and reduce unwarranted subsidies shall be permanent.

NOTE EITC: would not seek outlay reduction on revenue side anyway

Child credit

#5

- There shall be a child credit with income caps and it shall be stacked before the EITC.

Additional necessary provisions in the package

To the extent possible

Outlays

- ~~The package shall include Administration FY 1998~~ proposals for the welfare-to-work tax credit, the EZ/EC proposals, brownfields, Community Development Financial Institutions, equitable tolling, FSC software, D.C. tax incentives, ~~the section 8 housing mark-to-market proposal~~, and ~~the full set of~~ extensions of expiring tax provisions (i.e., section 127, WOTC, R&E credit, Superfund, etc.)

Individual Retirement Accounts

- The IRA provisions should be targeted to the middle class. ~~Income limits should be imposed.~~

  ~~Targeting is very important for the effectiveness of IRAs to induce additional savings. There is little evidence that IRAs stimulate saving for high-income families, many of whom already save much more than the IRA contribution limit.~~

- The package should include the ~~FY 1998 Budget~~ proposal to waive penalties for early withdrawals for higher education, first-time home purchases, unemployment emergencies, and large medical care expenses. These withdrawals should remain subject to tax.

- The IRA provisions should not cause rapidly growing revenue losses in the out years.

Other matters

- The package shall not include timing devices (for example, deferred effective dates) or other provisions that disproportionately alter revenues in one or more years to meet revenue targets within a particular budget window.

- ~~The package shall not include provisions regarding [illegible], shifting the burden of proof to the IRS, changes in status of the IRS, regulatory [illegible], or tax credits for charitable contributions to poverty organizations.~~

- The professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences.

Budget Process.

See Attachment

- Extend discretionary caps to 2002.
  - o Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement.
  - o Within discretionary caps, establish separate categories (firewalls) for Defense and Non Defense Discretionary (NDD) at agreed levels shown in agreement tables for each year 1998-____ with associated sequester firewall enforcement as provided in BEA for 1990-93.
  - o Extension of separate crime caps (VCRTF) to 2002 at levels shown in agreement tables.
  - o Extend and update the existing cap adjustment provisions as well as provisions related to Continuing Disability Reviews and other savings initiatives, subject to a process of mutual review and agreement.
  - o New adjustment and associated mechanism for user fee financing of appropriations under caps.
  - o Cap adjustment for IMF asset exchanges, such as New Agreement to Borrow.
- Extend PAYGO to 2002 -- Extend existing paygo system through 2002.
- Revise the asset sales rule as mutually agreed.
- No new enforcement processes or procedures other than those set forth in this agreement, including addendum.
- Rebase paygo scorecard to reflect agreement.
- Reserve paygo balance from reconciliation for superfund at agreed level.
- Provide for debt limit increase sufficient to extend limit to 2002.
- Technical reestimates that reflect the May 1997 enrollment in the Conservation Reserve Program may be used as additional resources.

Note.

BUDGET PROCESS

Additional Enforcement

- Fixed deficit targets with look-back mechanism and expanded sequester base.

BEA Extension

- Extend discretionary caps to 2002.
  - o Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement.
  - o Retain current law on separate crime caps and assume funding at levels shown in agreement tables.
  - o Extend and update special allowance for outlays.
  - o IMF adjustments contingent on consultation between congressional leadership and Secretary Rubin.
- Permanent extension of paygo system with an expanded sequester base.
- Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows would not increase the deficit; scoring, if allowed, based on cash effect, not NPV.
- Reduce paygo balances to zero, including those derived from budget agreement.

Medicaid Savings with Additional 2002 Savings

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	1998 - 2002	1998 - 2007
SAVINGS												
DSH	-0.257	-1.917	-2.883	-4.195	-5.721	-6.485	-7.286	-8.183	-9.161	-10.221	-14.972	-56.308
FQHC	-0.075	-0.080	-0.085	-0.090	-0.100	-0.11	-0.12	-0.14	-0.15	-0.17	-0.43	-1.12
Boren Repeal	0.000	-0.110	-0.230	-0.365	-0.520	-0.74	-1.06	-1.50	-2.14	-3.05	-1.23	-9.72
Part B Premium Interactions	0.00	0.20	0.30	0.40	0.50	0.80	1.00	1.20	1.50	1.70	1.50	7.60
Subtotal	**-0.332**	**-1.907**	**-2.898**	**-4.250**	**-5.841**	**-6.537**	**-7.464**	**-8.624**	**-9.955**	**-11.742**	**-15.227**	**-59.550**
Medicaid Initiatives												
Eliminate Vaccine Excise Tax	-0.072	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.072	-0.072
Puerto Rico Increase	0.000	0.040	0.050	0.060	0.070	0.073	0.076	0.079	0.083	0.086	0.220	0.617
Working Disabled	0.006	0.007	0.007	0.008	0.008	0.009	0.010	0.010	0.011	0.012	0.036	0.088
Raise DC FMAP to 70%	0.136	0.164	0.190	0.206	0.223	0.241	0.261	0.284	0.308	0.335	0.919	2.348
SLMB Expansion Policy (100%fed)	0.300	0.300	0.400	0.500	0.500	0.500	0.600	0.600	0.800	0.800	2.000	5.300
Subtotal	**0.370**	**0.511**	**0.647**	**0.774**	**0.801**	**0.823**	**0.947**	**0.973**	**1.202**	**1.233**	**3.103**	**8.281**
ADJUSTED MEDICAID SAVINGS	0.038	-1.396	-2.251	-3.476	-5.040	-5.714	-6.517	-7.651	-8.753	-10.509	-12.124	-51.269

