BULLETIN

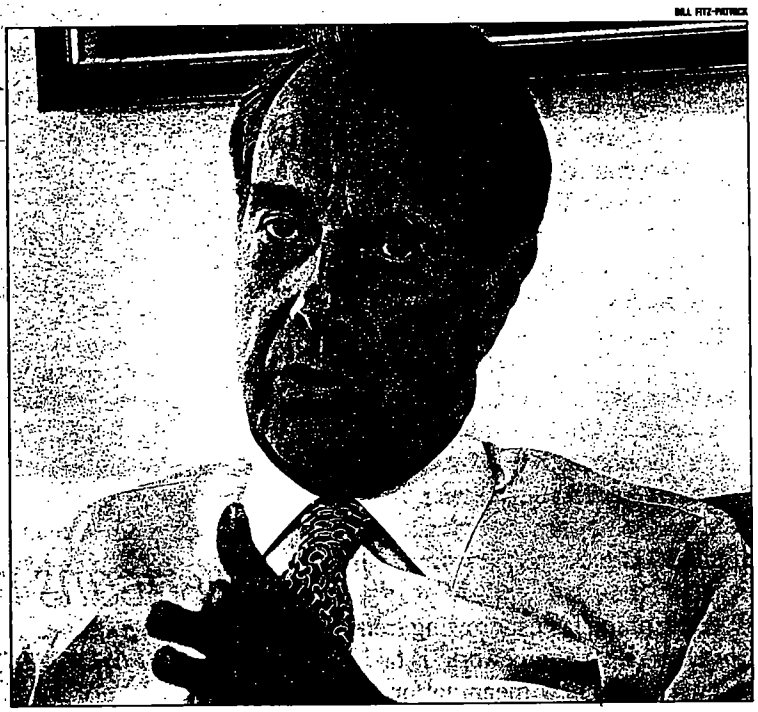
A PUBLICATION OF THE AMERICAN ASSOCIATION OF RETIRED PERSONS

Nominees speak out

TRACEY ATTLES

Interviewed at the Grand Canyon, Clinton discussed Medicare, Social Security.

BILL FITZ-PATRICK



Dole, relaxed in his Washington office, laid out his policy priorities.

Clinton: 'Fix Medicare first'

BY ELLIOT CARLSON

President Clinton vowed that Medicare can be restored to solvency and the federal budget balanced by the year 2002 without making major changes in Medicare or, for that matter, other entitlement programs.

EXCLUSIVE INTERVIEW

"The first thing we ought to do is to institute the savings" already advanced in his budget proposal to Congress, Clinton told a Bulletin editor riding along with him in a motorcade last month in Arizona. "That will put

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Dole: 'Medicare here to stay'

BY ROBERT P. HEY

Republican presidential nominee Bob Dole strongly defended programs for America's older citizens and took pains to reassure them that Medicare, in particular, would always be there.

EXCLUSIVE INTERVIEW

"Medicare is here to stay," he said flatly in an interview last month with two Bulletin editors. "You can't take that safety net away from seniors."

Dole also vigorously supported Social Security. "That's all some

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AARP to broader insurance choices

Clinton

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10 more years on the Medicare trust fund [and enable us] to get rid of this fear that Medicare is somehow deeply in danger."

During the interview, Clinton insisted that Medicare's immediate financial woes can be mended by relatively minor adjustments. But he also acknowledged that the program faces long-term difficulties. "If we bought ourselves 10 years," Clinton said, "then we could take a look at the real demographic problem, which is what happens when the baby boomers retire [in the next century]."

A similar challenge, he added, confronts Social Security. Clinton's answer: a blue-ribbon bipartisan commission, similar to the 1983 panel that put Social Security on a sounder basis, that will urge reforms to guarantee the long-term solvency of both programs.

"If there will have to be changes," Clinton said, "it's better to look at [Medicare and Social Security] in a nonpolitical context, in a bipartisan context, with the same spirit that animated the 1983 reforms."

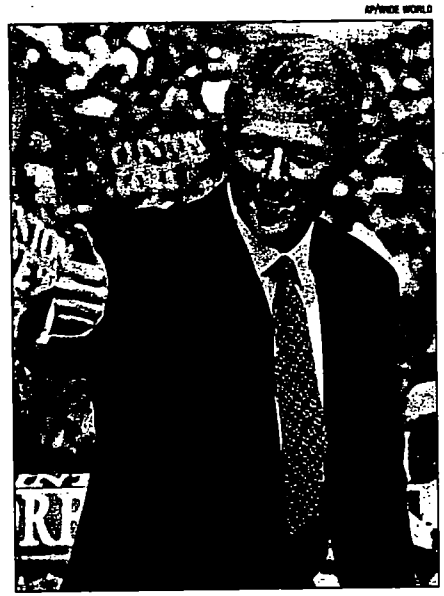
The interview was conducted during a 10-mile motorcade from the Grand Canyon, where the president had just announced a new wilderness area, to the nearby airport.

With this reporter squeezed in next to him, Clinton answered questions, sometimes talking and waving to crowds simultaneously. Refreshed and ebullient after the Grand Canyon visit, the president was in a jovial mood, speaking rapidly and sometimes intensely during the 25-minute ride.

His vision for Medicare primarily mirrors the budget plan he submitted to Congress last December, Clinton said. At that time Clinton proposed cutting future spending increases in Medicare by $124 billion over seven years. The bulk of this saving—approximately $89 billion—would come from reducing future increases in payments to hospitals; the remainder, from lower payment rates for doctors.

Beneficiaries would feel little if any pain, Clinton now indicates. "I don't think there [will be] any significant coinsurance or deductible changes." The savings would "be premised on cuts in provider [costs]."

Clinton made clear, however, that there are other elements to his design for "fixing" Medicare, but not ones that would fundamentally alter the program. "I'd like to see [Medicare] stay more or less like it is today," he said. But at the same time, he added, he would like to see beneficiaries—and the program itself—take advantage of expanding managed-care alternatives to traditional Medicare, such as health maintenance organizations.



Clinton gives a thumbs up at a recent rally.

"A lot of [older] people now can choose to go into managed care and get a prescription drug benefit that's otherwise not available to them," Clinton said. "And that can be a major item for seniors who have regular prescription drug needs." People should be able "to pick and choose" among managed-care options, he said. "But," he added, "they also ought to have the right to opt out" and rejoin traditional Medicare if they want.

Are managed-care plans all they're cracked up to be, in terms of both holding down costs and providing quality service? "I don't think anybody knows the answer to that," Clinton said.

