

PRESIDENT CLINTON'S HEALTH PLAN -- DRAFT ONE PAGER June 12, 1995:

President Clinton's health initiative categorically rejects the Republicans' budget proposals that provide for unprecedented and devastating cuts in the Medicare and Medicaid programs, while providing for huge tax cuts for the most well of our nation. The President's plan offers an alternative course that clearly illustrates how it is possible to achieve Medicare and Medicaid savings, while strengthening the programs in the context of broader health reform.

The President's health care reform plan: (1) strengthens the Medicare Trust Fund, (2) reforms Medicare and Medicaid while preserving coverage, choice and quality, (3) reinvests savings to provide grants for long-term care, expanded preventive services and coverage expansions, (4) reforms the insurance market, (5) makes insurance more accessible and affordable for small businesses, and (6) makes a solid contribution to deficit reduction.

To finance his reforms for Medicare beneficiaries, the President proposes \$99.4 billion in new Medicare savings (\$79.7 billion in Part A savings + \$19.7 billion in Part B savings) over seven years. This amount, combined with the extensions of current law that were already in the President's budget (\$9.7 billion in Part A and \$18.6 billion in Part B = \$28.3 billion), makes his Medicare savings number total out at \$127.7 billion over seven years.

Out of the \$127.7 Medicare savings, \$13.2 billion is used to pay for a new long-term grant program to states (to pay for home- and community-based services for the chronically ill of all ages), a new Medicare Alzheimer's respite benefit, and for the elimination of the mammography co-payment for elderly female beneficiaries. \$89.4 billion is used to ensure the solvency of the Part A Trust Fund to 2005. This \$89.4 billion amount, plus the remaining \$25.1 billion, also contributes to deficit reduction (\$13.2 B+\$89.4B+\$25.1B=\$127.7 billion.)

The Senate and House Republican Medicare cuts (\$256 billion in the Senate and \$288 billion in the House) double the President's proposal and are likely to include huge beneficiary out-of-pocket cost increases. Not one penny of these cuts are reinvested into health care; instead, the Republicans are calling for hundreds of billions of dollars in tax cuts for well off Americans. More-over, relative to a continuation of current law, the Republicans' Medicare cuts (assuming a 50/50 beneficiary/provider split) would increase beneficiaries out-of-pocket costs by between \$2,000 (Senate) and \$2,500 (House) over seven years and over \$500 in 2002 alone.

The President also reduces Federal Medicaid spending by \$55.3 billion over seven years by limiting growth and promoting flexibility. Of this amount, he reinvests \$10.9 billion to provide for health insurance subsidies for Americans who are temporarily unemployed and to further expand the self-employed tax deduction. The remaining \$44.4 billion is used for deficit reduction.

The Republican cuts of between \$175-\$185 billion over seven years triple the proposal by the President. Rather than expanding coverage and moving forward on health reform, the Republican cuts will take us backwards and force states to actually cut coverage (to 5 million to 8 million children and pregnant women, and to 800,000 to 1 million elderly and disabled.) Reduced coverage means that the cost-shifting burden of uncompensated care for hospitals and for the currently insured (who pay for the uninsured in increased premiums) would be further exacerbated.

PRESIDENT CLINTON'S HEALTH INITIATIVE -- June 10, 1995: 7:00pm

SAVINGS, REINVESTMENT, AND DEFICIT REDUCTION PHILOSOPHY

The President's health care plan represents an important first step towards dealing with the very real health care problems that confront this nation. His proposal: (1) **strengthens the Medicare Trust Fund**, (2) **reforms the Medicare and Medicaid programs to moderate costs while preserving coverage, choice and quality**, (3) **reinvests savings to provide grants for home- and community-based long-term care, expanded preventive services and coverage expansions**, (4) **reforms the insurance market**, (5) **makes insurance more accessible and affordable for small businesses**, and (6) **makes a solid contribution to deficit reduction**.

The President's health reform initiatives are financed with less than one-half the Medicare savings and one-third the Medicaid savings the Republicans have proposed. Moreover, his plan does not require any new cost increases to Medicare beneficiaries.

The President's proposals make the programs more efficient and more responsive to the beneficiaries and taxpayers they serve. Moreover, as he has consistently stated, the President believes any significant changes in the Medicare and Medicaid program **MUST** be done in the context of reform. To this end, his vision of reforming the health care system includes:

REFORMING THE INSURANCE MARKET

Insurance market reforms, based upon proposals supported by both Republicans and Democrats in the 103rd Congress, would improve the fairness and efficiency of the insurance marketplace. Provisions include, but are not limited to:

- ◆ **Portability and Renewability of Coverage**, including banning plans from excluding coverage for pre-existing medical conditions and requiring plans to renew coverage regardless of health status.
- ◆ **Small Group Market Reforms**, including requiring plans to offer coverage to small employers and their workers regardless of health status and limiting the amount by which health plans can vary or increase premiums because of claims history.
- ◆ **Consumer Protections**, including requirements that plans provide information to consumers about the plan's benefits and limitations; the identity, location, and availability of the plan's participating providers; a summary description of the procedures used by the plan to control utilization of services; and how well the plan meets quality standards. In addition, plans would be directed to provide prompt notice of claims denials and to establish internal grievance and appeals procedures.

HELPING WORKING FAMILIES KEEP INSURANCE WHEN LAID OFF

As part of the effort to assure portability of coverage, families that lose their insurance because of temporary unemployment would be eligible for premium subsidies for up to three months. The program would build on the current COBRA program, which allows most people who lose their jobs to keep their coverage, but requires them to pay the full cost (including the share previously paid by the employer).

HELPING SMALL BUSINESSES AFFORD INSURANCE

- ◆ **Giving Small Employers Access to FEHBP Insurance Plans:** The Federal Employees Health Benefit Program (FEHBP) would be made available to states that wish to make group purchasing available to small employers. This would increase the purchasing clout of smaller businesses and make the market for small group insurance more efficient. Small firms would obtain coverage from FEHBP plans, but the coverage would be separately rated in each state so the premiums for federal and state employees would be unaffected.
- ◆ **Expanding the Self-Employed Tax Deduction:** The health insurance tax deduction for the self-employed would be expanded so that self-employed people can deduct 50% of the cost of their health insurance premiums. The self-employed currently can deduct only 25% of the cost of their premiums.

