

July 17, 1996



Health Division



Office of Management and Budget
Executive Office of the President

Please route to:
Chris Jennings
Nancy-Ann Min

Decision needed _____
Please sign _____
Per your request _____
Please comment _____
For your information X

Through:
Barry Clendenin *ABC*
Mark Miller *M*

Subject: Medicare & Medicaid Savings, Spending and
Growth Rates

With informational copies for:
HD Chron, HFB Chron, Medicaid Examiners

Phone 202/395-4930
Fax: 202/395-3910
Room: 7026

From: *BD* Bob Donnelly & *BW* Bonnie Washington

Attached are copies of the Medicare and Medicaid tables showing savings, spending and growth rates that we sent to you last week. Sarah mentioned that you may not have received the latest versions of these charts.

Note that the CBO April baseline for Medicaid has changed slightly in FY 1996 and 1997, due to the inclusion of the federal Medicaid costs of the 1996 Omnibus Consolidated Recissions & Appropriations bill.

Attachment

**Medicaid: Comparison of President's and Congressional Offers
CBO April 1996 Baseline**

(Dollars in Billions)		FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total 1996 - 2002	Total 1997 - 2002
CBO April Baseline											
Federal Outlays	1/	89.1	95.8	105.1	115.4	126.4	138.2	151.5	166.4	898.8	803.0
	<i>Growth</i>		7.5%	9.7%	9.9%	9.5%	9.3%	9.7%	9.9%	9.6%	9.6%
Federal Per Capita		2,472	2,604	2,759	2,956	3,156	3,364	3,601	3,863		
	<i>Growth</i>		5.3%	5.9%	7.2%	6.8%	6.6%	7.0%	7.3%	6.8%	7.0%
Federal & State Outlays		156.3	168.0	184.4	202.5	221.7	242.4	265.8	292.0	1,576.8	1,408.8
	<i>Growth</i>		7.5%	9.7%	9.9%	9.5%	9.3%	9.7%	9.9%	9.6%	9.6%
Federal & State Per Capita		4,338	4,568	4,840	5,186	5,537	5,903	6,317	6,777		
	<i>Growth</i>		5.3%	5.9%	7.2%	6.8%	6.6%	7.0%	7.3%	6.8%	7.0%
President's Plan											
Federal Savings	2/	0.0	0.0	1.7	-1.9	-5.8	-9.8	-16.2	-21.7	-53.7	-53.7
Resulting Federal Baseline		89.1	95.8	106.8	113.5	120.6	128.3	135.3	144.8	845.1	749.3
	<i>Growth</i>		7.5%	11.5%	6.3%	6.2%	6.4%	5.4%	7.0%	7.1%	6.3%
Resulting Federal Per Capita		2,472	2,604	2,804	2,907	3,012	3,125	3,216	3,360		
	<i>Growth</i>		5.3%	7.7%	3.7%	3.6%	3.8%	2.9%	4.5%	4.3%	3.7%
Federal & State Savings		0.0	0.0	2.2	-4.4	-11.0	-18.1	-29.5	-38.2	-99.0	-99.0
Resulting Federal & State Baseline	3/	156.3	168.0	186.5	198.2	210.7	224.3	236.3	253.8	1,477.8	1,309.8
	<i>Growth</i>		7.5%	11.0%	6.2%	6.3%	6.5%	5.4%	7.4%	7.1%	6.3%
Resulting Federal & State Per Capita		4,338	4,568	4,897	5,075	5,263	5,462	5,616	5,890		
	<i>Growth</i>		5.3%	7.2%	3.6%	3.7%	3.8%	2.8%	4.9%	4.3%	3.8%
House Commerce Committee Bill											
Federal Savings	4/	0.0	0.0	1.8	-2.0	-7.3	-13.3	-20.6	-30.1	-71.5	-71.5
Resulting Federal Baseline		89.1	95.8	106.9	113.5	119.1	124.8	130.9	136.4	827.3	731.6
	<i>Growth</i>		7.5%	11.6%	6.2%	4.9%	4.8%	4.9%	4.2%	6.1%	5.0%
Resulting Federal Per Capita		2,472	2,604	2,806	2,907	2,974	3,039	3,111	3,166		
	<i>Growth</i>		5.3%	7.8%	3.6%	2.3%	2.2%	2.4%	1.8%	3.3%	2.4%
Federal & State Savings		0.0	0.0	-13.1	-22.0	-32.4	-43.9	-57.5	-74.6	-243.5	-243.5
Resulting Federal & State Baseline	5/	156.3	168.0	171.3	180.5	189.3	198.5	208.3	217.4	1,333.3	1,165.3
	<i>Growth</i>		7.5%	1.9%	5.4%	4.9%	4.9%	4.9%	4.4%	4.4%	4.9%
Resulting Federal & State Per Capita		4,338	4,568	4,497	4,622	4,728	4,834	4,950	5,046		
	<i>Growth</i>		5.3%	-1.6%	2.8%	2.3%	2.2%	2.4%	1.9%	1.7%	2.3%

1/ CBO April Baseline includes effect OCRA 96 (\$50 million federal cost in FY 96 for NH and \$300 million Federal cost in FY 97 for LA)

2/ CBO 2/26/96 Scoring of President's Medicaid Plan net of VA and Medicare interactions

Per Capita Cap Growth Index: Nominal GDP + 2.71% in FY 96, +2.50% in FY 97, +1.00% in FYs 98-99, +0.50% in FYs 00-01, +0.00% in FY 02 and thereafter.

3/ Using 57% average FMAP

4/ CBO 5/31/96 Scoring of HR 3507 - Medicaid Restructuring Act

5/ Using 63% average FMAP

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, Net Mandatory Outlays										
CBO April Baseline	156.9	176.1	194.9	213.8	233.4	254.4	277.0	301.2	1,650.8	1,474.7
<i>Growth</i>	—	12.2%	10.7%	9.7%	9.2%	9.0%	8.9%	8.7%	9.4%	13.9%
CBO April Baseline Per-bene	\$ 4,252	\$ 4,696	\$ 5,115	\$ 5,539	\$ 5,969	\$ 6,441	\$ 6,925	\$ 7,419		
<i>Growth</i>	—	10.4%	8.9%	8.3%	7.8%	7.9%	7.5%	7.1%	7.9%	7.7%
POTUS Savings	-	0.50	(6.20)	(9.00)	(15.90)	(22.40)	(28.90)	(34.20)	(116.1)	(116.6)
POTUS Proposed	156.9	176.6	188.7	204.8	217.5	232.0	248.1	267.0	1,534.7	1,358.1
<i>Growth</i>	—	12.6%	6.9%	8.5%	6.2%	6.7%	6.9%	7.6%	7.1%	7.2%
POTUS Per-bene	\$ 4,252	\$ 4,709	\$ 4,953	\$ 5,306	\$ 5,563	\$ 5,873	\$ 6,203	\$ 6,576		
<i>Growth</i>	—	10.8%	5.2%	7.1%	4.8%	5.6%	5.6%	6.0%	5.7%	5.8%
Conference (Option 2) Savings	-	-	-	-	-	-	-	(52.8)	(168.0)	(168.0)
Conference (Option 2) Proposed	156.9	176.1	-	-	-	-	-	248.4	1,482.8	1,306.7
<i>Growth</i>	—	—	—	—	—	—	—	—	5.9%	—
Conference (Option 2) Per-bene	\$ 4,252	\$ 4,696	-	-	-	-	-	\$ 6,117		
<i>Growth</i>	—	—	—	—	—	—	—	—	4.5%	—

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, GROSS Mandatory Outlays										
CBO April Baseline	177.1	196.1	215.5	236.4	257.4	279.5	303.2	328.5	1,816.6	1,620.5
<i>Growth</i>	—	10.7%	9.9%	9.7%	8.9%	8.6%	8.5%	8.3%	9.0%	8.8%
CBO April Baseline Per-bene	\$ 4,799	\$ 5,229	\$ 5,656	\$ 6,124	\$ 6,583	\$ 7,076	\$ 7,580	\$ 8,091		
<i>Growth</i>	—	9.0%	8.2%	8.3%	7.5%	7.5%	7.1%	6.7%	7.5%	7.4%
POTUS Savings	-	0.50	(6.30)	(9.40)	(16.00)	(21.60)	(27.00)	(30.80)	(110.6)	(111.1)
POTUS Proposed	177.1	196.6	209.2	227.0	241.4	257.9	276.2	297.7	1,706.0	1,509.4
<i>Growth</i>	—	11.0%	6.4%	8.5%	6.3%	6.8%	7.1%	7.8%	7.2%	7.3%
POTUS Per-bene	\$ 4,799	\$ 5,243	\$ 5,491	\$ 5,881	\$ 6,174	\$ 6,529	\$ 6,905	\$ 7,333		
<i>Growth</i>	—	9.2%	4.7%	7.1%	5.0%	5.8%	5.8%	6.2%	5.8%	6.0%
Conference (Option 2) Savings	-	-	-	-	-	-	-	(46.4)	(151.5)	(151.5)
Conference (Option 2) Proposed	177.1	196.1	-	-	-	-	-	282.1	1,665.1	1,469.0
<i>Growth</i>	—	10.7%	-	-	-	-	-	-	6.2%	—
Conference (Option 2) Per-bene	\$ 4,799	\$ 5,229	-	-	-	-	-	\$ 6,948		
<i>Growth</i>	—	9.0%	-	-	-	-	-	-	4.9%	—

Medicare: POTUS and Congressional Offers From CBO April Baseline -- Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, GROSS Mandatory Outlays		1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A											
CBO April Baseline: HI Mandatory		113.6	126.0	138.0	150.5	162.9	175.6	189.0	203.0	1,145.0	1,019.0
	<i>Growth</i>	—	10.9%	9.5%	9.1%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene		\$ 3,079	\$ 3,360	\$ 3,622	\$ 3,899	\$ 4,166	\$ 4,446	\$ 4,725	\$ 5,000		
	<i>Growth</i>	—	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.7%
POTUS Part A Savings		-	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed		113.6	126.3	133.3	143.6	152.4	161.7	171.9	183.2	1,072.4	946.1
	<i>Growth</i>	—	11.2%	5.6%	7.7%	6.1%	6.1%	6.3%	6.6%	6.4%	6.6%
POTUS Part A Per-bene		\$ 3,079	\$ 3,368	\$ 3,500	\$ 3,721	\$ 3,898	\$ 4,093	\$ 4,297	\$ 4,512		
	<i>Growth</i>	—	9.4%	3.9%	6.3%	4.8%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings		-	-	-	-	-	-	-	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed		113.6	126.0	—	—	—	—	—	164.0	1,021.0	895.0
	<i>Growth</i>	—	10.9%	—	—	—	—	—	—	4.5%	—
Conference (Option 2) Per-bene		\$ 3,079	\$ 3,360	—	—	—	—	—	\$ 4,039	—	—
	<i>Growth</i>	—	9.1%	—	—	—	—	—	—	3.1%	—
Part B											
CBO April Baseline: Total SMI Benefits		63.5	70.1	77.5	85.9	94.5	103.9	114.2	125.6	671.7	601.6
	<i>Growth</i>	—	10.4%	10.6%	10.8%	10.0%	9.9%	9.9%	10.0%	10.2%	10.1%
CBO April Baseline Per-bene		\$ 1,721	\$ 1,869	\$ 2,034	\$ 2,225	\$ 2,417	\$ 2,630	\$ 2,855	\$ 3,094		
	<i>Growth</i>	—	8.6%	8.8%	9.4%	8.6%	8.8%	8.5%	8.4%	8.8%	8.7%
POTUS Part B Savings		-	0.2	(1.7)	(2.4)	(5.7)	(7.9)	(9.9)	(10.8)	(38.2)	(38.4)
POTUS Part B Proposed		63.5	70.3	75.8	83.5	88.8	96.0	104.3	114.8	633.5	563.2
	<i>Growth</i>	—	10.7%	7.8%	10.2%	6.4%	8.2%	8.7%	10.0%	8.5%	8.7%
POTUS Part B Per-bene		\$ 1,721	\$ 1,875	\$ 1,988	\$ 2,162	\$ 2,271	\$ 2,431	\$ 2,609	\$ 2,828		
	<i>Growth</i>	—	8.9%	6.1%	8.7%	5.0%	7.1%	7.3%	8.4%	7.1%	7.3%
Conference (Option 2) Part B Savings		-	-	-	-	-	-	-	(7.4)	(27.5)	(27.5)
Conference (Option 2) Proposed		63.5	70.1	—	—	—	—	—	118.2	688.2	574.1
	<i>Growth</i>	—	10.4%	—	—	—	—	—	—	9.1%	—
Conference (Option 2) Per-bene		\$ 1,721	\$ 1,869	—	—	—	—	—	\$ 2,911	—	—
	<i>Growth</i>	—	8.6%	—	—	—	—	—	—	7.7%	—

