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## REPUBLICAN VOUCHER PROPOSALS OFFER FALSE CHOICES

- **Republicans Offer the Ultimate False Choice: You Can Choose to Pay More OR You Can Choose to Get Less.** Under the Republican "voucher" plan, beneficiaries who wish to keep their fee-for-service plan and a guarantee of their choice of doctor will have to pay significantly more. Even those beneficiaries who go into managed care will have their current benefits threatened. This is because the Republicans' overly tight growth rates will, over time, diminish the value of the voucher and the type of coverage it can purchase.
- **The Republican Medicare working document provides a preview of what is in store for beneficiaries who want to keep their fee-for-service plans.** Specifically, preliminary estimates indicate that:
  - **The average Medicare recipient of skilled nursing home services will pay at least \$1,400 more.**
  - **The average beneficiary receiving home health care services will pay at least \$1,700 more in 2002.**
  - **Every beneficiary choosing to stay in the fee-for-service plan would pay at least \$2,825 more in premiums and copayments over 7 years; couples would pay at least \$5,650. Couples would pay at least \$1,250 more in 2002 alone.**
- **Republicans Slash Medicare Growth Rate Levels Far Below Private Sector.** The Republicans claim they want to emulate the health care cost containment successes of the private sector. Permitting Medicare to grow at a 7.1 percent pace -- CBO's projection of the per person growth rate in the private sector -- would save significant Federal dollars. However, the Republican \$270 billion in cuts would constrain Medicare to a much tighter and unrealistic 4.9 percent per beneficiary growth rate. That is not emulation; that is decimation.
- **Capped Vouchers Mean Cruel Medicare Birthday Present.** At best, on the eve of the 30th anniversary of Medicare's enactment, Republicans would force beneficiaries to pay much more to keep what they have today. Since 75% of these beneficiaries have incomes below \$25,000, it's hard to imagine how they could afford to do so. At worst, beneficiaries would be forced to buy coverage that doesn't meet their needs. **That's not choice; that's financial coercion.**
- **The President's Plan Offers Real Choice and Has No New Cost Increases.** The President's approach shows that you can strengthen the Medicare Trust Fund, offer more choice of plans, and provide new benefits without imposing new Medicare beneficiary cuts. **In contrast, Republican House Majority Leader Armey says that Medicare is "a program I would have no part of in a free world."**

#

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



DUP

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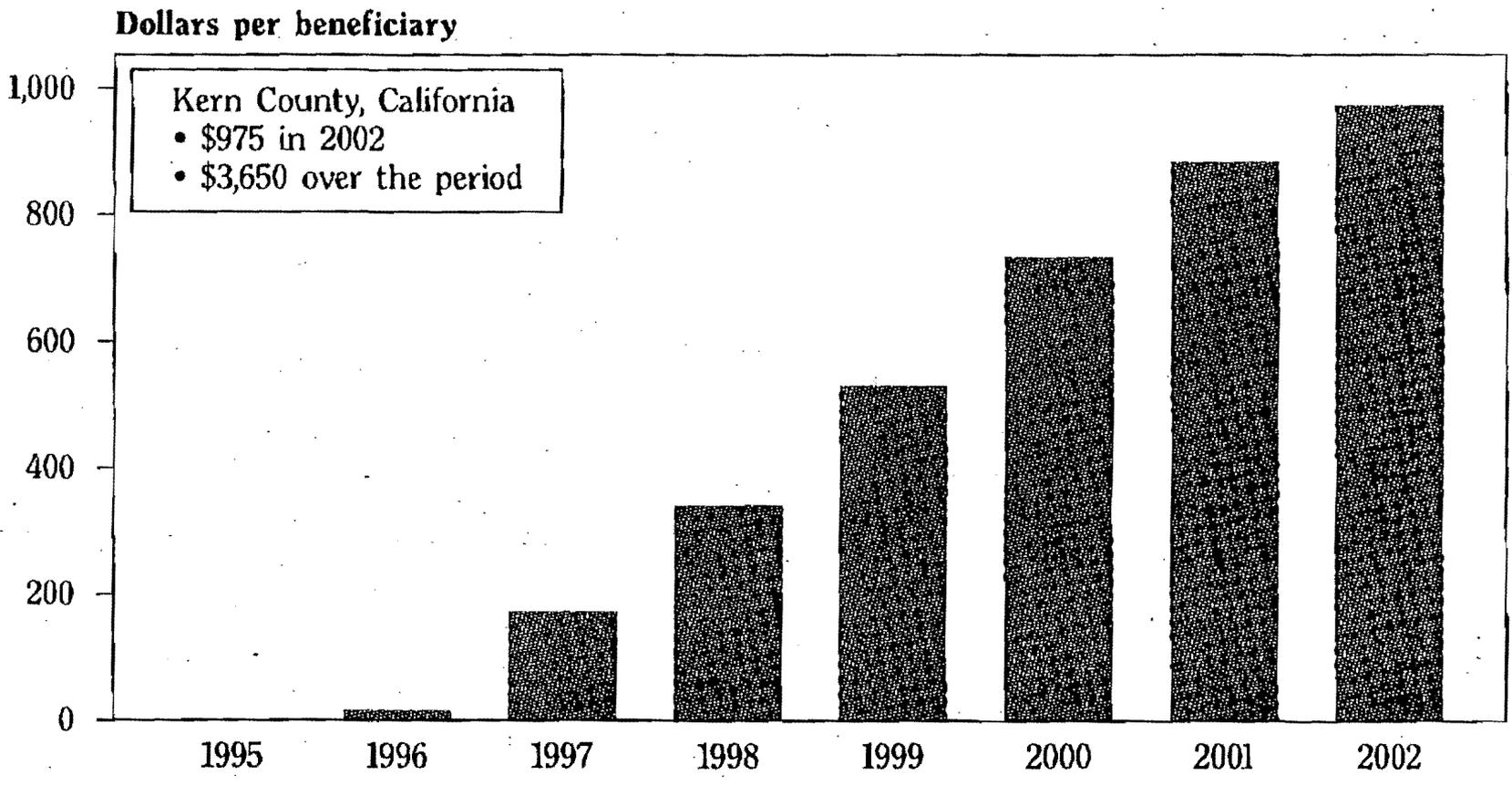
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REMARKS: Charts

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# Growing Cost of Buying Medicare Benefits with a Republican Voucher



The 1995 AAPCC was multiplied by the private sector growth rate per person (CBO) and the Republican Conference Agreement's per beneficiary spending to get the difference. This amount was reduced by a premium offset due to the slower Part B growth. Numbers rounded to the nearest \$25.

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# Cost of Buying Medicare Benefits with a Republican Voucher

County	State	Amount you need to add to Republican Voucher to buy your Medicare benefits	
		2002	1996-2002
<b>United States</b>		<b>\$800</b>	<b>\$2,975</b>
Howard	Maryland	\$1,215	\$4,225
Clayton	Georgia	1,100	4,175
Cook	Illinois	1,075	4,050
Clark	Nevada	1,025	3,850
Kern	California	975	3,650
Dallas	Texas	950	3,550
Fairfield	Connecticut	925	3,450
Santa Clara	California	900	3,375
Hillsborough	Florida	900	3,375
Milwaukee	Wisconsin	850	3,225
Douglas	Nebraska	800	3,025
King	Washington	800	3,000
Cayuga	New York	750	2,850
Bossier	Louisiana	750	2,850
Washington	Texas	500	1,825

These estimates represent the difference between the AAPCC for these counties in 1995, projected to 2002 using CBO data on current private spending per person, minus the same AAPCC in 1995 multiplied by the Republican Conference Agreement spending per beneficiary growth rate. These numbers are net of a premium offset resulting from the slower Part B growth under the Republican proposal. Numbers rounded to the nearest \$25.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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DUP

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Number of Pages (Including Cover): \_\_\_\_\_

Comments: I forgot to send  
them - Sorry!!!

**Cost of Retaining Your Medicare Coverage Under  
Republican Voucher Proposal**

County	State	Cost of Remaining in Current Medicare	
		2002	1996-2002
		\$800	\$2,975
Howard	MD	\$1,125	\$4,225
Clayton	GA	\$1,100	\$4,175
Cook	IL	\$1,075	\$4,050
Clark	NV	\$1,025	\$3,850
Kern	CA	\$975	\$3,650
Dallas	TX	\$950	\$3,550
Fairfield	CT	\$925	\$3,450
Santa Clara	CA	\$900	\$3,375
Hillsborough	FL	\$900	\$3,375
Milwaukee	WI	\$850	\$3,225
Douglas	NE	\$800	\$3,025
King	WA	\$800	\$3,000
Cayuga	NY	\$750	\$2,850
Bossier	LA	\$750	\$2,850
Washington	TX	\$500	\$1,825

These estimates represent the difference between the AAPCC for these counties in 1995, projected to 2002 using CBO data on current private spending per person, minus the same AAPCC in 1995 multiplied by the Republican Conference Agreement spending per beneficiary growth rate. These numbers are net of a premium offset resulting from the slower Part B growth under the Republican proposal. Numbers are rounded to the nearest \$25.