REFORMING AND STRENGTHENING THE MEDICARE PROGRAM

- ◆ **Strengthening the Medicare Trust Fund:** \$89.4 Billion of the Medicare savings from the President's initiative are used to strengthen and ensure the solvency of the Part A Hospital Insurance (HI) Trust Fund to 2005. Savings proposals are targeted to provider cost growth and will not increase beneficiary costs.
- ◆ **Eliminating the Co-Payment for Mammograms:** Although covered by Medicare starting in 1991, research indicates only 20 percent of eligible beneficiaries take advantage of this potentially lifesaving benefit. One contributor to low utilization of this benefit is the required 20 percent copayment. To remove financial barriers from women seeking preventive mammograms, the Medicare copayment would be waived.
- ◆ **Encouraging Managed Care Enrollment:** To encourage more beneficiaries to choose managed care options, the type of managed care arrangements available to beneficiaries would be expanded to include preferred provider organizations ("PPOs") and point-of-service ("POS") plans. Initiatives to improve Medicare reimbursement of managed care plans, including a competitive bidding demonstration proposal, would be implemented. Important initiatives to streamline regulation and create a more friendly Medicare managed care environment are also included.

- ◆ **Combatting Fraud and Abuse:** Operation Restore Trust is a five-state demonstration project targeting fraud and abuse in home health care, nursing home and durable medical equipment industries. Increased funding would be available for fraud and abuse activities.

LONG-TERM CARE

- ◆ **Expanding Availability of Home and Community-Based Care:** Grants would be made available to states to provide home and community-based services to disabled people. Funds would be distributed to each state 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 Program Within Medicare:** All Medicare beneficiaries who have Alzheimer's Disease would be eligible for respite services for their families for one week each year.

REFORMING THE MEDICAID PROGRAM

The Medicaid program would be reformed to expand state flexibility and reduce costs while assuring the program's ability to provide coverage to the vulnerable populations it serves today. Federal savings would be reinvested to expand health insurance coverage and to contribute to deficit reduction.

- ◆ **Eliminating Unnecessary Federal Strings on States:** To enable states to manage their Medicaid programs more efficiently, federal requirements on how states manage their Medicaid programs would be substantially reduced.
 - States could pursue managed care strategies and other service delivery innovations without seeking waivers from the federal government.
 - Federal restrictions that set minimum levels for state payments to health care providers would be eliminated.
- ◆ **Reducing Medicaid Costs:** A combination of policies would be implemented to reduce the growth of federal Medicaid spending, including expanding managed care, reducing federal contributions to states for disproportionate share hospitals, and limiting the growth in federal Medicaid payments made to states for each beneficiary. Limits made on a per-person basis, as opposed to a block grant on total spending, promote efficiency while protecting coverage.

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

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.

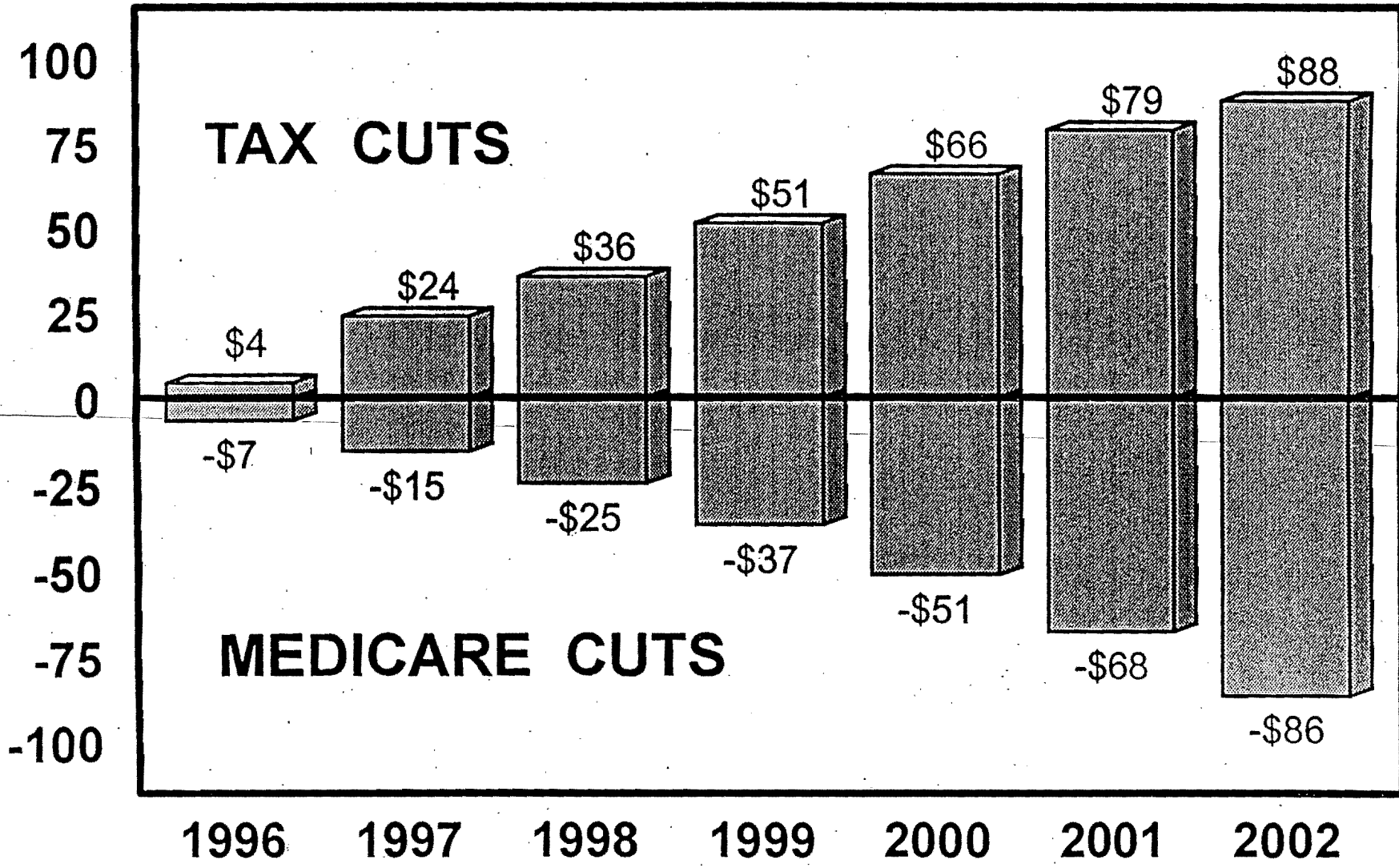
- States will be allowed to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and