Medicare: POTUS and Congressional Offers From CBO April Baseline -- Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, Net Mandatory Outlays		1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A											
CBO April Baseline: HI Mandatory		112.6	124.9	136.8	149.1	161.4	174.0	187.3	201.1	1,134.6	1,009.7
	<i>Growth</i>	—	10.9%	9.5%	9.0%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene		\$ 3,051	\$ 3,331	\$ 3,591	\$ 3,863	\$ 4,128	\$ 4,405	\$ 4,683	\$ 4,953		
	<i>Growth</i>	—	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.6%
POTUS Part A Savings		—	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed		112.6	125.2	132.1	142.2	150.9	160.1	170.2	181.3	1,062.0	936.8
	<i>Growth</i>	—	11.2%	5.5%	7.6%	6.1%	6.1%	6.3%	6.5%	6.4%	6.5%
POTUS Part A Per-bene		\$ 3,051	\$ 3,339	\$ 3,468	\$ 3,685	\$ 3,860	\$ 4,053	\$ 4,254	\$ 4,465		
	<i>Growth</i>	—	9.4%	3.9%	6.2%	4.7%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings		—	—	—	—	—	—	—	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed		112.6	124.9	—	—	—	—	—	162.1	1,010.6	885.7
	<i>Growth</i>	—	10.9%	—	—	—	—	—	—	4.4%	—
Conference (Option 2) Per-bene		\$ 3,051	\$ 3,331	—	—	—	—	—	\$ 3,993	—	—
	<i>Growth</i>	—	9.1%	—	—	—	—	—	—	3.1%	—
Part B											
CBO April Baseline: Total SMI Benefits		44.3	51.3	58.1	64.7	72.0	80.4	89.7	100.1	516.3	465.0
	<i>Growth</i>	—	15.8%	13.3%	11.4%	11.3%	11.7%	11.6%	11.6%	11.8%	11.5%
CBO April Baseline Per-bene		\$ 1,201	\$ 1,368	\$ 1,525	\$ 1,676	\$ 1,841	\$ 2,035	\$ 2,243	\$ 2,466		
	<i>Growth</i>	—	13.9%	11.5%	9.9%	9.9%	10.5%	10.2%	9.9%	10.3%	10.1%
POTUS Part B Savings		—	0.2	(1.6)	(2.0)	(5.6)	(8.7)	(11.8)	(14.2)	(43.7)	(43.9)
POTUS Part B Proposed		44.3	51.5	56.5	62.7	66.4	71.7	77.9	85.9	472.6	421.1
	<i>Growth</i>	—	16.3%	9.6%	11.0%	5.9%	8.0%	8.7%	10.2%	8.9%	8.8%
POTUS Part B Per-bene		\$ 1,201	\$ 1,373	\$ 1,482	\$ 1,623	\$ 1,698	\$ 1,816	\$ 1,949	\$ 2,116		
	<i>Growth</i>	—	14.4%	7.9%	9.5%	4.6%	7.0%	7.3%	8.6%	7.5%	7.4%
Conference (Option 2) Part B Savings		—	—	—	—	—	—	—	(14.0)	(44.0)	(44.0)
Conference (Option 2) Proposed		44.3	51.3	—	—	—	—	—	86.1	472.3	421.0
	<i>Growth</i>	—	15.8%	—	—	—	—	—	—	9.0%	—
Conference (Option 2) Per-bene		\$ 1,201	\$ 1,368	—	—	—	—	—	\$ 2,121	—	—
	<i>Growth</i>	—	13.9%	—	—	—	—	—	—	7.6%	—

FAX



Health Division



Office of Management and Budget
Executive Office of the President
Washington, DC 20503

To: Chris Jennings

7/10/96
9:20am

From: Bob Donnelly

Number of Pages (excluding cover): 4

Note: Requested Medicare tables

Voice Numbers:

Health Division (Front Office)	202/395-4922
Health & Human Services Unit	202/395-4925
Health Programs & Services Branch	202/395-4926
Health Financing Branch	202/395-4930

Fax Numbers:

Health Division (Front Office)	202/395-3910
Health Division (Room 7001)	202/395-7840

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, Net Mandatory Outlays										
CBO April Baseline	156.9	176.1	194.9	213.8	233.4	254.4	277.0	301.2	1,650.8	1,474.7
<i>Growth</i>	—	12.2%	10.7%	9.7%	9.2%	9.0%	8.9%	8.7%	9.4%	13.9%
CBO April Baseline Per-bene	\$ 4,252	\$ 4,696	\$ 5,115	\$ 5,539	\$ 5,969	\$ 6,441	\$ 6,925	\$ 7,419		
<i>Growth</i>	—	10.4%	8.9%	8.3%	7.8%	7.9%	7.5%	7.1%	7.9%	7.7%
POTUS Savings	-	0.50	(6.20)	(9.00)	(15.90)	(22.40)	(28.90)	(34.20)	(116.1)	(116.8)
POTUS Proposed	156.9	176.6	188.7	204.8	217.5	232.0	248.1	267.0	1,534.7	1,358.1
<i>Growth</i>	—	12.6%	6.9%	8.5%	6.2%	6.7%	6.9%	7.6%	7.1%	7.2%
POTUS Per-bene	\$ 4,252	\$ 4,709	\$ 4,953	\$ 5,306	\$ 5,563	\$ 5,873	\$ 6,203	\$ 6,576		
<i>Growth</i>	—	10.8%	5.2%	7.1%	4.8%	5.6%	5.6%	6.0%	5.7%	5.8%
<hr/>										
GOP Claimed Conference Savings 1/	-	-	(6.8)	(11.0)	(20.5)	(28.4)	(38.4)	(52.8)	(158.0)	(158.0)
GOP Claimed Conference Baseline	156.9	176.1	188.1	202.8	212.9	226.0	238.6	248.4	1,492.8	1,316.7
<i>Growth</i>	—	12.2%	6.8%	7.8%	5.0%	6.1%	5.6%	4.1%	5.9%	5.7%
GOP Claimed Conference Per-bene 2/	\$ 4,252	\$ 4,700	\$ 4,938	\$ 5,254	\$ 5,446	\$ 5,720	\$ 5,964	\$ 6,200		
<i>Growth</i>	—	10.5%	5.1%	6.4%	3.7%	5.0%	4.3%	4.0%	4.7%	4.7%
<hr/>										
Conference (Option 2) Savings	-	-	-	-	-	-	-	(52.8)	(168.0)	(168.0)
Conference (Option 2) Proposed	156.9	176.1	-	-	-	-	-	248.4	1,482.8	1,306.7
<i>Growth</i>	—	—	—	—	—	—	—	—	5.9%	—
Conference (Option 2) Per-bene	\$ 4,252	\$ 4,696	-	-	-	-	-	\$ 6,117		
<i>Growth</i>	—	—	—	—	—	—	—	—	4.5%	—

1/ Conference Agreement savings are derived by subtracting baseline amounts from the mandatory spending shown on page 11 of the Conference Report. Savings amounts may not match totals shown in the Conference Report, probably due to rounding.

2/ Because the Majority does not discuss net spending, we have not seen these estimates yet, but we expect that they would "round" the per-capita numbers in this way to make the growth rate look better (even though rounding \$6,117 to \$6,200 is clearly wrong).

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, GROSS Mandatory Outlays										
CBO April Baseline	177.1	196.1	215.5	236.4	257.4	279.5	303.2	328.5	1,816.6	1,620.5
<i>Growth</i>	—	10.7%	9.9%	9.7%	8.9%	8.6%	8.5%	8.3%	9.0%	8.8%
CBO April Baseline Per-bene	\$ 4,799	\$ 5,229	\$ 5,656	\$ 6,124	\$ 6,583	\$ 7,076	\$ 7,580	\$ 8,091		
<i>Growth</i>	—	9.0%	8.2%	8.3%	7.5%	7.5%	7.1%	6.7%	7.5%	7.4%
POTUS Savings	-	0.50	(6.30)	(9.40)	(16.00)	(21.60)	(27.00)	(30.80)	(110.6)	(111.1)
POTUS Proposed	177.1	196.6	209.2	227.0	241.4	257.9	276.2	297.7	1,706.0	1,509.4
<i>Growth</i>	—	11.0%	6.4%	8.5%	6.3%	6.8%	7.1%	7.8%	7.2%	7.3%
POTUS Per-bene	\$ 4,799	\$ 5,243	\$ 5,491	\$ 5,881	\$ 6,174	\$ 6,529	\$ 6,905	\$ 7,333		
<i>Growth</i>	—	9.2%	4.7%	7.1%	5.0%	5.8%	5.8%	6.2%	5.8%	6.0%
GOP Claimed Conference Savings 1/	-	-	(6.4)	-	-	-	-	(46.4)	(141.5)	(141.5)
GOP Claimed Conference Baseline	177.1	196.1	209.1	-	-	-	-	282.1	1,675.1	1,479.0
<i>Growth</i>	—	10.7%	6.6%	-	-	-	-	-	6.2%	6.2%
GOP Claimed Conference Per-bene 2/	\$ 4,799	\$ 5,200	\$ 5,488	\$ -	\$ -	\$ -	\$ -	\$ 7,000		
<i>Growth</i>	—	8.3%	5.5%	-	-	-	-	-	5.1%	5.0%
Conference (Option 2) Savings	-	-	-	-	-	-	-	(46.4)	(151.5)	(151.5)
Conference (Option 2) Proposed	177.1	196.1	-	-	-	-	-	282.1	1,665.1	1,469.0
<i>Growth</i>	—	10.7%	-	-	-	-	-	-	6.2%	—
Conference (Option 2) Per-bene	\$ 4,799	\$ 5,229	-	-	-	-	-	\$ 6,948		
<i>Growth</i>	—	9.0%	-	-	-	-	-	-	4.9%	—

1/ Conference Agreement spending in FYs 1997 and 2002, and for the period FY 1997-2002 taken from pages 22-23 of the Conference Report. Conference Agreement savings derived by subtracting baseline amounts from these spending levels.

2/ From page 23 of the Conference Agreement report. This appears to be the per-capita numbers calculated in Option 2, "rounded" to show a higher growth rate (even though rounding \$6,948 to \$7,000 is clearly wrong).