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DRAFT:  
For ATTACHMENT to THE  
TESTIMONY

**Cost of Retaining Your Medicare Coverage Under  
Republican Voucher Proposal**

Member	County	State	Cost of Remaining in Current Medicare	
			2002	1996-2002
<b>US</b>			<b>\$800</b>	<b>\$2,975</b>
Thomas	Howard	MD	\$1,125	\$4,225
Johnson N	Clayton	GA	\$1,100	\$4,175
McCrary	Cook	IL	\$1,075	\$4,050
Ensign	Clark	NV	\$1,025	\$3,850
Christensen	Kern	CA	\$975	\$3,650
Crane	Dallas	TX	\$950	\$3,550
Houghton	Fairfield	CT	\$925	\$3,450
Johnson S	Santa Clara	CA	\$900	\$3,375
Stark	Hillsborough	FL	\$900	\$3,375
Cardin	Milwaukee	WI	\$850	\$3,225
McDermott	Douglas	NE	\$800	\$3,025
Kleczka	King	WA	\$800	\$3,000
Lewis	Cayuga	NY	\$750	\$2,850
Archer	Bossier	LA	\$750	\$2,850
Gibbons	Washington	TX	\$500	\$1,825

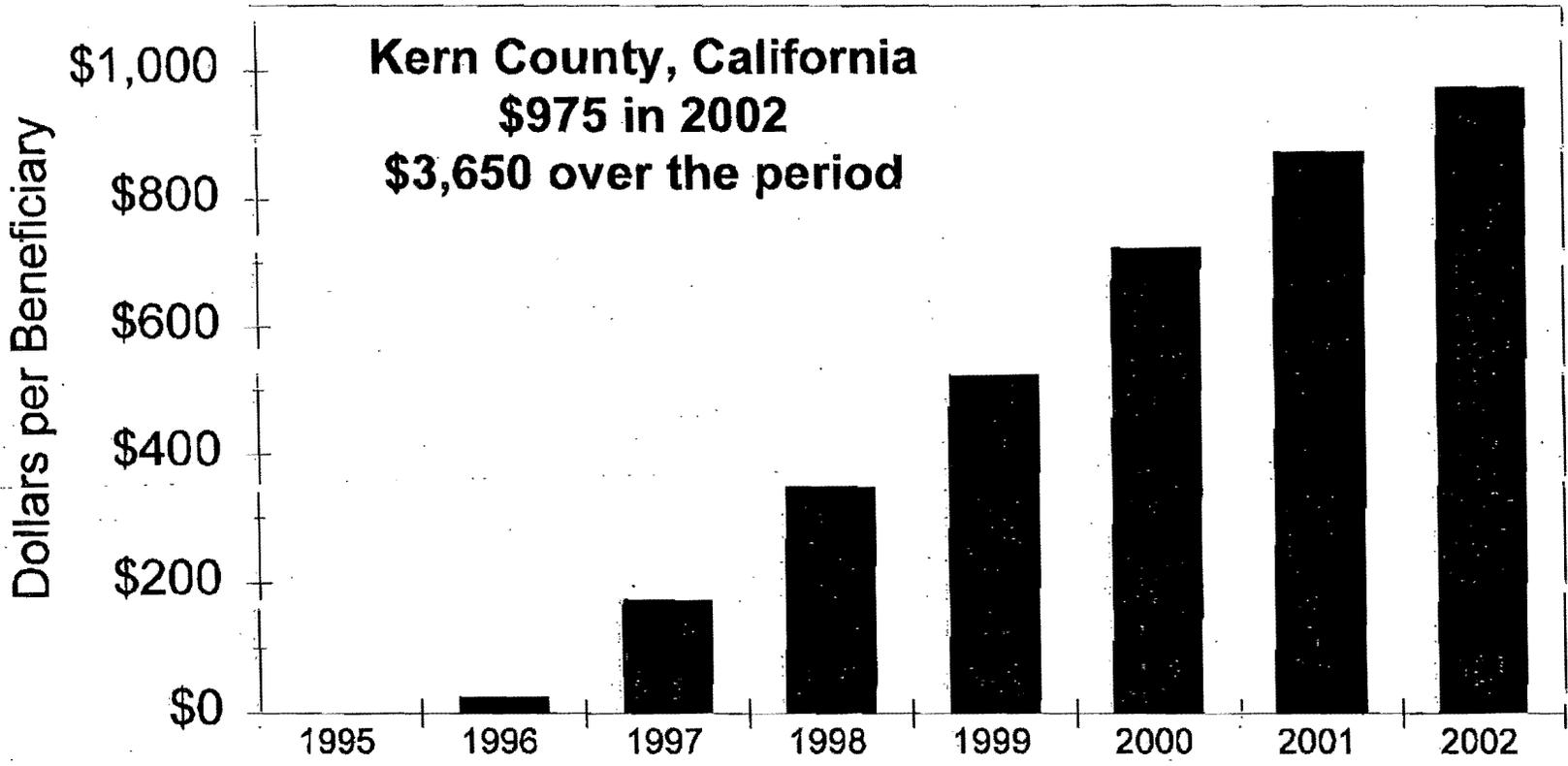
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DRAFT:

Backup ONLY

DRAFT: poster

# Growing Cost of Retaining Your Medicare Coverage under Republican Voucher Proposal



The 1995 AAPCC was multiplied by the private sector growth rate per person (CBO) and the Republican Conference Agreement's per beneficiary spending to get the difference. This amount was reduced by a premium offset due to the slower Part B growth. Numbers rounded to the nearest \$25.

DUB



DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

**Melissa T. Skolfield**

Deputy Assistant Secretary for Public Affairs

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DWP

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Total number of pages sent:

3

Comments:

FBI —

Medicare, 500Administration Criticizes GOP's Medicare Voucher Proposals

WASHINGTON (AP) Elderly and disabled Americans will be digging deeper into their pockets to keep health benefits if Congress moves ahead with plans to overhaul Medicare, the Clinton administration says.

The Republican effort to reform Medicare would "turn back the clock 30 years to a time when the elderly and disabled struggled in a discriminatory and expensive insurance market to buy decent coverage with limited funds," Judith Feder of the Department of Health and Human Services, told a House subcommittee Tuesday.

The budget plan approved by Congress last month would pare the growth in Medicare spending by \$270 billion over the next seven years.

House Republicans are considering a draft plan that would revamp the program by creating financial incentives to encourage people to join health maintenance organizations or other types of managed-care plans that are designed to reduce the growth in medical costs.

Participants would be given government-funded vouchers that could be used to pay for a variety of private health insurance plans, such as HMOs.

House leaders, however, have also pledged that Medicare recipients and future retirees who wish to remain in the traditional fee-for-service program, in which the government pays for each doctor's visit or hospital stay, may continue to do so.

Ari Fleischer, a spokesman for the House Ways and Means Committee, said the draft plan was an internal staff document describing a "wide spectrum of options available to policy-makers" and that it was far too soon to say which would be adopted.

But administration officials, including HHS Secretary Donna Shalala, were quick to attack the plan.

Shalala said it would "force Medicare beneficiaries to reach deeper and deeper into their own pockets to maintain their current coverage."

And Feder, a deputy assistant secretary of HHS, told the House Commerce subcommittee on health that moving into a voucher system as Medicare spending is being reduced by \$270 billion "can only be disastrous" for the people who depend on it.

She said Medicare participants under a voucher system probably would have to pay more to keep the coverage they have today. But since three-fourths of them have incomes below \$25,000, she said, "it is likely that many seniors would not be able to pay more."

"At worst, beneficiaries would be forced to buy coverage that is insufficient to meet their needs," Feder said. "That's not choice, it's financial coercion."

Fleischer, however, said Shalala and Medicare's other trustees have warned that unless reformed, the system will be "gone, bankrupt, insolvent" in seven years.

"We are prepared to move forward and make the decisions to save Medicare for present retirees and future retirees, and in doing so, seniors will have choices and all reforms will be done with an eye toward what is doable and what affordable," he said.

APWR-07-19-95 0848EDT

Wall St. Jrnl.; 7-19-95

## **Plan to Revise Medicare May Raise Recipients' Costs**

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — A draft plan by House Republicans to revamp Medicare could result in substantially higher costs for beneficiaries who stick with standard Medicare coverage.

The plan became the focus of a bitterly partisan House Commerce subcommittee hearing yesterday.

Democratic panel members denounced the notion of increasing costs to beneficiaries while Republicans argued that it is essential to restrain Medicare growth.

Judith Feder, chief aide on health issues to Health and Human Services Secretary Donna Shalala, testified at the hearing that preliminary estimates indicate the average beneficiary in 2002 would pay as much as \$400 more in premium increases under the blueprint than under President Clinton's budget. In addition, she said, those who use home health services and skilled nursing facilities would pay, on average, \$1,000 for each service in 2002.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 ASSISTANT SECRETARY FOR PLANNING AND EVALUATION  
 OFFICE OF HEALTH POLICY**



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**Comments:** *Corrected Table Sorag!*

**Cost of Buying Medicare Benefits a  
Republican Voucher**

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DRAFT

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07/19/95

Republican File

bc-rnc-medicare 08-08

RNC Issues Correction to White House Medicare Spending Statistics Released Yesterday

To: National Desk

Contact: Mary Mead Crawford of the Republican National Committee, 202-863-8550

WASHINGTON, Aug. 8 /U.S. Newswire/ -- The following was released today by the Republican National Committee:

Yesterday, the White House issued a press release falsely claiming Republicans are "cutting" Medicare in order to pay for tax cuts. The White House release was accompanied by an inaccurate, misleading county-by-county breakdown of Medicare spending statistics based on a false analysis. More than 37 million Americans rely on Medicare for their healthcare coverage. As the policy debate ensues over the coming weeks, it is crucial the public is not deceived.