- 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

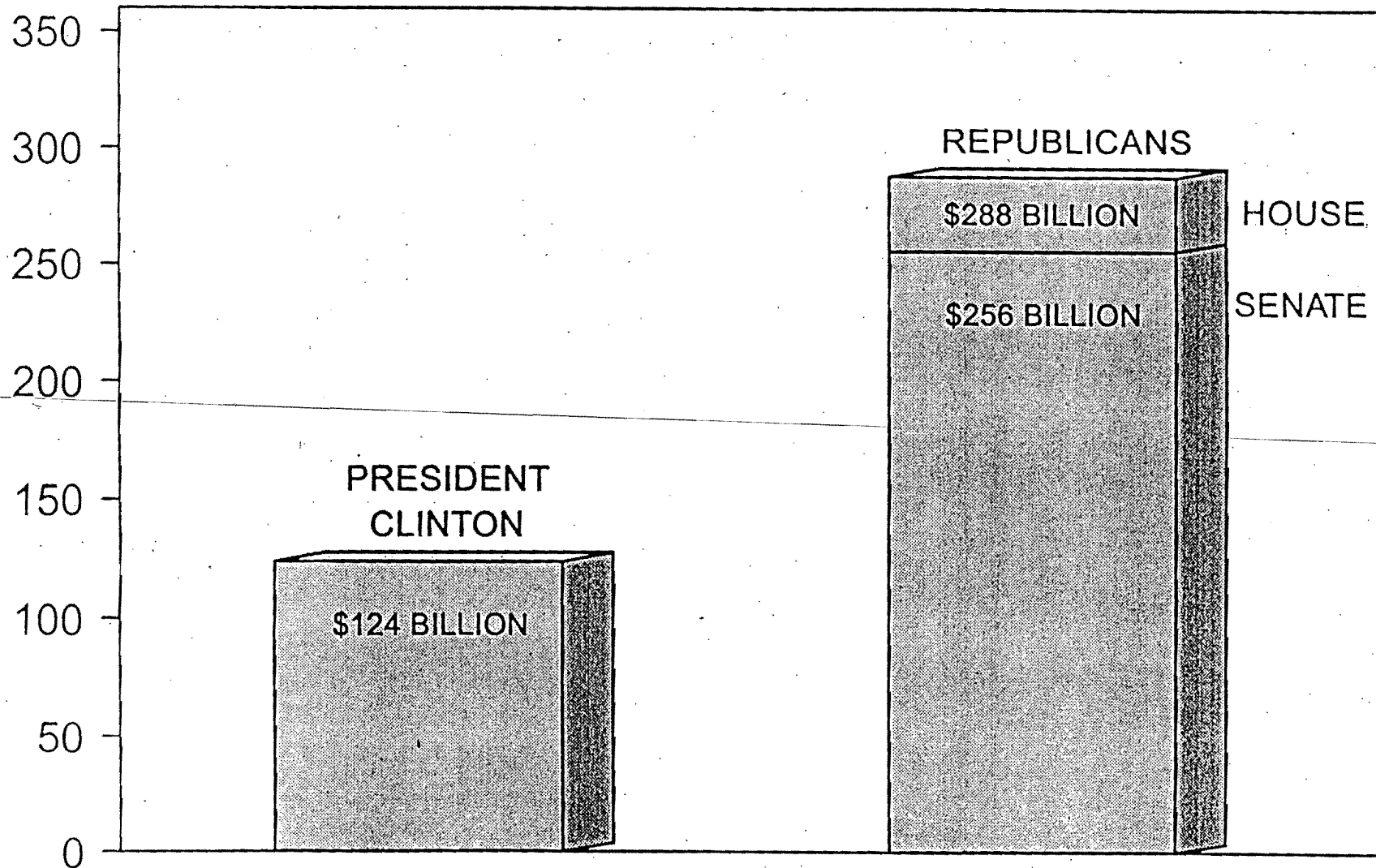
DOLLARS IN BILLIONS



NOTE: House Budget Resolution numbers.