To get better answers, the president said he plans to appoint a cabinet-level advisory commission to study the implications of the vast increase of managed-care programs, including the quality of care they provide. More than half of all Americans below 65 receive health care through managed-care plans, as do about 10 percent of Medicare beneficiaries.

Asked whether Medicare beneficiaries in the future might be required to shoulder a larger share of the costs of Part B, which covers doctor bills, Clinton was cautious. He didn't rule out the possibility that Part B premiums would fluctuate from time to time, depending on program costs. "But as a rule of thumb I think we ought to stay at [the] 25 percent [level]," he said. That level has "served us pretty well."

The Medicare Part B premium "shouldn't be used as a cash cow to make a budget number," he added.

He defended, however, his 1994 veto of the Republican-backed budget bill that would have kept the portion of

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Clinton

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Part B's overall costs paid for by beneficiaries at 30 percent, up from 25 percent of program costs paid for by beneficiaries a few years ago.

Clinton was asked about proposals to boost Medicare revenues by charging better-off beneficiaries a higher premium for Part B services—an approach Clinton himself favored four years ago in a Bulletin interview. Then, Clinton had suggested that couples who earn $125,000 a year or more might be asked to pay higher premiums, if they got something in return. "I'm still not opposed to that in concept," the president said. "But if we're to do that, it ought to be done in the context of health-care reform."

Income-relating Part B shouldn't be done "just to balance the budget," Clinton added. But "if we were providing some extra services and it was part of a comprehensive plan to add life to Medicare ... and had broad-based support among seniors, then it's something I wouldn't rule out." But, he said, not as a budget-balancing move.

What additional services might be provided? Possibly, he said, new options for in-home care, alternatives to nursing-home care and respite care for families of Alzheimer's patients.

Asked whether fundamental changes would be needed to stabilize Social Security in the next century, Clinton once again was cautious. He said further raising the retirement age for full benefits—scheduled to rise to 67 in the year 2027—should be looked at, but he indicated that it's premature to propose such a change now. He also was guarded about ideas emerging from the Social Security Advisory Council that the system be partially privatized—specifically, that some contributions paid into the trust funds be invested in the stock market.

If "the market is a better deal than government securities," he said, that's "worth a careful study and maybe some sort of experimentation. I don't feel that I personally have the level of expertise to say ... that is a good idea."

The president also was asked about charges that the Consumer Price Index (CPI) overstates the inflation rate, and thereby puts an extra financial burden on the system. "I think what we've done is the right policy," Clinton answered, "which is to treat it as a matter of economics, not a matter of politics. I think we ought to stay with the system we have," Clinton added, in which the Bureau of Labor Statistics calculates the CPI on the basis of cost-of-living surveys.

Bulletin Managing Editor Robert P. Hey contributed to this report.

Dole

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people have," he said: "They have Social Security and Medicare. My mother used to tell me: 'Don't touch my Social Security. That's all I have.' "

At the same time, Dole said that some changes must be made to both programs to keep them solvent.

> *People can't 'go without health care, without food—this is America.'*
>
> **BOB DOLE**

The interview was held in Dole's campaign headquarters near Washington's Union Station. Seated on the sofa in his shirt sleeves, Dole seemed upbeat, hearty and relaxed, not at all like a man in the midst of a grueling, uphill campaign.

Dole received his interviewers warmly, appeared to enjoy the 40-minute exchange, interrupting it only occasionally to ask an aide to search for a fact or a supporting document.

Asked about the feasibility of his economic plan—he would balance the budget in six years while cutting taxes $548 billion—Dole said it could be done without cutting defense, Social Security or future Medicare spending increases beyond the amount called for in this year's Republican budget proposal.

"I wouldn't be doing it if I didn't think it could be done," he said. "I'm not going to take [America] over a cliff."

Savings needed to achieve balance, he said, could come from several sources. Among them: reductions of $158 billion over six years in future Medicare spending increases as proposed in this year's Republican budget plan, economic growth, sale of government assets and cuts in future spending increases of discretionary government programs.

"What we've got to do is slow the rates of increase," Dole said. "I'm not talking about cuts." He indicated providers would bear the brunt of the $158 billion reduction, but cautioned against overburdening providers "or they're going to get out of the business" of treating Medicare patients.

The Bulletin editors asked whether discretionary programs, making up only 18 percent of the budget, would have to be cut severely to balance the budget. One such program is the Older Americans Act, which supports Meals on Wheels, congregate meals and senior citizen centers.

Although they are discretionary pro-

grams, Dole said, "that doesn't mean we're going to touch [them]. I'm a supporter of the Older Americans Act."

To balance the budget, he said, some $31 billion, or less than 5 percent, would have to be cut from the $670 billion in spending for discretionary programs over the next six years.

Also, he declared, he would repeal the higher taxes enacted in 1993 on the Social Security benefits of better-off retirees and permit just 50 percent of benefits to be subject to taxes, instead of 85 percent.

Reminded that the revenue generated by the higher taxes shores up the Medicare trust fund, Dole said that this shortfall would be made up by funds generated by his economic package. Medicare would not be adversely affected, he said.

Clearly, Dole added, money is a key to the problem: Medicare faces insolvency in the year 2001. To alleviate the immediate crisis, Dole recommended approval of the budget plan that GOP congressional leaders proposed earlier this year, which would trim future Medicare increases by $158 billion.

To secure Medicare for the baby boomers, Dole said, "you're going to have to appoint a bipartisan commission," like the 1983 commission he served on that put Social Security on a sounder footing.

Asked where extra savings or revenue might come from, Dole suggested charging better-off enrollees a higher premium for Part B, which covers doctor bills. One option: Single enrollees with annual incomes over $75,000, and couples with incomes above $125,000, might pay more.

"Some seniors could [afford to] pay higher premiums" for Part B, he said. At one time President Clinton held this view, he added. "I read his 1992 interview [in the Bulletin]. He said the same thing. [But] he's backed away from it this year."

Also, fraud and abuse in Medicare should be attacked more vigorously, Dole said. "That's $15 billion bucks a year—real money."

The candidate told Bulletin editors that more money could be saved by expanding managed-care options, such as health maintenance organizations.

But he quickly added that the current level of benefits should remain unchanged, without reduction. And he emphasized that traditional fee-for-service health care should remain an option for Medicare beneficiaries.

If he were elected president, Dole assured older Americans, they need have no fear of losing fee-for-service care, with its free choice of doctors.

On the campaign trail with Bob Dole.

"I think that's the most frightening thing [to people]," he said, "that they are going to lose their doctors [as can happen in some managed-care plans]. The doctor-patient relationship—they ought to be able to continue it."