1) Under the Republican plan, Medicare spending will increase 54 percent from 1996-2002. Per-beneficiary spending will increase from \$4,800 to more than \$6,700. Overall Medicare spending will increase at a faster rate than spending for any other government program. A state-by-state breakdown of Medicare spending under the Republican plan follows.

2) Members of the President's Cabinet, who serve as Medicare Trustees, warned in April for the second year in a row that Medicare will be bankrupt in seven years if nothing is done. If we had a balanced budget today, Medicare would still be going bankrupt. With or without tax cuts, Medicare would still be going bankrupt. Saving Medicare from bankruptcy is unrelated to balancing the budget, tax cuts or any other budgetary concerns. Even interest groups like the American Association of Retired Persons have publicly stated that Medicare is going bankrupt and that the status quo is unacceptable and unsustainable.

3) Both the Republican budget and President Clinton's newest budget include both savings in Medicare spending and tax cuts.

The Republican budget plan includes \$270 billion in Medicare savings to prevent the program from going bankrupt, and it includes \$245 billion in tax cuts. President Clinton claims his new budget will achieve \$124 billion in Medicare savings and provide for \$110 billion in tax cuts.

The White House claims Republicans are "cutting" Medicare to pay for tax cuts. If their claim were true, it would also be true for the President's budget, which also includes both Medicare savings and tax cuts. But the White House's claim isn't true. Making the savings necessary to prevent Medicare's trust fund from going bankrupt is independent of any other budgetary consideration.

The following charts show increases in Medicare spending, by state, under the Conference Report on the Budget, which was passed by the Republican Congress. One chart provides breakdowns for increases in spending for each beneficiary, and the other breaks out gross increases in Medicare spending by state.

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Per Beneficiary Medicare Spending Increases  
in the Conference Report on the Budget

		Increase	Aggregate
		in Per	Per
		Beneficiary	Beneficiary
1995 Per	2002 Per	Spending	Spending

	Beneficiary Spending	Beneficiary Spending	from 1995 to 2002 (a)	1996 to 2002
U.S.	\$4,816	\$6,734	\$1,918	41,603
Alabama	4,733	6,617	1,885	40,882
Alaska	3,683	5,150	1,467	31,815
Arizona	4,638	6,485	1,847	40,065
Arkansas	3,851	5,384	1,534	33,264
California	5,821	8,139	2,318	50,283
Colorado	4,317	6,037	1,719	37,295
Connecticut	5,135	7,180	2,045	44,357
Delaware	5,025	7,027	2,001	43,409
Dist. of Columbia	NA	NA	NA	NA
Florida	5,871	8,210	2,338	50,719
Georgia	4,876	6,817	1,942	42,117
Hawaii	3,943	5,514	1,570	34,062
Idaho	2,996	4,189	1,193	25,877
Illinois	4,552	6,364	1,813	39,318
Indiana	4,263	5,961	1,698	36,827
Iowa	3,304	4,619	1,316	28,537
Kansas	4,473	6,255	1,781	38,640
Kentucky	4,158	5,814	1,656	35,921
Louisiana	5,669	7,926	2,258	48,968
Maine	3,457	4,834	1,377	29,861
Maryland	5,010	7,005	1,995	43,274
Massachusetts	5,916	8,272	2,356	51,104
Michigan	4,651	6,504	1,852	40,178
Minnesota	3,840	5,369	1,529	33,170
Mississippi	4,173	5,836	1,662	36,051
Missouri	4,493	6,283	1,789	38,813
Montana	3,426	4,791	1,364	29,596
Nebraska	3,398	4,752	1,353	29,354
Nevada	4,671	6,531	1,860	40,350
New Hampshire	3,796	5,308	1,512	32,792
New Jersey	4,938	6,905	1,967	42,658
New Mexico	3,140	4,390	1,250	27,120
New York	5,312	7,428	2,116	45,889
North Carolina	4,002	5,596	1,594	34,573
North Dakota	4,028	5,632	1,604	34,796
Ohio	4,351	6,084	1,733	37,587
Oklahoma	4,118	5,758	1,640	35,572
Oregon	3,779			
2,152	46,680	Suo&3/4nsylvania	5,404	7,556
Rhode Island	4,665	6,523	1,858	40,296
South Carolina	3,730	5,215	1,485	32,220
South Dakota	3,411	4,769	1,358	29,461
Tennessee	5,328	7,450	2,122	46,022
Texas	5,021	7,021	2,000	43,375
Utah	3,740	5,230	1,490	32,309
Vermont	3,369	4,710	1,342	29,098
Virginia	3,689	5,158	1,469	31,865
Washington	3,706	5,182	1,476	32,016
West Virginia	3,727	5,212	1,484	32,198
Wisconsin	3,570	4,991	1,422	30,835
Wyoming	2,940	4,111	1,171	25,398
Puerto Rico	1,880	2,629	749	16,240

Note a: Per beneficiary Med  
(E=iBLF)

\*\*\*\* filed by:US-F(-- ) on 08/08/95 at 15:43EDT \*\*\*\*  
\*\*\*\* printed by:WHPR(161) on 08/08/95 at 18:42EDT \*\*\*\*

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Republican FY

# CAMPAIGN NEWS U.S. SENATE '94

National Republican Senatorial Committee - Senator Phil Gramm, Chairman

FOR IMMEDIATE RELEASE  
Wednesday, September 21, 1994

CONTACT: Gary Koops  
Howard Opinsky  
(202) 675-6006

## DOLE & GRAMM HOLD "SEVEN MORE IN '94" PRESENTATION '48 Days Before Election; Republicans Continue Momentum'

WASHINGTON -- U.S. Senators Bob Dole, Republican Leader, and Phil Gramm, Chairman of the National Republican Senatorial Committee, along with their Republican colleagues hosted Republican candidates for the U.S. Senate at a "Seven More in '94" presentation today.

At the event, the GOP discussed its "Agenda for the Republican Majority." The Republican Senate plan outlines themes, issues, and legislative priorities for a GOP Senate majority.

U.S. Senate candidates appearing at the event included Spence Abraham (Michigan), Rod Grams (Minnesota), John Ashcroft (Missouri), Hal Furman (Nevada), Colin McMillan (New Mexico), Ben Clayburgh (North Dakota), Jim Inhofe (Oklahoma), Rick Santorum (Pennsylvania), Bill Frist (Tennessee), Stan Klos (West Virginia), Craig Thomas (Wyoming), Bob Welch (Wisconsin), Bernadette Castro (New York), and Jon Kyl (Arizona).

Republicans need to pick-up seven Senate seats in the November 8th elections to reclaim the majority. The present Senate breakdown is 56 Democrats to 44 Republicans. Republicans last controlled the Senate in 1986.

# SEVEN MORE IN '94

## An Agenda for the Republican Senate Majority in the 104th Congress

*"We pledge to the American people that if they empower us as a Majority in the U.S. Senate on November 8, 1994, we will dedicate ourselves to the adoption of these legislative priorities and other legislative initiatives that promote the interests of the people who do the work, pay the taxes and pull the wagon in America."*

### 1. ENACT A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

During the past decade, the Senate has repeatedly come within a few votes of passing a Balanced Budget Amendment to the Constitution. A Republican Majority will proceed to immediate consideration of the Balanced Budget Amendment after new Senators are sworn in at noon on the 3rd day of January, 1995, and vote to make it the law of the land.

### 2. DOUBLE THE INCOME TAX EXEMPTION FOR CHILDREN

During the past forty years, the average American family with children has seen its federal tax burden rise from \$1 of every \$50 earned to \$1 of every \$4 earned. A Republican Majority will begin to undo this anti-family bias by doubling the income tax exemption for children from \$2,500 to \$5,000. This tax cut will let families keep more of their own money to invest in their own children, in their own future, and, in the process, invest in the future of America. Tax changes in these proposals will be paid for by spending cuts.

### 3. REAL HEALTH CARE REFORM BASED ON CONSUMER CHOICE AND PRIVATE MEDICINE

During the last 2 years, the American people have watched in horror as the Clinton Administration has attempted to tear down the greatest health care system in the world and remake it in the image of the Post Office. A Republican Majority will build upon the strengths of the current health system to expand access and control costs by expanding consumer choices, promoting competition, reforming medical liability laws, and reducing government paperwork and bureaucracy.

### 4. ENACT LEGISLATION THAT BRINGS AN END TO CRIME WITHOUT PUNISHMENT IN AMERICA

During the past several years, our bleeding Nation has watched a Congress that seems to be willing to do anything to fight crime except get tough with criminals. A Republican Majority will impose mandatory minimum prison sentences on violent felons and drug traffickers, stop building prisons as though they were Holiday Inns, and put prisoners to work. The pork barrel spending contained in President Clinton's "crime" bill will be repealed.

### 5. REFORM WELFARE AND EXPAND JOB OPPORTUNITIES

During the last quarter century, our welfare system doomed a generation of Americans to dependency and hopelessness while our tax policy has blocked the only sure path out of poverty -- a job. A Republican Majority will enact welfare reform based on work, more individual responsibility, and less federal spending. To encourage job creation, saving will be rewarded by enactment of the IRA-Plus bill, the capital gains tax will be reduced and taxes on assets will be indexed for inflation.

