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TO: Distribution

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SUBJECT: Updated Medicare and Medicaid Talking Points

Attached is our latest set of comparative talking points on Medicare and Medicaid that compares the President's proposal with the Republican proposals.

We thought it might be a good time to get this information to you for your use during meetings.

Please feel free to contact either of us at 456-5560 or 456-2599 with any questions.

Thanks

MEDICAID: WHAT IS AT STAKE IN THE BUDGET NEGOTIATIONS

January 23, 1996

MEDICAID GUARANTEE. Republicans are insisting on ending the Medicaid guarantee to meaningful health benefits for millions of people with disabilities, pregnant women, poor children, and older Americans in need of nursing home care -- even though it is not necessary to balance the budget.

Republicans want to replace the Medicaid guarantee with a deeply underfunded block grant that could *deny health benefits to 3-6 million Americans in 2002, including more than 1 million children*. And the *only* required benefits would be immunizations and limited family planning -- hardly what one would call "coverage." The depth of the Medicaid cuts could force States to significantly reduce coverage, increasing the number of uninsured people, uncompensated care, and cost-shifting to people with private insurance.

President Clinton is refusing to go backwards on coverage, insisting on retaining the guarantee of meaningful Medicaid health benefits for people with disabilities, pregnant women, poor children, and older Americans in need of nursing home care.

DEPTH OF THE CUTS. Republicans want to cut Federal Medicaid funding to States by \$85 billion in order to pay for an excessive tax cut for the well-off.

Republicans are insisting on \$85 billion in Medicaid cuts -- 45% more than the President -- largely to fund an excessive tax cut. They would cut spending growth per person to rates one-third below inflation. And the total Medicaid cuts would more than triple if States only spent the minimum required.

President Clinton's balanced budget achieves \$59 billion in savings by capping spending growth per beneficiary, giving States incentives to reduce costs without denying anyone health care coverage while providing States with unprecedented flexibility to operate their programs and pay providers.

LEAVES STATES VULNERABLE. Republicans are insisting on block granting Medicaid, which will leave States vulnerable to economic downturns, inflation, demographic changes, and natural disasters -- even though it is not necessary to balance the budget.

Under a block grant, States would be responsible for 100% of the additional costs from circumstances beyond their control. According to analysis by the Center on Budget and Policy Priorities, if inflation were just 1 percentage point higher than projected over 7 years, States would have to spend about \$65 billion more, or cut eligibility, benefits, or establish waiting lists.

President Clinton is standing firm on maintaining the 30-year Federal partnership with States, protecting States from circumstances beyond their control and increasing State flexibility.

NURSING HOME QUALITY STANDARDS. Republicans want to repeal Federal enforcement of the nursing home quality standards that have dramatically improved the quality of nursing home care -- even though it is not necessary to balance the budget.

- Excessive Medicaid cuts combined with the elimination of Federal enforcement of nursing home quality standards may lead to inadequate and inconsistent enforcement of quality.
- President Clinton's balanced budget retains Federal quality standards and enforcement. Since these Federal standards were signed into law by President Reagan, there has been a 50% reduction in dehydration among nursing home residents, a 31% reduction in hospitalization rates, and a 25% reduction in the use of physical restraints.

FINANCIAL PROTECTIONS. Republicans want to repeal financial protections for families, their homes and farms -- even though this is not necessary to balance the budget.

- Republicans would repeal the laws that prevent States from forcing adult children to have to pay for their parents' nursing home care, if their income is above the State median income -- even though it is not necessary to balance the budget. They would repeal laws that protect families from having to sell their home or family farm in order to qualify for Medicaid, and would repeal the laws that restrict the placing of liens on homes and family farms of Medicaid recipients.

- President Clinton's balanced budget maintains current financial protections.

POOR ELDERLY AND PEOPLE WITH DISABILITIES' ACCESS TO MEDICARE. Republicans are insisting on repealing the guarantee that Medicaid pay poor older Americans and people with disabilities' Medicare premiums, deductibles, and copayments.

- The Medicaid guarantee of assistance with Medicare premiums, deductibles, and copayments ensures that more than 5 million poor older Americans and people with disabilities can afford Medicare physician services. Yet Republicans do not set aside *any* Medicaid block grant funding for Medicare deductibles and copayments, and set aside less than half of the funds needed to cover premiums. Hundreds of thousands of poor and near poor older Americans and people with disabilities could lose funding for their Medicare premiums -- at the same time that Republicans would increase Medicare premiums.

- President Clinton's balanced budget maintains the guarantee of this critical assistance.

SPOUSAL IMPOVERISHMENT PROTECTIONS. Republicans would undermine protections for spouses of nursing home residents from impoverishment -- even though it is not necessary to balance the budget.

- Republicans undermine these spousal impoverishment protections by repealing the guarantee of nursing home coverage, making it more difficult for the Federal government to ensure that States enforce spousal impoverishment protections, and repealing the right of spouses to seek redress in Federal court if they are wrongly denied protection.