Action is also needed, Dole said, to make Social Security sound so baby boomers can get benefits when they retire. "We have to shore [Social Security] up again," he added, without recommending exactly how.

Further raising the eligibility age for full benefits, set to rise gradually from 65 to 67 in the year 2027, "might be something to look at," he said.

He was cautious about ideas the Advisory Council on Social Security was floating to partially privatize the system. In this way, some payments to the Social Security trust fund would be invested in the stock market in addition to U.S. government securities.

"That may have some appeal," Dole said, "but there are some policy questions you have to address. Do you want the U.S. government owning corporations, or part of corporations?"

Dole opposed reducing the annual cost-of-living allowance for Social Security beneficiaries to trim the deficit. The COLA should be based on the actual cost of living, he said. "We ought to find out what that ought to be, and then it ought to be that. Just to move it around to save a chunk of money—I don't believe in that."

Americans must be careful, he cautioned, that in curbing government spending they do not fail to meet the legitimate health-care needs of citizens and legal immigrants.

"We're going to have to expand Medicaid" to provide health care to the uninsured, he said. "People have to get health care—this is America.

"You can't let people go without health care, without food—this is America."

Bulletin Editor Elliot Carlson contributed to this report.

FROM POTUS AARP BRIEFING:

OVERALL TALKING POINTS ON SOCIAL SECURITY

- **Social Security Is One of Our Most Successful Programs.**
  - It is all that keeps 13 million older Americans from poverty.
  - It has helped cut elderly poverty by more than half (from 28.5% in 1966 to 11.7%) 10.5% today
- **We Have Time To Address Social Security's Long-Term Issues in a Rational and Bipartisan Manner.** Security is on firm financial footing well into the next century. It will be able to pay benefits through the year 2029.
- **Social Security's Long-Term Viability Should Be Addressed Within a Bipartisan Process in The Least Political Context Possible As It Was in 1983.** Any discussion of specific proposals should take place in the least political context possible where elements are *judged in the context of overall bipartisan plans* to secure Social Security.
- **The Current Social Security Advisory Council Seems To Have Failed To Reach Consensus On a Bipartisan Plan To Secure Social Security's Long-Term Viability.**
- **Our Guiding Principles:**
  - *Social Security must remain a safety net for all Americans and its financing must be sound and prudent.*
  - *Oppose moving to a voluntary or private system that would put retirement at risk.*
  - *Oppose proposals that would make it less dependable for all recipients.*

MSNBC INTERVIEW AND SOCIAL SECURITY

PRIVATIZATION: "I think if you privatize the whole thing you would really put people who are not sophisticated investors and didn't have a lot of money on their own at serious risk. If you gave them the option individually or as a system to do it, that's something I think you could study. You could even -- that's something that could be tested." [MSNBC, 7/15/96]

I made three points in that interview:

1. **Social Security ought to be addressed within a bipartisan process in the least political context possible as in 1983.**
2. **I would oppose privatization or anything that would put older Americans at serious risk.**
3. **I'm willing to study ideas and the bipartisan process should be allowed to study a range of policies, but I will not support implementing ideas that change Social Security without careful study, testing and review:** I did not mean to propose experimenting with privatizing a portion of the Social Security system.

MONEY MAGAZINE INTERVIEW AND SOCIAL SECURITY

THE RETIREMENT AGE: *"For instance, both Dole and Clinton have expressed an interest in raising the eligibility age for Social Security."* [*Money*, October 1996]

- **My main point was that Social Security is secure well into the next century,** but the long-term demographic issues should be addressed by a bipartisan process such as the one in 1983.

- **Everything I said was in the context of things that should be studied within a bipartisan process in which all interests are fully represented.**

- **I have not made a decision on the retirement age issue, my point was that it should be one of the policies studied within the bipartisan process.** We should not try to stop a bipartisan process in which all interests are fully represented from studying options.

COLAS: *"I was prepared to reduce it more this year if we could have gotten the Bureau of Labor Statistics to say that it was out of whack with the [true] cost of living."* [*Money*, October 1996]

- **Millions of Americans depend on their COLA protecting their Social Security benefits from the effects of inflation.**

- **That is why I have always had two tests for evaluating any proposal to adjust how we measure inflation. Everything I said was consistent with these two principles:**

  1. **It must be determined based on science and not politics.**

  2. **It must be based on a true consensus opinion of experts.** That consensus does not yet exist on the CPI. BLS made a small adjustment based last year, but I was not willing to go along with changes with which BLS did not agree.

     The Bureau of Labor Statistics has always worked in a nonpartisan, scientific way, and the bipartisan process studying Social Security's long-term challenges should study these issues in the same way with all parties represented.

MEDICARE AND HEALTH CARE

MEDICARE:

- Medicare is a compact between all generations. Before it was enacted three decades ago, only 50 percent of our nation's elderly had any insurance.

- It provides peace of mind to 38 million elderly and disabled beneficiaries and their families.

- It faces financial challenges that require reforms. My balanced budget proposals strengthen the Medicare trust fund without new premium increases and without threatening to undermine the quality services the program provides to beneficiaries.

Q: What are you doing to address both the short-term and long-term problems of the Medicare trust fund?

A: My 1993 budget extended the life of the Medicare trust fund by three years, without the vote of a single Republican.

- My balanced budget proposal extends the life of the Medicare trust fund until the year 2006, ten years from today.

- We must take this first step to strengthen the trust fund, and, as the Medicare trustees have recommended, we must establish a bipartisan process that would work to provide specific recommendations to address the long-term financing challenges facing the trust fund.

Q: Your own Secretaries of Health, Labor and Treasury say the Medicare program will be bankrupt in 5 years or less. The Republican proposal allows for a growth rate in excess of inflation. How can you shamelessly scare the elderly into believing that the Republicans are going to hurt the Medicare program?

A: My Administration strengthened the Medicare trust fund by three years in 1993 -- and was opposed by every single Republican. We were also opposed when we presented another plan in 1994 to protect the trust fund for another five years.

- We have enough savings and policies in common to extend the life of the trust fund 10 years to give us time to address our long-term challenges.

- The American College of Physicians, the American Hospital Association, the Catholic Hospital Association, and of course, the AARP itself, all criticized the Republican plan as a severe and extreme cut. Their plan was three times larger than the largest Medicare cut in history.

Q: How can the Republican budget proposals be a cut when CBO says that actual spending per beneficiary would have increased from $4,900 to $7,100 between 1996 and 2002? This is much greater than an inflation increase.

A: Spending per Medicare beneficiary was cut $1400 lower per person -- 20% below the private sector level -- while the Republican Medicare premium increases would have raised out-of-pocket costs by $1,700 per couple.