## **6. TAX FAIRNESS FOR RETIRED AND WORKING ELDERLY**

During the Clinton Administration's first year, taxes were raised on the Social Security benefits of the elderly. A Republican Majority will repeal the Clinton tax increase on Social Security benefits and repeal the penalty of reduced benefits imposed on the elderly who work.

## **7. PROTECT NATIONAL DEFENSE**

During the Democrats' control of the Senate, Congress has slashed defense to fund social programs. This trend has accelerated under President Clinton. A Republican Majority will stop the defense cuts and restore the "firewall" between defense and non-defense spending to prevent future raids on defense. Republicans are committed to the principle that even in a world where the lion and the lamb are to lie down together, America will be the lion.

# CONCEPTUAL FINANCING OF THE SENATE REPUBLICAN AGENDA

~~5-Year Deficit Impact~~

**Double the dependent exemption by increasing the current \$2,500 amount by \$500 each year for five years** +\$75 billion

<b>Phase-in Republican Health Care Reform</b>	<b>+\$100 billion</b>
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**Repeal "pork barrel" spending in Clinton crime bill** -\$5 billion

**Welfare Reform & Jobs Initiative**

Reform welfare so that work is required, benefits are capped and a 2-year limit is imposed on most assistance -\$50 billion

Phase-in reduction of tax rate on capital gains from 28% to 15% over five years +\$10 billion

Index taxes on assets for inflation +\$5 billion

Enact IRA-Plus bill which allows individuals to save up to \$2,000 per year where contributions are not deductible but where interest builds up and is distributed tax-free -\$14 billion

**-\$49 billion**

**Tax Fairness for Elderly**

Repeal the 1993 Clinton tax hike on Social Security benefits +\$24 billion

Phase-in 5 annual increases in the amount of wages elderly can keep without paying the Social Security earnings limit penalty from the current \$11,160 level to \$45,000 in 1999 +\$10 billion

**Restore and Protect Defense** +\$34 billion

**+\$20 billion**

<b>TOTAL</b>	<b>+\$175 BILLION</b>
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## POSSIBLE OFFSETS

5-Year Budget Impact

Entitlement reform generating savings at least equal to all proposals made by President Clinton not yet enacted that reduce non-Social Security entitlements -\$238 billion

Freeze non-defense discretionary spending for 5 years -\$94 billion

Establish Spending Commission similar to Defense Base Closing Commission with charge of recommending for an up or down vote by Congress \$100 billion in savings -\$100 billion

**TOTAL**

**-\$432 BILLION**

### DIFFERENCE:

**Potential Down Payment  
on Balanced Budget-**

**\$257 BILLION**

**REPUBLICAN HEALTH INITIATIVE LIKELY MENU**

1. Insurance Reform --Including Self-insured Expansions for Associations (ERISA changes)
2. Self-employed Tax Deduction
3. Tax Clarification for Long Term Care Private Insurance
4. State-based Reforms, Focusing on Medicaid Flexibility and/or Federalization
5. Tax Caps
6. MSAs
7. Medical Malpractice
8. Anti-trust Reforms
9. Fraud & Abuse
10. Simplification (Electronic Claims Processing/etc.)
11. Medicare Restructuring of HMOs/Medicare Select Policies
12. Product Liability

Roz - Pl. Ale  
Thank  
Ohr

MEMORANDUM

file

TO: Carol and Laura  
FR: Chris J.  
RE: Republican Medicare/Medicaid Cut Analysis  
cc: Gene, Bill, Jeremy, and Tom

May 13, 1995

Downloading from this week and preparing for the upcoming budget resolution floor debate week, I am enclosing the current complete set of Medicare/Medicaid cut back-up materials we are now using to arm Administration representatives and allies. Attached you will find:

- (1) **The set of talking points and supporting charts that you (Laura), Leon, Alice, and Donna used in the press conference earlier this week decrying the Republican budget proposals.**
- (2) **A set of back-up tables and charts that we and our Hill allies have been using to supplement those used at the press conference. These charts include information that illustrate:**

Per capita private and public growth rates are essentially the same (using projections off of the CBO baseline.)

The state-by-state impact of the Medicare cuts for both the Kasich and Domenci proposals.

How much more, on a year-by-year basis, Medicare beneficiaries will have to pay out-of-pocket.

That almost 78 percent of Medicare beneficiaries have incomes of less than \$25,000.

That point out that 67% of Medicaid expenditures are for the elderly and disabled.

We will be producing additional charts for this week's budget resolution debate and will keep on forwarding whatever we have. Please call if you have any concerns or suggestions about the above OR if you have any ideas for other charts.

So far, the information we have released has been well received. The outstanding question, of course, is how long can we sustain are current strategic position.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

May 15, 1996

The Honorable Pete V. Domenici  
Chairman  
Committee on the Budget  
U.S. Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to transmit the Administration's views on S.Con.Res. 57, the Senate Budget Committee's concurrent resolution on the budget for fiscal years 1997-2002.

Last week, the Senate Budget Committee crafted a resolution that was designed to appear more moderate than budget policies that the Republican majority pursued last year. But in some ways, the resolution has even more extreme policies than those in the reconciliation bill that the President vetoed.

For instance, the Republican plan calls for Medicare cuts of \$167 billion – \$50 billion higher than the savings in the President's budget, according to CBO. Since the Budget Committee has claimed its proposed Medicare Part B savings are identical to the President's proposals, the full difference must come from Medicare Part A. Cuts of this size could limit beneficiary access to hospital health services and lead to lower payments to hospitals even in nominal terms – not just cuts in the rate of growth. In addition, the structural changes proposed in recent Republican plans would seriously threaten the health of Medicare.

The resolution also includes \$72 billion in Medicaid savings, which goes well beyond the savings in the last Republican Medicaid restructuring proposal (if estimated under CBO's new baseline). These figures do not even address the damaging structural changes contained in recent Republican proposals, including the block granting of Medicaid, that would undermine the guarantee of coverage. If these provisions are retained, the Republican plan would mean, for example, the elimination of coverage for as many as 2.5 million children between the ages of 13 and 18.

With regard to taxes, the resolution continues to raise income taxes on working Americans by cutting the Earned Income Tax Credit (EITC). The Senate's cut of at least \$17 billion in the EITC actually makes working Americans worse off than the latest Republican budget offer from the President's negotiations with congressional leaders, which called for a cut of \$15 billion.

In addition, the tax cuts -- which purport to be \$122 billion -- are understated and misleading. For one thing, the cost of the child tax credit mysteriously falls in the year 2002, meaning that the revenue estimate for the credit is too low or part of the credit itself disappears. For another, the level of permitted tax cuts is actually higher. Not only does the resolution omit \$36 billion in revenues from extending expiring provisions in last year's vetoed reconciliation bill, it also omits \$26 billion in revenues from closing corporate loopholes and other tax measures from the last Republican offer. The resolution appears to reserve these revenues to pay for higher tax cuts. If incorporated in this resolution, these revenues could offset some of the unnecessarily deep cuts in Medicare, Medicaid, and other important priorities.

With regard to discretionary spending, the "savings" in this resolution may appear smaller due to the new baseline. In fact, however, the Republican plan proposes lower discretionary spending over the next six years than in their January offer, making it even harder to finance important priorities in education and training, the environment, science and technology, and law enforcement. Over the next six years, for instance, the resolution cuts education and training by \$56 billion below the President's proposed levels.

As you know, the President has proposed a plan that the Congressional Budget Office said would reach balance in 2002. It targets tax relief to middle-income Americans, makes prudent savings in Medicare and Medicaid, and provides enough in discretionary funds to finance the President's investments in key priorities. Clearly, a balanced budget does not necessitate extreme and excessive cuts in programs on which tens of millions of Americans rely.

In their negotiations last winter, the President and congressional leaders came very close to reaching agreement on a long-term plan to balance the budget. The President wants to finish the job, and he has repeatedly asked the Republican leadership to return to the negotiating table. Although the Republican leadership has not yet accepted his offer, the President continues to reach out to groups of lawmakers who share his goal.

The President wants to balance the budget, and he urges the Republican leadership to join him in that endeavor -- to give the American people the responsible fiscal policy they deserve.

With regard to the budget resolution at hand, I want to express the Administration's deep reservations about the following elements:

**Medicare and Medicaid.** The Medicare cuts are too large. The resolution would cut Medicare by \$167 billion, which would place huge stress on hospitals, resulting in cost-shifting and declining quality, and threatening the financial viability of hospitals - particularly rural and inner-city hospitals.

The resolution would cut Medicaid by \$72 billion -- far more than necessary to balance the budget in 2002 and, because of the new CBO baseline, higher than the cuts called for in the last Republican budget offer in January. If the resolution assumes previous Republican proposals that allow for lower State matching contributions, the actual cuts in Medicaid services and coverage could be as much as \$250 billion. Moreover, the most recent Republican plans have continued to call for eliminating the guarantee of health coverage for millions of Americans.

**Welfare.** The resolution would cut low-income assistance programs by \$53 billion over six years. Because the funding targets are virtually the same, the welfare reform provisions apparently have not changed from the bill the President vetoed in January, which coupled deep cuts with severe structural changes and bans on immigrants -- policies that would harm children and not transform the system to reward work. The President supports real welfare reform that would move people from welfare to work and protect children.

