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MEMORANDUM

TO: Distribution June 30, 1995
FROM: Chris Jennings and Jen Klein
RE: Updated Health Care Talking Points/Charts/Back-up Materials

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

- 1) A one-pager on the final Republican Medicare cuts and how they contrast with the President's proposal.
- 2) A one-pager on the final Republican Medicaid cuts and how they contrast with the President's proposal.
- 3) One chart showing Medicare savings from the President's proposal versus the Republican Budget.
- 4) Three charts illustrating the out-of-pocket cost increases under the Republican plan as it relates to Medicare and the President's plan.
- 5) Two charts illustrating Republican Medicaid cuts.
- 6) State-by-state analysis of increased out-of-pocket costs per beneficiary.
- 7) Projected Medicare beneficiaries by state.
- 8) A two-pager outlining President Clinton's health reform initiative.
- 9) A two-pager providing additional Medicare talking points.

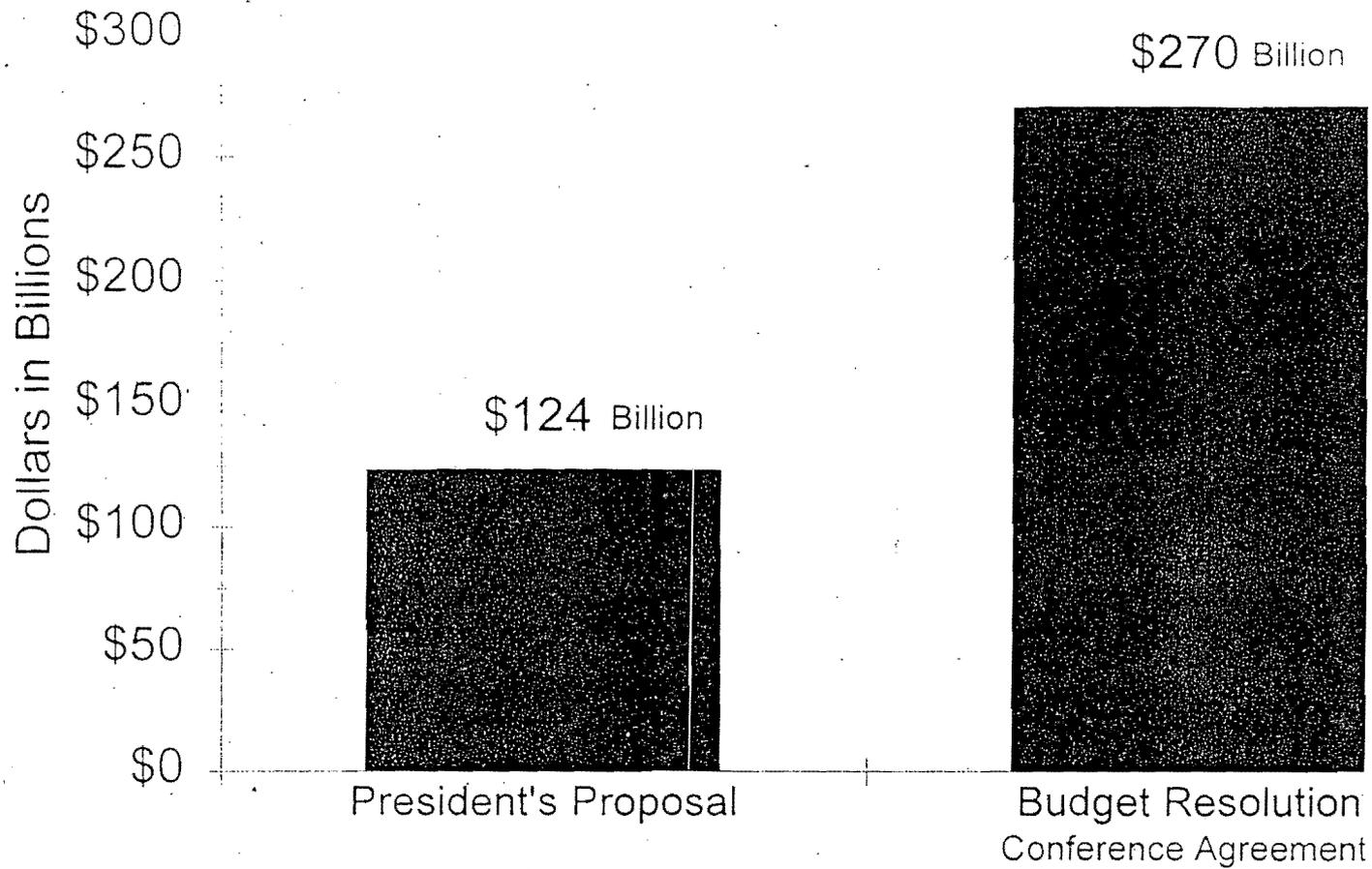
MEDICARE

- **REPUBLICANS' UNPRECEDENTED CUTS:** The Republican Budget Resolution Conference Agreement would cut \$270 billion from the Medicare program over the next seven years -- \$71 billion in the year 2002 alone. This approximately triples anything previously enacted.
- **CUTS ARE REAL:** Republicans will call their proposal an increase, not a cut, since spending will be higher in 2002 than it is today. But by that logic, reducing the Social Security cost-of-living adjustment (COLA) would not be considered a cut. In fact, the Republicans' out-of-pocket increases would have the effect of taking half of the Social Security (COLA) from the pockets of the average Medicare beneficiary.
- **BILLIONS ADDED TO OLDER AMERICANS' ALREADY HIGH COSTS:** The Republican Budget would increase beneficiaries' out-of-pocket costs by tens of billions of dollars. Assuming their cuts were equally divided between beneficiaries and providers:
 - In the year 2002 alone, each beneficiary could pay \$625 more in out-of-pocket costs than under the President's proposal; couples could pay \$1,250 more.
 - Over the seven-year period, beneficiaries may be forced to pay an additional \$2,825 (\$5,650 per couple) out-of-pocket relative to the President's proposal.
- **VOUCHERS AREN'T CHOICE, THEY'RE FINANCIAL COERCION:** Republican proposals that promise choice through Medicare "vouchers" actually threaten to undermine fundamental Medicare protections.
 - Medicare guarantees beneficiaries that it will pay the cost of covered services, subject to fixed and predictable cost-sharing requirements. That's a benefit guarantee.
 - A voucher would replace this benefit guarantee with a fixed dollar amount. This means that beneficiaries would be on their own to find a health plan, with a voucher that is losing value over time.
 - Republicans claim you can keep the Medicare coverage you've got. How can you keep what you can't afford? The only way for Republicans to achieve the level of savings they are proposing is through requirements that beneficiaries have to pay much more to stay in the current Medicare program. That's not choice, that is financial coercion.
- **NO NEW BENEFICIARY CUTS IN THE PRESIDENT'S PROPOSAL:** While the Republicans would cut beneficiary protection to finance tax cuts for the well off, the President would strengthen Medicare financing without new burdens for beneficiaries. The President's proposal would:
 - Reduce Medicare spending by \$124 billion -- less than half the Republican cuts;
 - Ensure Medicare trust fund solvency through at least 2005, without any new beneficiary cuts;
 - Accompany reductions in Medicare spending with: 1) new prevention and long-term care benefits; 2) more plan choices for beneficiaries; 3) aggressive pursuit of fraud and abuse; 4) insurance reform; and, 5) important new insurance affordability protections for small businesses and working families.

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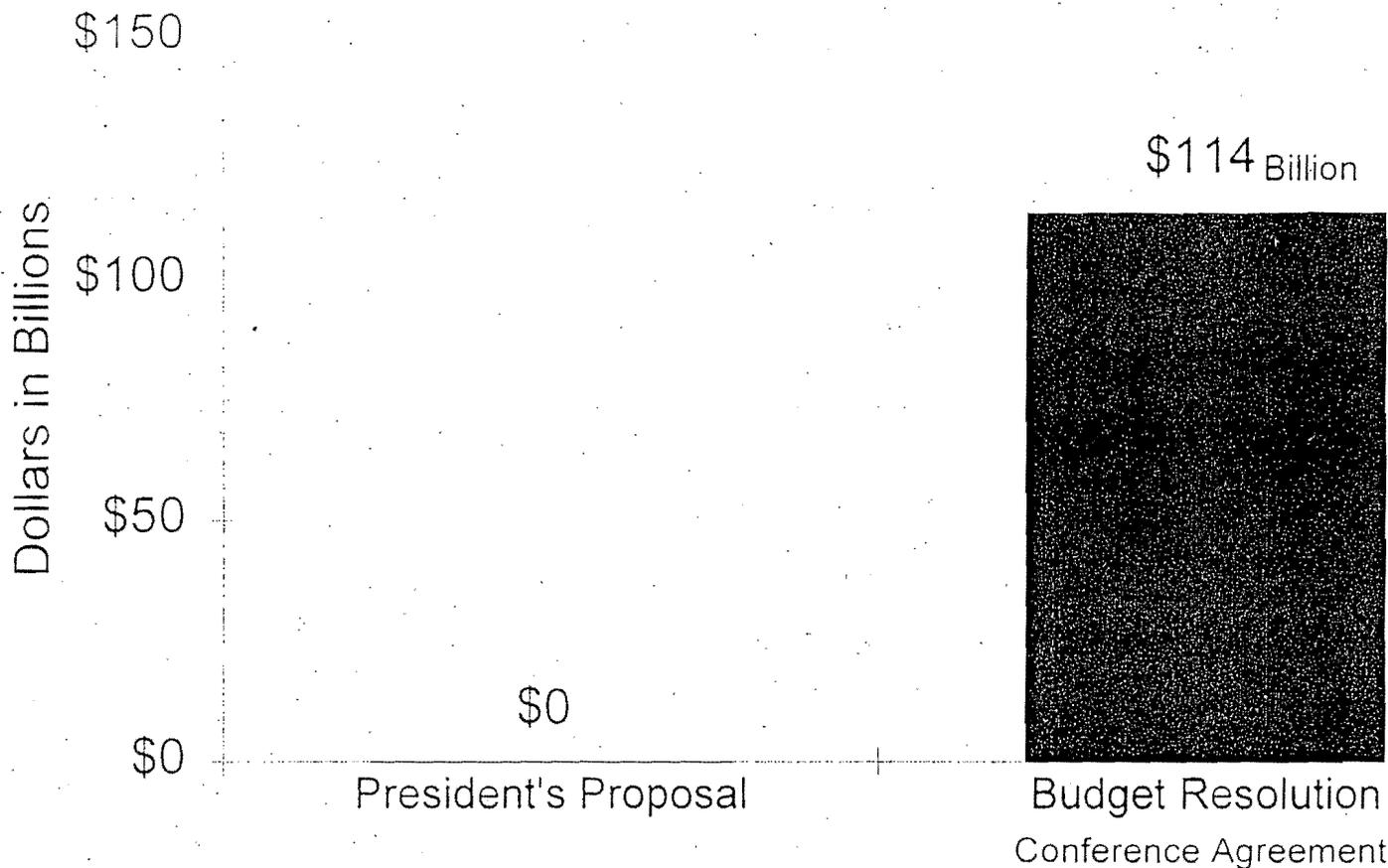
- **REPUBLICANS' UNPRECEDENTED CUTS:** The Republican Budget Resolution Conference Agreement would cut \$182 billion from Medicaid over the next seven years by making the program a block grant to states.
- **HEAVY BURDENS TO FAMILIES FACING LONG-TERM CARE:** While most people think that Medicaid helps only low-income mothers and children, about two-thirds of Medicaid funds are spent on services for elderly and disabled Americans. Without Medicaid, working families with a parent or spouse who need long-term care would face nursing home bills that average \$38,000 a year.
- **MANAGED CARE SAVINGS NOT NEARLY SUFFICIENT:** Savings from managed care cannot produce anywhere near the magnitude of cuts proposed by the Republicans. Two-thirds of Medicaid funds are spent on the elderly and disabled, and there is little evidence that putting them in managed care can produce savings. And because the baseline projections already assume that a growing number of mothers and children on Medicaid will be in managed care plans, there are little additional savings left in the remaining one-third of the program.
- **LIKELY IMPACTS:** The Republicans argue that they are not cutting Medicaid since states will get an increase in the block grant every year. But, given that CBO projects that the number of people covered will grow by 3 percent and that the Republicans block grant will grow by only 4 percent by 1998, the funding does not even keep up with inflation. It's a cut in real terms.
 - Assuming states would be forced to respond to these cuts by reducing services, provider payments and coverage in equal proportions:
 - ◆ **7 million children and nearly one million elderly and persons with disabilities could lose insurance coverage.** This would further worsen our nation's uncompensated care problem and create more incentives for cost-shifting to American businesses and families who still have insurance.
- **THE PRESIDENT'S PROPOSAL PROTECTS COVERAGE:** The President's proposal contains a mix of policies that save \$54 billion between now and 2002 -- less than a third of the Republican proposal. It promotes efficiency and gives states more flexibility while protecting coverage. Every single Democratic Governor has endorsed the President's Medicaid target as a reasonable and achievable savings number.
 - Maintaining coverage under Medicaid is critical since it serves as a safety net for many Americans. Between 1989 and 1994, employer health coverage declined from 66 percent of the nonelderly population to 59 percent. Medicaid coverage increased from 9 to 14 percent during this same period.