- Policies they have would create plans that would divide healthy beneficiaries from those who are unhealthy.

Q: What is wrong with asking higher income seniors to pay more in premiums? The so-called means-testing premium was in the Republican plan and you even included a similar provision in the Health Security Act.

A: I did support this concept in my health reform proposal, but beneficiaries received additional benefits in return for their increased contribution.

- The Republican means testing proposal provided no significant new benefits and the savings they achieved through this proposal would help offset unneeded and excessive tax cuts.

Q: The difference between your $124 billion and their $158 billion in Medicare cuts over 7 years is extremely small. Why not do what is best for America?

A: The difference between myself and the Republican plan is still larger than you state: indeed it is over 50% larger than my plan. Furthermore, it has policies that I and many experts believe will lead Medicare beneficiaries to become divided by wealth and health. But more important, my opponent and Newt Gingrich still to this day criticize me harshly for vetoing $270 billion cuts, and I think most experts believe that in order to pay for their excessive tax cut, they will go back to the deep -- and even deeper Medicare cuts as the only way to pay for more than doubling their new tax cut proposal.

Question: You have supported Medical Savings Accounts, and yet you continue to opposed Medicare MSAs. Isn't that hypocritical?

Response: Certain Medicare beneficiaries are extremely expensive, so there are greater incentives for health plans to "cherry pick" the healthier and wealthier.

- The Republicans have insisted on exposing opened-ended unconstrained Medicare MSAs to the entire beneficiary population. Such an untested proposal has a great potential to attract healthier and wealthier beneficiaries, leaving sicker and more costlier beneficiaries in a weakened traditional Medicare program.

PENSIONS

ACCOMPLISHMENTS: From the start of the Administration, we've been working to protect people's pensions, and getting results.

- **Won enactment of the Retirement Protection Act in 1994** to protect the benefits of more than 40 million American workers and retirees in traditional pension plans. Pension underfunding has declined dramatically for the first time in a decade, and many plans are funding up even more quickly than required by the law. This means that the pension promises to both current and future retirees under traditional pension plans will be kept.

- **Vetoed the Republican budget that would have allowed corporations to raid $15 billion from pension funds,** affecting almost 4 million workers and retirees. In the 1980s, corporations took over $20 billion from pension funds.

- **Recovered nearly $10 million in savings for workers and retirees** as a result of the Labor Department's ongoing nationwide enforcement effort to protect retirement savings in defined contribution -- 401(k) -- plans.

- **The minimum wage bill just signed into law contains important pension coverage, portability, and security reforms, many of which we had proposed:**

  - **Simplifies laws and regulations for <u>all</u> pension plans;**

  - **Reduces from 10 years to 5 the vesting period for multiemployer plans,** meaning more people will be covered more quickly under these traditional pension plans;

  - **Discourages 1-year wait:** Encourages employers to allow employees to start saving for retirement from the first day on the job by changing the law that encouraged waiting periods; and

  - **Creates a new small business 401(k) plan** which can be started with a simple one-page form. Up to 10 million small business workers without a pension could be eligible for a pension under this new plan. [Note: The law contains the Dole plan, which was similar to yours but does not provide as generous benefits to low- and middle-income workers.]

REMAINING AGENDA:

- **Enact our Audit Bill to increase pension security** by requiring administrators to report promptly any serious misuse of pension funds.

- **Continue and expand the on-going retirement savings campaign** begun in 1995 by the Labor Department and 150 private co-sponsors, <u>including the AARP.</u> In 1996, DOL launched a special addition to the program focusing on women's particular pension needs.

- **Issue the first U.S. government inflation-protected bonds,** providing a totally safe investment for retirement or education that will not lose value due to inflation. [Treasury has not yet determined when it will issue the first bonds.]

- **Expand coverage and portability by enacting our IRA proposal** which doubles the income limits and allows penalty-free withdrawals for education, first homes, major medical expenses, and long-term unemployment.

HEALTH CARE: I am still strongly committed to working towards developing health policy reforms that expand quality affordable health care to Americans.

- We will make progress on a step by step basis that creates a much greater bipartisan consensus on the direction this nation should go with regard to this issue.

- I am confident that we can build on the successes of the enactment of the Kennedy-Kassebaum law for future legislative action. I have, for example, a proposal in my balanced budget plan to provide health insurance premium assistance for up to six months to workers in-between jobs that would help 3 million Americans, and 700,000 children, each year.

Q: What are you going to do to face the long-term care challenges facing this country?

A: First, I was pleased to recently sign into law the Kennedy-Kassebaum bill which provides for private long term care tax clarification and for consumer protections for these product. As a result, for the first time long term care policies will be treated on a level playing field with other health care policies.

- Second, my balanced budget proposal includes a provision to provide a new respite benefit for families of Medicare beneficiaries who are afflicted with Alzheimers. My balanced budget proposal also has a provision to make it much easier for state Medicaid programs to provide health care based services as an alternative to institutional care. We face an unprecedented demographic challenge with the aging of our population, but I am confident that all generations of Americans can work together to develop long-term care assistance.

Q: What have you done to improve the quality of health care in managed care plans?

A: While managed care plans of today often provide cost-effective, high quality plan choices, we believe that in certain instances, consumer protections are necessary.

- For example, I believe that protecting the health of mothers and infants is a clear case of where government safeguards are needed. I have endorsed legislation that prevents "drive by deliveries" and allows mothers and their newborns to remain in the hospital for a minimum of 48 hours after a normal delivery and 96 hours after a Caesarean section.

- I have consistently opposed any 'gag rules' which prevent physicians and other health care providers from fully discussing treatment options with their patients. I hope to sign these measures into law before Congress adjourns.

- I have also established by executive order an Advisory Commission on Consumer Protection and Quality in the Health Care Industry. This panel is charged with studying changes in our rapidly changing health care system to determine what impact they are having relative to quality, consumer protections, and the availability of services. Where appropriate, it will also make, recommendations on what, if any, further actions should be taken by the federal government to ensure high quality health care. Similarly, we also are actively engaged in ensuring quality standards in Medicare HMOs and other managed care plans.

- This advisory commission has a narrow but important charge. It has already received the strong support of a broad range of organizations, including those who were critical of the Health Security Act. We have already received numerous letters of support from insurers, provider groups, the business community, and consumers.

Q: You and the First Lady have on more than one occasion mentioned your desire to provide health care coverage for all children. However, we have seen no proposal or cost estimate. What do you have in mind?

A: The first thing we will do is continue to protect the Medicaid program and not threaten the high quality coverage for the millions of children on Medicaid.