**Student Loans.** The resolution seeks to cap loan volume in the Direct Student Loan Program at 20 percent starting in academic year 1996-97 -- even though the Education Department is completing the final steps to implement the 50 percent volume target of current law.

**Tax Cuts.** While the resolution calls for tax cuts of \$122 billion, it permits additional tax cuts of unspecified amounts. Tax cuts of this size are simply too expensive; they would force unnecessarily deep cuts in Medicare, Medicaid, education, the environment, and other priorities.

The President has proposed a less expensive, targeted tax cut to help middle-income Americans raise their young children, pay for postsecondary education, and save for the future. It is a much better way to help raise American living standards.

**Discretionary Spending.** The resolution's non-defense discretionary level is wholly inadequate to fund key investments in education and training, the environment, science and technology, and law enforcement. It provides \$19 billion less in fiscal 1997 than the President's budget.

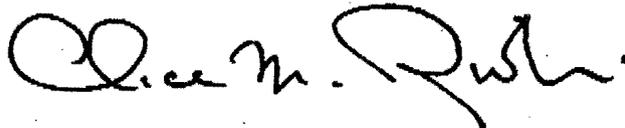
Rather than provide the necessary resources for these investments, the resolution provides \$11 billion more in defense budget authority than the President's budget in 1997 -- which commits historically high levels of resources to readiness, as measured in funding per troop. (Further, in the critical years of defense modernization at the turn of the century, the resolution does not provide enough budget authority, compared to the President's defense program.)

Moreover, the resolution does not even provide the "freeze" level that it claims. It characterizes the 1997 non-defense funding levels as a freeze from the fiscal 1996 agreement. That level, however, is more than \$2 billion less than a true freeze, because it does not fully account for one-time spending cuts that Congress used as "offsets" in the 1996 omnibus spending bill.

In addition, the resolution targets some of the investments for deep cuts. In 1997, discretionary funds for education and training would fall by \$3 billion, compared to 1995. For example, over the next six years, the resolution would cut these programs by \$56 billion below the President's proposed education levels. For the environment, the resolution would cut EPA operations by 11 percent in 1997, and 23 percent by 2002 – significantly cutting enforcement actions and inspections, and ending efforts to spur new technologies.

While the Administration and Congress share the goal of a balanced budget, we have grave concerns about the approach contained in this resolution. We also hope that Republicans learned from last year's experience, which included two government shutdowns and 13 continuing resolutions, that we need to work together. We want to work with you, as the process moves forward, to achieve a balanced budget that is acceptable to the President, the Congress, and the American people.

Sincerely,



Alice M. Rivlin  
Director

Attachment

IDENTICAL LETTER SENT TO HONORABLE J. JAMES EXON

Attachment: Specific Concerns with S.Con.Res. 57  
as Reported by Senate Budget Committee

## MEDICARE

The Medicare cuts are too large. The resolution would cut Medicare by \$167 billion -- \$50 billion more than the President's budget, according to CBO.

As the President's budget shows, cuts of this magnitude are unnecessary to balance the budget in 2002. The President's budget would reduce projected Medicare costs by a reasonable amount while still achieving a balanced budget in 2002 and extending the life of the Medicare Hospital Insurance Trust Fund to about 2006.

The Senate Budget Committee said its \$167 billion in cuts would include \$123 billion in Medicare Part A cuts. To achieve this amount of Part A savings, the Senate Republican plan must cut Medicare Part A by almost \$10 billion more than in last year's congressional Republican plan. The deep cuts in Medicare payments to hospitals would result in cost-shifting, undermine quality, and threaten the financial viability of hospitals -- particularly rural and inner-city hospitals.

Moreover, the structural changes proposed in recent Republican budget plans would seriously threaten the health of the Medicare program:

- Medical Savings Accounts (MSAs) would likely attract healthier Medicare beneficiaries for whom Medicare now spends very little. If this assumption is correct (as CBO concluded last fall), MSAs could end up costing Medicare a great deal and speeding the depletion of the Hospital Insurance Trust Fund.
- Republican proposals would also permit physicians participating in a private fee-for-service plan to charge beneficiaries extra through "balance billing," which would increase out-of-pocket costs for beneficiaries and seriously threaten the viability of the traditional Medicare system.
- The Republican budget fail-safe, which would automatically impose additional cuts in Medicare over the savings that the resolution calls for, would trigger if health care costs rise faster than projected. This would put providers directly at risk for cost problems beyond their control and would, of course, indirectly threaten beneficiaries in terms of lower quality and access.

## MEDICAID

The resolution would cut Medicaid spending by \$72 billion -- far more than needed to balance the budget in 2002. The latest Republican offer called for \$85 billion in savings off CBO's December 1995 baseline; but, off CBO's new, lower March 1996 baseline, the same

policies would save only \$60 billion. The resolution, thus, cuts more from Medicaid because it has more savings off a lower baseline.

Moreover, under the budget resolution, total Medicaid cuts could far exceed \$72 billion if States are permitted to reduce their State matching amounts. Last year's vetoed reconciliation bill called for reducing State matching requirements.

But more than dollars are at stake. The resolution gives no indication that congressional Republicans plan to withdraw their proposal to block grant Medicaid. If a block grant were enacted, funding levels no longer would automatically respond to economic crises, such as recessions; millions of people would lose their guaranteed access to health care, and those who do receive coverage would no longer have a Federal guarantee to a basic level of benefits.

In addition, there are indications that under the Republican plan, phase-in coverage for poverty-level children aged 13-18 would be eliminated. Moreover, if Republicans retain their previous disability eligibility criteria, millions of people with disabilities would be at risk for losing their current guarantee to coverage.

Also of great concern, the Committee's plan provides no assurance of continued federal enforcement of nursing home quality standards, which have dramatically improved the quality of nursing home care.

By contrast, the President's budget -- while giving States unprecedented flexibility to manage their programs -- would preserve the guarantee of health coverage for millions of children, pregnant women, people with disabilities, and older Americans. We can balance the budget without leaving States, and the families they serve, vulnerable to factors beyond their control.

## WELFARE

The resolution's cuts in welfare programs -- \$53 billion, excluding related Medicaid savings -- are the same as in the vetoed welfare bill, and much deeper than in the recent NGA proposal. While the resolution adopts the NGA recommendation to block grant AFDC, it does not explicitly endorse the NGA's childcare and work funding recommendations. If the Senate plan seeks to meet the \$53 billion savings target and provide added child care and work program funding, it would have to cut Food Stamps, SSI, immigrants and other programs even more deeply than the vetoed welfare bill. These cuts could mean that a large majority of disabled children coming on the SSI rolls could have their benefits reduced, the national nutrition safety net could be jeopardized, and legal, tax-paying immigrants could be banned from most means-tested programs.

The plan would fold 20 separate child protection programs into two block grants at a time when the General Accounting Office and others report that current resources are not keeping pace with the needs of a national child protection system in crisis. Under this plan, funds could be inadequate to respond to rapidly rising reports of abuse and neglect, and insufficient to protect abused children and find them safe, loving and permanent adoptive homes. In addition, the plan potentially guts accountability for State child protection systems, over 20 of which are operating under court mandates for failing to provide adequate service to abused and neglected children.

## STUDENT LOANS

The resolution would cap the Federal direct student loan program at 20 percent of loan volume. Since, as of July 1, the law provides for at least 50 percent of loan volume to be direct lending, the cap would eliminate 1,100 schools and 1.6 million students from direct lending that are expected to participate in the upcoming academic year. The cuts would deny direct lending opportunities to 7 million borrowers between 1997 and 2002.

## TAXES

The resolution continues to raise income taxes on millions of working Americans by cutting the Earned Income Tax Credit (EITC). It calls for \$17 billion of EITC cuts. The EITC helps low-income working families stay off welfare and out of poverty. Under the resolution, millions of families with children could see a cut in their EITC. Over 4 million workers who do not reside with children would lose eligibility for the EITC, raising their taxes, on average, by \$174 a year.

The Republican plan calls for cutting the EITC as the child credit is phased in. But some working families with children will lose part or all of the EITC and not receive any child credit. Other EITC families will receive some child credit but, unlike better-off families with children, must sacrifice some tax benefits in exchange for the child credit.

In addition, the resolution purportedly contains tax cuts of \$122 billion over 6 years -- specifically, a child tax credit that costs \$23 billion a year. But the resolution assumes -- without saying why -- that the cost of the credit suddenly falls to \$16 billion in the last year. Either the revenue estimate for the credit is too low, or part of the credit itself mysteriously disappears.

In the resolution, the revenue line itself is a smoke screen: It allows for another "deficit neutral" tax relief bill, financed through revenues that Republicans apparently have held in reserve. Not only does the resolution omit \$36 billion in revenues from extending expiring provisions in last year's vetoed reconciliation bill, it also omits \$26 billion in revenues from closing corporate loopholes and other tax measures from the last Republican

offer. Rather than use these dollars to mitigate the excessive cuts in Medicare, Medicaid, and welfare, the resolution makes those funds available for more tax cuts. If such tax cuts mirrored last year's vetoed reconciliation bill, they would favor the well-off; that bill devoted about half of its tax cuts to people making over \$100,000.