Savings From Medicare Proposals 1996 - 2002



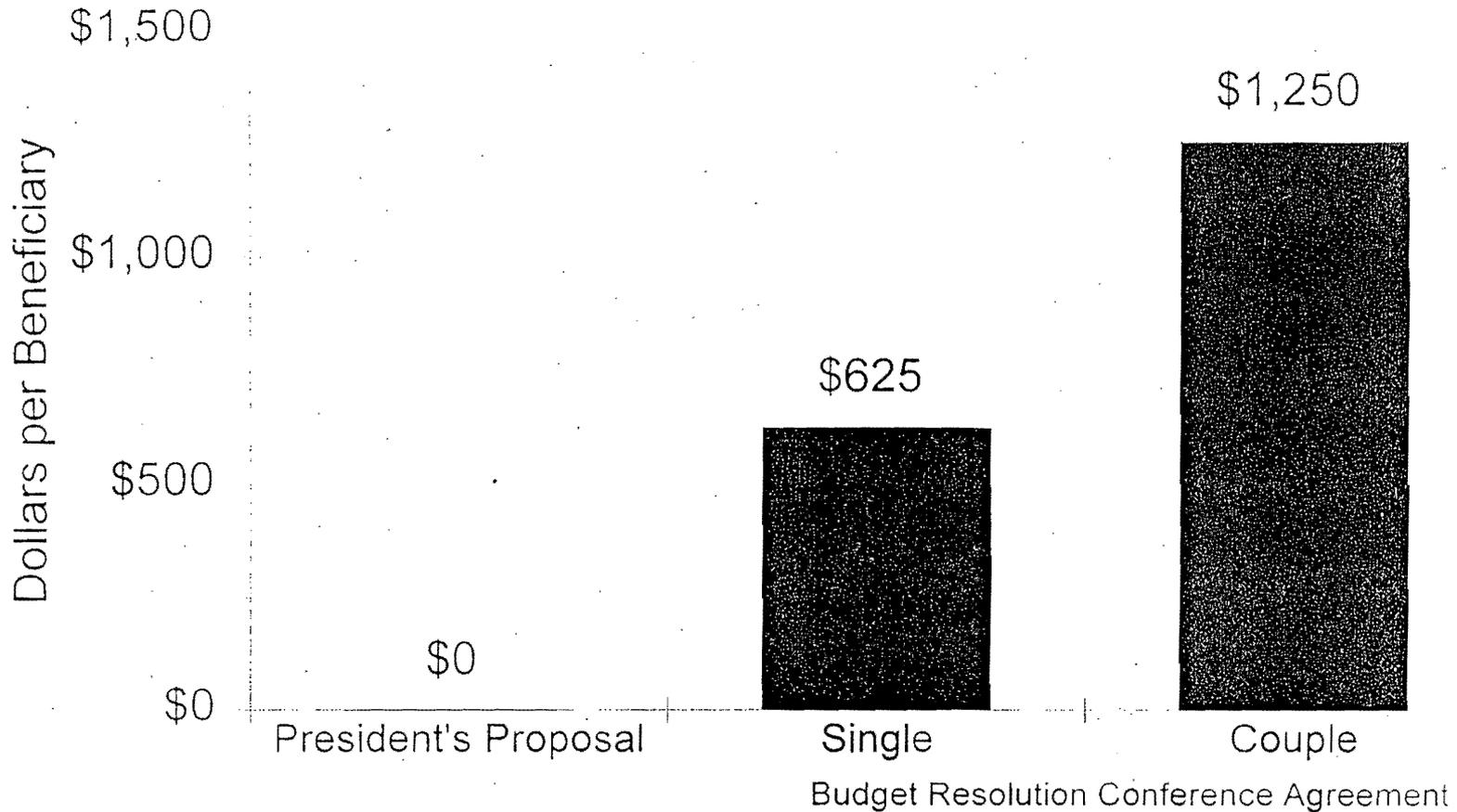
The President's Proposal includes the extenders that were previously incorporated in the President's Budget.

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



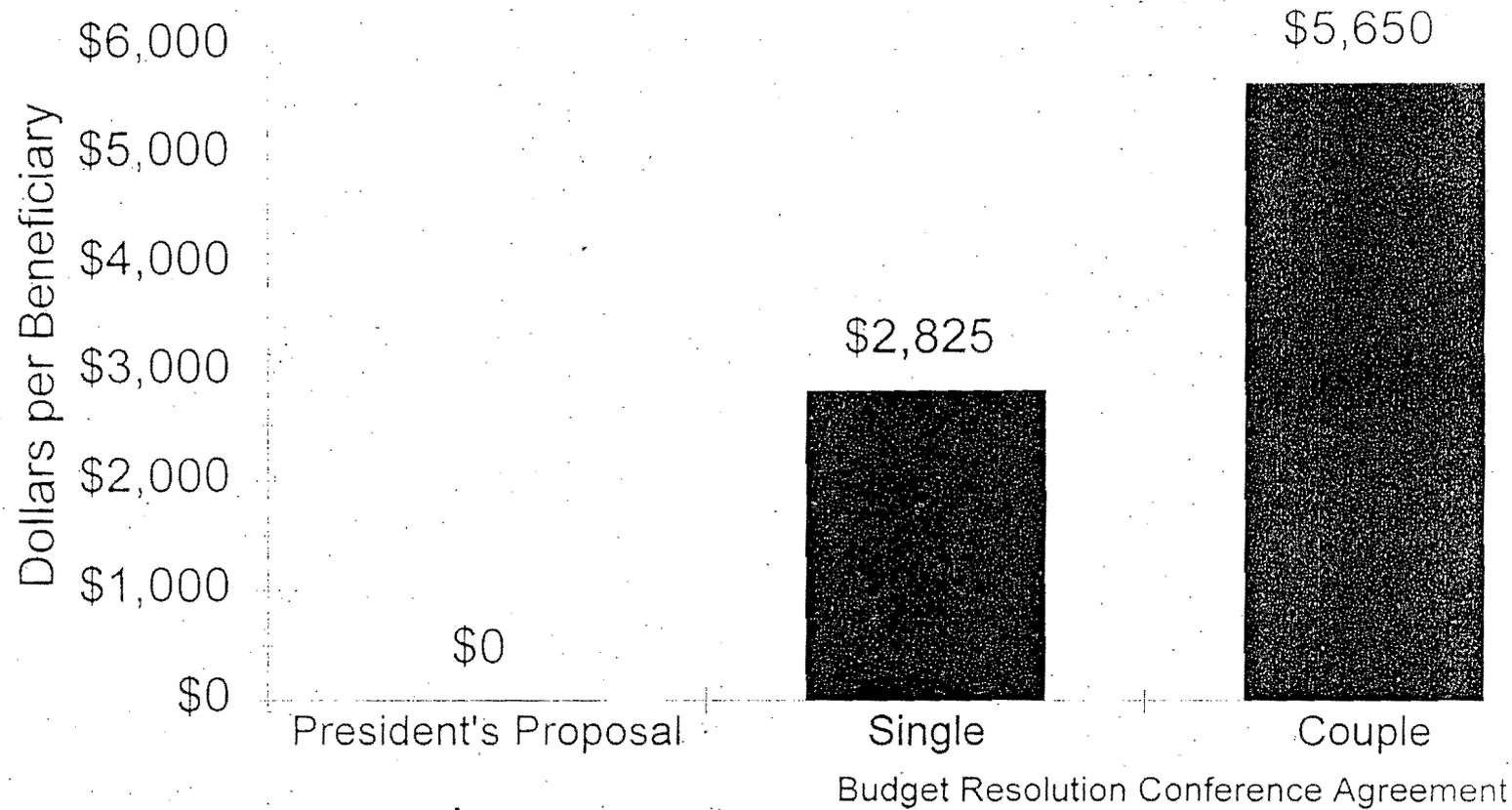
The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US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

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



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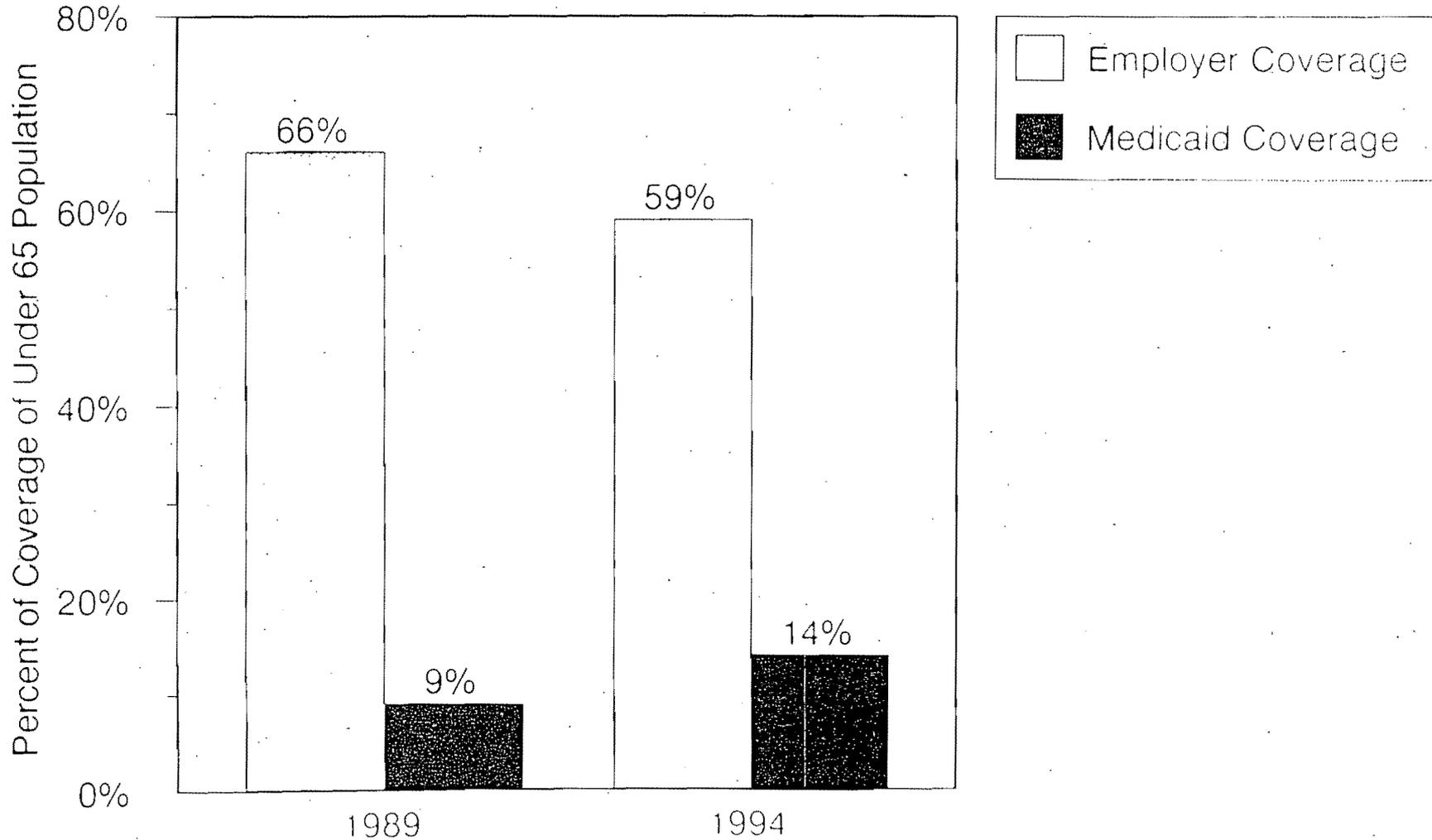
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Medicaid is a Critical Safety Net