- Second, it is plainly unacceptable that there are approximately 10 million uninsured children in this nation and I think everyone who cares about health care is always looking for ways that we can do more to expand health insurance to at least cover children. Also, my program for workers who are in between jobs would provide coverage for 700,000 children each year. But we also need to look carefully at reforms that are aimed at expanding access to health insurance or at least health care services to children. However, we must do this in the context of a balanced budget.

INTERVIEW WITH *AARP BULLETIN*

DATE:	Wednesday, September 18
TIME:	2:15 p.m.
LOCATION:	In motorcade, enroute Grand Canyon National Airport
FROM:	Mike McCurry

I. Purpose

To describe your Administration's record on issues of concern to older Americans, and what you will do in a second term to help the readers of the AARP Bulletin. The *AARP Bulletin* is delivered each month to approximately 21 million households, reaching the 32 million members of the American Association of Retired Persons. AARP estimates that nearly half of all Americans 50 and older receive the *Bulletin*.

II. Background

You will be interviewed by the *AARP Bulletin*'s editor, Elliot Carlson. He and managing editor Bob Hey interviewed you in 1992. That interview focused on your defense of entitlements as well as your commitment to health care reform.

This interview will appear in the October issue of the *AARP Bulletin*. Mr. Dole was interviewed Saturday, September 14, for the same issue. The format will be similar to the interview that ran in the October 1992 issue. (Attached.)

You met in February with AARP's National Legislative Council and Board of Directors. The First Lady spoke to the group's Biennial Convention, May 22, in Denver, Colorado.

During this election season, AARP has been encouraging its membership to engage candidates in a non-partisan dialogue on the future of Medicare and Social Security. Through print advertising and direct mail to its membership, AARP is advocating a two-step process aimed at finding solutions:

- The first step calls upon the Administration and Congress to take action this year to insure the short-term solvency of the Medicare program through 2006, with the burden spread among hospitals, doctors, and beneficiaries.

- The second step calls upon all elected officials - without finger-pointing - to offer real solutions to insuring the long-term stability of Medicare and Social Security.

- You received a letter from AARP Executive Director Horace Deets following your MSNBC interview with Tom Brokaw. (Attached.) In it, he makes the following points:

There are those who portray Social Security in dire terms to justify a fundamental restructuring of the system.

Any change to the system must take into account the relative health and availability of the other two legs of the "three-legged stool" of retirement income: pensions and savings.

You can expect the following questions:

- What do you intend to do to secure the solvency of Social Security?
- What do you think about proposals to partially privatize Social Security?
- What is your design to "fix" Medicare in the short term?
- How would you address Medicare's long term problems?
- How do you stay on course toward a balanced budget without touching entitlements?
- What are your thoughts on entitlements?
- Do you think the COLA needs to be adjusted?
- What do you intend to do to protect retirement and pension plans for the baby boom generation?
- What should be done to provide better health care for older Americans?

III. Participants

Elliot Carlson, Editor, *AARP Bulletin*
Tracey Attlee, Photographer

NOTE: The photographer will be in the interview for the first few minutes.

IV. Attachments

October 1992 Interview
Talking Points
AARP Letter

AARP

Bringing lifetimes of experience and leadership to serve all generations.

September 4, 1996

The President
The White House
Washington, DC 20500

Mr. President:

I was pleased that during your recent interview with Tom Brokaw you reminded him and the viewing public that Social Security is solvent for the foreseeable future and reasonable solutions could eliminate its long-term problems while preserving Social Security's integrity. This point is often overshadowed by the rhetoric of those who portray Social Security in dire terms to justify a fundamental restructuring of the system. As you know, there has been a steady stream of so-called experts calling for privatization of Social Security, which, if adopted, would undermine retirement income security for the vast majority of all Americans.

AARP believes our nation should begin a meaningful discussion about the ways to strengthen Social Security for future generations. Our National Legislative Council, which has visited you twice, has been examining solutions to Social Security's long-term fiscal imbalance. They have developed, and our Board has approved, 12 principles for evaluating solvency proposals. Strengthening Social Security for the long run will require some trade offs and tough choices. But we believe that there must be a careful and deliberate effort to inform and educate the public on the basic issues; a thorough debate – not a quick fix – and a genuine effort to help the public (particularly those under age 50) reach a sound judgment. This process should begin now, for it will not be accomplished overnight.

AARP's policy also calls for an examination of proposals to redirect some of Social Security's reserves into alternative investments. Such investments, however, should be made on behalf of the trust funds as pooled resources, not by individuals. Such an approach is more likely to yield a better return on investment than that which would be achieved by most individual investors of such funds.

Any changes to Social Security must take into account the relative health and availability of the other components of the "three-legged stool" of retirement income:

- Social Security, the base, is a social insurance program with a guaranteed, progressive benefit structure, and compulsory, near universal participation;

- pensions, the second leg, are retirement benefits earned in voluntary, employer-sponsored plans; more highly compensated individuals are more likely to be covered by such plans and tend to accrue higher benefits; and

- savings, the third leg, are individually held assets and investments, which high earners, again, are more likely to accumulate and in far greater amounts.

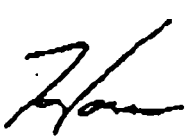
Social Security is clearly the strongest leg for most current retirees and is likely to remain so in the future. Less than half of current retirees receive pensions, and the average monthly pension benefit is less than $500. Since pension coverage rates have stagnated at just under 50 percent for the past two decades, it is unlikely that the percentage of future retirees receiving benefits will significantly increase. That is one reason AARP supports initiatives to improve pension coverage and portability. Indeed, we were pleased that earlier in the year you put forward a package of changes intended to strengthen the private pension system.

AARP recognizes the need to increase national savings as a way of enhancing retirement income security. Given the trend towards individual responsibility in private sector plans, the Department of Labor's initiative to improve coverage and promote savings through the private sector is a sensible approach. Such private savings are necessary to supplement the base of income provided by Social Security. For the vast majority, however, such private sector savings can only complement Social Security -- they are not a substitute.

The Association believes a national discussion about Social Security solvency options will help people understand that individually controlled accounts have no place in a social insurance system. Such a change would undermine our national commitment to a foundation of retirement, disability and survivor income for workers and their families through Social Security. The foundation which Social Security provides should not be replaced by one that is less secure. While a few might benefit, those who are lower income, those who make poor investment decisions, or retire during a market downswing would be among those likely to suffer the most.

We encourage you to continue reminding the American people that Social Security can be strengthened for the long-term in a reasonable and non-partisan manner.