## DISCRETIONARY SPENDING

The resolution calls for total discretionary cuts of \$295 billion over 6 years -- over \$60 billion more than in the President's budget, as scored by CBO. These cuts would not provide enough resources to finance vital investments in education and training, the environment, science and technology, law enforcement, and other priorities.

While the resolution asserts that non-defense discretionary spending in 1997 is essentially frozen, the plan actually would cut it by over \$2 billion. In the 1996 Omnibus Appropriations bill, Congress agreed to finance higher levels of spending for education, for the environment, and for crime programs by approving mandatory savings such as debt collection and housing reform and by reducing the FEMA Disaster Relief account by \$1 billion. These were one-time savings that cannot be, or are not expected to be, repeated in 1997. The Committee has not fully compensated for these one-time offsets; thus, it effectively cut non-defense spending by over \$2 billion. Such cuts would make it very difficult to sustain even the 1996 funding levels for education, the environment, and crime programs.

For discretionary spending, the House Budget Committee's resolution provides far more detailed assumptions about specific program cuts and terminations. Nevertheless, the Senate Budget Committee indicates what could happen to funding in key areas. For instance:

**Education and Training.** In 1997, the resolution would cut education and training by \$3 billion, compared to 1995. Over the next six years, the resolution cuts these programs by \$56 billion below the President's proposed levels. For 1997 alone, the resolution would provide \$6 billion less than the President for education and training.

**The Environment and Natural Resources.** The resolution would cut funds for EPA operations by 23 percent in 2002, compared to the President's budget. EPA enforcement actions -- including facility inspections -- would likely be significantly cut from levels in the President's budget, substantially affecting EPA's ability to protect public health and the environment.

Also compared to the President's budget, the Republican plan would cut funding for environment and natural resources programs by 16 percent in 2002. It would, for instance, cut the National Park Service by 20 percent in 2002 -- further delaying and

deferring maintenance of important NPS facilities, reducing NPS ability to meet demands from increasing park visitation, and causing deterioration of natural, cultural, and historical resources.

**Anti-Crime Programs.** At \$21.4 billion, the resolution is \$1.8 billion below the President's request of \$23.2 billion for 1997, sharply cutting the President's proposals to fight crime.

**Defense.** The resolution calls for \$11 billion in discretionary budget authority and \$3 billion in outlays above the President's 1997 request. These defense add-ons are unnecessary. The President's budgets have committed unprecedented resources to readiness, as measured per troop, and have systematically sought supplemental support to ensure that contingency operations do not have negative consequences for military readiness. As a result, the readiness levels of the U.S. military are at historically high levels today.

Moreover, these defense add-ons would undermine important non-defense investments in 1997. The Republican plan would use budget "firewalls" to prevent Appropriations Committees from making their own choices between these unrequested defense expenditures and other priority programs.

In addition, with regard to recapitalization, the resolution provides around \$15 billion in budget authority less than the President's budget from fiscal 2000 to 2002 -- the critical years for defense recapitalization. The President's recapitalization plan provides a more reasoned, responsible approach to defense spending by making more resources available at the turn of the century when new technologies come on line.

**International Affairs.** The resolution would cut international affairs spending by \$1.2 billion from the President's budget for 1997 to \$18.1 billion -- far below the \$20.1 billion available in 1995 and also below the 1996 level. Overall, the resolution proposes a 23 per cent cut by 2002 below the President's request. Although details are limited, the resolution seems to target multilateral programs, including multilateral development bank lending to the poorest countries of the world and contributions to the United Nations and related international organizations including peacekeeping programs. These programs serve a variety of important U.S. objectives and in which other countries provide from three to twenty times the U.S. contribution, so long as the United States provides some funding.

The supporting materials do not explain this rejection of international burdensharing, which benefits the United States. Other programs that may be cut are vital to national security and possibly humanitarian relief. The plan would severely limit America's ability to exert the global leadership necessary to promote the security and prosperity of the American people.

> Rima / Theresa Foster  
Mar Ella Payne/

- Andie King
- Bill Kashir
- Bridget Taylor

Elizabeth  
Dean Rosen  
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HCA  
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P.M.S.

Republican Medicare Cut Votes

124

# THE REPUBLICAN VOTING RECORD ON MEDICARE

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- S. Cooper  
- Hironaka

**Voting FOR Deep Medicare Cuts  
and AGAINST Bipartisan Reforms  
To Extend the Life of the Trust Fund**

A Special Report from the House Democratic Policy Committee  
Richard A. Gephardt, Chair

June 4, 1996

It has been announced that the Medicare Trustees Report for 1996 will be released on Wednesday, June 5.

Congressional Republicans are already gearing up to, once again, distort the issues surrounding the Medicare Trustees Report in order to attempt to justify their extreme and damaging cuts in the Medicare program -- just as they did last year.

This blatant attempt by the GOP to mislead and scare the American public regarding the solvency of the Trust Fund raises the question of why, over the last 18 months, Congressional Republicans have refused to cooperate with President Clinton and Congressional Democrats to make responsible adjustments to Medicare and extend the solvency of the Trust Fund.

Instead, over the last 18 months, Congressional Republicans have repeatedly voted FOR deep cuts in the Medicare program in order to pay for their massive tax cuts for the wealthy and AGAINST bipartisan reforms that would extend the solvency of the Trust Fund for about another ten years.

Specifically, there have been 12 votes over the last 18 months in which GOP Members of the House have insisted on their extreme Medicare provisions.

Following is an overview of these 12 votes.

### **Vote # 1 -- May 18, 1995 -- Voting For \$288 BILLION in Medicare Cuts to Pay For \$345 BILLION in Tax Cuts, Targeted to the Wealthy**

On May 18, 1995, 230 House Republicans voted for the adoption of H.Con.Res. 67, GOP Budget Resolution for FY 1996. This GOP budget resolution called for \$288 BILLION in cuts in the Medicare program over seven years -- in order to pay for \$345 BILLION in tax cuts -- aimed mainly at the wealthy.

The GOP Medicare cuts of \$288 BILLION were more than three times larger than the \$90 BILLION in Medicare cuts that the Medicare Trustees stated were necessary to extend the solvency of the Trust Fund through 2006. Indeed, the GOP Medicare cuts in the budget resolution were so deep not to shore up the Medicare Trust Fund but instead to pay for the massive GOP package of \$345 BILLION in tax cuts targeted to the wealthy.

The GOP tax cut package of \$345 BILLION was the "Contract with America" tax cut package first passed by the House on April 5, 1995 (H.R. 1215). According to the Treasury Department, 52% of the tax cuts went to the top 12% of American households -- those making over \$100,000. Indeed, under the GOP tax cut package, the average tax cut for the top 1% of households -- those making over \$350,000 a year -- was \$20,000 a year!

The deep GOP Medicare cuts of \$288 BILLION over seven years would have fundamentally undermined the current Medicare program. Among other effects, the deep GOP cuts would have doubled the monthly Medicare Part B premium paid by all Medicare beneficiaries, drastically reduced the reimbursement paid to providers under the Medicare program (thereby, for example, endangering the existence of hundreds of hospitals across the country), and jeopardized the quality of health care available to seniors under their "transformed" Medicare system.

### **Vote #2 -- June 29, 1995 -- Voting For \$270 BILLION in Medicare Cuts to Pay for \$245 BILLION in Tax Cuts, Targeted to the Wealthy**

On June 29, 1995, 231 House Republicans voted for adoption of the conference report on H.Con.Res. 67, GOP Budget Resolution for FY 1996. This GOP conference report called for \$270 BILLION in cuts in the Medicare program over seven years -- in order to pay for \$245 BILLION in tax cuts targeted primarily on the wealthy.

Hence, once again, the GOP was voting for damaging Medicare cuts to pay for their tax cuts for the rich. Senate Republicans had succeeded in the conference committee in getting the conferees to scale back the "Contract with America" package of \$345 BILLION in tax cuts to a package of tax cuts totaling \$245 BILLION. This tax cut package -- just like the "Contract with America" package -- was still targeted to the wealthy.

However, the Senate Republicans did not succeed in significantly scaling back the Medicare cuts that had been endorsed by the House GOP -- only scaling the cuts back from \$288 BILLION to \$270 BILLION over seven years, three times larger than the \$90 BILLION in Medicare cuts that the Medicare Trustees stated were necessary to extend the solvency of the Trust Fund through 2006. The \$270 BILLION in GOP Medicare cuts would still have the same devastating impact on the Medicare program -- including increasing seniors' out-of-pocket costs for health care and jeopardizing the quality of care available to seniors -- as the original \$288 BILLION in cuts.

### **Vote #3 -- October 19, 1995 -- Voting Against Bipartisan Reforms That Would Extend Trust Fund Solvency Through 2006**

On October 19, 1995, 233 House Republicans voted against a substitute offered by Rep. Gibbons to H.R. 2425, GOP Medicare Revisions Act. The Gibbons substitute contained \$90 BILLION in Medicare reforms over seven years -- reforms that represented common ground between Democratic and Republican Medicare proposals.

The Congressional Budget Office projected that the Gibbons substitute would extend the solvency of the Trust Fund through 2006 -- exactly as long as the GOP balanced budget plan. (One reason that the Gibbons substitute extended the life of the Trust Fund exactly

as long as the GOP plan, even though the GOP plan contained much deeper cuts in the Medicare program, is that the GOP budget plan also included a repeal of the 1993 increase in Social Security subject to tax for the wealthiest 13% of Social Security beneficiaries -- money that, under the 1993 Act, is dedicated to the Medicare Trust Fund.)