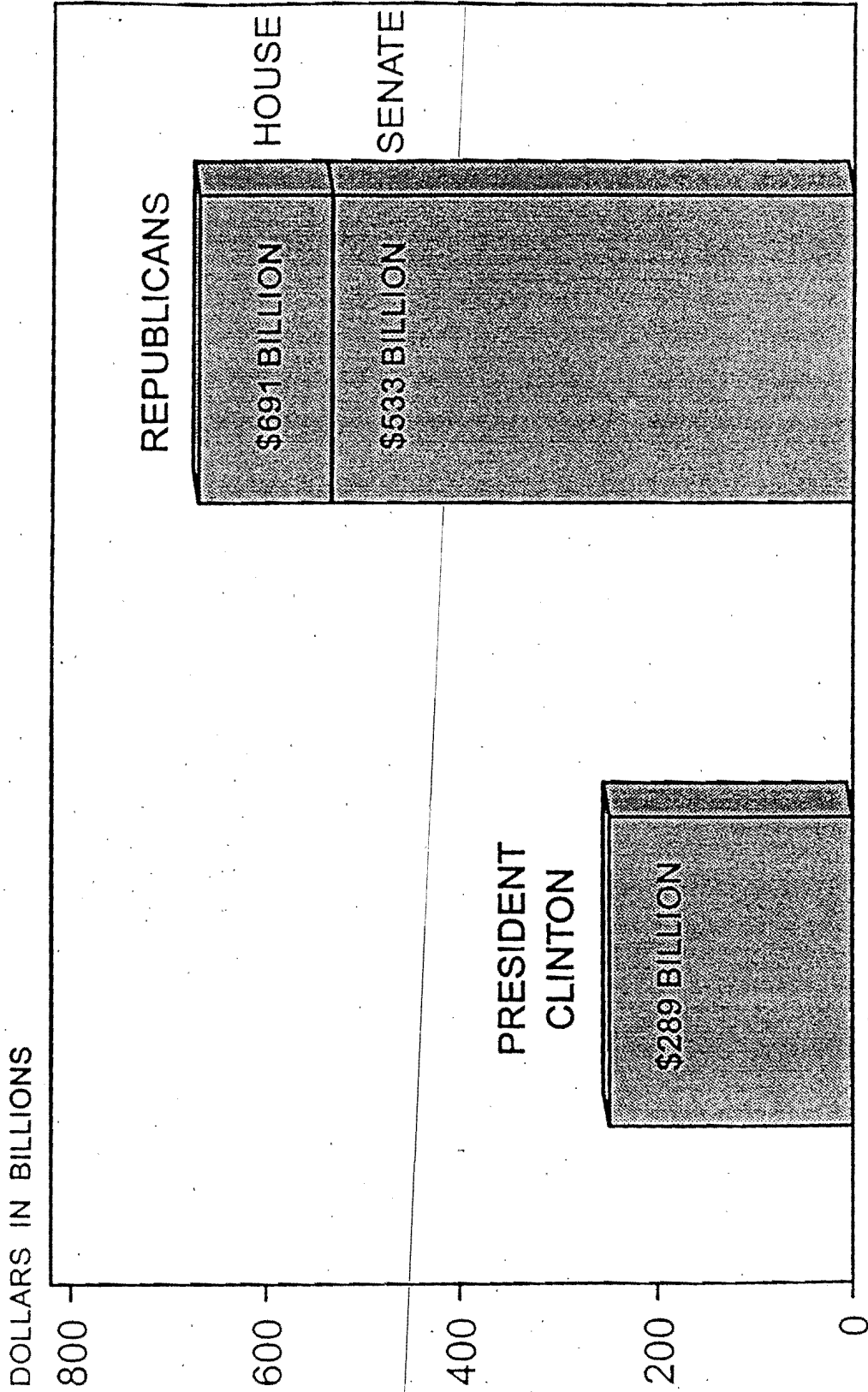
MEDICARE SAVINGS SEVEN YEARS

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

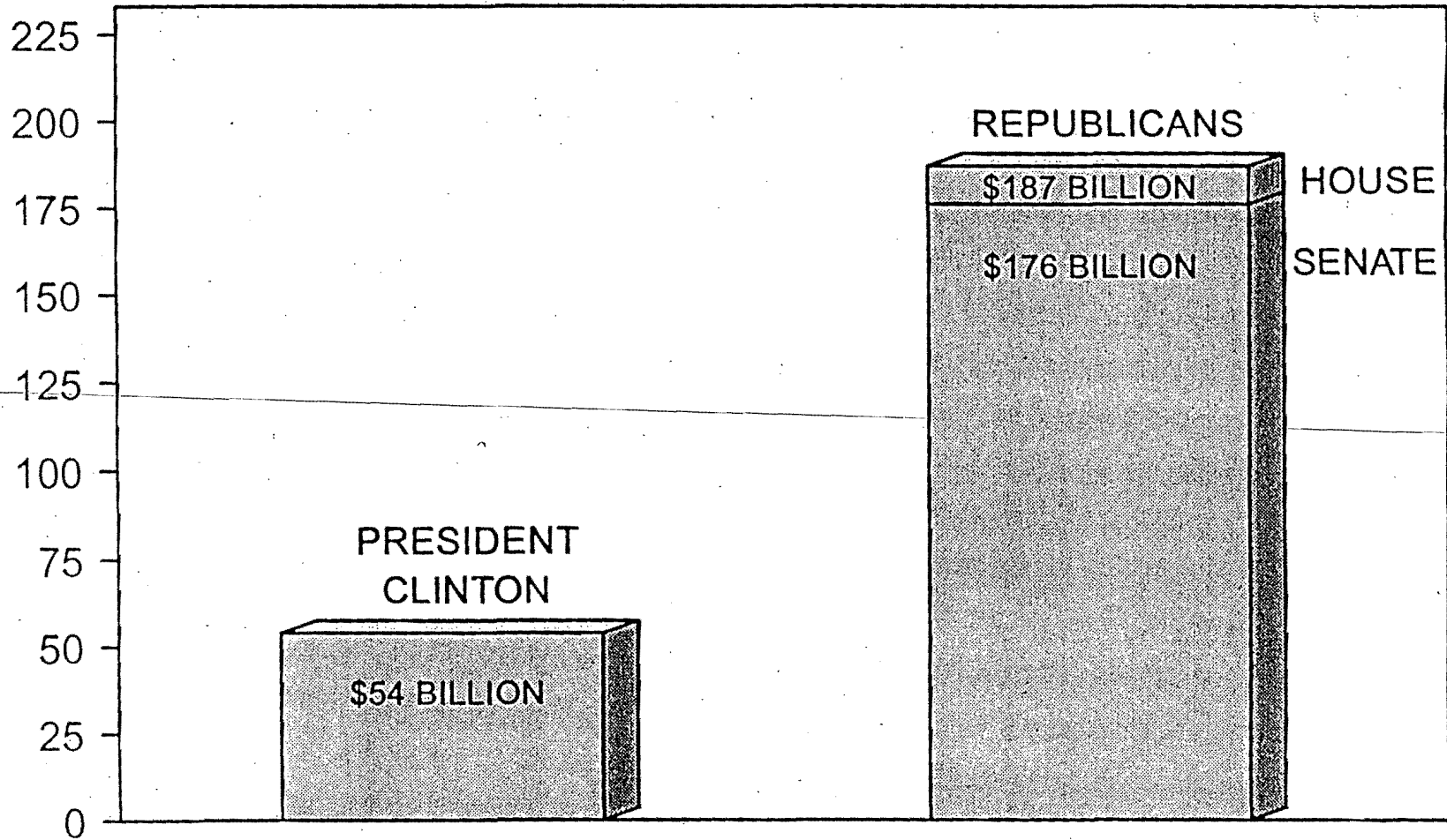
President's Proposal

▪ 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



Possible Sources & Uses of Funds

Fiscal Years, Billions of Dollars

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	5 Years	7 Years	10 Years
												1996 - 2000	1996 - 2002	1996 - 2005
<i>Uses of Funds:</i>														
Working Families Subsidy for Temporarily Unemployed -- 3 Month benefit; previously insured only/no Medicaid (100% - 240% of poverty)	0.0	0.0	1.0	1.4	1.5	1.6	1.8	1.9	2.1	2.2	2.4	5.5	9.1	15.8
Self-employed Tax Deduction Phased to 50%	0.0	0.0	0.1	0.1	0.2	0.4	0.5	0.5	0.6	0.6	0.7	0.8	1.8	3.7
Long-term Care Program -- Capped entitlement to states	0.0	0.0	1.5	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	6.2	9.7	15.4
Medicare Benefits														
-- Mammography	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.5
-- Respite	0.0	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	2.1	3.1	4.8
New Medicare Benefits	0.0	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	2.3	3.4	5.4
Total Uses of Funds:	0.0	0.4	3.0	3.5	3.8	4.1	4.5	4.8	5.0	5.4	5.8	14.8	24.1	40.3
<i>Sources of Funds:</i>														
Medicare Part A Savings	0.0	3.4	5.0	7.1	10.3	14.1	17.7	21.4	22.2	24.0	26.1	39.8	78.9	151.2
Medicare Part B Savings	0.0	0.2	0.5	1.9	2.6	3.6	5.0	6.8	9.2	12.7	18.2	8.7	20.4	60.5
Total Medicare Savings	0.0	3.5	5.4	9.0	12.9	17.6	22.7	28.2	31.4	36.7	44.3	48.4	99.3	211.7
Medicaid Savings														
-- Disproportionate share hospital payment reform (1/3rd reduction)	0.0	3.7	4.0	4.4	4.8	5.3	5.7	6.2	6.7	7.2	7.7	22.2	34.1	55.6
-- State flexibility (Boren Amendment reform)	0.0	0.0	0.3	1.4	2.4	3.9	5.5	7.2	9.1	10.9	12.8	8.0	20.8	53.5
-- Enhanced per capita growth	0.0	3.7	4.4	5.8	7.2	9.2	11.2	13.4	15.7	18.1	20.4	30.2	54.9	109.1
Total Medicaid Savings	0.0	3.7	4.4	5.8	7.2	9.2	11.2	13.4	15.7	18.1	20.4	30.2	54.9	109.1
Total Sources of Funds:	0.0	7.2	9.8	14.8	20.1	26.8	33.9	41.6	47.1	54.8	64.7	78.6	154.2	320.8
Deficit Impact:	0.0	(6.8)	(6.8)	(11.3)	(16.3)	(22.7)	(29.4)	(36.8)	(42.1)	(49.4)	(59.0)	(63.9)	(130.1)	(280.6)

OPTION 1: LIMITING MEDICARE CUTS/NO REINVESTMENT

Summary

- Lowest Medicare Part A Savings Number that Still Adequately Strengthens Trust Fund
- No New Increases in Medicare Part B: No Beneficiary/No Physician Cuts
- No Reinvestment in Coverage or Long-Term Care Expansion
- All Savings Devoted to Deficit Reduction

No Initiatives

Sources of Funds

- Medicare Part A Savings: \$79.7 Billion Over 7 Years*