Sincerely,



Horace B. Deets

THE WHITE HOUSE

Office of the Press Secretary
(Aboard The Bus On The Road To the 21st Century)

Internal Transcript September 18, 1996

INTERVIEW OF THE PRESIDENT
BY ELLIOTT CARLSON OF AARP

In The President's Limousine
Grand Canyon, Arizona

THE PRESIDENT: -- I really liked it.

Q It was a great treat and I haven't had more fun in a long time.

THE PRESIDENT: Most of the deepest part of the Canyon is only 5 million years old.

Q I was surprised you didn't take advantage of the donkeys, the symbolism -- a little ride around --

THE PRESIDENT: I wish I had.

Q But anyways, I want to follow up on some of the things that you've been saying on the campaign trail about Medicare. And one of your themes has been that we can fix it without destroying it, but it does need savings. I was wondering if you could be a little more specific and talk about where you see the savings coming from in terms of addressing the short-term and long-term problem of Medicare.

THE PRESIDENT: First of all, if by long-term we mean longer than 10 years, neither the Republican plan or mine purported to go much beyond 10 years. A lot of their savings in the bill that I vetoed, the $270 billion savings, were savings that were basically being diverted to cover the rest of their budget including the tax cut. So the savings we agreed on, roughly $124 billion below projected savings, would essentially be premised on cuts in various provider services and the idea that is now being borne out that the diversification of the health care market, including more managed care, is going to bring the overall rate of inflation down lower than we had projected.

And I think that cutting back on some of the provider services, of the costs of them, and doing other kind of traditional things that we always do in saving Medicare will buy us 10 years. Now, in terms of dealing with the baby boom issue and questions of whether the premiums of for Part B should be means tested, that's a concept that I never did project, I just said I thought it ought to be done in the context of medical reform and providing some other services to seniors -- like more options for in-home care and other non-institutional options, rather than just being done as part of a budget deal.

And so I think what I'd like to do, if we can get together the kind of bipartisan commission that I think we should marshal to take the long view in Social Security, we can also take the long view in Medicare. I just don't want to see Medicare being used, what I think is a perfectly manageable financial problem that we can work our way through fairly easily being used as a pretext, in effect, to break Medicare up and turn it into a two-class system where the oldest and the poorest and the most ill of our seniors wind up getting the short end of the stick.

I think Medicare, on balance, has served us very well. It's no accident that we have the highest life expectancy of any group of seniors in the world.

Q This $124 billion that you propose to get in savings from Medicare, will that come all out of providers, or do you see some higher deductibles and co-insurance for seniors as well?

THE PRESIDENT: Well, under our plan we can get it all out of, in effect, managing the system without having an increase in the premiums -- above -- except we presume an increase in premiums of the inflation rate every year.

Q That would be the Part B?

THE PRESIDENT: For Part B, yes.

Q But the co-insurance and deductibles are part of Part A where the problem is --

THE PRESIDENT: That's correct.

Q Do you see any increases there?

THE PRESIDENT: We can achieve the savings with just the budget I put in, of $124 billion. And the Congress -- Congressional Budget Office agrees with that. If we --

Q Where would that money come from, that $124 billion?

THE PRESIDENT: Well, it's all itemized in the budget. It's all mostly in various different changes in the way we deal with providers. But -- and I don't think there are any significant co-insurance or deductible changes. I don't believe there are any that amount to much in there.

But if we did that and we bought ourselves 10 years, then we could take a look at the real demographic problem, which is what happens when the baby boomers retire and we continue to enhance life expectancy, and we know that as people get older they use more medical care. And we also -- I think you'll see -- what I want to see is more managed care options which allow for us to hold the cost down, but without some of the problems we have in managed care now, which is why I've called for an end to any gag rules on providers in managed care units and why I'm establishing this commission to study health care delivery in the country.

Q Managed care is invoked almost as kind of a totem these days, where you talk to somebody, they think managed care will be this kind of a magic wand. Are you satisfied that managed care can produce all the savings that people are touting that it can produce?

THE PRESIDENT: Well, I don't think anyone knows the answer to that. I think that that's why we took a rather modest estimate of the savings we thought would come from structural changes in the system in my budget. On the other hand, we don't know if these are permanent, but last year the medical inflation rate was the lowest it had been in nearly 25 years, at about 3.9 percent. And this year, the first six months of the year it was running at about 2 percent on an annual basis.

So I do think there is some reason to hope that we can at least have several years when we don't return to the real explosive years of the late '70s and the '80s.

Q Do you have a vision of what Medicare should look like down the road, what the right balance, say, of managed care versus fee for service might be? Obviously, if all of the

system became managed care, then you would perhaps lose some of the savings you get by going to managed care.

THE PRESIDENT: Yes. What I'd like to do is to see it -- on that question, I'd like to see it insofar as we can, if we can afford to do it, I'd like to see it save more or less like it is today where the presumption -- there's a presumption of fee for service, but we make more and more provider groups eligible to compete for Medicare patients' coverage, so that as long as they meet certain quality standards and certain service standards -- so that that gives an extra advantage to the Medicare recipients because, for example, a lot of people now can choose to go into managed care and get a prescription drug benefit that's otherwise not available to them. And that can be a major, major item in the budget of seniors that have regular prescription drug needs.

So I'd kind of like to see us let the system develop as it is now and there will be more managed care alternatives and people will pick and choose among them. But they also ought to have the right to opt out. And, in any case, we should have certain protections for people dealing with managed care, including, as I said, no gag rule.

Q But you don't have a particular quota -- half of it should be managed care, half of it will be --

THE PRESIDENT: No. No, my -- I think our experience is that if you put these options out there, if they make sense to people, they'll take advantage of them. And if they don't, they won't. And I think that if there is no quota, then all the people who are involved in managed care are encouraged to either lower costs or offer extra services for the Medicare premiums they get, which is what I think we should want people to do.

Q What is your thinking on Part B? You vetoed the budget bill really almost entirely on the issue of the portion of beneficiaries paying 30 percent; now it's at 25 percent. Do you think it should stay at 25 percent, or should it -- I think the index --

THE PRESIDENT: Should it be means-tested?

Q I think the index for the Part B clicks in in 1999, I believe. So if you index Part B, the portion beneficiaries pay might actually go down if the cost of living goes down.

THE PRESIDENT: Well, I think what we'll have to do -- obviously, we'll have to do what's necessary to cover the cost in the fairest possible way. But what I think we ought to do with Part B is to -- well, first, let me say again -- I know this sounds like a broken record -- but the first thing we ought to do is to institute the savings that the Congress and I have agreed on that will put 10 more years on the Medicare trust fund, so that we'll get rid of this fear that Medicare is somehow deeply in danger. We need to fix that first and foremost. Now, after that is done, we can look at what ought to be done with Part B.