PLEASE NOTE: Some numbers may not add because of rounding.

Explanation of Scoring: This stream of Medicaid savings reflects the following policies.

1. Simulated CBO scoring of the DSH policy with the following yearly limits: $10 billion in FY98, $8.5 bil. in FY 99, $8 bil. in FY 00, $7.1 bil. in FY 01, and $6 bil. in FY 02 and thereafter. Note that the total DSH savings is $15 bil. over five years.
2. We have included revised yr-by-yr CBO scoring of repeal of FQHC cost-based reimbursement & Boren amendment without per capita cap policy.
3. Updated (5/6/97) CBO scoring of the Part B Premium Interaction updated for the Medicare policies in the budget agreement.
4. CBO scoring of savings from eliminating the vaccine excise tax and costs from Puerto Rico and DC.
5. CBO scoring of the total costs of expanding SLMB eligibility from 120 to 150 percent of poverty.

* $12 billion Medicaid Policy
Changed to get <u>more</u> savings in 2002

May 8, 1997
12:35 pm

NET SAVINGS	-198	-1394	-2812	-4380	-6246	**-15029**

	1998	1999	2000	2001	2002	Savings
CBO DSH Baseline	10,300	11,100	11,800	12,700	13,600	
New Policy Spending	10,035	9,242	8,051	6,860	5,273	
Savings	**-265**	**-1,858**	**-3,749**	**-5,840**	**-8,327**	**-20039**
Reduction from Baseline	-3%	-17%	-32%	-46%	-61%	
Reduction from 1995	**0%**	**10%**	**25%**	**40%**	**60%**	**53%**

Medicaid Savings
Updated for Revised Part B Premium Interaction Costs and Total SLMB Expansion Costs

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	1998 - 2002	1998 - 2007
SAVINGS												
DSH	-0.342	-2.056	-3.844	-4.693	-5.628	-6.647	-7.714	-8.911	-10.214	-11.628	-16.563	-61.677
Part B Premium Interactions	0.00	0.20	0.30	0.40	0.50	0.80	1.00	1.20	1.50	1.70	1.50	7.60
Subtotal	-0.342	-1.856	-3.544	-4.293	-5.128	-5.847	-6.714	-7.711	-8.714	-9.928	-15.163	-54.077
Medicaid Initiatives												
Eliminate Vaccine Excise Tax	-0.072	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.072	-0.072
Puerto Rico Increase	0.000	0.040	0.050	0.060	0.070	0.073	0.076	0.079	0.083	0.086	0.220	0.617
Working Disabled	0.006	0.007	0.007	0.008	0.008	0.009	0.010	0.010	0.011	0.012	0.036	0.088
Raise DC FMAP to 70%	0.136	0.164	0.190	0.206	0.223	0.241	0.261	0.284	0.308	0.335	0.919	2.348
SLMB Expansion Policy (100%fed)	0.300	0.300	0.400	0.500	0.500	0.500	0.600	0.600	0.800	0.800	2.000	5.300
Subtotal	0.370	0.511	0.647	0.774	0.801	0.823	0.947	0.973	1.202	1.233	3.103	8.281
ADJUSTED MEDICAID SAVINGS	0.028	-1.345	-2.897	-3.519	-4.327	-5.024	-5.767	-6.738	-7.512	-8.695	-12.060	-45.796

PLEASE NOTE: Some numbers may not add because of rounding.

Explanation of Scoring: This stream of Medicaid savings reflects the following policies.

1. CBO scoring of the DSH policy in the FY 1998 President's Budget.
2. We have eliminated CBO scoring of the repeal of FQHC cost-based reimbursement the Boren amendment without the per capita cap policy.
3. Updated (5/6/97) CBO scoring of the Part B Premium Interaction updated for the Medicare policies in the budget agreement.
4. CBO scoring of savings from eliminating the vaccine excise tax and costs from Puerto Rico and DC.
5. CBO scoring of the total costs of expanding SLMB eligibility from 120 to 150 percent of poverty.

* $12 billion Medicaid Policy from Yesterday

May 7, 1997
12:30 pm