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings	0.0	0.0	0.0
TOTAL MEDICARE	41.4	79.7	152.5
Total Medicaid	32.5	60.3	120.1
TOTAL MEDICARE AND MEDICAID	73.9	140.0	272.6
DEFICIT IMPACT	73.9	140.0	272.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

*Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

**OPTION 2: COVERAGE PLUS LONG-TERM CARE INVESTMENTS
MINUS SELF-EMPLOYED AND LONG-TERM CARE TAX PROVISIONS**

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Modest Reinvestment Package, but one that Preserves Some Coverage and Some Long-Term Care
- No self-employed tax deduction and no long-term care tax clarifications
- Medicare Savings: \$100.9 + \$28.3 (extenders)= \$129.2*/Net of Elderly Benefits: \$116.0

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Long-Term Care Initiatives: Grants to States + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (6 months)	8.6	14.3	25.0
Long-Term Care/Grants to States for Home Care	6.2	9.7	15.4
Alzheimer's Respite + Mammography Co-payment Elimination	2.4	3.5	5.4
TOTAL	17.2	27.5	45.8
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings	9.5 (Ben: 0.0)	21.2 (Ben: 0.0)	61.3 (Ben: 0.0)
Total Medicare	50.9	100.9	213.8
Total Medicaid	32.5	60.3	120.1
TOTAL MEDICARE AND MEDICAID	83.4	161.2	333.9
DEFICIT IMPACT	66.2	133.7	288.1
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

Possible Congressional Initiatives

CLOSE HOLD

**OPTION 3: PREVIOUS COVERAGE AND LONG-TERM CARE PACKAGE
WITH REVISED AND LOWERED MEDICARE SAVINGS NUMBER**

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Modest, But Slightly Larger Reinvestment Package than Option Two
- Medicare Savings: \$114.5 + \$28.3 (extenders)= \$142.8*/Net of Elderly Benefits: \$124.5

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Self-Employed Phase-In to 80 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Tax Clarifications + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (6months)	8.6	14.3	25.0
Self-Employed Phase-In to 80 Percent***	2.3	4.9	9.9
Long-Term Care: Grants + Tax Clarifications	9.2	14.8	24.6
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	22.5	37.5	64.9
<i>Sources of Funds</i>			
Medicare Part A Savings	44.4	87.6	169.3
Medicare Part B Savings	12.9 (Ben: 0.0)	26.9 (Ben: 0.0)	71.2 (Ben: 0.0)
Total Medicare	57.3	114.5	240.5
Total Medicaid	32.5	60.3	120.1
TOTAL MEDICARE AND MEDICAID	89.8	174.8	360.6
DEFICIT IMPACT	67.9	137.6	296.7
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars, in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 80% over longer period (5 years).