What I proposed in the health care reform act was increasing premiums for people with incomes over $100,000, but only as a condition of providing alternatives to nursing home care and providing some other options to seniors so that we can enrich and broaden the health care options in ways that I still believe over the long run will save money.

And I guess one other thing I wanted to point out parenthetically is that in my budget, in this balanced budget that is paid for, we include a respite care benefit for families who are caring for family members with Alzheimer's, as well as

regular mammogram treatment under Medicare, and more incentives for Medicaid to offer alternatives to institutional care.

I think that's also a big part of diversifying the system, doing preventive care, encouraging people to take the options that are best for them. And I think all these things in the end will also work to slow the rate of inflation.

Q Getting back to the Part B, 25 percent, there seems to be kind of a principle here that --

THE PRESIDENT: Well, it was intended to be 25 percent. It was intended to be 25 percent. And the reason Congress went in the early '90s to a dollar figure was not to take it above 25 percent, but because inflation was so great that it was felt that the contribution of 25 percent would be too costly to seniors. Then what happened was we had a year or two when 25 percent wasn't too bad -- I mean, when inflation wasn't too bad, it was less than it has been, so that if we continued on the upward schedule, we would have just automatically gone to 30 percent.

And I felt that it wasn't the right policy, again in the absence of some overall reform, to deny the beneficiaries of Medicare any of the benefits of the lower inflation rate, and in effect, to solve most of the Part B problem by just staying with a system that was supposed to elapse last year anyway, and it was put in, in effect, to protect the beneficiaries, not to charge them more. So that's why I made the decision that I did on that.

Q Do you think you should more or less stay at 25 percent then, or should it fluctuate up or down?

THE PRESIDENT: Well, I think that we should assume that it's going to be at 25 percent and it will grow with inflation. If there is another emergency in the future, or if there is some sort of agreement regarding providing some extra options as I proposed in the health reform act in health care, then we might ought to look at whether there should be some sort of means testing at the upper income, as I proposed before.

But I think as a rule of thumb we ought to stay at 25 percent. It served us pretty well and I think we can manage the system as well there as we can anywhere.

Q When we interviewed you four years ago one of your points was that the Part B premium ought to be income-related -- $125,000 for couples and $75,000 for singles. How does that figure in your thinking now?

THE PRESIDENT: I said that I felt that way if we were going to have overall comprehensive health care reform, which would bring other benefits to the population including the upper income beneficiaries of Medicare. And I'm still not opposed to that in concept. But if we're going to do that, it ought to be part of a health care reform that extends coverage.

Q So, in isolation, you wouldn't look upon income relating as a way to go to get extra revenue then?

THE PRESIDENT: Not just to balance the budget. If we were providing some extra services and it was part of comprehensive plan to add life to the Medicare trust fund and it had a broad-based support among seniors, then it's something I wouldn't rule out on the front end. But I don't believe that it ought to be done just primarily as a budget balancing tactic.

Q I know your budget plan calls for balancing the budget by the year 2002. Some people think you can't really do that without massive entitlement reform. They look upon entitlements as being out of control, runaway costs. What is

your thinking on what kind of constraints or changes need to be in the overall entitlement area to balance the budget?

THE PRESIDENT: Well, first of all, there is -- all you have to do to balance the budget by 2002 is to do what I proposed to do with Medicare and Medicaid and enact those savings, which are the biggest savings ever proposed by a President, although much smaller than the Congress tried to pass.

Now, beyond 2002, as more and more people retire and more and more people access health care, the demographics change again. So that's why I have said repeatedly that I think we have to look at a commission like we had in 1983, but one that would take a very long view for Social Security and Medicare. If there will have to be demographic changes made, changes because of the demography of the population -- more older people, fewer younger ones -- it's better to take a look at it in a non-political context, in a bipartisan context, with the same spirit that animated the '83 reforms because the system -- if you go back to Social Security, Social Security is stable until well into the next century.

We have more than 20 years left before the Social Security trust fund will be in arrears. But if we begin to think about it and take modest action now, the smallest actions taken now can have huge consequences 20 years from now to stabilize the system. And I'm sorry that the advisory commission itself was unable to reach accord on what kinds of changes ought to be made, and I think we will, therefore, have no choice but to do what we did back in '83 and just reconstitute a group to take a look at it.

Q Now, the advisory committee hasn't released its report yet, but it's been known to favor various types of privatization, from very modest to somewhat advanced privatization. I guess the -- version would be just some modest investments in the stock market. What is your view on the wisdom of partially privatizing Social Security from the minimum to the maximum?

THE PRESIDENT: Well, my concern is, on the maximum side, is that you would no longer have "social" security. You know, it would be, if you privatize the whole thing' I'm very much afraid that a lot of individuals would not be protected. And even some people that have a lot of financial expertise are libel to make mistakes in their investments and wind up in trouble. And the idea that there will be a safety net for old age in America could be eviscerated. So I'm basically not friendly toward that option.

On the question of whether we should take a portion of the Social Security trust fund and make it available for other investments for the benefit of the beneficiaries as a whole, the theory of that is that ever since 19 -- since before the end of World War II, the stock market has always grown on a seven-year average by more than the government investments in Social Security makes. And so that you'd have to go all the way back to the stock market crash of '29 to find a time when over a seven-year period, even if you have -- you take the big drop in '87, if you look over a seven-year period -- and Social Security can always hold investments that long -- the stock market is a better deal than the government securities.

For people who say that, that's something I think is worth a careful study and maybe some sort of experimentation. But even on that I would say I don't feel that I personally have the level of expertise to just say right off that that's a good idea. But I do think that has enough appeal that it ought to be studied. That is if we had some reasonable security that we could raise the marginal return of the Social Security trust fund investments, obviously, that will keep payroll taxes lower and make retirement easier than would otherwise be the case.

Q Do you see any other changes that can be made to Social Security to put it on a long-term financial basis, like raising the retirement age or --

THE PRESIDENT: Well, we've already voted to raise it to 67, and I guess, arguably, you could accelerate that a little bit. I know that our life expectancy is going up markedly and I know that for people who live to be 65, our life expectancy is the highest in the world. But I think we need to really carefully -- we need a commission that was really trusted by the American people before we raise it higher than 67 for the simple reason that -- you know, for me, it wouldn't make any difference. I'm in pretty good health and I'm a lawyer, I could be a teacher. There's lots of things I could do. But a lot of retirees that will now have to work to 67 do work that is far more physically strenuous and live under conditions that are far less healthy and are more difficult for them.