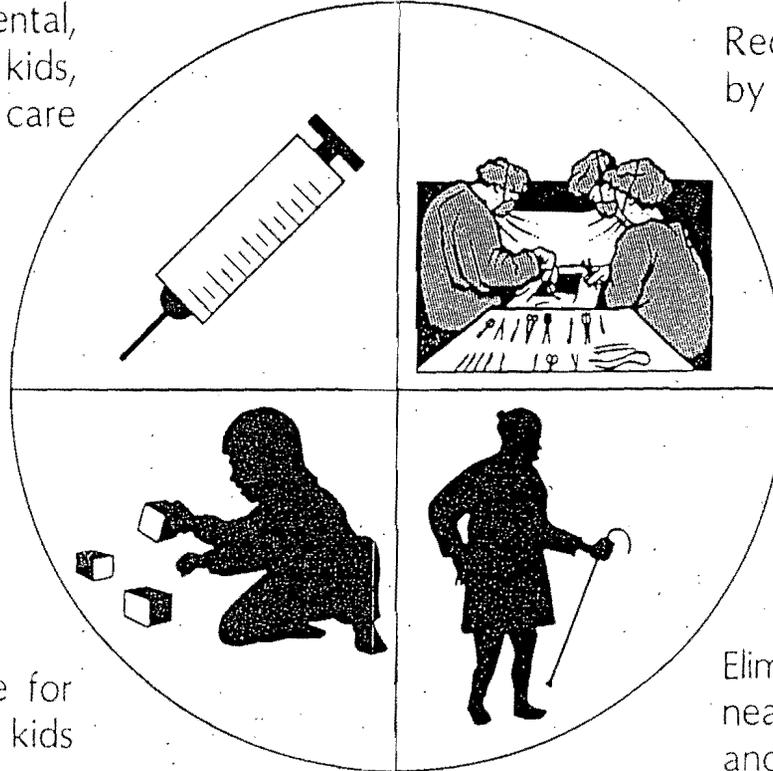
Employer Coverage Reduced, Medicaid Coverage Increased



Medicaid Cuts That States Would Be Forced to Make

2002

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



Reduce provider payments
by almost \$13 billion

Eliminate coverage for
7-million kids

Eliminate coverage for
nearly one million elderly
and persons with disabilities

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

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

	Increased Out-of-Pocket Cost Per Beneficiary (Increase in dollars per beneficiary)	
	2002	1996-2002
US	\$625	\$2,825
Alabama	1,181	4,276
Alaska	419	1,864
Arizona	838	3,290
Arkansas	582	2,376
California	1,226	4,620
Colorado	933	3,505
Connecticut	976	3,764
Delaware	1,016	3,871
District of Columbia	NA	NA
Florida	1,319	4,899
Georgia	911	3,538
Hawaii	981	3,567
Idaho	364	1,576
Illinois	656	2,707
Indiana	737	2,909
Iowa	427	1,809
Kansas	876	3,352
Kentucky	635	2,587
Louisiana	1,049	4,073
Maine	436	1,865
Maryland	658	2,787
Massachusetts	1,289	4,813
Michigan	617	2,604
Minnesota	942	3,420
Mississippi	668	2,686
Missouri	730	2,924
Montana	463	1,945
Nebraska	551	2,206
Nevada	903	3,511
New Hampshire	683	2,675
New Jersey	780	3,146
New Mexico	405	1,728
New York	824	3,337
North Carolina	753	2,920
North Dakota	628	2,538
Ohio	600	2,507
Oklahoma	609	2,500
Oregon	806	3,027
Pennsylvania	865	3,477
Rhode Island	1,150	4,167
South Carolina	777	2,941
South Dakota	525	2,131
Tennessee	1,165	4,350
Texas	938	3,643
Utah	608	2,446
Vermont	480	1,989
Virginia	469	2,007
Washington	530	2,196
West Virginia	565	2,304
Wisconsin	475	2,003
Wyoming	282	1,302
Puerto Rico	362	1,394
All Other Areas	3	20

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

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

Projected Medicare Beneficiaries by State

	1995	2002
US	37,631,000	41,299,000
Alabama	641,971	703,082
Alaska	33,784	49,773
Arizona	598,737	743,525
Arkansas	422,580	450,365
California	3,638,311	4,034,936
Colorado	423,478	514,095
Connecticut	503,906	533,943
Delaware	100,545	115,722
District of Columbia	78,730	76,330
Florida	2,615,604	2,951,880
Georgia	832,454	953,079
Hawaii	150,818	184,336
Idaho	149,769	171,120
Illinois	1,625,786	1,690,497
Indiana	827,174	890,461
Iowa	476,142	484,783
Kansas	383,997	397,890
Kentucky	585,590	636,855
Louisiana	582,491	634,122
Maine	202,149	221,565
Maryland	604,202	677,465
Massachusetts	937,292	996,344
Michigan	1,354,523	1,481,749
Minnesota	632,457	671,394
Mississippi	395,768	421,671
Missouri	834,228	876,863
Montana	129,141	141,557
Nebraska	249,529	256,357
Nevada	194,035	295,417
New Hampshire	156,237	178,655
New Jersey	1,174,802	1,244,404
New Mexico	212,160	257,452
New York	2,645,176	2,718,120
North Carolina	1,028,054	1,202,196
North Dakota	103,477	106,274
Ohio	1,673,946	1,800,336
Oklahoma	487,058	519,526
Oregon	470,268	524,031
Pennsylvania	2,083,051	2,187,966
Rhode Island	168,503	175,375
South Carolina	508,854	593,614
South Dakota	117,061	122,172
Tennessee	769,041	853,930
Texas	2,090,369	2,419,444
Utah	188,349	228,000
Vermont	82,989	91,752
Virginia	818,458	936,837
Washington	687,136	771,781
West Virginia	330,115	348,402
Wisconsin	763,230	804,207
Wyoming	60,570	72,355
Puerto Rico	476,704	527,920
All Other Areas	330,201	357,073

NOTES: Based on historical state share of Medicare enrollees, trended forward with growth in the states' share of enrollees
 * Totals may not add due to rounding

The President's Health Reform Initiative

1. Reforming the Insurance Market

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

- **Portability and Renewability of Coverage** -- Insurers will be barred from denying coverage to Americans with pre-existing medical conditions, and plans will have to renew coverage regardless of health status.
- **Small Group Market Reforms** -- Insurers will be required to offer coverage to small employers and their workers, regardless of health status, and companies will be limited in their ability to vary or increase premiums on the basis of claims' history.
- **Consumer Protections** -- Insurers will be required to give consumers information on benefits and limitations of their health plans, including the identity, location, and availability of participating providers; a summary of procedures used to control utilization of services; and how well the plan meets quality standards. In addition, plans would have to provide prompt notice of claims denials and establish internal grievance and appeals procedures.

2. Helping Working Families Retain Insurance After a Job Loss

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

3. Helping Small Businesses Afford Insurance

- **Giving Small Employers Access to Group Purchasing Options:** Small employers that lack access to a group purchasing option through voluntary state pools would get that option through access to the Federal Employees Health Benefits Program (FEHBP) plans. This would increase the purchasing power of smaller businesses and make the small group insurance market more efficient. Small firms would get coverage from plans that also provide coverage to Federal employees through FEHBP, but the coverage would be separately rated in each state, leaving premiums for Federal and state employees unaffected.
- **Expanding the Self-Employed Tax Deduction:** The President's plan provides a fairer system for self-employed Americans who have health insurance. Self-employed people would deduct 50 percent of the cost of their health insurance premiums, rather than 25 percent as under current law.

4. Reforming and Strengthening Medicare

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

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

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

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

5. Long-Term Care

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

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

6. Reforming Medicaid

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

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

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

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

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

ADDITIONAL MEDICARE TALKING POINTS

ADDING TO ALREADY HIGH COSTS FOR OLDER AMERICANS

- **Over \$40 Billion in Cost-Shifting:** Assuming the other half of the Republicans' cuts go to providers, hospitals, physicians, and other providers would be targeted with a \$135 billion cut over seven years. In 2002 alone a \$35 billion cut in provider payments would be needed. Even if only one-third of Medicare providers cuts overall are shifted onto other payers (an assumption consistent with a 1993 CBO analysis), businesses and families would be forced to pay a hidden tax of \$40 billion in increased premiums for health care costs between now and 2002.
- **Rural and Inner City Hospitals At Risk:** Cuts of this magnitude, combine with the growing uncompensated care burden (which would be further exacerbated by Medicaid cuts and increases in the number of uninsured), would place rural and inner-city providers in jeopardy because they have limited or no ability to shift costs to other payers. As a result quality and access to needed health care would be threatened.

MAJOR BURDEN ON RURAL AMERICA

- Reducing Medicare cuts would disproportionately harm rural hospitals.
 - Nearly 10 million Medicare beneficiaries (25% of the total) live in rural America where there is often only a single hospital in their county. These rural hospitals tend to be small and serve large numbers of Medicare patients.
 - Significant cuts in Medicare revenues have the potential to cause a good number of these hospitals, which are already in financial distress, to close or to turn to local taxpayers to increase what are already substantial local subsidies.
 - Rural residents are more likely than urban residents to be uninsured, so offsetting the effects of Medicare cuts by shifting costs to private payers is more difficult for small rural hospitals.
 - Rural hospitals are often the largest employer in their communities; closing these hospitals will result in job loss and physicians leaving their communities.

UNDERMINES ACADEMIC HEALTH CENTERS

- Large reductions in Medicare payments would have a devastating impact on academic health centers.
 - These research and training facilities are providing the bulk of medical advances in the United States. Deep Medicare cuts, combined with private sector cost cutting efforts that either undercompensate or don't compensate these institutions, will undermine our position as the world leader in developing new and more effective health care treatments and technology.

THE URBAN SAFETY NET

- Large reductions in Medicare payments could also have devastating effects on a number of urban safety net hospitals.
 - Urban safety net hospitals are already bearing a disproportionate share of the nation's growing burden of uncompensated care.

THE REALITY OF MEDICARE GROWTH

- Despite the current rhetoric, Medicare expenditure growth is comparable to the growth in private health insurance.
 - Under Administration estimates, Medicare spending per person is projected to grow over the next five years at about the same rate as private health insurance spending; under CBO estimates, spending per person is projected to grow only about one percentage point faster than private health insurance.
 - So, unless Medicare can control costs substantially better than the private sector, beneficiaries and providers would be forced to shoulder the burden of the huge cuts being proposed by Republicans.

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6. Medicaid Charts/Tables
7. Commodation Medicare/Medicaid Cuts State-by--State Impact

TALKING POINTS PACKAGE

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

ADDITIONAL MEDICARE TALKING POINTS

ADDING TO ALREADY HIGH COSTS FOR OLDER AMERICANS

- **Over \$40 Billion in Cost-Shifting:** Assuming the other half of the Republicans' cuts go to providers, hospitals, physicians, and other providers would be targeted with a \$135 billion cut over seven years. In 2002 alone a \$35 billion cut in provider payments would be needed. Even if only one-third of Medicare providers cuts overall are shifted onto other payers (an assumption consistent with a 1993 CBO analysis), businesses and families would be forced to pay a hidden tax of \$40 billion in increased premiums for health care costs between now and 2002.
- **Rural and Inner City Hospitals At Risk:** Cuts of this magnitude, combine with the growing uncompensated care burden (which would be further exacerbated by Medicaid cuts and increases in the number of uninsured), would place rural and inner-city providers in jeopardy because they have limited or no ability to shift costs to other payers. As a result quality and access to needed health care would be threatened.