June 8, 1995 - 3:15pm

Possible Congressional Initiatives

OPTION 4: HIGHER MEDICARE SAVINGS WITH FULL LONG-TERM CARE PACKAGE, SMALLER TEMPORARILY UNEMPLOYED, AND MODEST SELF-EMPLOYED DEDUCTION

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Smaller Temporarily Unemployed Investment Package than Option Three and Modest Self-Employed Deduction
- Medicare Savings: \$125.3 + \$28.3 (extenders)= \$153.6*/Net of Elderly Benefits: \$135.3
- Includes Income-Related Part B Premium

Initiatives

- Temporarily Unemployed Program for 3 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Tax Clarifications + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (3 months)	5.5	9.1	15.8
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Long-Term Care: Grants + Tax Clarifications	9.2	14.8	24.6
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	17.9	29.2	49.5
<i>Sources of Funds</i>			
Medicare Part A Savings	46.5	92.1	178.7
Medicare Part B Savings	16.2 (Ben: 6.3)	33.2 (Ben: 11.0)	84.9 (Ben: 21.5)
Total Medicare	62.7	125.3	263.6
Total Medicaid	28.4	51.4	102.4
TOTAL MEDICARE AND MEDICAID	91.1	176.7	366.0
DEFICIT IMPACT	73.2	147.5	316.5
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

June 9, 1995 - 10:27am

Possible Congressional Initiatives

OPTION 5: SAME AS OPTION 4 EXCEPT NO LONG-TERM CARE TAX CLARIFICATION, SLIGHTLY LOWER MEDICARE SAVINGS, AND SLIGHTLY LOWER MEDICAID SAVINGS

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Smaller Temporarily Unemployed Investment Package than Option Three and Modest Self-Employed Deduction
- Includes Income-Related Part B Premium
- **Medicare Savings: \$100.9 + \$28.3 (extenders)= \$129.2*/Net of Elderly Benefits: \$116.0**

Initiatives:

- Temporarily Unemployed Program for 3 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
Initiatives			
Downsized Temporarily Unemployed (3 months)	5.5	9.1	15.8
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Long-Term Care: Grants	6.2	9.7	15.4
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	14.9	24.1	40.3
Sources of Funds			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings	9.5 (Ben: 0.0)	21.2 (Ben: 0.0)	61.3 (Ben: 0.0)
Total Medicare	50.9	100.9	213.8
Total Medicaid	33.2	55.3	110.6
TOTAL MEDICARE AND MEDICAID	84.1	156.2	324.4
DEFICIT IMPACT	69.2	132.1	284.1
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

Mix and Match Policy Alternatives:

	5-Year	7-Year	10-Year
3-Month Temporarily Unemployed for Currently Insured	5.5	9.1	15.8
6-Month Temporarily Unemployed for Currently Insured	8.6	14.3	25.0
Self-Employed Tax Deduction Phase in to 100 percent/Over 5 Years	3.5	7.3	14.6
Self-Employed Tax Deduction Phase in to 80 percent/Over 5 Years	2.3	4.9	9.9
Self-Employed Tax Deduction Phase in to 50 percent/Over 5 Years	0.8	1.8	3.7
Long-Term Care Tax Clarifications	3.0	5.1	9.2
Long-Term Care Grants	6.2	9.7	15.4

MEDICARE OUTLAYS COMPARISON, NET OF NEW BENEFITS *

	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05
Option 2	171.5	185.2	199.2	211.8	226.6	243.2	260.8	282.0	303.4	325.4
Domenici	166.5	175.9	188.4	201.7	216.5	233.7	253.5	271.8	291.3	312.3
Kasich	172.2	182.0	191.2	200.6	209.7	218.9	228.8	239.1	249.8	261.0

* OMB estimate of outlays net of savings, based on extrapolation of Domenici and Kasich savings proposals on CBO baseline, compared with option 2 Medicare savings on OMB baseline (\$79.7 Part A + \$21.2 Part B + \$28.3 in extenders for a total of \$129.2 over 7 years). Option 2 Medicare outlays include Alzheimer's respite benefit and elimination of mammography co-payment.

DRAFT

MEDICARE OUTLAYS COMPARISON, NET OF NEW BENEFITS *

(billions of dollars, fiscal years)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Option 4 minus**	171.4	184.9	198.1	210.2	224.0	239.4	256.4	276.9	298.4	320.4
Domenici	166.5	175.9	188.4	201.7	216.5	233.7	253.5	274.9	298.1	323.2
Kasich	172.2	182.0	191.2	200.6	209.7	218.9	228.8	239.1	249.8	261.0

* OMB estimate of outlays net of savings, based on extrapolation of Domenici and Kasich savings proposals on CBO baseline, compared with Option 4 Medicare savings on OMB baseline (\$92.1 Part A + \$22.2 Part B + \$28.3 in extenders for a total of \$142.6 over 7 years). Option 4 Medicare outlays include Alzheimer's respite benefit and elimination of mammography co-payment.

X * minus income-related premium

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PRESIDENT CLINTON'S HEALTH PLAN -- DRAFT ONE PAGER June 13, 1995:

President Clinton's health initiative rejects the Republicans' budget proposals that provide for devastating cuts in Medicare and Medicaid, while providing for huge tax cuts for our nation's wealthy. His plan offers an alternative that clearly illustrates how to achieve Medicare and Medicaid savings, while strengthening the programs in the context of broader health reform.

The President's plan: (1) reforms Medicare and Medicaid while preserving coverage, choice and quality, (2) reinvests savings to expand coverage, to provide for long-term care benefits, and to enhance Medicare preventive coverage, (3) strengthens the Medicare Trust Fund, (4) reforms the insurance market, (5) makes insurance more affordable for small businesses, and (6) reduces the deficit by \$281 billion over 10 years.

The President's health reform initiatives are financed with less than one-half the Medicare savings and one-third the Medicaid savings the Republicans have proposed. Moreover, his plan does not require any new cost increases to Medicare beneficiaries.

Medicare: The President proposes \$99.3 billion in new Medicare savings (\$78.9 billion in Part A savings + \$20.4 billion in Part B savings) over 7 years. This amount, combined with the extensions of current law that were already in the President's budget (\$9.7 billion in Part A and \$18.6 billion in Part B = \$28.3 billion), produces \$127.6 billion in savings.

Calc

8.6
21.9
38.0
-12.5
24.9
13.1
88.6
12.8

20.4
13.1
7.3

Out of the \$127.6 billion in savings, \$13.1 billion is used to pay for the new long-term state grant program, a new Medicare Alzheimer's respite benefit, and for the elimination of the Medicare mammography co-payment. \$88.6 billion is used to ensure the solvency of the Part A Trust Fund to 2005. This \$88.6 billion, plus the remaining \$25.9 billion (out of the \$127.6 billion total), also contributes to deficit reduction (\$13.1 B + \$88.6 B + \$25.9 B = \$127.6 billion).