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Medicare: POTUS and Budget Resolution From CBO April Baseline – Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, Net Mandatory Outlays

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A										
CBO April Baseline: HI Mandatory	112.6	124.9	136.8	149.1	161.4	174.0	187.3	201.1	1,134.6	1,009.7
<i>Growth</i>	—	10.9%	9.5%	9.0%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene	\$ 3,051	\$ 3,331	\$ 3,591	\$ 3,863	\$ 4,128	\$ 4,405	\$ 4,683	\$ 4,953		
<i>Growth</i>	—	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.6%
POTUS Part A Savings	-	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed	112.6	125.2	132.1	142.2	150.9	160.1	170.2	181.3	1,062.0	936.8
<i>Growth</i>	—	11.2%	5.5%	7.6%	6.1%	6.1%	6.3%	6.5%	6.4%	6.5%
POTUS Part A Per-bene	\$ 3,051	\$ 3,339	\$ 3,466	\$ 3,685	\$ 3,860	\$ 4,053	\$ 4,254	\$ 4,465		
<i>Growth</i>	—	9.4%	3.9%	6.2%	4.7%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings	-	-	-	-	-	-	-	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed	112.6	124.9	—	—	—	—	—	162.1	1,010.6	885.7
<i>Growth</i>	—	10.9%	—	—	—	—	—	—	4.4%	—
Conference (Option 2) Per-bene	\$ 3,051	\$ 3,331	—	—	—	—	—	\$ 3,993	—	—
<i>Growth</i>	—	9.1%	—	—	—	—	—	—	3.1%	—
Part B										
CBO April Baseline: Total SMI Benefits	44.3	51.3	58.1	64.7	72.0	80.4	89.7	100.1	516.3	465.0
<i>Growth</i>	—	15.8%	13.3%	11.4%	11.3%	11.7%	11.6%	11.6%	11.8%	11.5%
CBO April Baseline Per-bene	\$ 1,201	\$ 1,368	\$ 1,525	\$ 1,676	\$ 1,841	\$ 2,035	\$ 2,243	\$ 2,466		
<i>Growth</i>	—	13.9%	11.5%	9.9%	9.9%	10.5%	10.2%	9.9%	10.3%	10.1%
POTUS Part B Savings	-	0.2	(1.6)	(2.0)	(5.6)	(8.7)	(11.8)	(14.2)	(43.7)	(43.9)
POTUS Part B Proposed	44.3	51.5	56.5	62.7	66.4	71.7	77.9	85.9	472.6	421.1
<i>Growth</i>	—	16.3%	9.6%	11.0%	5.9%	8.0%	8.7%	10.2%	8.9%	8.8%
POTUS Part B Per-bene	\$ 1,201	\$ 1,373	\$ 1,482	\$ 1,623	\$ 1,698	\$ 1,816	\$ 1,949	\$ 2,116		
<i>Growth</i>	—	14.4%	7.9%	9.5%	4.6%	7.0%	7.3%	8.6%	7.5%	7.4%
Conference (Option 2) Part B Savings	-	-	-	-	-	-	-	(14.0)	(44.0)	(44.0)
Conference (Option 2) Proposed	44.3	51.3	—	—	—	—	—	86.1	472.3	421.0
<i>Growth</i>	—	15.8%	—	—	—	—	—	—	9.0%	—
Conference (Option 2) Per-bene	\$ 1,201	\$ 1,368	—	—	—	—	—	\$ 2,121	—	—
<i>Growth</i>	—	13.9%	—	—	—	—	—	—	7.6%	—

Medicare: POTUS and Budget Resolution From CBO April Baseline – Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, GROSS Mandatory Outlays		1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A											
CBO April Baseline: HI Mandatory		113.6	126.0	138.0	150.5	162.9	175.6	189.0	203.0	1,145.0	1,019.0
	<i>Growth</i>	—	10.9%	9.5%	9.1%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene		\$ 3,079	\$ 3,360	\$ 3,622	\$ 3,899	\$ 4,166	\$ 4,446	\$ 4,725	\$ 5,000		
	<i>Growth</i>	—	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.7%
POTUS Part A Savings		-	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed		113.6	126.3	133.3	143.6	152.4	161.7	171.9	183.2	1,072.4	946.1
	<i>Growth</i>	—	11.2%	5.6%	7.7%	6.1%	6.1%	6.3%	6.6%	6.4%	6.6%
POTUS Part A Per-bene		\$ 3,079	\$ 3,368	\$ 3,500	\$ 3,721	\$ 3,898	\$ 4,093	\$ 4,297	\$ 4,512		
	<i>Growth</i>	—	9.4%	3.9%	6.3%	4.8%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings		-	-	-	-	-	-	-	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed		113.6	126.0	—	—	—	—	—	164.0	1,021.0	895.0
	<i>Growth</i>	—	10.9%	—	—	—	—	—	—	4.5%	—
Conference (Option 2) Per-bene		\$ 3,079	\$ 3,360	—	—	—	—	—	\$ 4,039	—	—
	<i>Growth</i>	—	9.1%	—	—	—	—	—	—	3.1%	—
Part B											
CBO April Baseline: Total SMI Benefits		63.5	70.1	77.5	85.9	94.5	103.9	114.2	125.6	671.7	601.6
	<i>Growth</i>	—	10.4%	10.6%	10.8%	10.0%	8.9%	9.9%	10.0%	10.2%	10.1%
CBO April Baseline Per-bene		\$ 1,721	\$ 1,869	\$ 2,034	\$ 2,225	\$ 2,417	\$ 2,630	\$ 2,855	\$ 3,094		
	<i>Growth</i>	—	8.6%	8.8%	9.4%	8.6%	8.8%	8.5%	8.4%	8.8%	8.7%
POTUS Part B Savings		-	0.2	(1.7)	(2.4)	(5.7)	(7.9)	(9.9)	(10.8)	(38.2)	(38.4)
POTUS Part B Proposed		63.5	70.3	75.8	83.5	88.8	96.0	104.3	114.8	633.5	563.2
	<i>Growth</i>	—	10.7%	7.8%	10.2%	6.4%	8.2%	8.7%	10.0%	8.5%	8.7%
POTUS Part B Per-bene		\$ 1,721	\$ 1,875	\$ 1,988	\$ 2,162	\$ 2,271	\$ 2,431	\$ 2,609	\$ 2,828		
	<i>Growth</i>	—	8.9%	6.1%	8.7%	5.0%	7.1%	7.3%	8.4%	7.1%	7.3%
Conference (Option 2) Part B Savings		-	-	-	-	-	-	-	(7.4)	(27.5)	(27.5)
Conference (Option 2) Proposed		63.5	70.1	—	—	—	—	—	118.2	688.2	574.1
	<i>Growth</i>	—	10.4%	—	—	—	—	—	—	9.1%	—
Conference (Option 2) Per-bene		\$ 1,721	\$ 1,869	—	—	—	—	—	\$ 2,911	—	—
	<i>Growth</i>	—	8.6%	—	—	—	—	—	—	7.7%	—

FAX



Health Division



Office of Management and Budget
Executive Office of the President
Washington, DC 20503

To: Chris Jennings

7/10/96
9:20am

From: Bob Donnelly

Number of Pages (excluding cover): 4

Note: Requested Medicare tables

Voice Numbers:

Health Division (Front Office)	202/395-4922
Health & Human Services Unit	202/395-4925
Health Programs & Services Branch	202/395-4926
Health Financing Branch	202/395-4930

Fax Numbers:

Health Division (Front Office)	202/395-3910
Health Division (Room 7001)	202/395-7840

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, Net Mandatory Outlays										
CBO April Baseline	156.9	176.1	194.9	213.8	233.4	254.4	277.0	301.2	1,650.8	1,474.7
<i>Growth</i>	—	12.2%	10.7%	9.7%	9.2%	9.0%	8.9%	8.7%	9.4%	13.9%
CBO April Baseline Per-bene	\$ 4,252	\$ 4,696	\$ 5,115	\$ 5,539	\$ 5,969	\$ 6,441	\$ 6,925	\$ 7,419		
<i>Growth</i>	—	10.4%	8.9%	8.3%	7.8%	7.9%	7.5%	7.1%	7.9%	7.7%
POTUS Savings	-	0.50	(6.20)	(9.00)	(15.90)	(22.40)	(28.90)	(34.20)	(116.1)	(116.6)
POTUS Proposed	156.9	176.6	188.7	204.8	217.5	232.0	248.1	267.0	1,534.7	1,358.1
<i>Growth</i>	—	12.6%	6.9%	8.5%	6.2%	6.7%	6.9%	7.6%	7.1%	7.2%
POTUS Per-bene	\$ 4,252	\$ 4,709	\$ 4,953	\$ 5,306	\$ 5,563	\$ 5,873	\$ 6,203	\$ 6,576		
<i>Growth</i>	—	10.8%	5.2%	7.1%	4.8%	5.6%	5.6%	6.0%	5.7%	5.8%
GOP Claimed Conference Savings 1/	-	-	(6.8)	(11.0)	(20.5)	(28.4)	(38.4)	(52.8)	(158.0)	(158.0)
GOP Claimed Conference Baseline	156.9	176.1	188.1	202.8	212.9	226.0	238.6	248.4	1,492.8	1,316.7
<i>Growth</i>	—	12.2%	6.8%	7.8%	5.0%	6.1%	5.6%	4.1%	5.9%	5.7%
GOP Claimed Conference Per-bene 2/	\$ 4,252	\$ 4,700	\$ 4,938	\$ 5,254	\$ 5,446	\$ 5,720	\$ 5,964	\$ 6,200		
<i>Growth</i>	—	10.5%	5.1%	6.4%	3.7%	5.0%	4.3%	4.0%	4.7%	4.7%
Conference (Option 2) Savings	-	-	-	-	-	-	-	(52.8)	(168.0)	(168.0)
Conference (Option 2) Proposed	156.9	176.1	-	-	-	-	-	248.4	1,482.8	1,306.7
<i>Growth</i>	—	—	—	—	—	—	—	—	5.9%	—
Conference (Option 2) Per-bene	\$ 4,252	\$ 4,696	-	-	-	-	-	\$ 6,117		
<i>Growth</i>	—	—	—	—	—	—	—	—	4.5%	—

1/ Conference Agreement savings are derived by subtracting baseline amounts from the mandatory spending shown on page 11 of the Conference Report. Savings amounts may not match totals shown in the Conference Report, probably due to rounding.

2/ Because the Majority does not discuss net spending, we have not seen these estimates yet, but we expect that they would "round" the per-capita numbers in this way to make the growth rate look better (even though rounding \$6,117 to \$6,200 is clearly wrong).