MAJOR BURDEN ON RURAL AMERICA

- Reducing Medicare cuts would disproportionately harm rural hospitals.
 - Nearly 10 million Medicare beneficiaries (25% of the total) live in rural America where there is often only a single hospital in their county. These rural hospitals tend to be small and serve large numbers of Medicare patients.
 - Significant cuts in Medicare revenues have the potential to cause a good number of these hospitals, which are already in financial distress, to close or to turn to local taxpayers to increase what are already substantial local subsidies.
 - Rural residents are more likely than urban residents to be uninsured, so offsetting the effects of Medicare cuts by shifting costs to private payers is more difficult for small rural hospitals.
 - Rural hospitals are often the largest employer in their communities; closing these hospitals will result in job loss and physicians leaving their communities.

UNDERMINES ACADEMIC HEALTH CENTERS

- Large reductions in Medicare payments would have a devastating impact on academic health centers.
 - These research and training facilities are providing the bulk of medical advances in the United States. Deep Medicare cuts, combined with private sector cost cutting efforts that either undercompensate or don't compensate these institutions, will undermine our position as the world leader in developing new and more effective health care treatments and technology.

THE URBAN SAFETY NET

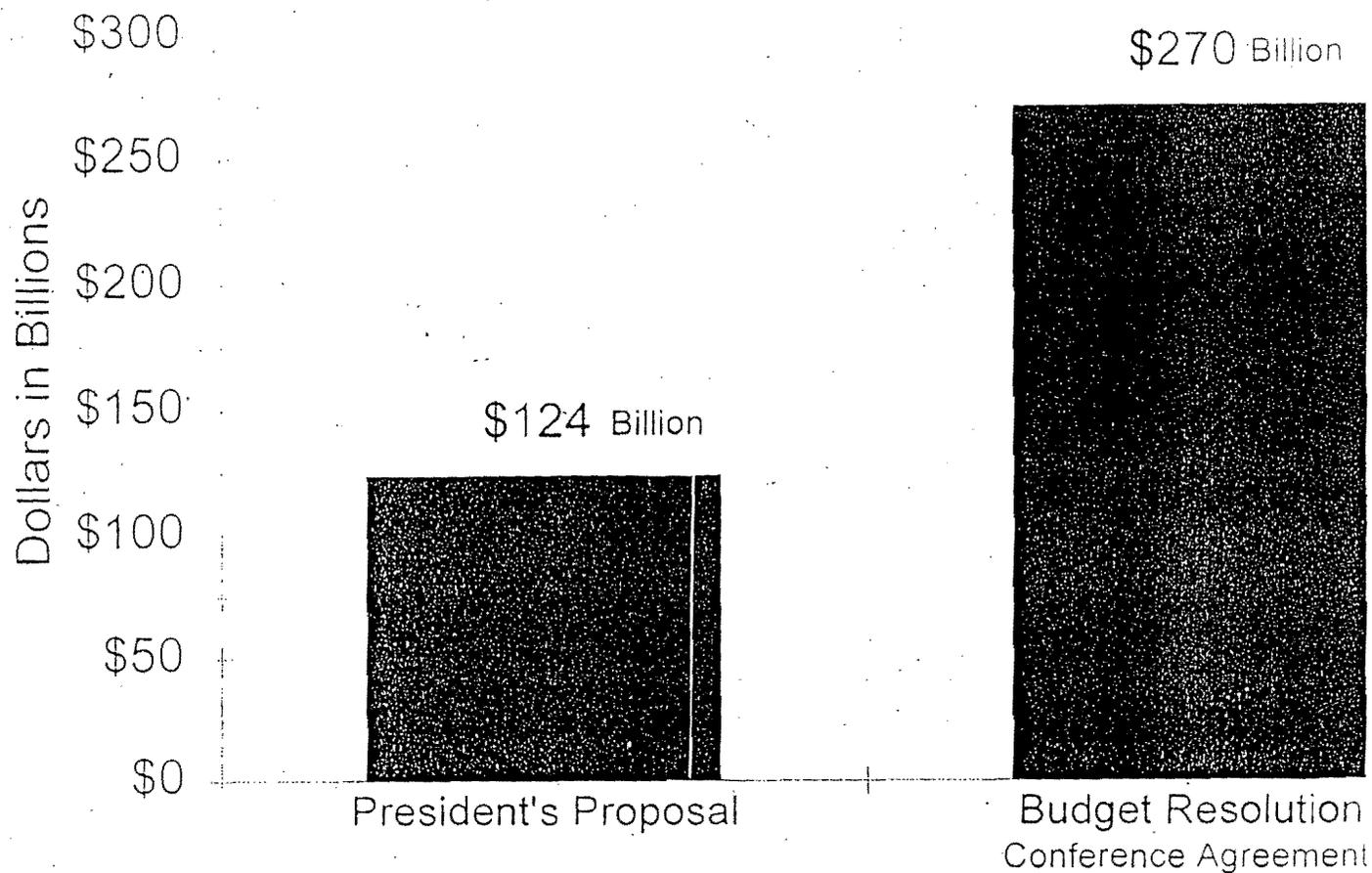
- Large reductions in Medicare payments could also have devastating effects on a number of urban safety net hospitals.
 - Urban safety net hospitals are already bearing a disproportionate share of the nation's growing burden of uncompensated care.

THE REALITY OF MEDICARE GROWTH

- Despite the current rhetoric, Medicare expenditure growth is comparable to the growth in private health insurance.
 - Under Administration estimates, Medicare spending per person is projected to grow over the next five years at about the same rate as private health insurance spending; under CBO estimates, spending per person is projected to grow only about one percentage point faster than private health insurance.
 - So, unless Medicare can control costs substantially better than the private sector, beneficiaries and providers would be forced to shoulder the burden of the huge cuts being proposed by Republicans.