President Clinton's balanced budget maintains the current spousal impoverishment protections which have protected about 400,000 spouses of nursing home residents since they went into effect. Most of these spouses are women.

MEDICAID:
Comparison of Two Different Approaches
January 23, 1996

I. Cost Differences

	President	Republicans	Difference
Federal Spending Reductions (1996 - 2002)	-\$59 billion Federal	-\$85 billion Federal	Republican plan cuts Federal spending by \$26 billion (45%) more than the President's plan. Total Federal and state cuts would triple (\$285 billion) if states only spend the minimum required.
7-Year Growth Rates Per Person *	5%	2%	Republican plan slows spending per person to rates 33% below inflation -- making it a cut in real terms.
Estimated Number of People Losing Coverage in 2002	0	3 to 6 million	Even if states were to significantly slow spending growth, they could be forced to reduce coverage by 3 to 6 million in 2002 under the Republican plan.

- * The Republicans' \$85 billion offer (January 8) was not accompanied by specific policies or CBO scoring so the policies associated with the \$117 billion proposal were used. Assumes baseline enrollment growth rates.

MEDICAID:
Comparison of Two Different Approaches

II. Policy Differences

	President	Republicans*
Coverage Guarantee	Maintains individual entitlement to meaningful benefits.	Repeals Federal guarantee of coverage, and only requires immunization and limited family planning services.
Financial Protection for States	Shares unexpected costs of recession, inflation or demographic changes.	Fixes Federal funding -- leaving states responsible for 100% of unexpected costs.
Family Protections	Maintains protections against spousal and family impoverishment when the relative is in a nursing home.	Weakens asset and spousal protections, and repeals protections for adult children with incomes above the median state income.
Quality Protections	Maintains Federal nursing home quality standards and requires quality standards for Medicaid managed care plans.	Appears to retain nursing home quality protections, but in fact substantially weakens the protection because there is no Federal authority to enforce quality provisions either across states or within states. Repeals Federal managed care quality standards.
Medicare Protections	Maintains guarantee of coverage for low-income Medicare beneficiaries.	Eliminates guarantee; "set asides" do not cover cost sharing, and are not sufficient to cover premiums.

MEDICARE: WHAT'S AT STAKE IN THE BUDGET NEGOTIATIONS

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Republicans put Medicare at risk. Excessive spending cuts -- combined with premium increases and risky policy proposals -- threaten to transform Medicare into a second-class medical system. President Clinton has a more sensible approach -- one that protects traditional Medicare while expanding choice and preventive benefits, strengthening the Trust Fund and cracking down on fraud and abuse. The President doesn't gamble with the health of older Americans and people with disabilities.

MAGNITUDE OF CUTS. Republicans would spend \$1,200 less per elderly couple than the President in 2002.

- Republicans insist on excessive cuts that reduce Medicare spending by \$168 billion over 7 years -- over one third more than the President -- largely to pay for tax cuts for the well-to-do.
- The President's proposal saves \$124 billion through specific policy changes designed to strengthen the Medicare system, not undermine it. The proposal extends the life of the Medicare Trust fund through at least 2010.

PREMIUMS. Republicans force the elderly to pay more -- to get less. Republicans would spend \$1,200 less than the President per elderly couple and charge them over \$400 more in premiums in 2002.

- Republicans insist on increasing Part B premiums beyond the current policy level of 25% of program costs -- raising premiums for an elderly couple by more than \$400 in 2002, based on the latest CBO figures. This burden falls on a particularly vulnerable population: 75% of Medicare beneficiaries have incomes below \$25,000 per year.
- The President maintains premiums at 25% of program costs.

LOW-INCOME PROTECTION. Republicans want to repeal the guarantee that Medicaid pay poor older Americans' and people with disabilities' Medicare premiums, deductibles, and copayments, which could force many to lose physician coverage.

- Republicans eliminate the guarantee to Medicaid coverage of the Medicare premiums, deductibles, and copayments for older Americans and people with disabilities near or below the poverty line. They fail to set aside any Medicaid funding for deductibles and copayments, and set aside less than half of the funds needed to cover the Medicare premiums of poor older Americans and people with disabilities. Hundreds of thousands of poor older Americans and people with disabilities could lose funding for their premiums -- at the same time that Republicans want to increase premiums.
- President Clinton preserves the guarantee of coverage for low-income beneficiaries, ensuring that more than 5 million poor older Americans and people with disabilities continue to have access to care.

STRUCTURAL FLAWS. Republicans insist on policies that will damage the foundation of the traditional Medicare program. These including offering untested health care plans, such as Medical Savings Accounts, and allowing doctors in new plan options to overcharge or "balance bill."