Medicare: Comparison of POTUS and Budget Resolution From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
CBO April Baseline										
Medicare, GROSS Mandatory Outlays										
CBO April Baseline	177.1	196.1	215.5	236.4	257.4	279.5	303.2	328.5	1,816.6	1,620.5
<i>Growth</i>	—	10.7%	9.9%	9.7%	8.9%	8.6%	8.5%	8.3%	9.0%	8.8%
CBO April Baseline Per-bene	\$ 4,799	\$ 5,229	\$ 5,656	\$ 6,124	\$ 6,583	\$ 7,076	\$ 7,580	\$ 8,091		
<i>Growth</i>	—	9.0%	8.2%	8.3%	7.5%	7.5%	7.1%	6.7%	7.5%	7.4%
POTUS Savings	-	0.50	(6.30)	(9.40)	(16.00)	(21.60)	(27.00)	(30.80)	(110.6)	(111.1)
POTUS Proposed	177.1	196.6	209.2	227.0	241.4	257.9	276.2	297.7	1,706.0	1,509.4
<i>Growth</i>	—	11.0%	6.4%	8.5%	6.3%	6.8%	7.1%	7.8%	7.2%	7.3%
POTUS Per-bene	\$ 4,799	\$ 5,243	\$ 5,491	\$ 5,881	\$ 6,174	\$ 6,529	\$ 6,905	\$ 7,333		
<i>Growth</i>	—	9.2%	4.7%	7.1%	5.0%	5.8%	5.8%	6.2%	5.8%	6.0%
GOP Claimed Conference Savings 1/	-	-	(6.4)	-	-	-	-	(46.4)	(141.5)	(141.5)
GOP Claimed Conference Baseline	177.1	196.1	209.1	-	-	-	-	282.1	1,675.1	1,479.0
<i>Growth</i>	—	10.7%	6.6%	-	-	-	-	-	6.2%	6.2%
GOP Claimed Conference Per-bene 2/	\$ 4,799	\$ 5,200	\$ 5,488	\$ -	\$ -	\$ -	\$ -	\$ 7,000		
<i>Growth</i>	—	8.3%	5.5%	-	-	-	-	-	5.1%	5.0%
Conference (Option 2) Savings	-	-	-	-	-	-	-	(48.4)	(151.5)	(151.5)
Conference (Option 2) Proposed	177.1	196.1	-	-	-	-	-	282.1	1,665.1	1,469.0
<i>Growth</i>	—	10.7%	-	-	-	-	-	-	6.2%	—
Conference (Option 2) Per-bene	\$ 4,799	\$ 5,229	-	-	-	-	-	\$ 6,948		
<i>Growth</i>	—	9.0%	-	-	-	-	-	-	4.9%	—

1/ Conference Agreement spending in FYs 1997 and 2002, and for the period FY 1997-2002 taken from pages 22-23 of the Conference Report. Conference Agreement savings derived by subtracting baseline amounts from these spending levels.

2/ From page 23 of the Conference Agreement report. This appears to be the per-capita numbers calculated in Option 2, "rounded" to show a higher growth rate (even though rounding \$8,948 to \$7,000 is clearly wrong).

Medicare: POTUS and Budget Resolution From CBO April Baseline -- Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, Net Mandatory Outlays		1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A											
CBO April Baseline: HI Mandatory		112.6	124.9	136.8	149.1	161.4	174.0	187.3	201.1	1,134.6	1,009.7
	<i>Growth</i>	--	10.9%	9.5%	9.0%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene		\$ 3,051	\$ 3,331	\$ 3,591	\$ 3,863	\$ 4,128	\$ 4,405	\$ 4,683	\$ 4,953		
	<i>Growth</i>	--	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.6%
POTUS Part A Savings		--	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed		112.6	125.2	132.1	142.2	150.9	160.1	170.2	181.3	1,062.0	935.8
	<i>Growth</i>	--	11.2%	5.5%	7.6%	6.1%	6.1%	6.3%	6.5%	6.4%	6.5%
POTUS Part A Per-bene		\$ 3,051	\$ 3,339	\$ 3,468	\$ 3,685	\$ 3,860	\$ 4,053	\$ 4,254	\$ 4,465		
	<i>Growth</i>	--	9.4%	3.9%	6.2%	4.7%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings		--	--	--	--	--	--	--	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed		112.6	124.9	--	--	--	--	--	162.1	1,010.6	885.7
	<i>Growth</i>	--	10.9%	--	--	--	--	--	--	4.4%	--
Conference (Option 2) Per-bene		\$ 3,051	\$ 3,331	--	--	--	--	--	\$ 3,993	--	--
	<i>Growth</i>	--	9.1%	--	--	--	--	--	--	3.1%	--
Part B											
CBO April Baseline: Total SMI Benefits		44.3	51.3	58.1	64.7	72.0	80.4	89.7	100.1	516.3	465.0
	<i>Growth</i>	--	15.8%	13.3%	11.4%	11.3%	11.7%	11.6%	11.6%	11.8%	11.5%
CBO April Baseline Per-bene		\$ 1,201	\$ 1,368	\$ 1,525	\$ 1,676	\$ 1,841	\$ 2,035	\$ 2,243	\$ 2,466		
	<i>Growth</i>	--	13.9%	11.5%	9.9%	9.9%	10.5%	10.2%	9.9%	10.3%	10.1%
POTUS Part B Savings		--	0.2	(1.6)	(2.0)	(5.6)	(8.7)	(11.8)	(14.2)	(43.7)	(43.9)
POTUS Part B Proposed		44.3	51.5	56.5	62.7	66.4	71.7	77.9	85.9	472.6	421.1
	<i>Growth</i>	--	16.3%	9.6%	11.0%	5.9%	8.0%	8.7%	10.2%	8.9%	8.8%
POTUS Part B Per-bene		\$ 1,201	\$ 1,373	\$ 1,482	\$ 1,623	\$ 1,698	\$ 1,816	\$ 1,949	\$ 2,116		
	<i>Growth</i>	--	14.4%	7.9%	9.5%	4.6%	7.0%	7.3%	8.6%	7.5%	7.4%
Conference (Option 2) Part B Savings		--	--	--	--	--	--	--	(14.0)	(44.0)	(44.0)
Conference (Option 2) Proposed		44.3	51.3	--	--	--	--	--	86.1	472.3	421.0
	<i>Growth</i>	--	15.8%	--	--	--	--	--	--	9.0%	--
Conference (Option 2) Per-bene		\$ 1,201	\$ 1,368	--	--	--	--	--	\$ 2,121		
	<i>Growth</i>	--	13.9%	--	--	--	--	--	--	7.6%	--

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Medicare: POTUS and Budget Resolution From CBO April Baseline – Part A/B Split

(Outlays by fiscal year, in billions of dollars)

Medicare, GROSS Mandatory Outlays		1995	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002	Total 1997-2002
Part A											
CBO April Baseline: HI Mandatory		113.6	126.0	138.0	150.5	162.9	175.6	189.0	203.0	1,145.0	1,019.0
	<i>Growth</i>	—	10.9%	9.5%	9.1%	8.2%	7.8%	7.6%	7.4%	8.3%	8.0%
CBO April Baseline Per-bene		\$ 3,079	\$ 3,360	\$ 3,622	\$ 3,899	\$ 4,166	\$ 4,446	\$ 4,725	\$ 5,000		
	<i>Growth</i>	—	9.1%	7.8%	7.6%	6.9%	6.7%	6.3%	5.8%	6.8%	6.7%
POTUS Part A Savings		-	0.3	(4.7)	(6.9)	(10.5)	(13.9)	(17.1)	(19.8)	(72.6)	(72.9)
POTUS Part A Proposed		113.6	126.3	133.3	143.6	152.4	161.7	171.9	183.2	1,072.4	946.1
	<i>Growth</i>	—	11.2%	5.6%	7.7%	6.1%	6.1%	6.3%	6.8%	6.4%	6.6%
POTUS Part A Per-bene		\$ 3,079	\$ 3,368	\$ 3,500	\$ 3,721	\$ 3,898	\$ 4,093	\$ 4,297	\$ 4,512		
	<i>Growth</i>	—	9.4%	3.9%	6.3%	4.8%	5.0%	5.0%	5.0%	5.0%	5.2%
Conference (Option 2) Part A Savings		-	-	-	-	-	-	-	(39.0)	(124.0)	(124.0)
Conference (Option 2) Proposed		113.6	126.0	—	—	—	—	—	164.0	1,021.0	895.0
	<i>Growth</i>	—	10.9%	—	—	—	—	—	—	4.5%	—
Conference (Option 2) Per-bene		\$ 3,079	\$ 3,360	—	—	—	—	—	\$ 4,039	—	—
	<i>Growth</i>	—	9.1%	—	—	—	—	—	—	3.1%	—
Part B											
CBO April Baseline: Total SMI Benefits		63.5	70.1	77.5	85.9	94.5	103.9	114.2	125.6	671.7	601.6
	<i>Growth</i>	—	10.4%	10.6%	10.8%	10.0%	9.9%	9.9%	10.0%	10.2%	10.1%
CBO April Baseline Per-bene		\$ 1,721	\$ 1,869	\$ 2,034	\$ 2,225	\$ 2,417	\$ 2,630	\$ 2,855	\$ 3,094		
	<i>Growth</i>	—	8.6%	8.8%	9.4%	8.6%	8.8%	8.5%	8.4%	8.8%	8.7%
POTUS Part B Savings		-	0.2	(1.7)	(2.4)	(5.7)	(7.9)	(9.9)	(10.8)	(38.2)	(38.4)
POTUS Part B Proposed		63.5	70.3	75.8	83.5	88.8	96.0	104.3	114.8	633.5	563.2
	<i>Growth</i>	—	10.7%	7.8%	10.2%	6.4%	8.2%	8.7%	10.0%	8.5%	8.7%
POTUS Part B Per-bene		\$ 1,721	\$ 1,875	\$ 1,988	\$ 2,162	\$ 2,271	\$ 2,431	\$ 2,609	\$ 2,828		
	<i>Growth</i>	—	8.9%	6.1%	8.7%	5.0%	7.1%	7.3%	8.4%	7.1%	7.3%
Conference (Option 2) Part B Savings		-	-	-	-	-	-	-	(7.4)	(27.5)	(27.5)
Conference (Option 2) Proposed		63.5	70.1	—	—	—	—	—	118.2	688.2	574.1
	<i>Growth</i>	—	10.4%	—	—	—	—	—	—	9.1%	—
Conference (Option 2) Per-bene		\$ 1,721	\$ 1,869	—	—	—	—	—	\$ 2,911	—	—
	<i>Growth</i>	—	8.6%	—	—	—	—	—	—	7.7%	—

Home Care Transfer file

June 26, 1996

Ms. Kaye Daniels
Chairman of the Board
National Association for Home Care
228 Seventh Street, S.E.
Washington, D.C. 20003

Dear Kaye:

Thank you for your support of our efforts to strengthen the Medicare Trust Fund. I'm glad to have your perspective on this important matter.

Thanks, too, for sharing your concerns regarding our proposal to move the home care benefit from Part A to Part B of Medicare. Be assured that this transfer plan does not call for any additional co-payments. Moreover, the shift has the benefit of reducing -- by some \$50 billion over the next seven years -- the amount of traditional Medicare cuts that would otherwise have to be taken from hospitals, nursing homes, and home health agencies.

As we seek to protect the long-term stability of the Medicare Trust Fund, I will certainly keep your views in mind. Thank you for taking the time to write.

Sincerely,

BILL CLINTON

BC/SEM/JFB/efr-emu (Corres. #3003045)
(6.daniels.k)

cc: w/copy of inc. to Chris Jennings, ODP
cc: w/copy of inc. to Jen Klein, WW

172393

HOMECARE

NATIONAL ASSOCIATION FOR HOME CARE
228 Seventh Street, SE
Washington, DC 20003
202/547-7424, Fax 202/547-3540

KAYE DANIELS
CHAIRMAN OF THE BOARD
VAL J. HALAMANDARIS
PRESIDENT

HONORABLE FRANK E. MOSS
SENIOR COUNSEL
STANLEY M. BRAND
GENERAL COUNSEL

2965547

June 4, 1996

The Honorable William Jefferson Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

The purpose of this letter is to commend you for your efforts to protect the Medicare program and to ensure the solvency of the Medicare Trust Fund.

We appreciate your efforts to balance the budget by 2002. We encourage you to work toward this goal with the Congress.

We would like to encourage a bipartisan effort to resolve the impasse over Medicare and Medicaid.