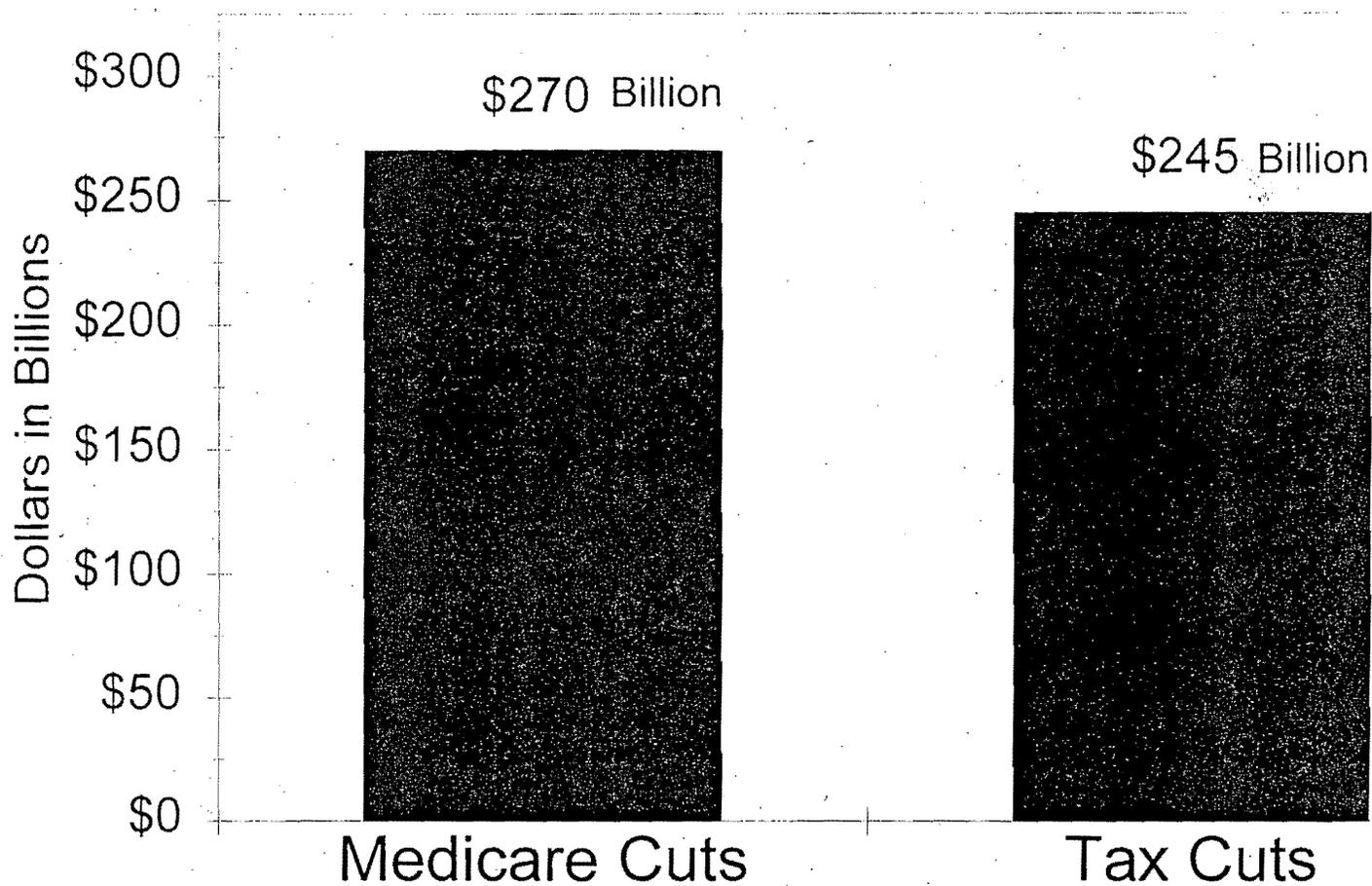
THE PRESIDENT'S HEALTH CARE
PROPOSALS CONTRASTED WITH
REPUBLICAN PROPOSAL

Savings From Medicare Proposals 1996 - 2002



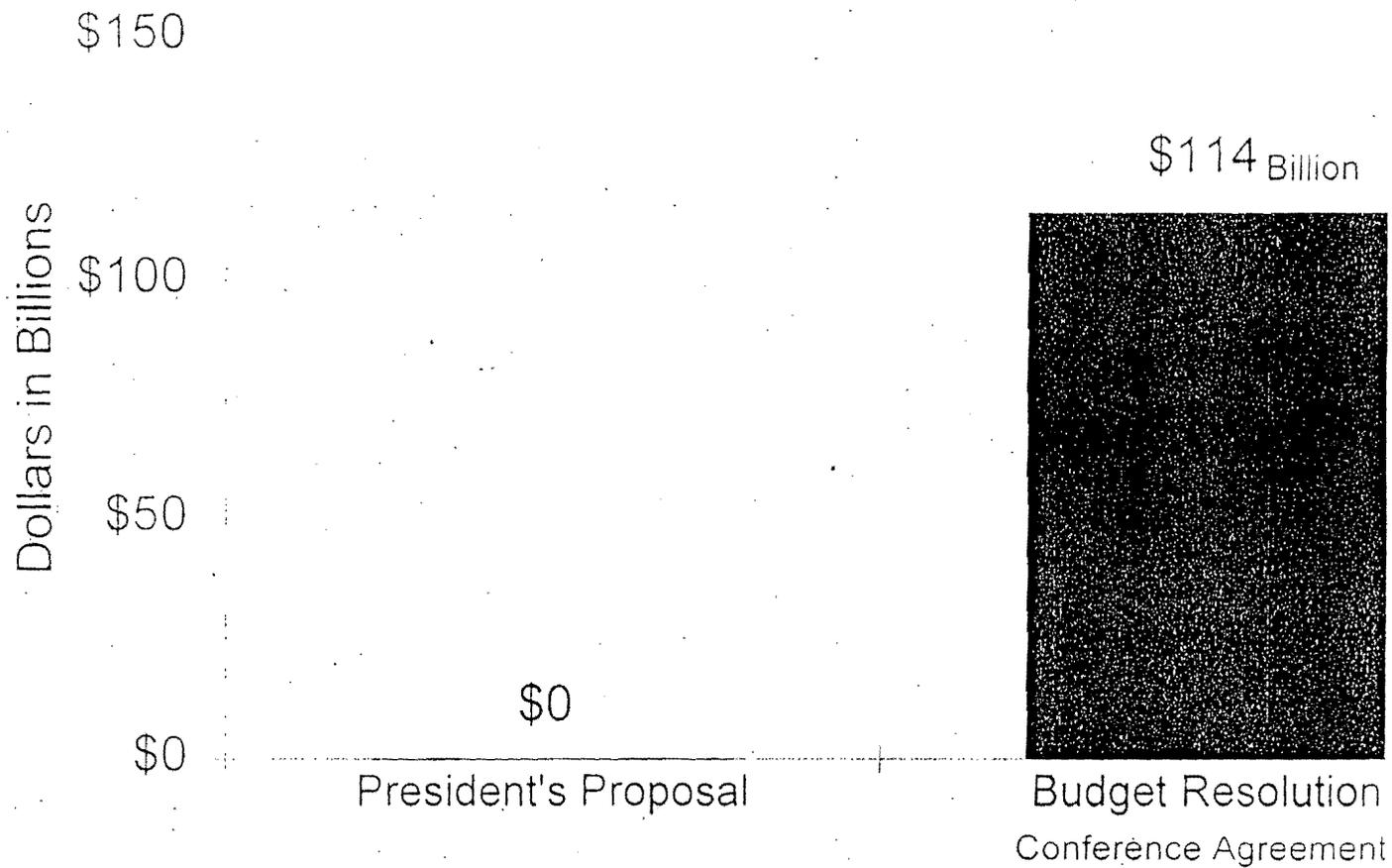
The President's Proposal includes the extenders that were previously incorporated in the President's Budget.

Cutting Medicare to Pay for Tax Cuts, 1996 - 2002



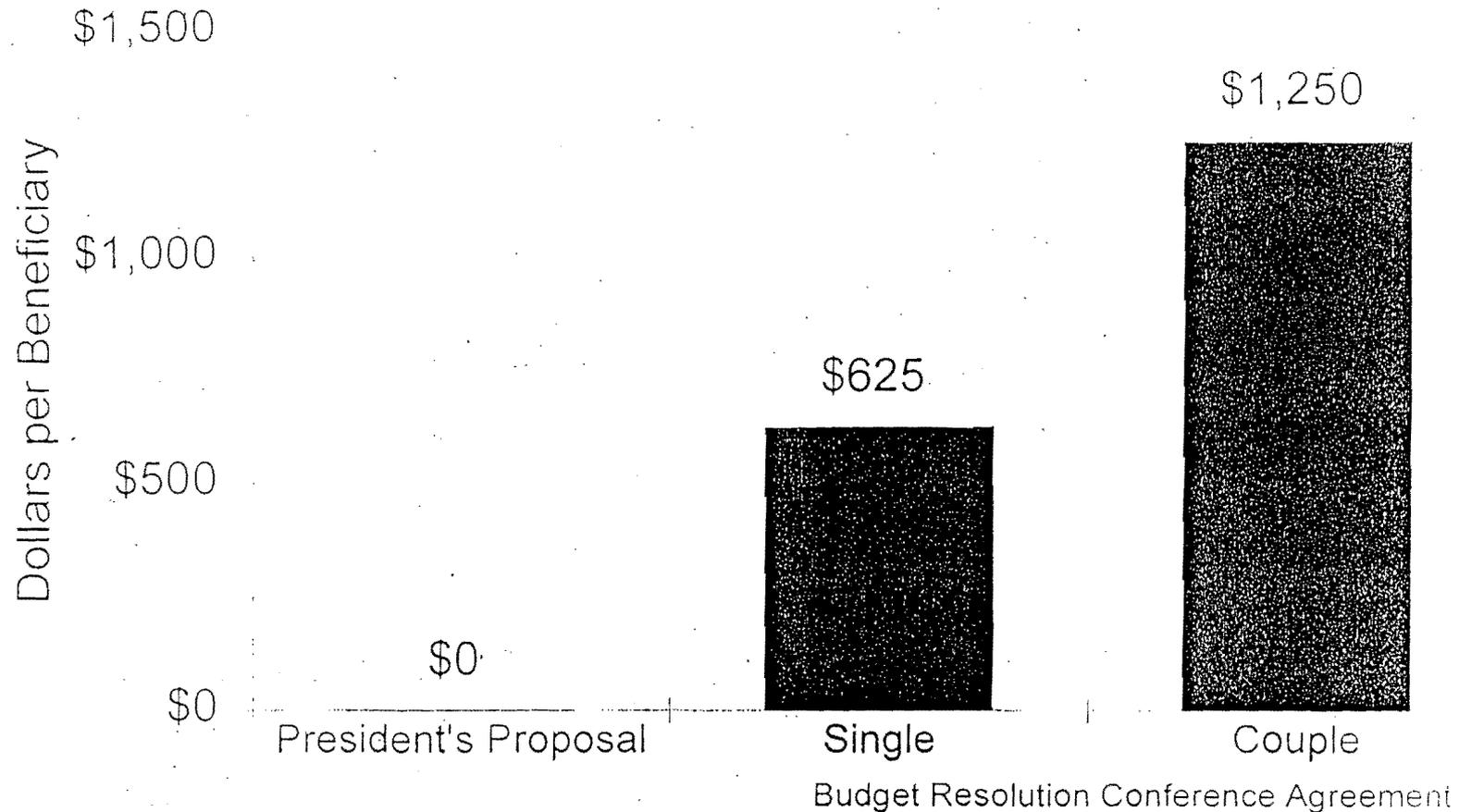
Conference Agreement estimates from CBO baselines

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



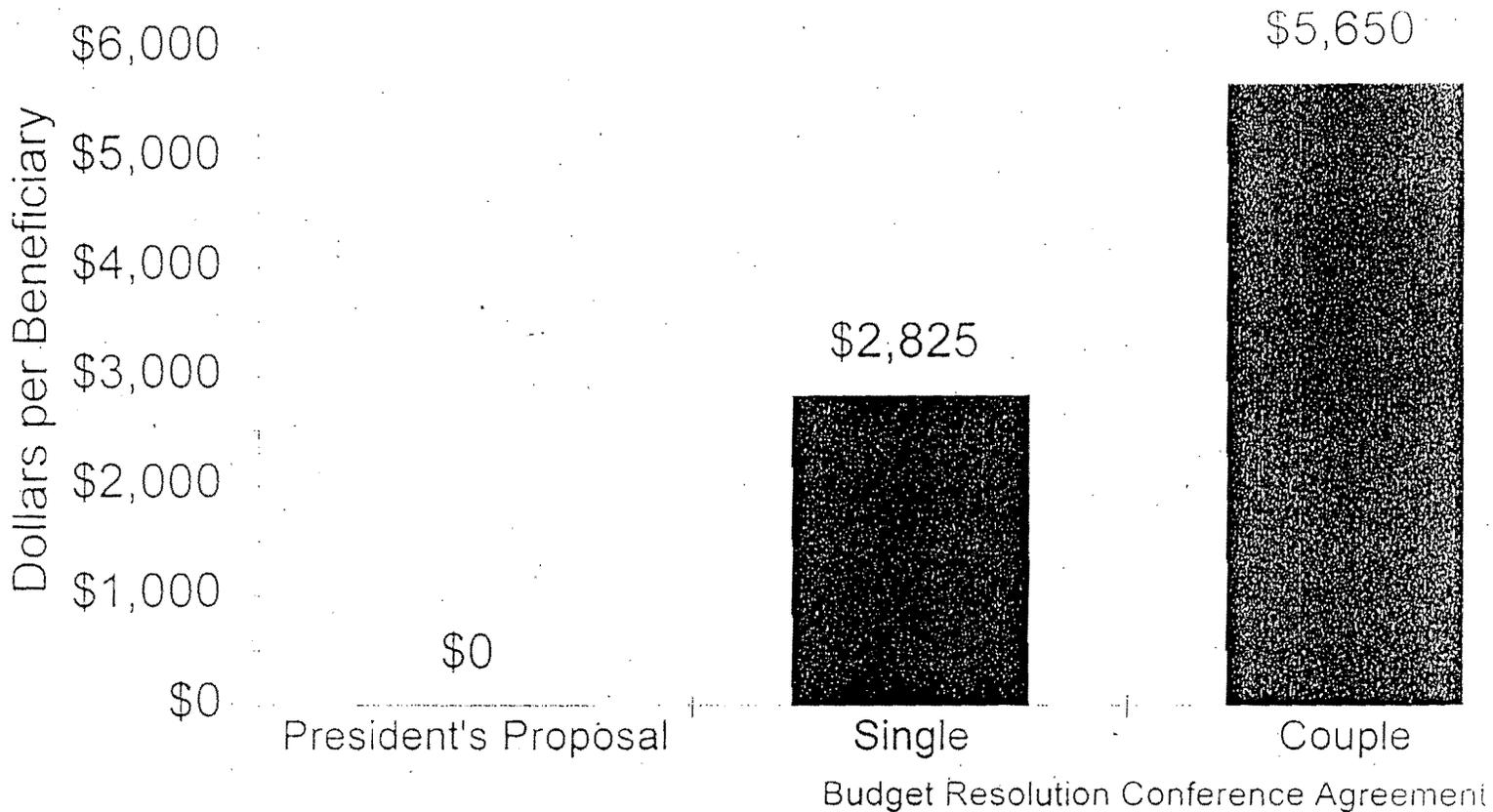
The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US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

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



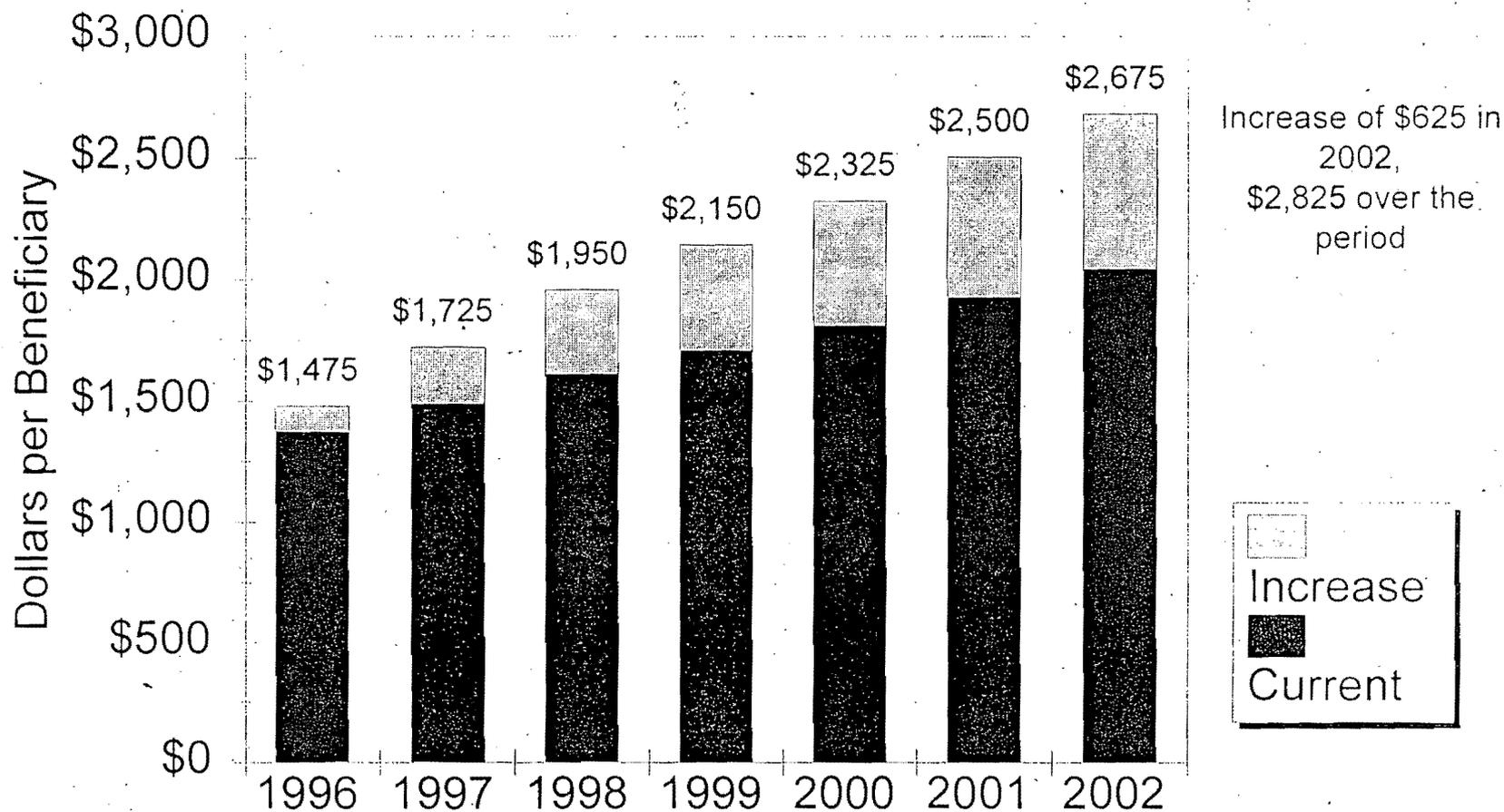
The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposal adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries. US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