So I think a lot of our baby boomers might be willing to work a little longer, but we all know that sometime not too long after the baby boomers start retiring we'll have the retirement age going up. And I think that before we decide to go beyond 67 we need to look at the composition of work as well as the work force to see what we'd be doing to people if we did that.

Q Another issue that keeps coming up is the long-term status of the COLA. Every so often you hear people say that it over-adjusts for inflation, or over-compensates, or is part of the -- problem. Do you have any particular vision of what would happen to the COLA?

THE PRESIDENT: I think -- what we've done I think is the right policy, which is to treat it as a matter of economics, not a matter of politics. That is someone has to be charged with the duty to decide what the COLA should be based on what the cost of living is, based on -- and today, that someone is the Bureau of Labor Statistics, based on the Consumer Price Index.

There were, as you know, a number of economists which the Senate got together last year to say that the Bureau of Labor Statistics and the Consumer Price Index overstated what the real cost of living increase was to seniors, and that we were building on a base that was inflated. But I don't know that there was ever any national consensus on that or any clear evaluation of the evidence by people.

And so what I think we should do is to examine -- first, I think we ought to stay with the system we have. We've got to have somebody that is recognized as non-political making this call. And then the rest of us ought to follow it. And so when the BLS this year voted to -- said that it was three-tenths of a percent too high, or whatever, that's what we put in our budget and that's what we did, and that's what I think the fair thing is to do.

But I think -- so I think we ought to stay with the system we have. What I would support doing, if there is a legitimate question about this, is having the United States Congress sponsor or organize some sort of a convening of experts to look into the methodology of the CPI and let the Bureau of Labor Statistics be there, let the arguments be made and then let them decide whether the formula is right or the formula is wrong. But it ought to be in the most non-political context possible, because one of the reasons that the poverty rate is -- among seniors has gone down so dramatically is that we've had the COLAs and Medicare and supplemental security income, and I think it would be an error just to stop the COLA process. I think -- or to start playing politics with it.

I feel the same way about that I did the Medicare premium on Part B. It shouldn't be used as a cash cow to make a budget number, particularly a budget number that's got a big tax cut in it.

Q Let me ask you one more major question, and that is, on health care reform and what can be done to insure those that are uninsured. After the rather bumpy reception you got on Congress on your health care reform proposal, is it dead forever? Do you have any way of bringing that back?

THE PRESIDENT: Oh, I think so --

Q How can you insure the uninsured? What are your thoughts on that?

THE PRESIDENT: Well, I think -- well, first of all, let me say I think we have two challenges: we have to insure the uninsured, and we also have to provide some services that aren't typically covered now. Now, I'm very happy, for example -- and then we have to protect people against the abuses that will inevitably flow out of an intensely competitive system -- more competitive system.

So I could just sort of go through that. The Kennedy-Kassebaum bill was very important because it made people eligible to get insurance and not be kicked off because someone in their family or because they changed jobs. It also clarified the tax status of long-term care.

Now, what I think -- I think the next steps are to deal with abuse problems, which is why I was against the 48-hour drive-by hospital -- why I'm against the gag rule, why I want this health care commission set up.

We also need to look at what other services need to be there. That's why I want Medicaid to be able to do more non-institutional financing of health care for seniors and why I'm for the respite benefit for the Alzheimer's families.

But on the coverage, per se, the largest number of uncovered people now are lower-income working people and their children. I think there are two or three things that can and should be done. First of all, when welfare reform is fully vested in the states, they're going to have to get the private sector to hire able-bodied people off of welfare. To do that, the states are going to have to let them take the old welfare checks and use it as an income supplement, and agree to cover them with Medicaid for at least a year, maybe longer.

In that context, we will be working with the states to give them the flexibility to let lower-income working people buy into, based on their ability to afford it, the Medicaid system, as Tennessee has tried to do. That will take care of some working people and their children.

Secondly, we have a provision in this budget of mine which will cover people when they're in between jobs for six months. That will cover 7,000 kids, as well as a lot of people while they're unemployed temporarily. And then what I think we need to do is to go back and look at whether we can resume Medicaid coverage or Medicaid related coverage of other children in the way that was originally contemplated. That is, providing funds so that states can cover children up to age 18, well above the poverty level, but still with modest incomes. I think those will probably be the next steps, and we'll have to do them in sequence as we can afford to do that.

Q Thank you very much, sir. I appreciate it.

THE PRESIDENT: Thanks.

MR. MCCURRY: You didn't ask the key question -- did you send back your dues -- (laughter.)

THE PRESIDENT: Actually, they haven't sent me my card yet. I'm kind of put out.

Q Do you know why that?

THE PRESIDENT: Why?

Q Because we have a policy against sending those cards to government addresses, and you live at a government address.

THE PRESIDENT: Is that right?

Q So we couldn't send you one.

MR. MCCURRY: 1600 Pennsylvania Avenue? That's his home address.

THE PRESIDENT: What I was going to tell you is the other thing we did not talk about that I'd like to emphasize that's happened since we talked last time is that -- I just want to make two points before I close. Number one is we have done a terrific amount in the last four years to make pensions easier to get and keep for employees and employers in small business settings, and to promote pension security -- 40 million current and future retirees have more pensions because of the Pension Security Act of '94. We've done a lot to collect on 401K pension plans that haven't been -- that were in arrears, and we stopped the Congress from trying to change the law so that we could have a $15 billion pension rate on pensions.

When I vetoed their budget it not only had a $270 billion Medicare cut and a $177 billion Medicaid cut, it had the potential for a $15 billion raid on pensions, which we didn't need to do again. There was a $20 billion raid on pension funds in the '80s and a lot of people lost their retirement as a result of it.

And when we look to the future we can't see Social Security and Medicare in a vacuum, we have to see it in the context of pensions and other savings plans.

And the last thing I want to say is I'm hoping that the Congress will adopt my proposals to let people with family incomes up to $100,000 take out IRAs and withdraw from them tax-free, but also keep them longer, which will make IRAs available for more people; and also my proposal to charge no capital gains tax on the sale of a home up to $500,000 in gain. That will help a lot of people, particularly some older people, to have more of their savings in their home, and then liquidate those savings in their later years if they want to do it without any tax penalty.

So I think you have to look at Social Security and Medicare in the context of pensions and savings. And we need to have more people with good pension plans, and then more options for people to save as individuals. If we do all four of those things, then whatever modest adjustments we have to make in Social Security and Medicare, the retirement picture for seniors will still be stronger in the years ahead.

Q Thank you.

THE PRESIDENT: Thank you.

END