While we have agreed with many of the home health initiatives which have been suggested by this Administration, we must take the sharpest possible exception with the proposal that would move the home care benefit from Part A to Part B of Medicare. We believe that such a shift would hurt beneficiaries; it would reduce access to care; and it would make the home care benefit more susceptible to erosions of the benefits such as co-payments and deductibles. The shift would make home care a stepchild in Medicare and more vulnerable to future cuts because Part A provides the protection of funding through the Social Security payroll tax, whereas Part B is funded from general tax revenues.

We appreciate your support of home care. You have said many times that home care is something that we need more of and not less. We encourage you to abandon the proposal to move home care into Part B of Medicare.

Sincerely,



Kaye Daniels
Chairman of the Board

Medicare trust fund file

June 26, 1996

The Honorable Tim Penny

P6/b(6)

Dear Tim:

Thank you for your thoughtful letter regarding Medicare. I'm glad to have for your perspective on this important issue.

I certainly share your view about the need to protect the long-term stability of the Medicare Trust Fund, and I am committed to working with the leadership in Congress to develop a solution that goes beyond politics. Indeed, the differences between my Administration's plan and the Republicans' plan are not insurmountable, and I believe that they can be worked out in negotiations.

I remain concerned, however, over a number of policy changes that have been advocated -- including Medicare Medical Savings Accounts and the elimination of balance billing protections. Many of these provisions would not serve to help the Trust Fund, and some would actually hurt it. If these measures are dropped, however, I am confident that we can achieve an acceptable strategy for Medicare's future.

Again, I appreciate your involvement, and I'm glad you took the time to write.

Sincerely,

BILL CLINTON

BC/SEM/JFB/efr-emu
(6.penny.t)

(Corres. #3002918)

cc: w/copy of inc to Chris Jennings, ODP
cc: w/copy of inc to Jennifer Klein, WW

172343

PENNY

P6/b(6)

June 4, 1996

The Honorable William J. Clinton
The President of the United States
The White House
1600 Pennsylvania Ave., NW
Washington, D.C. 20500

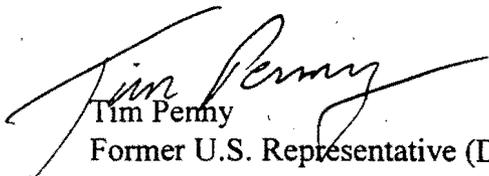
Dear Mr. President:

The Medicare Trustees' report will highlight that the financial crisis facing the Medicare Trust Fund is growing more urgent. Unfortunately, due to the failure to reach an agreement this last year, we are now two years closer to bankruptcy.

In 1994, you tried to reform the Medicare system as part of your broad-based health care program. Last year, the Republicans made an effort to save the program as part of their budget reconciliation package. However, both efforts have failed.

While the political debate continues on this issue, all Americans, especially senior citizens, wait for a long-term, bipartisan solution. I urge you to put aside the temptation to use Medicare for political gain and to work with Congress this year to save Medicare for all Americans. Calling the Republicans' proposed Medicare spending levels -- which are virtually identical to those that you proposed -- a "cut" simply sows misinformation and undermines good faith negotiation. On Medicare, politics must come second to securing the program's future. We simply cannot afford to waste another year.

Sincerely,



Tim Penny
Former U.S. Representative (D-MN)

→ For Chris Jennings

June 25, 1996



Health Division



Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:

Nancy-Ann Min
Chris Jennings

Decision needed
Please sign
Per your request
Please comment
For your information

Through: Barry Clendenin / BC 6/26
Mark Miller

Subject: Medicare Spending, Savings, and
Growth Rates in the Conference
Agreement

With informational copies for:
HD Chron, HFB Chron, HFB
Medicare

From: Bob Donnelly and Anne Mutti

Phone: 202/395-4930
Fax: 202/395-7840
E-mail: donnelly_r@a1.eop.gov
Room: #7002

Regarding Nancy-Ann's June 10th e-mail (**Attachment A**) to Anne Mutti on Medicare growth rates and spending totals for the Conference Agreement, we present two methods of estimating these values consistent with your guidance not to count presumed spending on a GME Trust Fund as an offset to the Conference Agreement's savings (i.e., net savings = \$168 billion). We request that you select an estimation method, so that we can respond consistently to questions about spending, savings, and growth rates in the Conference Agreement.

In addition, we include our answer to Chris Jennings' request to check the Budget Bulletin Medicare numbers as **Attachment B** to ensure that you have a copy of this document.

Please note that the discussion below describes our best efforts to create analytically defensible estimates of the \$168 billion savings stream in the Conference Agreement. Because there is limited information available on the Conference Agreement's Medicare savings policies, however, we cannot be certain that either of the estimation methods presented below will produce estimates that will match what the Congressional majority will publish when they release more complete information. Nevertheless, we recommend using the second estimation method (Option 2), because we believe that it is more analytically sound.

Also note that estimates generated using either of these methods will differ from the Majority's likely assertions about the Conference Agreement's Medicare policies (although using Option 2 will

minimize this difference and should therefore create less opposition). The table in **Attachment C** shows the Majority's likely claims about the spending and savings in the Conference Agreement, and compares them to the estimates produced using each of the methods discussed below.

Option 1: Using Senate as Proxy

As the e-mail in Attachment A suggests, one way to estimate the Conference Agreement's per-capita spending in 2002 would be to use the Senate Chairman's Mark as a proxy, because it called for the same level of net savings (\$168 billion) as we assert are included in the Conference Agreement. The main advantage of this method is simplicity, because we would just assert that the spending and savings released with the Senate's version of the Budget Resolution are the same as those in the Conference.

The problem with this method is that it is based on an assumption that we know to be wrong. It overestimates the Conference Agreement's gross savings because the Conference Agreement explicitly includes an income-related premium, while the Senate version did not. To be consistent with your guidance and published Conference Agreement documents, for example, gross savings under the Conference Agreement should be \$151.5 billion (\$141.5 billion gross savings calculated from Conference documents + \$10 billion from the GME Trust Fund). In contrast, using the Senate version as a proxy, gross savings are estimated as \$160.5 billion -- implying premium savings of \$6.7 billion, which are not large enough to include the income-related premium. Thus, estimated gross savings in the Conference using the Senate as a proxy are inconsistent with the inclusion of an income-related Part B premium in the Conference Agreement.

Option 2: Assumed Distribution of GME Trust Fund Spending

The way to avoid this problem is to assume that GME Trust Fund spending is the same in the Conference Agreement as in the Senate bill. If this is the case, then all of the GME Trust Fund spending (\$10 billion) must occur before 2002¹. If we assume the only difference between the net spending in the Senate bill and the Conference Agreement is the GME Trust Fund, and because there appears to be no GME Trust Fund spending in 2002, we can use the FY 2002 spending (both gross and net) as reported in the Conference Agreement documents and still be consistent with your guidance.

Therefore, we could use the published Conference Agreement net and gross spending amounts for FY 2002, but increase the Conference Agreement's FY 1997-2002 net and gross savings totals by \$10 billion -- the assumed amount of the GME Trust Fund -- to make them consistent with your guidance (i.e. net savings = \$168 billion). This way, both gross (\$151.5 billion) and net (\$168 billion) savings are consistent with both the Conference Agreement and your guidance.

The advantage of using this method is that the estimates for net and gross spending and savings are consistent with both your guidance and published Conference Agreement documents. The downside of using this method is that it relies on the assumption that the only difference between the savings stream in the Conference Agreement and the Senate bill is the GME Trust Fund. This is

¹Comparing net Medicare spending in the Senate bill with the Conference Agreement reveals that net spending in FY 2002 is the same for these two bills, which suggests that there is no GME Trust Fund spending in FY 2002.

a pretty big assumption, considering we know that the Conference Agreement includes an income-related Part B premium that is not in the Senate bill.

Key Assumptions:

Option 1

Option 1 assumes that the actual Conference Agreement savings stream is the same as the Senate bill's savings, as released in documents accompanying the Senate version of the Budget Resolution. As noted above, we know that this assumption does not hold for the Conference Agreement's gross savings and spending.

Option 2

Option 2 assumes that the only difference between the Conference Agreement savings stream as published in the Conference report, and the Senate bill (as released with the Chairman's Mark) is the GME Trust Fund. We believe that this assumption is preferable to using the Senate bill as a proxy, because (unlike the assumption in Option 1) we do not know *a-priori* that this assumption is incorrect.

Effect on Estimates

Please note that Option 2 produces a slightly higher estimate of the growth in gross per-capita spending than if the Senate bill is used as a proxy. Using the Senate bill as a proxy, the Conference's gross per-capita spending growth is 4.7%, while Option 2 estimates this growth rate as 4.9%. This is because higher premium savings in the Conference Agreement mean that gross savings in the Conference Agreement are lower than in the Senate bill (and therefore gross spending is higher). Because the growth rate estimated using Option 2 is directly based on published Conference Agreement spending numbers, we believe that Option 2 yields a more conservative (i.e. higher) estimate.

Because FY 2002 net spending in the Conference Agreement and the Senate bill are the same, the new estimation method has minimal effect on estimates of net spending or growth rates.

The spending and growth rate estimates for the Conference Agreement using Options 1 and 2 are shown in **Attachment D**.

Recommendation

In the absence of more complete information, we recommend using Option 2 to estimate spending, savings, and growth rates for the Conference Agreement for the following reasons:

1. Option 2 is based on an assumption which, unlike the assumption underlying Option 1, has not been disproved; and
2. Option 2 results in more conservative estimates than Option 1.

How should we present savings and spending in the Conference Agreement?

Option 1: Senate as proxy _____ Option 2: Assumed GME Trust Fund stream _____

Attachment A

a

Anne -
Could
you

EXECUTIVE OFFICE OF THE PRESIDENT

10-Jun-1996 08:17pm

call me
about

TO: Nancy-Ann E. Min
FROM: Anne W. Mutti
Office of Mgmt and Budget, HD
CC: Barry T. Clendenin
Mark E. Miller
SUBJECT: Medicare per capita under the conf. agreement

Heis? I'm
not sure I
Ad' on Heis.

We do not have the information necessary to provide you with accurate per capita Medicare spending for 1996 and 2002 if we assume that there are \$168 billion in savings.

At first we thought we would use the Senate Budget Resolution savings stream as a proxy, but this is not accurate because the conference agreement explicitly indicates that it includes a proposal to income-relate the Part B premium and the Senate did not include a similar provision. This disparity makes a significant difference in calculating net and gross per capita spending.

Otherwise, we have no way of knowing the annual allocation of the \$10 billion for the GME trust fund.

NE

Attachment B

AM

June 20, 1996



Health Division



Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:

Nancy-Ann Min
Chris Jennings

Decision needed	___
Please sign	___
Per your request	<u>X</u>
Please comment	___
For your information	___

Through:

Barry Clendenin / BC
Mark Miller / MM

Subject:

Response to Senate Budget Committee's
Statements About Medicare Savings

With informational copies for:
HD/HFB Chrons, BC

From:

Anne Mutti / AM

Attached is HFB's response to the Senate Budget Bulletin's criticism of Laura Tyson's and Senator Daschle's remarks, as requested by Chris Jennings. We have also attached a copy of the May 15th CBO letter to Senator Domenici on the insolvency date of the HI trust fund as well as a copy of the June 10th *Budget Bulletin*.

Response to the June 10th *Budget Bulletin's* Statements About Medicare Savings

The *Budget Bulletin* disputes that nominal cuts in hospital payments will have to be made. It cites the fact that the Balanced Budget Act of 1995 included more Part A savings than this year's resolution and that allowed hospital nominal payment increases.