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



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

Republicans' Proposed Increases in Out-of-Pocket Costs, 1996 - 2002



The new Medicare proposals included in the President's June 14, 1995 budget announcement do not include any new beneficiary costs. Republican proposals adjusted to reflect the Part B premium extender in the President's FY 1996 budget. This chart assumes 50% of Republican cuts affect beneficiaries, consistent with "Plan A" of the May 11, 1995 Republican Medicare proposal. US DHHS Estimates

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

	Increased Out-of-Pocket Cost Per Beneficiary (Increase in dollars per beneficiary)	
	2002	1996-2002
US	\$625	\$2,825
Alabama	950	3,750
Alaska	175	1,325
Arizona	600	2,750
Arkansas	350	1,850
California	975	4,100
Colorado	700	2,975
Connecticut	725	3,225
Delaware	775	3,350
District of Columbia	NA	NA
Florida	1,075	4,375
Georgia	675	3,000
Hawaii	750	3,025
Idaho	125	1,050
Illinois	425	2,175
Indiana	500	2,375
Iowa	175	1,275
Kansas	625	2,825
Kentucky	400	2,050
Louisiana	800	3,550
Maine	200	1,325
Maryland	425	2,250
Massachusetts	1,050	4,275
Michigan	375	2,075
Minnesota	700	2,900
Mississippi	425	2,150
Missouri	500	2,400
Montana	225	1,425
Nebraska	300	1,675
Nevada	675	2,975
New Hampshire	450	2,150
New Jersey	550	2,625
New Mexico	175	1,200
New York	575	2,800
North Carolina	525	2,400
North Dakota	400	2,000
Ohio	350	1,975
Oklahoma	375	1,975
Oregon	575	2,500
Pennsylvania	625	2,950
Rhode Island	900	3,625
South Carolina	525	2,400
South Dakota	275	1,600
Tennessee	925	3,825
Texas	700	3,125
Utah	375	1,925
Vermont	250	1,450
Virginia	225	1,475
Washington	300	1,675
West Virginia	325	1,775
Wisconsin	225	1,475
Wyoming	50	775
Puerto Rico	125	875

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

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

REVISED: July 7, 1995

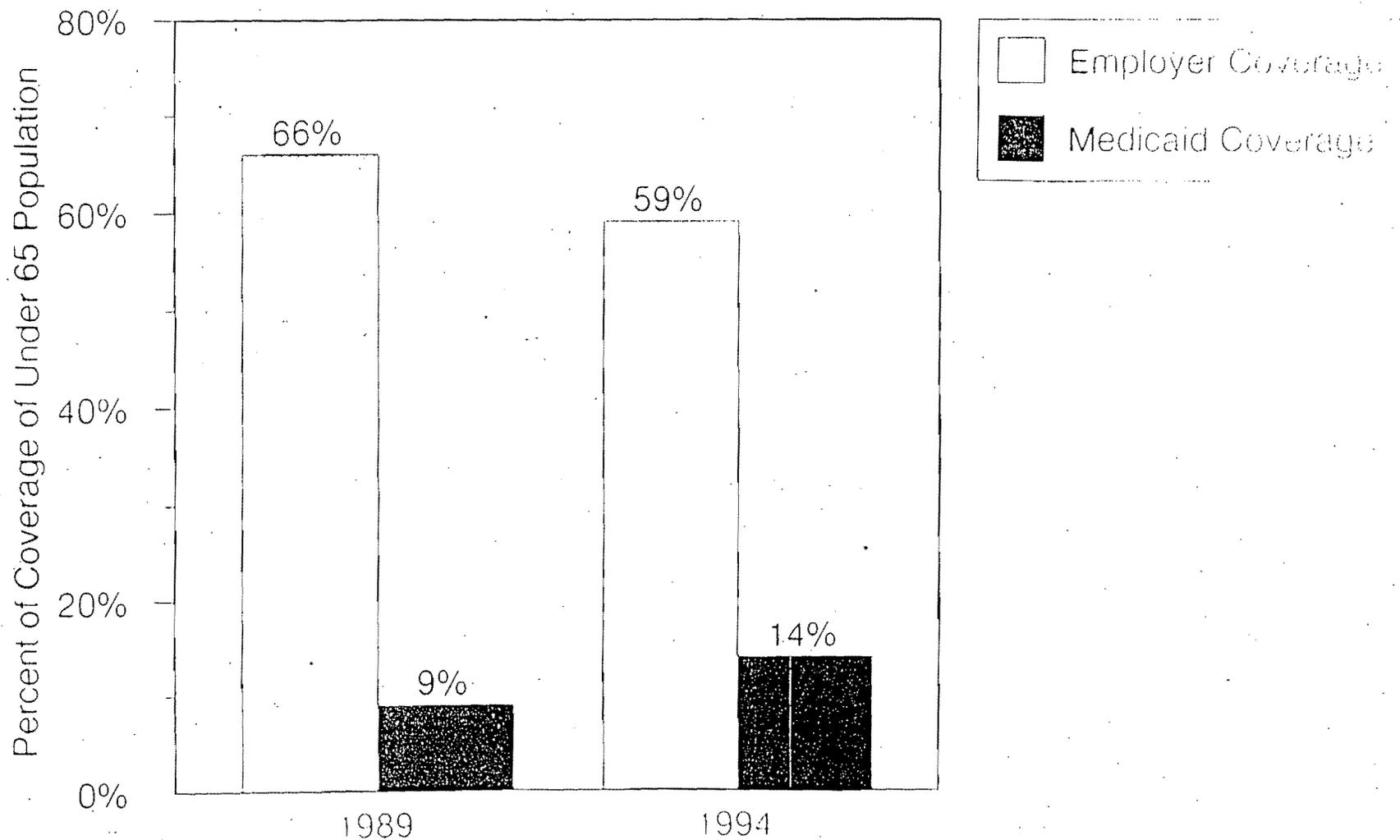
Projected Medicare Beneficiaries by State

	1995	2002
U.S.	37,631,000	41,299,000
Alabama	641,971	703,082
Alaska	33,784	49,773
Arizona	598,737	743,525
Arkansas	422,580	450,365
California	3,638,311	4,034,936
Colorado	423,478	514,095
Connecticut	503,906	533,943
Delaware	100,545	115,722
District of Columbia	78,730	76,330
Florida	2,615,604	2,951,880
Georgia	832,454	953,079
Hawaii	150,818	184,336
Idaho	149,769	171,120
Illinois	1,625,786	1,690,497
Indiana	827,174	890,461
Iowa	476,142	484,783
Kansas	383,997	397,890
Kentucky	585,590	636,855
Louisiana	582,491	634,122
Maine	202,149	221,565
Maryland	604,202	677,465
Massachusetts	937,292	996,344
Michigan	1,354,523	1,481,749
Minnesota	632,457	671,394
Mississippi	395,768	421,671
Missouri	834,228	876,863
Montana	129,141	141,557
Nebraska	249,529	256,357
Nevada	194,035	295,417
New Hampshire	156,237	178,655
New Jersey	1,174,802	1,244,404
New Mexico	212,160	257,452
New York	2,645,176	2,718,120
North Carolina	1,028,054	1,202,196
North Dakota	103,477	106,274
Ohio	1,673,946	1,800,336
Oklahoma	487,058	519,526
Oregon	470,268	524,031
Pennsylvania	2,083,051	2,187,966
Rhode Island	168,503	175,375
South Carolina	508,854	593,614
South Dakota	117,061	122,172
Tennessee	769,041	853,930
Texas	2,090,369	2,419,444
Utah	188,349	228,000
Vermont	82,989	91,752
Virginia	818,458	936,837
Washington	687,136	771,781
West Virginia	330,115	348,402
Wisconsin	763,230	804,207
Wyoming	60,570	72,355
Puerto Rico	476,704	527,920
All Other Areas	330,201	357,073

NOTES: Based on historical state share of Medicare enrollers, trended forward with growth in the state share of enrollers.
 * Totals may not add due to rounding.

Medicaid is a Critical Safety Net

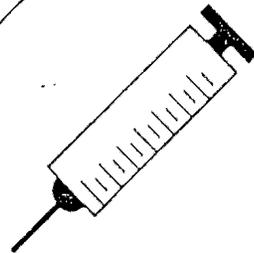
Employer Coverage Reduced, Medicaid Coverage Increased



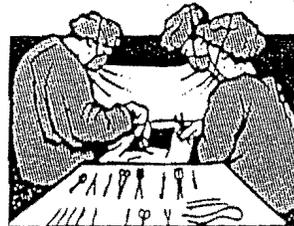
Medicaid Cuts That States Would Be Forced to Make

2002

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



Reduce provider payments
by almost \$13 billion



Eliminate coverage for
7 million kids



Eliminate coverage for
nearly one million elders
and persons with disabilities

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

PRESIDENT CLINTON'S HEALTH REFORM: AN IMPORTANT STEP FORWARD

- 1. Provides for Major Deficit Reduction in Context of Reform**
- 2. Reforms the Insurance Market**
- 3. Makes Health Care More Affordable for Individuals and Small Businesses**
- 4. Strengthens & Improves Medicare for the Program and Beneficiaries It Serves**
- 5. Reforms Medicaid While Protecting the States and Program's Recipients**

The President's Health Reform Initiative: A Serious Step Toward Health Care Reform

Initiatives:

- Subsidies for Working Families Who Lose a Job
- Insurance Market Reforms
- Helping Small Businesses Afford Insurance
- Expanded Self-employed Tax Deduction (Phased-in to 50%)
- New Medicare Benefits
- Strengthening Medicare Trust Fund (Solvency to 2005)
- Home and Community Based Grants for Elderly and Disabled

Savings:

- Medicare Savings and Reforms
- Medicaid Reforms

	1996 - 2002	
	President's Plan	House Republican Plan
<i>Initiatives:</i>		
Subsidies for Working Families Who Lose a Job	\$14.3	\$0.0
Expanded Self-employed Tax Deduction (Phased-in to 50%)	1.8	0.0
New Medicare Benefits: Alzheimer's Respite & Mammography Co-payment Waived	3.4*	0.0
Home & Community-based Grants for Elderly & Disabled	9.7	0.0
TOTAL COSTS:	\$25.9	\$0.0
<i>Savings:</i>		
Medicare Part A Savings to Strengthen Trust Fund	\$-78.9	?
Medicare Part B Savings	-20.4	?
Medicare Extenders from President's Budget	-28.3	?
New Medicare Benefits	3.4	0.0
Net Medicare Savings:	-124.2	-288.4
Medicaid Savings:	-53.6	-186.5
TOTAL SAVINGS:	\$-177.8	\$-474.9
 DEFICIT IMPACT:	 \$-151.9 **	 \$-474.9

*Included in net Medicare savings

**Includes Medicare extenders

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**Includes Medicare extenders

DETAILED EXPLANATION

1. Reforming the Insurance Market

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

- **Portability and Renewability of Coverage** -- Insurers will be barred from denying coverage to Americans with pre-existing medical conditions, and plans will have to renew coverage regardless of health status.
- **Small Group Market Reforms** -- Insurers will be required to offer coverage to small employers and their workers, regardless of health status, and companies will be limited in their ability to vary or increase premiums on the basis of claims' history.
- **Consumer Protections** -- Insurers will be required to give consumers information on benefits and limitations of their health plans, including the identity, location, and availability of participating providers; a summary of procedures used to control utilization of services; and how well the plan meets quality standards. In addition, plans would have to provide prompt notice of claims denials and establish internal grievance and appeals procedures.