- **MEDICAL SAVINGS ACCOUNTS (MSAs).** Republicans insist on the immediate adoption of new and untested changes to the Medicare program, such as MSAs, that experts say could harm the Medicare system and increase costs.
 - Medical Savings Accounts appeal to the healthiest beneficiaries -- the only ones willing to risk joining a health care plan with a very high deductible -- leaving the sickest and most costly beneficiaries in a weakened fee-for-service program. The Congressional Budget Office projects that MSAs will *increase* Medicare costs by more than \$4 billion over seven years; Lewin-VHI puts the price tag at \$15-20 billion. *MSAs turn fairness upside-down, allowing the healthy to benefit at the expense of the sick.*
 - The President's proposal expands the range of plans available to beneficiaries to include new managed care options, such as Provider Sponsored Organizations (which are plans organized by groups of physicians or hospitals) and Preferred Provider Organizations (which are network plans that give enrollees the option of receiving services from providers outside the network). The President's new options ensure that Medicare plans compete by offering more affordable, higher quality care -- not by cherry-picking the healthiest and wealthiest beneficiaries.
- **OVER-CHARGING IN PRIVATE PLANS.** Republican proposals permit physicians to charge beneficiaries extra in private Medicare plans, increasing out-of-pocket costs and slowly draining the fee-for-service system of both doctors and dollars.
 - Republicans allow doctors to charge above the Medicare approved amount -- a practice sometimes called "balance billing" -- leaving the elderly vulnerable to higher costs. Balance billing gives doctors in the fee-for-service program an incentive to switch to private health care plans, reducing beneficiaries' access to physicians in the traditional program. Moreover, without balance billing protection, only healthy and wealthy beneficiaries will risk joining the new private plans, leaving the fee-for-service program with a larger share of the sickest beneficiaries -- those most costly to insure.
 - The President maintains the current prohibition against balance billing in the new private health care options.



• **MEDIGAP.** Republicans retain Medigap rules that effectively lock beneficiaries into private plans.

- Republicans do nothing to change Medigap rules that magnify the structural flaws in their plan. After first enticing healthy beneficiaries into Medical Savings Accounts and other private plans, Republicans make sure they never leave: Their proposal continues to let Medigap companies discriminate on the basis of age and health status against beneficiaries trying to switch back to the fee-for-service program. By reducing access to Medigap coverage in the fee-for-service program, Republicans subtly limit the health care options available to beneficiaries.
- President Clinton expands the choices available to Medicare beneficiaries, while giving them the freedom to transfer between private plans and the fee-for-service program as their needs and circumstances change. His proposal enacts long-overdue reforms, requiring Medigap companies to hold annual enrollment periods and prohibiting them from discriminating against beneficiaries based on either age or health status. The President's plan offers genuine choices -- not false ones.

ADDITIONAL REFORMS. Republicans ignore critical reforms proposed by the President that will strengthen Medicare, including new preventive care benefits and aggressive initiatives to crack down on health care fraud.

• **PREVENTIVE CARE.** Republicans neglect the benefits of preventive care.

- Even as Republicans increase premiums and out-of-pocket costs, they offer only one new benefit -- coverage of oral nonsteroidal antiestrogen for the treatment of breast cancer.
- President Clinton's balanced budget expands Medicare coverage of preventive services -- by waiving cost-sharing for mammograms, offering annual mammogram exams, providing colorectal screening for cancer, and increasing reimbursements for immunizations. The President's plan also offers a new respite care benefit for families of beneficiaries with Alzheimer's disease.

• **FRAUD & ABUSE.** Republicans retreat from the fight against health care fraud.

- Republicans put new obstacles in the way of enforcing current fraud and abuse laws. For example, they weaken the "self-referral" rules that prevent doctors from receiving "pay-offs" for referrals. They raise the standard of proof for civil sanctions, making it more difficult for prosecutors to fight fraud. They even create an exemption to the anti-kickback statute for managed care plans.
- The President's plan, by contrast, continues aggressive policies to stamp out Medicare waste, fraud, and abuse. For example, the plan expands "Operation Restore Trust" -- the Administration's successful anti-fraud program -- making it nationwide in scope. It also maintains both the current standards of proof for civil penalties -- to ensure swift punishment -- and the protections against "self-referral" -- to prevent doctors from clouding medical judgment.

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I. Cost Differences

	President	Republicans*	Difference
Spending Reductions	-\$124 Billion	-\$168 Billion	Republican plan cuts Medicare \$44 billion (35%) more - even though it is not needed to balance the budget or extend the Trust Fund for at least 10 years.
Federal Spending Per Person 2002	\$6,600	\$6,000	Republicans spend \$600 less per person while charging beneficiaries higher premiums.
Monthly Premiums 2002	Less than \$67.20**	\$84.60	Republican plan charges over \$17 more in monthly premiums.
Yearly Premiums Per Couple 2002	Less than \$1,612.80**	\$2,030.40	Republican plan charges couples over \$400 more in yearly premiums.

* The Republicans' \$168 billion offer (January 8) was not accompanied by specific policies or CBO scoring so the policies associated with the \$202 billion proposal were used.

** Premium estimates for the President's \$124 billion offer are not yet available. These figures are based on the President's \$102 billion offer and premiums will be lower for the \$124 billion offer because the President's proposal maintains premiums at 25% of Part B program costs, which are lower under the latest offer.