Response

The *Budget Bulletin* ignores the fact that the CBO baseline was recalculated downward in December, resulting in reduced savings for their Medicare proposals. Instead of scoring at \$270 billion (including approximately \$130 billion in Part A savings), the Republican proposal scored \$226 (including approximately \$114 billion in Part A savings). The FY 1997 Conference Agreement on the Budget Resolution included \$123 billion in Part A savings¹ -- higher than the \$114 billion in the repriced vetoed reconciliation bill. Secondly, these savings estimates were for a seven year time period. Their savings target now applies to a six year time period. Therefore, the Republicans would have had to increase the severity and/or number of their proposals to achieve the same level of Part A savings.

We have suggested that one possible way to achieve these additional savings would be to increase the market basket reduction higher than their proposal of 2 percent. Because the market basket increase is estimated to be 2.7 percent for FY 1997, a higher reduction could lead to nominal cuts in hospital payments.

The *Budget Bulletin* suggests that Senator Daschle was incorrect in asserting that the new conference agreement proposal "would require Medicare per person to grow at only 4.7 percent a year." The *Bulletin* notes that its growth rate is 5.1 percent.

Response:

Senator Daschle appears to be referring to the Medicare gross average annual growth rate in the Senate budget resolution. He made his remarks in a press conference on June 3rd, prior to the release of the conference agreement.

The *Bulletin's* claim of a 5.1 percent growth rate is correct when assuming that gross per capita spending is \$5,200 in 1996 and \$7,000 in 2002. These per capita spending amounts appear to be based on the rounded conference agreement, or possibly House budget resolution, savings stream. If the more precise savings stream is assumed for the conference agreement, the gross Medicare growth rate for 1996-2002 is 4.9 percent.

¹ The Conference Agreement states that its Part A savings are sufficient to extend the solvency of the HI trust fund for 10 years. CBO has estimated that \$123 billion in Part A savings would be required to meet that goal.



CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

cc: MCR exs.
MM
mg: AM
June E. O'Neill
Director

May 15, 1996

Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

At your request, the Congressional Budget Office (CBO) has examined the solvency of the Hospital Insurance (HI) trust fund. Under current law, CBO projects that the trust fund will become insolvent in 2001.

CBO estimates that the Administration's Medicare proposal, including the transfer of certain spending for home health services to the Supplementary Medical Insurance (SMI) program, would postpone this date to 2005. Without the transfer, CBO estimates that the trust fund would become insolvent in 2002.

CBO has not estimated a specific proposal to achieve the Medicare savings specified in the Budget Resolution adopted by the Committee on May 9. However, legislation that produced the savings stream assumed in the resolution would postpone the insolvency of the HI trust fund until 2007.

Sincerely,

A handwritten signature in cursive script that reads "June E. O'Neill".

June E. O'Neill

cc: Honorable J. James Exon
Ranking Minority Member

MEMORANDUM

June 12, 1996

TO: Nancy-Añin Min
FR: Chris Jennings
RE: Medicare Numbers

The Senate Budget Committee has been criticizing Laura Tyson's comments that were largely based on information provided to us by OMB. If you could ask Mark Miller to review the attached numbers, it would be greatly appreciated.

Vets impact on Medicare/Medicaid



Budget Bulletin

Senate Budget Committee
Majority Staff

A Weekly Bulletin produced when the Senate is in session.
Pete V. Domenici - Chairman G. William Hoagland - Staff Director
202/224-6815 <http://www.senate.gov/comm/budget/releases/bulletin.htm>

104th Congress, 2nd Session: No. 18

June 10, 1996

INFORMED BUDGETEER

SUMMARY OF FY 1997 BUDGET CONFERENCE

- The conference agreement on the FY 1997 budget was filed on June 7. Aggregate figures are as follows:

FY1997 BUDGET RESOLUTION CONFERENCE TOTALS							
(\$ in Billions)							
	1997	1998	1999	2000	2001	2002	6-year total
Total spending:							
On Budget-							
BA	1315	1362	1392	1433	1454	1496	8453
OT	1311	1355	1384	1416	1432	1463	8361
Off Budget-							
BA	319	335	348	358	377	389	2125
OT	311	325	334	349	365	379	2063
Total-							
BA	1633	1697	1740	1792	1830	1885	10577
OT	1622	1679	1718	1765	1797	1842	10424
Revenues:							
On-budget	1084	1130	1177	1231	1291	1359	7272
Off Budget	385	402	423	445	465	487	2608
Total	1469	1533	1601	1676	1756	1846	9880
Deficit/Surplus:							
On-Budget	227	224	206	185	142	103	NA
Off-Budget	-74	-78	-89	-96	-100	-108	NA
TOTAL	153	147	117	89	42	-5	NA

NOTE: Totals may not add due to rounding.

- The Conference Report establishes discretionary spending limits at the following levels:

DISCRETIONARY SPENDING LEVELS					
(\$ in Billions, Including Violent Crime Trust Fund)					
	Defense		Non-Defense		Total
	BA	OT	BA	OT	BA OT
1997	266	265	231	274	497 539
1998	269	264	225	263	494 527
1999	272	267	220	258	491 525
2000	274	271	225	255	499 525
2001	277	270	214	246	491 516
2002	279	270	221	245	501 514

NOTE: Totals may not add due to rounding.

SOURCES OF GROWTH IN MANDATORY SPENDING

- CBO's recently released annual economic and budgetary report again exposes that it is mandatory spending growth which is driving the federal budget and increasing federal deficits.
- CBO projects overall federal revenues will increase from \$1,428 billion in 1996 to \$2,232 billion in 2006, an \$804 billion or 56% increase.
- Over the same period, mandatory spending is projected to increase \$780 billion or 89%, and consume nearly all of the revenue increase. In fact, mandatory spending plus net interest will be \$925 billion higher in 2006 than in 1996 or \$120 billion more than the increase in federal revenues.
- CBO has also provided a detailed analysis of the sources of growth in mandatory spending. As shown in the table below, most of the growth in mandatory spending is attributable to Social Security, Medicare, and Medicaid.
- Overall, these programs increase from a combined \$640 billion in 1996 to \$1,273 billion in 2006. This is a \$633 billion increase.

is due to cost-of-living increases and growing enrollment. The other quarter of growth is due to the increase in real benefits per beneficiary. Beneficiaries entering the Social Security program get, on average, higher benefits than earlier cohorts of beneficiaries. Their benefits are higher because, on average, their real wages are higher than the earlier cohorts' wages, and this gets factored into their benefits at initial eligibility.

- By contrast, only about one-fourth of the increase in combined Medicare and Medicaid spending is due to growing numbers of beneficiaries and increases in Medicare reimbursement rates.
- Some \$304 billion in the Medicare/Medicaid spending jump falls into the "other" category, which most analysts would attribute to so-called "volume and intensity", more services provided to beneficiaries and more intense services per medical encounter.
- Other, smaller sources of growth in mandatory spending include:
 - Civilian, military, and other retirement COLAs: \$31 billion;
 - Supplemental Security Income (SSI) beneficiary increases and COLAs: \$22 billion; and
 - Food Stamp automatic benefit increases: \$14 billion.

SOURCES OF GROWTH - MANDATORY SPENDING		
Change from 1996 to 2006		
	\$ Billions	% of Total
Total mandatory spending change	+ 780	---
SOURCES:		
Social Security:		
COLA	+117	15%
Caseload	+48	6%
Real Benefits	+36	7%
Subtotal- Social Security	+219	28%
Medicare Caseload	+39	5%
Medicaid Caseload	+24	3%
Medicare Reimbursement Rates	+48	6%
Other Medicare & Medicaid Increases	+304	39%
Subtotal- Medicare and Medicaid	+414	53%
Other Retirement COLAs	+31	4%
SSI Caseload	+9	1%
SSI COLAs	+13	2%
Food Stamp Auto. Benefit Increase	+14	2%
All Other	+80	10%

MEDICARE: UNCLEAR ON THE CONCEPT

- The *Bulletin* would like to clear up a few misconceptions that we discovered during a June 3, 1996 press conference.
- DASCHLE: "Private health insurance spending per person over the next seven years is projected to grow at 7.1 percent. So, that's a reasonable standard against which to begin to say what you could expect the Medicare system to do."
- Bulletin*: Private health insurance and Medicare spending are two completely different commodities. Comparing growth rates is meaningless. In addition, increases in Medicare spending are not just price changes. They include increases in the quality and quantity of services delivered for each beneficiary.
- DASCHLE: "Their new proposal ... would require Medicare per person to grow at only 4.7 percent a year."
- Bulletin*: Per capita spending, 1996, \$5,200, Per capita spending, 2002 (proposed): \$7,000 Proposed Growth rate: 5.1% per person per year

\$124 billion."

Bulletin: Savings without contingent proposal = \$102.9 billion. Savings with contingent proposal = \$116.1 billion. Both figures provided by CBO, April 17, 1996.

TYSON: "They are still proposing cuts that are 44 percent larger \$51 billion -- than the President's balanced budget plan."

Bulletin: The *Bulletin* is fascinated that Dr. Tyson's statement emphasizing the difference between the two plans uses the correct figure for the President's plan (\$167 billion - \$116 billion = \$51 billion) but the statement about how much savings the President's plan achieves uses a different figure (\$124 billion). The *Bulletin* hopes this is careless error, not intentional misrepresentation.

TYSON: "The CBO has indicated that our plan to balance the budget, the President's plan to balance the budget, does secure the solvency of the trust fund for a decade. There is no appreciable difference at this point between what our plan does and what their plan does on the issue of the trust fund."

Bulletin: CBO confirms that, even giving credit for the home health transfer, the President's budget fails to meet the goal of solvency through the year 2006. "CBO estimates that the Administration's Medicare proposal, including the transfer of certain spending for home health services to the Supplementary Medical Insurance (SMI) program, would postpone this date to 2005. Without the transfer, CBO estimates that the trust fund would become insolvent in 2002." [May 15 letter to Chairman Domenici from CBO Director O'Neill]

DASCHLE: "And by our calculations they even will require, we believe, nominal year-to-year cuts -- nominal cuts -- in payments to hospitals."

**Bulletin:* Last year's Balanced Budget Act of 1995 included more part A savings than this year's resolution. Nominal payments to hospitals went up in that plan in each year. The *Bulletin* urges rechecking the calculations.

TYSON: "Finally, let me just say that we, the President, led on the issue of the trust fund in 1993. The action of the 1993 budget extend the trust fund by three years."

Bulletin: ... by primarily increasing taxes. OBRA 1993 subjected 85% of certain Social Security benefits to taxation (up from 50%).

DASCHLE: "They were slowing the rate of growth of Medicare spending so much that basically what Medicare beneficiaries would get would be insufficient to purchase the services they get today."

Bulletin: Medicare spending per beneficiary increases each year because: (1) the quality and quantity of services delivered to each beneficiary increase each year; (2) there are no market forces constraining price growth, as there are in the private sector; and (3) holding quality and quantity of services constant, prices increase each year. The Daschle quote ignores (1) and (2).

BUDGET QUIZ

Question: What was the percentage of federal receipts to GDP in 1995?

Answer: It depends. If you use the traditional budgetary measure

the NIPA (National Income Products Account) measure the ratio of receipts to GDP is 20.4%, the second highest since 1980.

• Federal budgetary revenues measure collections that are mandated by the government's sovereign power to tax. They consist of individual and corporate income taxes, excise taxes, social insurance contributions, estate and gift taxes, customs duties, and several miscellaneous receipts--or 18.9 percent of GDP in 1995.