25.9 = 127.6

Republicans: The Republican Medicare cuts (\$256 billion/Senate and \$288/House over seven) double the President's proposal and are likely to include huge beneficiary cost increases. Not one penny of these cuts are reinvested into health care. Moreover, relative to the President's proposal, the Republicans' Medicare cuts (assuming a 50/50 beneficiary/provider split) would increase beneficiaries out-of-pocket costs by \$3,100 over seven years. Couples would pay \$1,700 more in 2002 alone.

Medicaid: The President also reduces Federal Medicaid spending by \$54.9 billion over seven years by limiting growth and promoting flexibility. Of this amount, he reinvests \$16.1 billion to provide for health insurance subsidies for Americans who are temporarily unemployed and to further expand the self-employed tax deduction. The remaining \$38.8 billion is used for deficit reduction.

88.6
13.1
101.7
25.9
76

The Republican cuts of between \$175-\$185 billion over seven years triple the proposal by the President. Rather than expanding coverage and moving forward on health reform, the Republican cuts will take us backwards and force states to actually cut coverage (to 5 million to 8 million children and pregnant women, and to 800,000 to 1 million elderly and disabled.) Reduced coverage means that the cost-shifting burden of uncompensated care for hospitals and for the currently insured (who pay for the uninsured in increased premiums) would be further exacerbated.

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Possible Congressional Initiatives

OPTION 1: LIMITING MEDICARE CUTS/NO REINVESTMENT

Summary

- Lowest Medicare Part A Savings Number that Still Adequately Strengthens Trust Fund
- No New Increases in Medicare Part B: No Beneficiary/No Physician Cuts
- No Reinvestment in Coverage or Long-Term Care Expansion
- All Savings Devoted to Deficit Reduction

No Initiatives

Sources of Funds

- Medicare Part A Savings: \$79.7 Billion Over 7 Years*
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings	0.0	0.0	0.0
TOTAL MEDICARE	41.4	79.7	152.5
Total Medicaid	32.5	60.3	120.1
TOTAL MEDICARE AND MEDICAID	73.9	140.0	272.6
DEFICIT IMPACT	73.9	140.0	272.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

*Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

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"Options" - 6/12

Possible Congressional Initiatives

**OPTION 2A: COVERAGE PLUS LONG-TERM CARE INVESTMENTS
MINUS SELF-EMPLOYED AND LONG-TERM CARE TAX PROVISIONS**

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Modest Reinvestment Package, but one that Preserves Some Coverage and Some Long-Term Care
- No self-employed tax deduction and no long-term care tax clarifications
- Medicare Savings: \$100.9 + \$28.3 (extenders)= \$129.2*/Net of Elderly Benefits: \$116.0

Initiatives

- Temporarily Unemployed Program for 3 Months for Currently Insured
- Long-Term Care Initiatives: Grants to States + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (3 months)	5.5	9.1	15.8
Long-Term Care/Grants to States for Home Care	6.2	9.7	15.4
Alzheimer's Respite + Mammography Co-payment Elimination	2.4	3.5	5.4
TOTAL	17.2	27.5	45.8
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings	9.5 (Ben: 0.0)	21.2 (Ben: 0.0)	61.3 (Ben: 0.0)
Total Medicare	50.9	100.9	213.8
Total Medicaid	27.8	46.3	120.1
TOTAL MEDICARE AND MEDICAID	83.4	161.2	333.9
DEFICIT IMPACT	66.2	133.7	288.1
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

Possible Congressional Initiatives

**OPTION 3: PREVIOUS COVERAGE AND LONG-TERM CARE PACKAGE
WITH REVISED AND LOWERED MEDICARE SAVINGS NUMBER**

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Modest, But Slightly Larger Reinvestment Package than Option Two
- Medicare Savings: \$114.5 + \$28.3 (extenders)= \$142.8*/Net of Elderly Benefits: \$124.5

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Self-Employed Phase-In to 80 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Tax Clarifications + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (6months)	8.6	14.3	25.0
Self-Employed Phase-In to 80 Percent***	2.3	4.9	9.9
Long-Term Care: Grants + Tax Clarifications	9.2	14.8	24.6
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	22.5	37.5	64.9
<i>Sources of Funds</i>			
Medicare Part A Savings	44.4	87.6	169.3
Medicare Part B Savings	12.9 (Ben: 0.0)	26.9 (Ben: 0.0)	71.2 (Ben: 0.0)
Total Medicare	57.3	114.5	240.5
Total Medicaid	32.5	60.3	120.1
TOTAL MEDICARE AND MEDICAID	89.8	174.8	360.6
DEFICIT IMPACT	67.9	137.6	296.7
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 80% over longer period (5 years).

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Possible Congressional Initiatives

OPTION 4: HIGHER MEDICARE SAVINGS WITH FULL LONG-TERM CARE PACKAGE, SMALLER TEMPORARILY UNEMPLOYED, AND MODEST SELF-EMPLOYED DEDUCTION

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Smaller Temporarily Unemployed Investment Package than Option Three and Modest Self-Employed Deduction
- Medicare Savings: \$125.3 + \$28.3 (extenders)= \$153.6*/Net of Elderly Benefits: \$135.3
- Includes Income-Related Part B Premium

Initiatives

- Temporarily Unemployed Program for 3 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Tax Clarifications + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives</i>			
Downsized Temporarily Unemployed (3 months)	5.5	9.1	15.8
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Long-Term Care: Grants + Tax Clarifications	9.2	14.8	24.6
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	17.9	29.2	49.5
<i>Sources of Funds</i>			
Medicare Part A Savings	46.5	92.1	178.7
Medicare Part B Savings	16.2 (Ben: 6.3)	33.2 (Ben: 11.0)	84.9 (Ben: 21.5)
Total Medicare	62.7	125.3	263.6
Total Medicaid	28.4	51.4	102.4
TOTAL MEDICARE AND MEDICAID	91.1	176.7	366.0
DEFICIT IMPACT	73.2	147.5	316.5
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7-Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

Possible Congressional Initiatives:
OPTION 5

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Medicare Package that Permits Modest Health Care Reinvestment While Keeping Total Medicare Savings Under \$100 billion
- Smaller Temporarily Unemployed Package
- More Modest Self-Employed Tax Deduction
- Slightly Less (\$5 billion) Medicaid Savings
- **Medicare Savings: \$99.4 + \$28.3 (extenders)= \$127.7*/Net of Elderly Benefits: \$114.5**