The reforms in the Medicare program -- agreeable to both political parties -- contained in the Gibbons substitute included such provisions as those making various reforms in Medicare reimbursement for hospital services; provisions to enhance the prevention, detection, and prosecution of Medicare fraud and abuse; and various reforms in Medicare reimbursement for home health services.

Hence, way back in October 1995, Congressional Republicans rejected an opportunity to reach agreement with Congressional Democrats on \$90 BILLION in Medicare savings that would have extended the solvency of the Trust Fund through 2006.

#### **Vote #4 -- October 19, 1995 -- Voting Against Protecting Medicare Beneficiaries from Increased Out-of-Pocket Costs**

On October 19, 1995, 233 House Republicans voted against a motion offered by Rep. Gephardt to recommit H.R. 2425, GOP Medicare Revisions Act, to the House Ways and Means Committee with instructions to report it back with an amendment that removed the increase in the monthly Medicare Part B premium paid by all Medicare beneficiaries.

The GOP Medicare bill doubled the Medicare Part B premium -- from \$46.10 in 1995 to about \$89 in 2002. Compared to the much smaller increases that would have occurred under current law, the GOP bill increased the Medicare premium by \$440 per couple per year.

On this vote, the GOP once again endorsed their deep Medicare cuts -- instead of working with Congressional Democrats to moderate the GOP Medicare plan in order to protect seniors and reach common ground. Again, the GOP Medicare cuts were only as deep as they were in order to finance their massive tax cut package for the wealthy.

#### **Vote #5 -- October 19, 1995 -- Voting For \$270 BILLION in Medicare Cuts -- Once Again**

On October 19, 1995, 227 House Republicans voted for the passage of H.R. 2425, GOP Medicare Revisions Act. The GOP Medicare bill contained the \$270 BILLION in deep, damaging Medicare cuts that had been called for in the conference report on the GOP budget resolution (see Vote #2 above).

Hence, once again, the GOP voted for their radical plan to overhaul Medicare and cut it

back dramatically. The GOP bill -- with its \$270 BILLION in reductions in the Medicare program over seven years -- would have cut outlays for the Medicare program by 20% by the year 2002 below the amount CBO estimates is necessary to maintain current services.

### **Vote #6 -- October 26, 1995 -- Voting Against Amending GOP Budget Bill to Protect Health Care for Seniors & Eliminate Tax Cuts Favoring the Wealthy**

On October 26, 1995, 232 House Republicans voted against a motion offered by Rep. Gephardt to recommit H.R. 2491, GOP Budget Reconciliation Act for FY 1996, to the House Ways and Means Committee with instructions to report it back with an amendment to protect the health care and income security of seniors and eliminate the tax cuts contained in the bill that favor the wealthy.

Hence, once again, on this vote, the GOP voted to insist on their generous tax cut package for the wealthy -- which required them to also insist on their deep cuts in Medicare to pay for this generous tax cut package. Once again, they resisted an opportunity to find middle ground with Congressional Democrats on moderating the GOP Medicare overhaul.

### **Vote #7 -- October 26, 1995 -- Voting For \$270 BILLION in Medicare Cuts to Pay For \$245 BILLION in Tax Cuts, Targeted to the Wealthy -- Once Again**

On October 26, 1995, 223 House Republicans voted for passage of H.R. 2491, GOP Budget Reconciliation Act for FY 1996, which included both the drastic \$270 BILLION in GOP Medicare cuts (which had also been included in H.R. 2425) and \$245 BILLION in GOP tax cuts targeted to the wealthy.

The GOP had first passed the Medicare cuts separately (H.R. 2425) -- without the tax cuts and other provisions of their balanced budget plan -- in order to argue that the Medicare cuts had nothing to do with their tax cut package (see Vote #5 above).

However, their attempted subterfuge was unmasked on October 26, when the GOP brought to the House Floor H.R. 2491, their seven-year balanced budget bill, which incorporated all of the provisions of their previously-passed Medicare bill. The GOP clearly had to incorporate their \$270 BILLION in Medicare cuts into their overall budget bill -- because the GOP had no other source for paying for their \$245 BILLION package of generous tax cuts for the wealthiest Americans. Hence, the GOP Medicare cuts and GOP tax cuts had been reunited back into one bill.

Like the "Contract with America" package of \$345 BILLION in tax cuts, the scaled-back GOP package of \$245 BILLION in tax cuts was equally targeted to the wealthy. According

to the Treasury Department, 48% of the tax cuts went to the top 12% of American households -- those making over \$100,000. Indeed, under the GOP tax cut package, the average tax cut for the top 1% of households -- those making over \$350,000 a year -- was \$8,500 a year!

### **Vote #8 -- October 30, 1995 -- Voting Against Amending GOP Budget Bill to Protect Health Care for Seniors & Minimize Tax Cuts Favoring the Wealthy**

On October 30, 1995, 218 House Republicans voted against a motion offered by Rep. Sabo to instruct the House conferees on H.R. 2491, GOP Budget Reconciliation Act for FY 1996, to protect health care and income security for seniors, avoid increasing the number of Americans who lack access to health care, and minimize tax cuts for the wealthy.

Hence, once again, on this vote, the GOP voted to insist on their generous tax cut package for the wealthy -- which required them to also insist on their deep cuts in Medicare to pay for this generous tax cut package. Once again, they resisted an opportunity to find middle ground with Congressional Democrats on moderating the GOP Medicare overhaul.

### **Vote #9 -- November 15, 1995 -- Voting Against Prohibiting Cuts in Medicare That Reduce the Quality of Care and Prohibiting Tax Cuts Until There Is A Balanced Budget**

On November 15, 1995, 232 House Republicans voted against a motion offered by Rep. Obey to recommit H.J.Res. 122, Continuing Appropriations for FY 1996, to the Appropriations Committee with instructions to report it back with an amendment to the provisions requiring a balanced budget in seven years to prohibit cuts in Medicare that would reduce the quality of care for senior citizens, prohibit reductions in education spending, and prohibit tax cuts until there is a balanced budget.

And hence, once again, on this vote, the GOP voted to insist on their generous tax cut package for the wealthy -- which required them to also insist on their deep cuts in Medicare to pay for this generous tax cut package.

### **Vote #10 -- November 17, 1995 -- Voting For \$270 BILLION In Medicare Cuts to Pay for \$245 BILLION in Tax Cuts, Targeted to the Wealthy -- Once Again**

On November 17, 1995, 232 House Republicans voted for adoption of the conference report on H.R. 2491, GOP Budget Reconciliation Act for FY 1996, which, like the House-passed version of the bill, included both the drastic \$270 BILLION in GOP Medicare cuts

and \$245 BILLION in GOP tax cuts targeted to the wealthy.

The issues on this vote were identical to those on passing the House version of the GOP budget reconciliation bill. (See Vote # 7 above.)

### **Vote #11 -- May 16, 1996 -- Voting Against Bipartisan Reforms That Would Extend Trust Fund Solvency Through 2005**

On May 18, 1996, 225 House Republicans voted against a substitute offered by Rep. Sabo to H.Con.Res. 178, GOP Budget Resolution for FY 1997. The Sabo substitute contained President Clinton's budget for FY 1997, as re-estimated by the Congressional Budget Office. The Clinton budget contained \$116 BILLION in Medicare reforms (as re-estimated by CBO) over seven years -- reforms that represented common ground between the Democratic and Republican Medicare proposals.

The Congressional Budget Office has projected that the Clinton budget, as re-estimated by CBO, would extend the solvency of the Trust Fund through 2005 -- which is very similar to the GOP version of the FY 1997 budget resolution, which would extend the solvency of the Trust Fund through 2006. (One reason that the Sabo substitute extends the life of the Trust Fund for about as long as the GOP plan, even though the GOP plan contains much deeper cuts in the Medicare program, is that the GOP budget plan also includes a repeal of the 1993 increase in Social Security subject to tax for the wealthiest 13% of Social Security beneficiaries -- money that, under the 1993 Act, is dedicated to the Medicare Trust Fund.)

The reforms in the Medicare program -- agreeable to both political parties -- contained in the Sabo substitute included such provisions as those making various reforms in Medicare reimbursement for hospital services; provisions to enhance the prevention, detection, and prosecution of Medicare fraud and abuse; and various reforms in Medicare reimbursement for home health services.

Hence, once again, Congressional Republicans have rejected an opportunity to reach agreement with Congressional Democrats on \$116 BILLION in Medicare savings that would have extended the solvency of the Trust Fund through 2005.

### **Vote #12 -- May 16, 1996 -- Voting For \$168 BILLION In Medicare Cuts to Pay for \$176 BILLION in Tax Cuts, With Much Going to Wealthy**

Finally, on May 18, 1995, 221 House Republicans voted for adoption of H.Con.Res. 176, GOP Budget Resolution for FY 1997. The GOP budget resolution called for \$168 BILLION in cuts in the Medicare program over six years -- in order to pay for \$176 BILLION in tax cuts, much of which would go to the wealthy.