• We arrive at the higher NIPA receipt totals, calculated by the Commerce Department, by adding to budget totals: government contributions for employee retirement, Medicare part B premiums, and deposit insurance premiums, (which are all classified as offsets to spending); and by making other small classification adjustments. This measure attempts to track the influence of the federal government in the overall economy.

• The Federal budget records the receipts included in the NIPA totals as negative outlays because they are either voluntary transactions or intra-budgetary in nature and are not considered results of the government's taxing authority. The difference is in presentation, the shift in classification does not affect the deficit.

CALENDAR

The Conference Agreement includes instructions for considering three separate reconciliation bills.

- Does anyone have this?
HOUSE SCHEDULE

June 13, 1996: Welfare and Medicaid reform and Tax Relief; House committees reconciled: Agriculture, Commerce, Economic and Educational Opportunities, and Ways and Means.

July 18, 1996: Medicare Preservation; House committees reconciled: Commerce and Ways and Means.

September 6, 1996: Tax and Miscellaneous Direct Spending Reforms; House committees reconciled: Agriculture, Banking, Commerce, Economic and Educational Opportunities, Government Reform, International Relations, Judiciary, National Security, Resources, Science, Transportation, Veterans Affairs, and Ways and Means.

SENATE SCHEDULE

June 21, 1996: Assumed Welfare and Medicaid Reform and Miscellaneous Tax Relief; Senate committees reconciled: Agriculture and Finance.

July 24, 1996: Assumed Medicare Reform; Senate committees reconciled: Finance.

September 18, 1996: Assumed Tax Relief and Miscellaneous Direct Spending Reforms. Senate committees reconciled: Agriculture, Armed Services, Banking, Commerce, Science and Transportation, Energy, Environment, Finance, Governmental Affairs, Judiciary, Labor and Human Resources, and Veterans Affairs.

EDITOR'S NOTE: BEST WISHES to Senate Budget Committee Staffer Christy Condon (formerly Christy Dunn) and her new husband, Tom, who were married over the Memorial Day Recess. The *Bulletin* wishes them many happy years together and the avoidance of the marriage tax!

NATIONAL ECONOMIC COUNCIL
White House
223 OE08
WASHINGTON DC 20501

Attachment C

Likely Majority Assertions vs. Estimates of Conference Agreement Savings

	<u>1996</u>	<u>2002</u>	<u>FY 96-02</u> <u>Total</u>	<u>Average</u> <u>Annual Growth</u>
Net Baseline	\$ 176.1	\$ 301.2	\$1,474.7	9.4%
per-capita	\$ 4,696	\$ 7,419		7.9%
Option 1 Savings	-	(52.8)	(168.0)	
Option 1 Baseline	\$ 176.1	\$ 248.4	\$1,307.5	5.9%
per-capita	\$ 4,696	\$ 6,118		4.5%
Option 2 Savings	-	(52.8)	(168.0)	
Option 2 Baseline	\$ 176.1	\$ 248.4	\$1,306.7	5.8%
per-capita	\$ 4,696	\$ 6,117		4.5%
GOP Savings 1/	-	(52.8)	(158.0)	
GOP Baseline	\$ 176.1	\$ 248.4	\$1,316.7	5.8%
per-capita 3/	\$ 4,700	\$ 6,200		4.7%
<hr/>				
Gross Baseline	\$ 196.1	\$ 328.5	\$1,620.5	9.0%
per-capita	\$ 5,229	\$ 8,091		7.5%
Option 1 Savings	-	(49.5)	(160.5)	
Option 1 Baseline	\$ 196.1	\$ 279.0	\$1,460.0	6.1%
per-capita	\$ 5,229	\$ 6,872		4.7%
Option 2 Savings	-	(46.4)	(151.5)	
Option 2 Baseline	\$ 196.1	\$ 282.1	\$1,476.0	6.2%
per-capita	\$ 5,229	\$ 6,948		4.9%
GOP Savings	-	(46.4)	(141.5)	
GOP Baseline 2/	\$ 196.1	\$ 282.1	\$1,479.0	6.2%
per-capita 4/	\$ 5,200	\$ 7,000		5.1%

- 1/ From page 8 of the Conference Agreement report. Because comparison of the Senate version of the Budget Resolution and the Conference Agreement suggests that there is no GME Trust Fund spending in 2002, page 8 savings for 2002 used here.
- 2/ From page 22 of the Conference Agreement report. Because comparison of the Senate version of the Budget Resolution and the Conference Agreement suggests that there is no GME Trust Fund spending in 2002, page 22 savings for 2002 used here.
- 3/ Because the Majority does not discuss net spending, we have not seen these estimates yet, but we expect that they would "round" the per-capita numbers in this way to make the growth rate look better (even though rounding \$6,117 to \$6,200 is clearly wrong).
- 4/ From page 23 of the Conference Agreement report. This appears to be the per-capita numbers calculated above, "rounded" to show a higher growth rate (even though rounding \$6,948 to \$7,000 is clearly wrong).

Attachment D

Medicare: Comparison of POTUS and Congressional Offers From CBO April Baseline

(Outlays by fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1997-2002	Average Annual Growth 1995-2002	Average Annual Growth 1996-2002
CBO April Baseline											
Medicare, Net Mandatory Outlays											
CBO April Baseline	156.9	176.1	194.9	213.8	233.4	254.4	277.0	301.2	1,474.7	9.8%	9.4%
Growth	---	12.2%	10.7%	9.7%	9.2%	9.0%	8.9%	8.7%			
CBO April Baseline Per-bene	\$ 4,252	\$ 4,696	\$ 5,115	\$ 5,539	\$ 5,969	\$ 6,441	\$ 6,925	\$ 7,419		8.3%	7.9%
Growth	---	10.4%	8.9%	8.3%	7.8%	7.9%	7.5%	7.1%			
Chairman's \$158 b plan	-	-	(6.40)	(12.40)	(21.80)	(31.60)	(42.20)	(52.80)	(167.2)		
Senate Chairman's Proposed	156.9	176.1	188.5	201.4	211.6	222.8	234.8	248.4	1,307.5	6.8%	5.9%
Growth	---	12.2%	7.0%	6.8%	5.1%	5.3%	5.4%	5.8%			
Senate Chairman's Per-bene	\$ 4,252	\$ 4,696	\$ 4,948	\$ 5,218	\$ 5,412	\$ 5,641	\$ 5,870	\$ 6,118		5.3%	4.5%
Growth	---	10.4%	5.4%	5.5%	3.7%	4.2%	4.1%	4.2%			
Option 1 Savings	-	-	(6.4)	(12.4)	(21.8)	(31.6)	(42.2)	(52.8)	(167.20)		
Option 1 Proposed	156.9	176.1	188.5	201.4	211.6	222.8	234.8	248.4	1,307.5	6.8%	5.9%
Growth	---	12.2%	7.0%	6.8%	5.1%	5.3%	5.4%	5.8%			
Option 1 Per-bene	\$ 4,252	\$ 4,696	\$ 4,948	\$ 5,218	\$ 5,412	\$ 5,641	\$ 5,870	\$ 6,118		5.3%	4.5%
Growth	---	10.4%	5.4%	5.5%	3.7%	4.2%	4.1%	4.2%			
Option 2 Savings	-	-	-	-	-	-	-	(52.8)	(168.0)		
Option 2 Proposed	156.9	176.6	-	-	-	-	-	248.4	1,306.7	6.8%	5.8%
Growth	---	---	---	---	---	---	---	---			
Option 2 Per-bene	\$ 4,252	\$ 4,696	-	-	-	-	-	\$ 6,117		5.3%	4.5%
Growth	---	---	---	---	---	---	---	---			
Medicare, Gross Mandatory Outlays											
CBO April Baseline	177.1	196.1	215.5	236.4	257.4	279.5	303.2	328.5	1,620.5	9.2%	9.0%
Growth	---	10.7%	9.9%	9.7%	8.9%	8.6%	8.5%	8.3%			
CBO April Baseline Per-bene	\$ 4,799	\$ 5,229	\$ 5,656	\$ 6,124	\$ 6,583	\$ 7,076	\$ 7,580	\$ 8,091		7.7%	7.5%
Growth	---	9.0%	8.2%	8.3%	7.5%	7.5%	7.1%	6.7%			
Senate Chairman's \$158 b plan	-	-	(6.5)	(12.4)	(21.4)	(30.5)	(40.2)	(49.5)	(160.5)		
Senate Chairman's Proposed	177.1	196.1	209.0	224.0	236.0	249.0	263.0	279.0	1,460.0	6.7%	6.1%
Growth	---	---	---	7.2%	5.4%	5.5%	5.6%	6.1%			
Senate Chairman's Per-bene	\$ 4,799	\$ 5,229	\$ 5,486	\$ 5,803	\$ 6,036	\$ 6,304	\$ 6,575	\$ 6,872		5.3%	4.7%
Growth	---	---	---	5.8%	4.0%	4.4%	4.3%	4.5%			
Option 1 Savings	-	-	(6.5)	(12.4)	(21.4)	(30.5)	(40.2)	(49.5)	(160.5)		
Option 1 Proposed	177.1	196.1	209.0	224.0	236.0	249.0	263.0	279.0	1,460.0	6.7%	6.1%
Growth	---	---	---	7.2%	5.4%	5.5%	5.6%	6.1%			
Option 1 Per-bene	\$ 4,799	\$ 5,229	\$ 5,486	\$ 5,803	\$ 6,036	\$ 6,304	\$ 6,575	\$ 6,872		5.3%	4.7%
Growth	---	---	---	5.8%	4.0%	4.4%	4.3%	4.5%			
Option 2 Savings	-	-	-	-	-	-	-	(46.4)	(151.5)		
Option 2 Proposed	177.1	196.1	-	-	-	-	-	282.1	1,469.0	6.9%	6.2%
Growth	---	10.7%	-	-	-	-	-	-			
Option 2 Per-bene	\$ 4,799	\$ 5,229	-	-	-	-	-	\$ 6,948		5.4%	4.9%
Growth	---	9.0%	-	-	-	-	-	-			

TALKING POINTS ON THE MEDICARE TRUST FUND

June 21, 1996

THIS MONTH'S TREASURY REPORT ONLY CONFIRMS WHAT WE ALREADY KNEW -- THAT REPUBLICANS SHOULD ACCEPT THE PRESIDENT'S CALL TO IMMEDIATELY PASS THE COMMON SAVINGS IN OUR BALANCED BUDGET PLANS WHICH WOULD STRENGTHEN THE MEDICARE TRUST FUND.

- **We could strengthen the Trust Fund tomorrow if Republicans agreed to come back to the table, put aside their structural changes that would segment the Medicare population and weaken the program, and pass the common savings in the two budget plans.**
- **The President's balanced budget plan guarantees the life of the Trust Fund for a decade -- the same of the Republican budget plan. In a June 4th letter, the Medicare Trust Fund's Chief Actuary confirmed that the life of the trust fund would be extended until "mid-calendar year 2006 under the Administration's proposal."**
- **The President's plan shows we can extend the life of the Trust Fund for a decade without imposing devastating provider cuts, increasing beneficiary costs, or enacting structural changes that hurt the program and the people it serves.**

WHAT IS IMPORTANT IS NOT THE MONTHLY VARIATION IN THE TRUST FUND, BUT THE NEED FOR CONGRESS TO STRENGTHEN THE TRUST FUND.