Initiatives

- Temporarily Unemployed Program for 3 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Long-Term Care (Grants to States) + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives-- (Medicare HI Trust Fund Strengthened)</i>			
Downsized Temporarily Unemployed (3 months)	5.5	9.1	15.8
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Long-Term Care: Grants	6.2	9.7	15.4
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	14.9	24.1	40.3
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings****	9.5 (Ben: 0.0)	19.7 (Ben: 0.0)	56.8 (Ben: 0.0)
Total Medicare****	50.9	99.4	209.3
Total Medicaid	33.2	55.3	110.6
TOTAL MEDICARE AND MEDICAID****	84.1	154.7	319.9
DEFICIT IMPACT	69.2	130.6	279.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

****Assumes a \$1.5 billion reduction in Part B savings over 7 years (and accompanying reduction over 10 years) to get under \$100 billion total Medicare savings over 7 years.

Possible Congressional Initiatives: **OPTION 5-A**

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Medicare Package that Permits Modest Health Care Reinvestment While Keeping Total Medicare Savings Under \$100 billion
- Temporarily Unemployed Package - (6 months)
- More Modest Self-Employed Tax Deduction
- Slightly Smaller Long-Term Grant Investment
- Slightly Less (\$5 billion) Medicaid Savings
- **Medicare Savings: \$99.4 + \$28.3 (extenders)= \$127.7*/Net of Elderly Benefits: \$119.7**

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Long-Term Care Initiatives: Grants to States + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives-- (Medicare HI Trust Fund Strengthened)</i>			
Temporarily Unemployed (6 months)	8.6	14.3	25.0
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Long-Term Care: Grants	3.1	4.5	6.2
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	14.9	24.1	40.3
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings****	9.5 (Ben: 0.0)	19.7 (Ben: 0.0)	56.8 (Ben: 0.0)
Total Medicare****	50.9	99.4	209.3
Total Medicaid	33.2	55.3	110.6
TOTAL MEDICARE AND MEDICAID****	84.1	154.7	319.9
DEFICIT IMPACT	69.2	130.6	279.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

****Assumes a \$1.5 billion reduction in Part B savings over 7 years (and accompanying reduction over 10 years) to get under \$100 billion total Medicare savings over 7 years.

Possible Congressional Initiatives: OPTION 5-B

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Medicare Package that Permits Modest Health Care Reinvestment While Keeping Total Medicare Savings Under \$100 billion
- Temporarily Unemployed Package
- Slightly Lower (\$5 billion) Medicaid Savings
- Medicare Savings: \$99.4 + \$28.3 (extenders)= \$127.7*/Net of Elderly Benefits: \$117.9

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Long-Term Care (Grants to States OR Tax Clarification) + Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives-- (Medicare HI Trust Fund Strengthened)</i>			
Downsized Temporarily Unemployed (6 months)	8.6	14.3	25.0
Long-Term Care: Grants OR Long-Term Tax Clarification	3.9	6.3	9.9
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	14.9	24.1	40.3
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings***	9.5 (Ben: 0.0)	19.7 (Ben: 0.0)	56.8 (Ben: 0.0)
Total Medicare***	50.9	99.4	209.3
Total Medicaid	33.2	55.3	110.6
TOTAL MEDICARE AND MEDICAID***	84.1	154.7	319.9
DEFICIT IMPACT	69.2	130.6	279.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***Assumes a \$1.5 billion reduction in Part B savings over 7 years (and accompanying reduction over 10 years) to get under \$100 billion total Medicare savings over 7 years.

Possible Congressional Initiatives

OPTION 5-C

Summary:

- Medicare HI Trust Fund Insolvency Delayed to 2005
- Smallest Possible Medicare Package that Permits Modest Health Care Reinvestment. (Lower Part B)
- Eliminate Entire Long-Term Care Grant Package
- Temporarily Unemployed Package
- More Modest Self-Employed Tax Deduction
- Slightly Lower (\$5 billion) Medicaid Savings
- Medicare Savings: \$94.9 + \$28.3 (extenders)= \$123.2*/Net of Elderly Benefits: \$119.7

Initiatives

- Temporarily Unemployed Program for 6 Months for Currently Insured
- Self-Employed Phase-In to 50 Percent over 5 Years
- Elderly Initiatives: Alzheimer's Respite and Waiver of Mammography Co-Payment

Sources of Funds

- Medicare Savings**
- Medicaid Savings: State Flexibility, DSH Reform, Per Capita Cap

	5 Years	7 Years	10 Years
<i>Initiatives-- (Medicare HI Trust Fund Strengthened)</i>			
Temporarily Unemployed (6 months)	8.6	14.3	25.0
Self-Employed Phase-In to 50 Percent***	.8	1.8	3.7
Alzheimer's Respite + Mammography Co-payment Waived	2.4	3.5	5.4
TOTAL	11.8	19.6	34.1
<i>Sources of Funds</i>			
Medicare Part A Savings	41.4	79.7	152.5
Medicare Part B Savings****	6.4 (Ben: 0.0)	15.2 (Ben: 0.0)	50.6 (Ben: 0.0)
Total Medicare****	47.8	94.9	203.1
Total Medicaid	33.2	55.3	110.6
TOTAL MEDICARE AND MEDICAID****	81.0	150.2	313.7
DEFICIT IMPACT	69.2	130.6	279.6
HOUSE REP. MEDICARE/MEDICAID SAVINGS	134/86=220	288/187=475	691/447=1138
SENATE REP. MEDICARE/MEDICAID SAVINGS	141/81=222	256/176=432	511/409=920

Dollars in Billions

* Obviously the Medicare number could be reduced by lowering deficit reduction number or dropping/reducing expansions. Note that Part A number should not fall below \$79.7 billion over 7 years, in order to assure that it plus the extenders can push back HI insolvency date to 2005.

**Note: Illustrative Savings Do Not Include \$28.3 Billion in Medicare Extenders Over 7 Years

***This self-employed tax deduction option assumes phase in to 50% over longer period (5 years).

****Assumes a \$1.5 billion reduction in Part B savings over 7 years (and accompanying reduction over 10 years) to get under \$100 billion total Medicare savings over 7 years.