Although these Medicare cuts seem somewhat smaller than the GOP Medicare cuts proposed in 1995, in fact, the GOP Medicare plan is essentially the same as last year's GOP Medicare plan. The GOP policies to drastically restructure and substantially cut back on the Medicare program remain the same.

The GOP Medicare cuts appear smaller primarily for two reasons: 1) the Medicare cuts are now for six years, instead of seven years; and 2) the Congressional Budget Office has changed its estimate of the cost of maintaining Medicare under current law, which has the effect of reducing the estimate of the savings generated by the same GOP Medicare policies.

Chairman Kasich and the other Republican Members of the House Budget Committee, in the materials they distributed describing the assumptions of the House version of the GOP budget resolution, made clear that the House resolution is calling for a total package of \$176 BILLION in tax cuts this year -- including a number of the tax cuts for businesses and wealthy individuals that the GOP had passed in 1995. This revised tax cut package would include not only the \$500-per-child tax credit, but also such items as a drastic cut in capital gains tax rates and reductions in the Alternative Minimum Tax paid by corporations and wealthy individuals.

Hence, one more time, Congressional Republicans have voted for drastic cutbacks in the Medicare program in order to pay for their generous tax cut package for the wealthy.

D. Best garden

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Andrew Lee AKA

Dole/Republican

## The Rowland/Republican Substitute Bill Short-Changes Middle Income Families

### Provides little help to middle income families

- This bill keeps one key element of the current system. The poor will always get health care, but the middle income will be left out in the cold. A middle income working couple that earned \$21,000 would get no help and would have to pay \$4600 a year - or 22% of its income - for health insurance. Under the House leadership bill, this couple would pay only \$351.

- The Rowland/Republican substitute preserves the status quo: the poor get health care, the rich buy insurance, and the middle income families have to go it alone. For example, a typical middle income family earning about \$37,000 could face premiums of almost \$6,175 per year. This same family would pay \$1,065 under the House leadership bill.

### Forces people with insurance to continue to pay for those without

- Without universal coverage, everyone is at risk of losing their insurance. Unpaid bills will be shifted onto those with private insurance. As experts have pointed out, universal coverage is the only way to stop people with insurance from paying for those without.

### Without universal coverage, premiums go up for middle-class insured Americans

- In analyzing an earlier similar bill, the Congressional Budget Office found that insurance premiums would rise for middle-class Americans.

In its earlier analysis, CBO stated, "With a portion of the population remaining uninsured, per capita insurance costs for the insured population would be higher, compared with universal coverage." (CBO analysis, 5/94, p. 8)

Lewin-VHI found the same thing in its Catholic Health Association study. In analyzing the plan, it found that families would pay about \$200 more a year in insurance premiums than under universal coverage.

## **The Rowland/Republican Substitute Fails to Achieve Universal Coverage**

*The Rowland/Republican substitute will still leave close to 30 million Americans without health insurance. It will cover the poor but force middle income people to choose between no insurance or higher premiums.*

### **Close to 30 million people will go without insurance**

- Under this bill, half-measures and quick fixes leave every American at risk of losing their insurance. Initial estimates indicate that, under the Rowland/Republican substitute, close to 30 million Americans would have no coverage at all.

### **Middle income people will be left behind**

- According to the Congressional Budget Office estimate of an earlier, similar bill, more than 80 percent of those who remain uninsured work and have incomes above the poverty level. Under the Rowland/Republican substitute, coverage for middle income people will be more limited than for the rich and the poor. (CBO analysis, 5/94, p. 17)

### **The cost shift continues, raising costs for those with insurance**

- As long as millions remain uncovered, families with insurance will continue to pay for those without coverage. Businesses that provide insurance will continue to pay extra for those who ride free.

### **Insurance reforms without universal coverage won't work**

- The Wall Street Journal says that "experts insist and real-life evidence shows" that insurance reforms "won't work without universal coverage." In fact, when one state recently enacted insurance reform without universal coverage, rates for some of the insured went up by as much as 35%. (WSJ, 6/15/94; WSJ, 5/27/94)

## **The Rowland/Republican Substitute Short-Changes Older Americans**

*The Rowland/Republican substitute takes significant savings from Medicare, and none of these savings is spent to guarantee new benefits for older Americans. No help with prescription drugs. No meaningful help with long-term care. Instead, Medicare money will be used to expand access to low-income individuals, not to help the older Americans Medicare was created to serve.*

### **Raids Medicare to pay other bills**

- The Rowland/Republican substitute takes billions from Medicare, but none of it is used to provide new benefits for seniors.

### **Provides no prescription drug benefit for seniors**

- The Rowland/Republican substitute does not add prescription drug coverage to Medicare - leaving millions of older Americans with no help for the high cost of prescriptions. Prescription drug costs are the highest out-of-pocket health expense for most seniors, and the Rowland/Republican substitute would provide no help.

### **Provides no plan for long-term care**

- The Rowland bill/Republican substitute does not contain any new long-term plan to help cover care in the home and community - where most seniors live and where most want to stay.

### **Threatens quality of care for older Americans under Medicare**

- The Rowland/Republican substitute cuts Medicare reimbursements to hospitals and doctors without relieving them of the burden of uncompensated care. Such an approach is unrealistic and will undermine the quality of health care services for the nation's elderly.

## **Small Business Still Pays More Under Rowland/Republican Substitute**

*Under the Rowland bill, small businesses will still pay more for the same health coverage. It will leave small businesses without any guarantee that they will have affordable coverage - or any coverage at all if insurance companies refuse to cover them. And it won't level the playing field, so small businesses that do offer insurance will continue to pay higher rates while other small businesses that are competing with them will get a free ride.*

### **No Discounts to Help Small Businesses Afford Coverage**

- The Rowland/Republican Substitute bill does not provide any subsidies to help small businesses provide insurance.

### **Premiums are higher for small business**

- According to the Congressional Budget Office's estimate of an earlier, similar bill, small businesses paid higher premiums than large businesses. In fact, CBO found that small businesses would pay over \$600 more a year than large businesses for the same family policy. (CBO analysis, 5/94, p. 18)

### **No end to cost-shifting**

- Because the Rowland/Republican substitute leaves close to 30 million Americans without health coverage - many of them working in firms that do not provide coverage - small businesses that offer coverage will have to pay for costs of workers from businesses that are free riders. Consider for example, two gas stations across the street from each other: one that provides health coverage and one that doesn't. If any uninsured worker in the gas station that doesn't offer coverage ends up in a hospital emergency room and can't pay his bills, the hospital will just increase the fees charged to insured patients, such as those of the workers in the other gas station. So the gas station that covers its workers ends up paying twice, which makes it even more difficult to compete with the guy across the street. And the Rowland/Republican substitute does nothing to stop this problem.

## The Rowland/Republican Substitute Bill Doesn't Control Costs

*Under the bipartisan bill, Americans will continue to face skyrocketing health costs. It will leave out close to 30 million Americans and shift their costs onto those who currently have insurance. And middle income Americans will continue to face health insurance premiums that rise much faster than their incomes.*

### You can't have real cost containment without universal coverage

- Unless everyone is in the system, costs just won't come down. And the bipartisan bill falls 26 million Americans short of universal coverage. So under their plan we'll still have:

**Cost Shifting:** American families and businesses that pay for private insurance will still have billions of dollars of uncompensated care shifted onto their premiums.

**Too Little Preventive Care:** The millions of Americans who remain uninsured under Rowland will not have incentives to seek out cost-effective preventive care that has been shown to reduce health costs.

**Expensive Emergency Room Visits:** The uninsured will still be forced to seek out care in expensive hospital emergency rooms at three times the cost of visits to a doctor's office. (HHS data)

### No guarantee of cost containment for families, businesses and government

- The leadership of both the House and the Senate took cost containment seriously - and have mechanisms that guaranteed that costs would never skyrocket out of control again. The bipartisan bill, however, leaves Americans with no more protection against cost increases than they have today.

### No real competition

- Insurance companies will continue to compete on who can cover the healthiest people instead of on price and quality as they would with a standard benefits package.

### Unrealistic Financing: Rowland Makes Promises It Can't Pay For

The Rowland/Republican substitute promises to help families pay for insurance, but if funds are short the first thing that gets cut is help for families

## The Rowland/Republican Substitute Bill Leaves the Insurance Companies In Charge

*Under the bill, the insurance companies will still dictate the cost and coverage of the health care system. Without universal coverage and guaranteed choice, insurance companies - not buyers and not the free market - are in charge.*

### **Abandons Effective Competition**

- The Rowland/Republican substitute abandoned the principle that competition should be between insurers based on price and quality. Under this bill it is business as usual for insurance companies. They can exclude any benefits they want. When you choose a policy you better read the fine print.

### **You can still lose your insurance when you lose your job**

- Although the Rowland/Republican substitute theoretically allows people to "take insurance with them" when they leave a job (portability), this provision only helps those who can pay the full premium themselves. That is not realistic for most people, since they can't afford \$5,600 a year, especially if they are out of work.

### **Does not eliminate lifetime limits**

- You can still lose your coverage when you need it most. The Rowland/Republican substitute does not eliminate lifetime limits, so it cannot assure insurance companies will not terminate benefits at a critical time.

### **Does not eliminate pre-existing conditions**

- The Rowland/Republican substitute limits, but does not eliminate, pre-existing condition exclusions. Under this bill, insurance companies would still be able to deny coverage for pre-existing conditions for six months, under certain circumstances.