- **Monthly changes in the Trust Fund are normal.** This month's Treasury statement shows a decrease in revenue; last month's showed a large increase. These monthly changes do not change the underlying need to strengthen the Trust Fund.
- **Monthly changes in the Trust Fund's balance should not be used to scare people.** There is over \$120 billion in the Trust Fund.
- **This month's results reflect several unusual factors: the effect of a transfer that is required by law once every five years, and the fact that payments normally made on June 1 were made May 31.** The "quinquennial" transfer is an adjustment to compensation for wage credits arising from military service and results in a \$2.4 billion transfer from the Trust Fund to the General Fund in May. [The transfer accounts for \$2.4 billion of the \$6.6 billion reduction in the level of the Fund in May.]
- The wage credit's effects were included in the financial projections in this year's Trustees Report. [See p. 20&32-33 of the Trustees Report on the HI Trust Fund.]

[Background on the budget deficit data in the Treasury monthly statement: Because June 1 fell on a weekend, certain payments occurred in May instead of June. We are still on track to meet CBO's projection of a deficit of about \$130 billion in fiscal 1996 -- less than half what it was in 1992 and the lowest since at least 1982.]

MEDICARE TRUST FUND TALKING POINTS

June 7, 1996

THE MEDICARE TRUSTEES' REPORT CONFIRMED WHAT WE ALREADY KNEW -- REPUBLICANS SHOULD ACCEPT PRESIDENT CLINTON'S CALL TO BALANCE THE BUDGET AND STRENGTHEN THE MEDICARE TRUST FUND.

- As CBO said in its April 30th Hill testimony, "*.... the projected date of insolvency should be viewed not as telling us something new, but confirming what we already know.*"

WE WELCOME REPUBLICANS' CONCERN ABOUT THE TRUST FUND, BUT LONG BEFORE THEY STARTED TALKING ABOUT THE PROBLEM, THE PRESIDENT WAS ACTING TO ADDRESS IT.

- The President's 1993 Economic Plan extended the life of the Trust Fund by 3 years -- *without a single Republican vote.*
- The President's Health Care Reform Plan would have extended the life of the Trust Fund by *another 5 years.*

THE PRESIDENT'S BALANCED BUDGET GUARANTEES THE LIFE OF THE TRUST FUND FOR A DECADE -- THE SAME AS THE SENATE REPUBLICAN BUDGET

- In a June 4th letter, the Medicare trust fund's Chief Actuary confirmed that the life of the trust fund would be extended until "mid-calendar year 2006 under the Administration's proposal."

ACTION IS NEEDED -- BUT THE ONLY CAUSE FOR ALARM IS THE REPUBLICANS' REFUSAL TO MEET WITH THE PRESIDENT ON BUDGET AND MEDICARE ISSUES.

- The need for responsible intervention to improve the Trust Fund is real. The President's plan addresses this need in a responsible way, without imposing devastating provider cuts, increasing beneficiary costs, or enacting structural changes that hurt the program and the people it serves.
- Over \$125 billion remains in the Trust Fund. While incoming revenues are somewhat less than outgoing payments, the current balance in the Trust Fund means that there is absolutely no danger that claims will not be paid.
- Reports should not be used irresponsibly. The upcoming Trust Fund report should not be used to recklessly frighten the 37 million Medicare beneficiaries and their families into thinking that their benefits are in imminent danger. They simply are not.

IT IS TIME TO PUT PARTISAN DIFFERENCES ASIDE AND AGREE ON THE COMMON MEDICARE SAVINGS BOTH REPUBLICAN AND DEMOCRATIC PROPOSALS HAVE.

- We have tens of billions of dollars in common Medicare savings that we could agree on tomorrow to strengthen the Trust Fund. All the Republicans need do is set aside their structural changes that would segment the wealthy and healthy from other beneficiaries and cause Medicare to "*wither on the vine.*" (E.G., the Republican Medical Savings Account would actually weaken the Medicare Trust Fund, as it would cost \$4 billion.)

REPUBLICAN BUDGET STILL THREATENS MEDICARE

June 3, 1996

*"No, we don't get rid of it in round one because we don't think it's politically smart....
But we believe it's going to wither on the vine" -- Newt Gingrich, 10/24/95*

REPUBLICANS STILL INSIST ON EXCESSIVE MEDICARE CUTS THAT WOULD MOVE MEDICARE TOWARD SECOND CLASS HEALTH CARE. The Republican budget reduces Medicare spending by \$167 billion -- \$51 billion or 44% more than CBO scored the President's balanced budget. It would reduce spending by over \$1,100 per beneficiary in 2002 -- a 50% greater cut than the President's Medicare savings from the current CBO Medicare baseline.

WHILE HOUSE REPUBLICANS HAVE FINALLY AGREED NOT TO RAISE MEDICARE PREMIUMS, THEY HAVE NOT LOWERED THEIR TOTAL CUTS. Rather than raising costs on beneficiaries directly they now do it indirectly through even deeper cuts in payments to the hospitals and home health providers that serve beneficiaries, jeopardizing quality and access to health services.

- **Extreme Cuts Threaten Viability of Many Hospitals.** Their \$167 billion cut could mean hospitals get lower payments tomorrow than today--even in nominal terms--and will result in cost-shifting, undermine quality, and threaten the financial viability of many rural and urban hospitals. According to the American Hospital Association, nearly 700 hospitals derive 67% or more of net patient revenues from Medicare & Medicaid.
- **American Hospital Association and National Association of Children's Hospitals are "gravely concerned about the level of reductions proposed"** by Republicans in Medicare and Medicaid. [May 10, 1996 letter to Chairmen Roth, Archer, and Bliley from ten hospital associations.]

MORE THAN DOLLARS ARE AT STAKE -- THEIR DAMAGING STRUCTURAL CHANGES WOULD FORCE MEDICARE TO "WITHER ON THE VINE." The Republican budget still contains the damaging structural changes that President Clinton vetoed last year. These changes would segment the Medicare population, leaving the traditional program with fewer dollars and sicker beneficiaries.

- **MEDICAL SAVINGS ACCOUNTS (MSAs).** Republicans insist on the immediate adoption of untested changes to the Medicare program, such as MSAs, that appeal to the healthiest and wealthiest beneficiaries, leaving the sickest and most costly beneficiaries in a weakened fee-for-service program. CBO projects that MSAs will *increase* Medicare costs by more than \$4 billion over seven years.

New York Times [11/18/95]: "A hallmark of the [Republican] Medicare legislation is the encouragement of private health plans....But many experts fear a balkanization of healthy and sick....If some experts worry that managed care plans would skim healthy recipients from the conventional Medicare program, many of the large plans are *concerned that the healthy would be skimmed from them by medical savings accounts.*"

- **OVER-CHARGING IN PRIVATE PLANS.** Republican proposals permit physicians to charge beneficiaries extra -- through "balance billing" -- in private Medicare plans, increasing out-of-pocket costs for beneficiaries and slowly draining the fee-for-service system of both doctors and dollars.
- **HARD SPENDING CAP.** Republicans impose a hard cap on Medicare spending. If costs increase faster than projected, spending would no longer keep up -- leading to cuts exceeding \$167 billion.

Wall Street Journal: "Republicans also would apply a cap to these services. If health-care costs rose faster than the GOP budget allots, doctors, hospitals and other providers would have to absorb the losses. *That, in turn, could come back to bite the beneficiaries.*" [12/27/95]

- **PRESIDENT CLINTON'S BUDGET SHOWS THAT THEIR DEEP CUTS AND DAMAGING STRUCTURAL CHANGES ARE NOT NECESSARY TO BALANCE THE BUDGET AND GUARANTEE THE LIFE OF THE MEDICARE TRUST FUND FOR 10 YEARS.**



Memorandum

Date June 4, 1996

From Chief Actuary, HCFA

Subject Estimated Year of Exhaustion for HI Trust Fund under Administration's
Balanced Budget Proposal

To Administrator, HCFA

This memorandum responds to your request for the estimated year of exhaustion for the Hospital Insurance trust fund under the Medicare provisions in the Administration's balanced budget proposal. Based on the intermediate set of assumptions in the 1996 Trustees Report, we estimate that the assets of the HI trust fund would be depleted in mid-calendar year 2006 under the Administration's proposal.

In the absence of corrective legislation, trust fund depletion would occur early in calendar year 2001 under the intermediate assumptions. Thus, the Administration's proposal would postpone the year of exhaustion by roughly 5½ years.

The financial operations of the HI trust fund will depend heavily on future economic and demographic trends. For this reason, the estimated year of depletion under the Administration's balanced budget proposal is very sensitive to the underlying assumptions. In particular, under adverse conditions such as those assumed by the Trustees in their "high cost" assumptions, asset depletion could occur significantly earlier than the intermediate estimate. Conversely, favorable trends would delay the year of exhaustion. The intermediate assumptions represent a reasonable basis for planning.

The estimated year of exhaustion is only one of a number of measures and tests used to evaluate the financial status of the HI trust fund. If you would like additional information on the estimated impact of the Administration's Medicare proposals, we would be happy to provide it.

Richard S. Foster, F.S.A.

KEY REPUBLICAN QUOTES ON MEDICARE

Senator Bob Dole: "I was there, fighting the fight, one of twelve, voting against Medicare in 1965 ... because we knew it wouldn't work."

American Conservative Union Speech
10/24/95

Speaker Newt Gingrich: "No, we don't get rid of it in round one because we don't think it's politically smart..... But we believe it's going to wither on the vine."

Blue Cross/Blue Shield Association Speech
10/24/95

Senator D'Amato: "If I had my druthers ... I would have said to my distinguished colleagues, both in the House and in the Senate, 'Don't link this business of tax cuts with fixing this badly flawed system. Put it aside.

Senate Finance Committee
09/26/95

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 2, 1996

STATEMENT BY DR. LAURA D'ANDREA TYSON
NATIONAL ECONOMIC ADVISER

Rather than joining President Clinton in passing common savings in Medicare to strengthen the Trust Fund and balance the budget, Speaker Gingrich has chosen to reargue and defend the extreme Medicare cuts and policies in the Republican Reconciliation bill that President Clinton already vetoed and the American people soundly rejected.

Speaker Gingrich should drop the political attacks and look at the facts. He should go back and listen to the many voices that agree that the Republican Medicare cuts and damaging structural changes would -- in his own words -- cause Medicare to "whither on the vine:"

- "We think that cuts of this magnitude call into question our ability to provide the world class medical care." [American Academy of Physicians, October 5, 1995]
- "This legislation...is not in the best interest of patients, communities, and the men and women who care for them. ...the reductions in the conference report will jeopardize the ability of hospitals and health systems to deliver quality care, not just to those who rely on Medicare and Medicaid, but to all Americans." [America Hospital Association, Catholic Health Association, and Voluntary Hospitals of America, and State Hospital Associations from 47 states, November 17, 1995]
- "Four hundred billion dollars in cuts from these two major health care programs that serve older and low-income Americans do not meet the fairness test. Reductions in Medicare called for in the conference report are much more than is necessary to keep the program solvent into the next decade." [American Association of Retired Persons (AARP), November 16, 1995.]

Even under the current Republican plan, Medicare spending would still be cut by \$167 billion -- \$51 billion or 44% more than CBO scored the President's balanced budget. Their new plan maintains the damaging structural changes in their reconciliation bill that would segment the Medicare population and leave the traditional program with fewer dollars and a sicker pool of beneficiaries.

- "It's impact on hospitals appears worse. ...We are gravely concerned about the level of reductions proposed" by Republicans in Medicare and Medicaid. [American Hospital Association, Federation of American Health Systems, Catholic Health Association, and 7 other national hospital associations, May 10, 1996.]

THE 1996 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

TRANSMITTING

THE 1996 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, PURSUANT TO SECTION 1841(b) OF THE SOCIAL SECURITY ACT, AS AMENDED



JUNE 5, 1996.—Referred jointly to the Committees on Ways and Means and Commerce and ordered to be printed

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