2. Helping Working Families Retain Insurance After a Job Loss

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

3. Helping Small Businesses Afford Insurance

- **Giving Small Employers Access to Group Purchasing Options:** Small employers that lack access to a group purchasing option through voluntary state pools would get that option through access to the Federal Employees Health Benefits Program (FEHBP) plans. This would increase the purchasing power of smaller businesses and make the small group insurance market more efficient. Small firms would get coverage from plans that also provide coverage to Federal employees through FEHBP, but the coverage would be separately rated in each state, leaving premiums for Federal and state employees unaffected.
- **Expanding the Self-Employed Tax Deduction:** The President's plan provides a fairer system for self-employed Americans who have health insurance. Self-employed people would deduct 50 percent of the cost of their health insurance premiums, rather than 25 percent as under current law.

4. Reforming and Strengthening Medicare

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

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

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

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

5. Long-Term Care

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

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

6. Reforming Medicaid

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

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

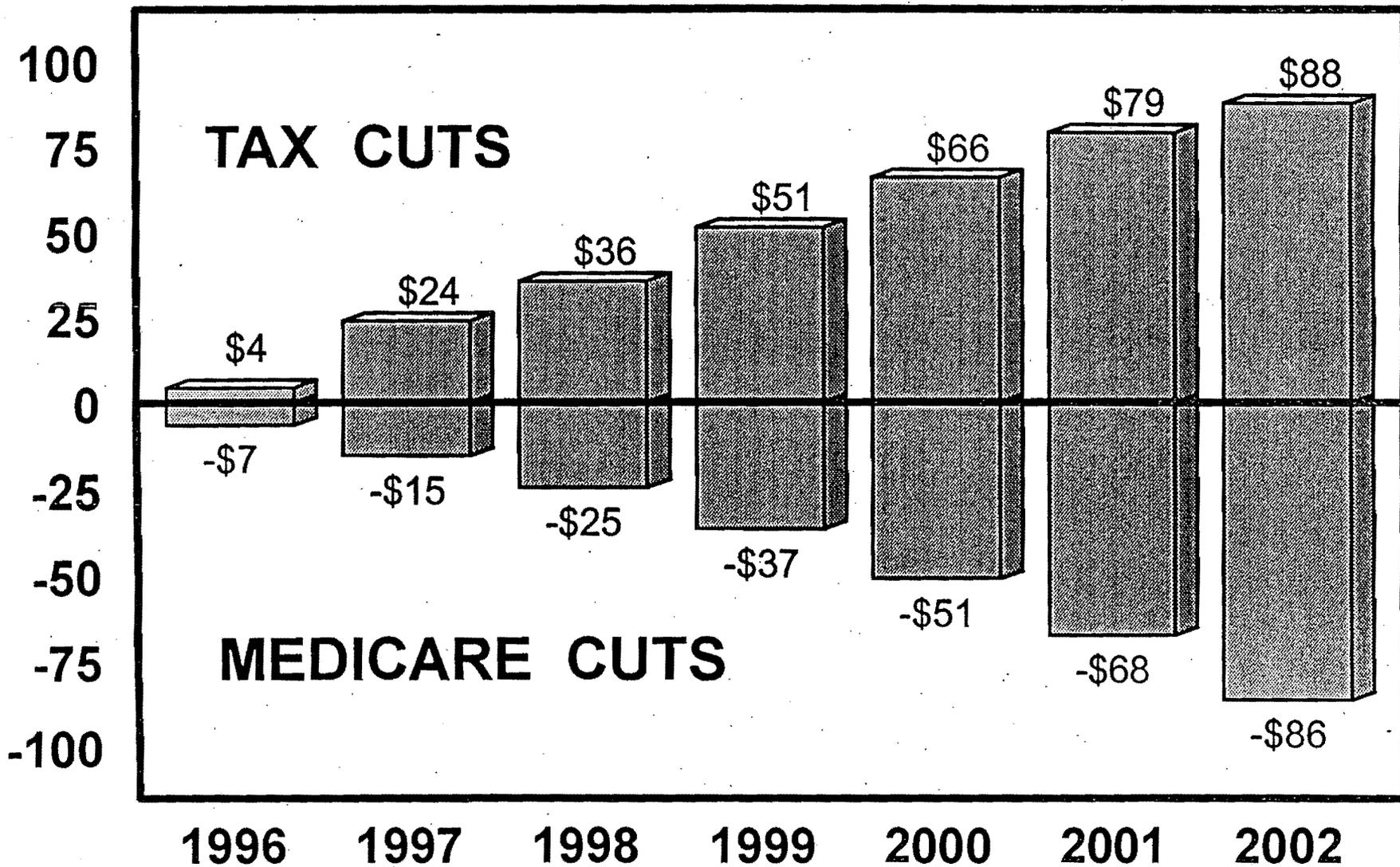
- States will be allowed to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and

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

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

REPUBLICAN TAX CUTS REQUIRE DEEP MEDICARE CUTS

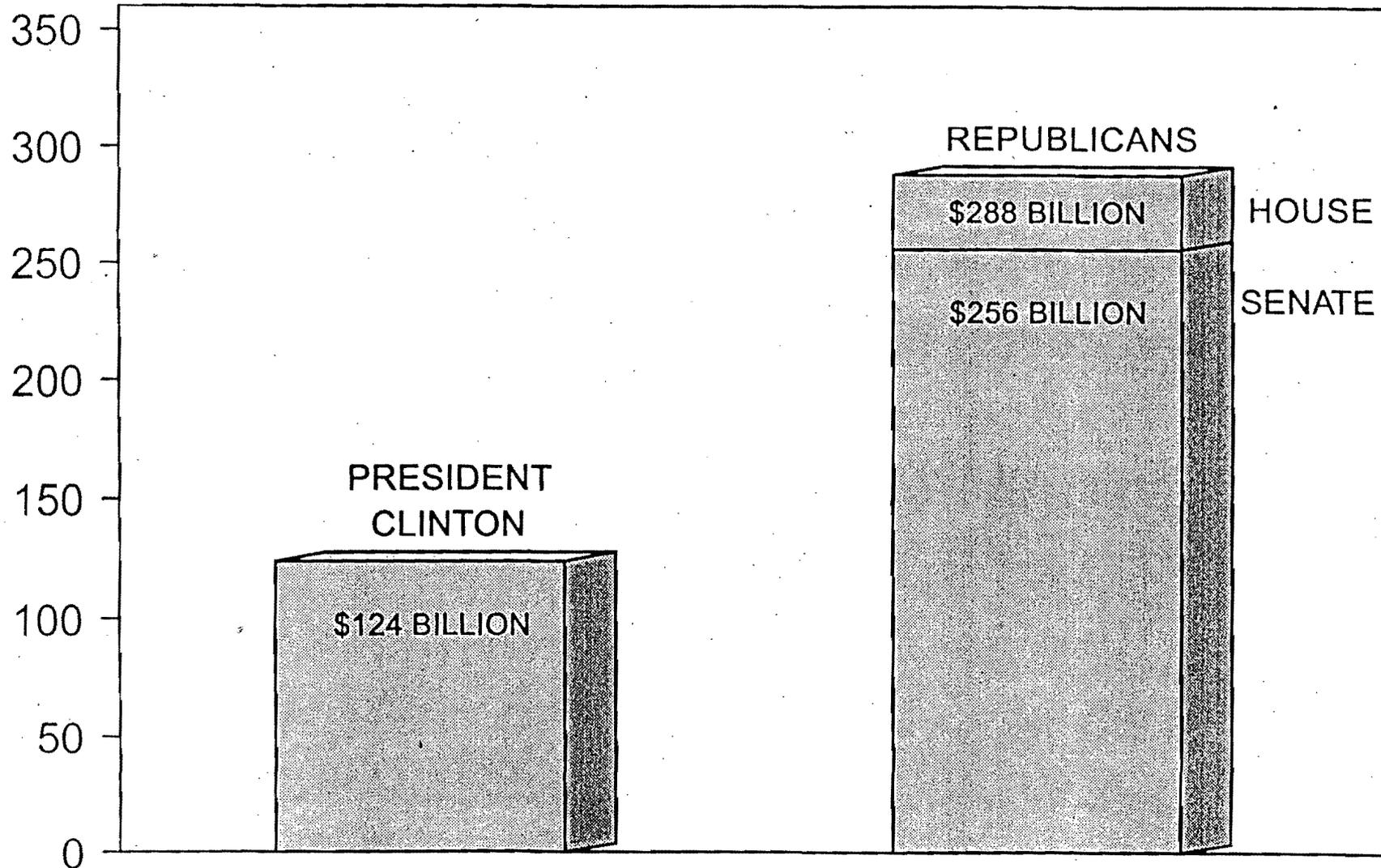
DOLLARS IN BILLIONS



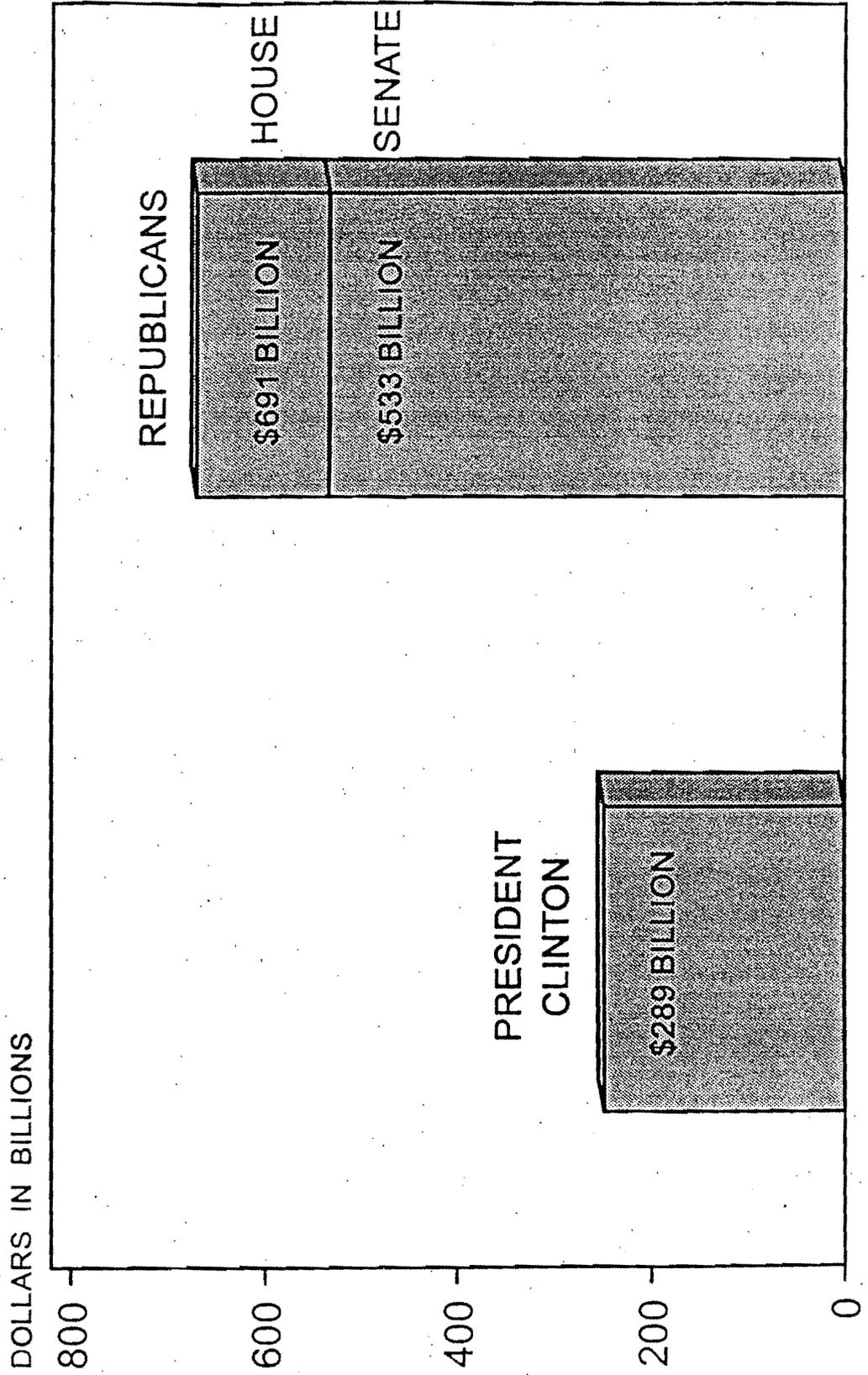
NOTE: House Budget Resolution numbers.

MEDICARE SAVINGS SEVEN YEARS

DOLLARS IN BILLIONS



MEDICARE SAVINGS TEN YEARS



MEDICARE REFORM

IMPACT ON BENEFICIARIES IN 2002

Republican Proposals

▪ \$1,600 CUT PER COUPLE

- Additional Costs
 - Higher Co-Payments
 - Higher Premiums
 - Coercive Plan
 - 2nd Class Health Care System for Seniors

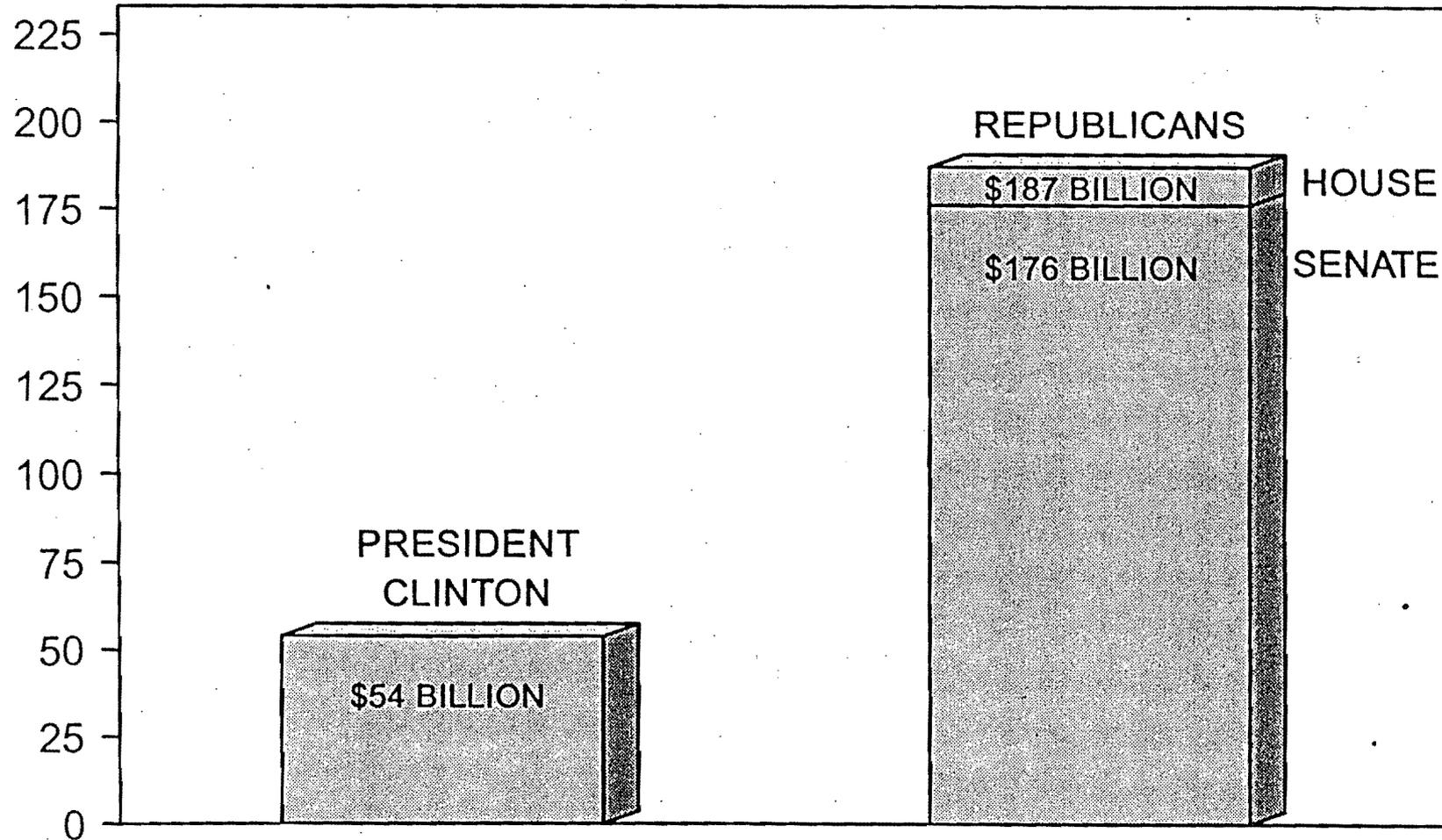
President's Proposal

▪ NO NEW BENEFIT CUTS

- Additional Benefits
 - Home- and Community-Based Care Grants
 - Respite Benefits for Alzheimer's Caretakers
 - Preventive Health Benefits: No Mammography Co-Payment

MEDICAID SAVINGS SEVEN YEARS

DOLLARS IN BILLIONS



MEMORANDUM

TO: Distribution
FR: Chris Jennings
RE: Talking Points/Background for Social Security
Trustees Report
cc: Carol Rasco, Laura Tyson

March 31, 1995

Attached is the final draft of talking points, Q's and A's, and background information on the Monday, April 3rd release of the Social Security Trustees' Report. This information was produced by and cleared through the DPC/NEC budget and policy review process.

As you know, the report will provide an analysis of the financial health of the Social Security and Medicare Trust Fund. Since the Republicans have been and will continue to focus their attention on the Medicare program, the background materials that we are providing for your use primarily focus on the Medicare Trust Fund issue. On the last page, you will find talking points explicitly related to the report's findings on the Social Security program.

We hope you find this information to be useful. If you have any questions, please call Jennifer Klein (6-2599) or myself at 6-5560.

MEDICARE TRUST FUND TALKING POINTS

- The Medicare HI Trust Fund shows modest improvement due to the actions taken in OBRA 1993 and a stronger-than-expected economy in 1994. Just 2 years ago, Trust Fund depletion was projected for 1999, now it has been delayed to 2002. Even with these improvements, however, the Trustees foresee financial problems for the Medicare HI Trust Fund.

- The financial problems faced by the Medicare HI Trust Fund reflect the problems affecting the entire health care system. The Administration looks forward to working with the Congress on developing lasting solutions to the Medicare fiscal problems in the context of broad-based health care reform.

- We need to do broad-based health reform because:
 - Severe and arbitrary cuts focused solely on Medicare will create major market distortions that will produce additional problems for the rest of our health care delivery system.

 - For example, (in the absence of reform) as the number of uninsured continues to grow, significant cuts in Medicare would severely strain, if not decimate, many of our fragile health care delivery systems in rural and inner-city communities.

 - In addition, large Medicare cuts are likely to result in cost-shifting to many small businesses and individuals -- to those Americans who are already paying the highest health insurance premiums in the nation.

POSSIBLE Q&As

Q: Why isn't the President proposing a specific health care reform initiative and/or when will he submit one?

A: The President remains committed to national health care reform. What we've learned is that any broad-based health care reform solution must be done on a bipartisan basis. The President has invited the Republicans to work with him on developing such a plan. We stand willing and ready to work with them.

Q: Congressional Republicans state that they are going to solve the problems of the Medicare HI Trust Fund through legislative initiatives. Is this believable?

A: It certainly is ironic that while Congressional Republicans talk about placing the Medicare HI Trust Fund on sound financial footing, both their "Contract" and tax bill now on the House floor calls for tax cuts for the wealthy that would further weaken the Medicare HI Trust Fund.

* (Avoid going into more detail, but if you must, do so on background):

The Republicans propose to roll back the limited taxation of Social Security benefits for the 13 percent of beneficiaries with the highest incomes. Since these revenues from higher income beneficiaries are deposited directly into the HI Trust Fund, this further undermines the Trust Fund.

Q: Would passage of the Health Security Act have solved the long-term financial problems of the Medicare HI Trust Fund?

A: The Health Security Act would have strengthened the Medicare HI Trust Fund (as would any responsible broad-based health care reform).

BACKGROUND ON MEDICARE TRUSTEES REPORT

On Monday, April 3, 1995, the Trustees reports for the Medicare Trust Funds will be released. The reports will conclude that the Medicare HI Trust Fund will be exhausted in 2002. This date represents an improvement over last year's report which predicted that the Trust Fund would be exhausted in 2001. (The conclusion is based on the Trustees' intermediate set of assumptions -- not too optimistic nor too pessimistic).

Problematic findings

- From 1996 on, the Medicare HI Trust Fund is predicted to pay out more in benefits each year than it receives in revenues.
- The financial problems faced by the Medicare HI Trust Fund are not new. In the 1982-84 period, the Trust Fund would have similarly failed the actuarial short-term solvency test (ten years solvency). Those problems were addressed with temporary solutions. The Trust Fund's short-range financial problems re-emerged in the early 1990s.
- While the short term (up to 10 years) solvency of the Trust Fund is the immediate focus of the Trustees Report, longer term projections (contained in this and previous years' reports) show the Trust Fund in serious long-term deficit. Right now, about 4 workers support every Medicare beneficiary. By the middle of the next century, this ratio will drop to about 2 workers for each beneficiary.

Moderating influences

- Actions proposed by the Administration and enacted in OBRA 1993 extended the life of the Medicare HI Trust Fund. These include:
 - Depositing tax revenues from the increased income taxation of Social Security benefits into the Medicare HI Trust Fund.
 - Repealing the wage cap for the Medicare HI payroll tax.
 - Imposing constraints on the growth of Medicare payments to providers.

Together, these actions postponed the date when the Trust Fund would be exhausted by about 3 years.

- Hospital cost inflation in recent years has been lower than expected. This has improved the financial situation of the Medicare HI Trust Fund. In 1994, stronger-than-expected economic growth also contributed to the health of the Trust Fund.
- The Trustees are proposing that the Quadrennial Advisory Council for the Medicare Program be re-established in order to recommend effective solutions to the Medicare problems.

SOCIAL SECURITY TALKING POINTS

- The 1995 Report indicates the financial status of the combined Old-Age and Survivors - and Disability Trust Fund (OASDI) is virtually the same reported last year. The fund continues to be in surplus, collecting more in taxes than needed to pay today's benefits.
- The cash-flow surpluses are projected to continue through 2013, and the trust fund will be depleted in 2030, one year later than projected last year. Thus, social security is currently in good financial shape and benefits can be paid well into the next century without any changes in the program.
- The program is in deficit when looked at over 75 years (estimated to be 2.17 percent of payroll this year -- virtually the same as last year's estimate of 2.13 percent).
- The Quadrennial Social Security Advisory Council is scheduled to report this summer with specific recommendations to deal with the program's long-term deficit.