TALKING POINTS
10-Year Medicare Savings
in
President Clinton's Balanced Budget

- The President's budget includes a major commitment to preserve and modernize the Medicare program. Through a series of reforms and restructurings, it saves $365.9 billion over the next 10 years (FY98-07). These savings come from total baseline spending of $3.158 trillion during that 10-year period.

- The President's plan extends the solvency of the Medicare trust fund to 2007 – ten years from now. Without this action, Medicare's Hospital Insurance trust fund would be bankrupt in 2001, just four years from now.

- The President's plan restructures the home health benefit so that hospital-related home health visits are paid out of the Hospital Insurance trust fund and non-hospital related visits are paid out of the Part B Supplemental Medical Insurance Trust Fund. This reflects the original intent of the Medicare. The President's package of home health reforms are designed to control the rapid growth of this benefit.

- The President's plan addresses the short-term deficit in the Medicare program and lays the groundwork for a bipartisan effort to deal with the long-term challenge of the retirement of the Baby Boom Generation.

- The President's plan modernizes Medicare by offering beneficiaries new preventive benefits and new choices (PPOs and PSOs).

Questions and Answers
10-Year Medicare Savings

Question

In your February budget release you said the 5-year Medicare savings were $100 billion and the six-year savings were $138 billion. Now you say it is $106/$146 billion. What changed?

The President's budget submitted in February was scored by OMB at $100 billion over 5 years. A few technical changes were made to this package after the budget numbers were transmitted, including changes to respond to CBO's different baseline assumptions.

Question

The savings from the home health transfer are significantly higher in the 10-year period. Why?

They are not significantly different. This time-frame is twice as long as the previous time-frame. We said the five-year figure was $82 billion and the six-year figure was $102 billion. The amount increases as the change in the baseline compounds.

It is very important to note that these savings are NOT part of the $106/$146/$369 billion in savings in 5/6/10 years. They restore the intent of the Medicare statute and strengthen the Part A trust fund by transferring these non-hospital-related costs to Part B.

Question

Since the President was so critical of the Republican plan to cut $270 billion from Medicare, doesn't this $369 billion cut seem awfully large?

No. Remember that the $270 billion was over seven years and the $366 billion figure is over 10 years. More importantly, there are SIGNIFICANT differences in the policies behind these numbers. The Republican plan would have capped the contribution per beneficiary and significantly increased premiums and out-of-pocket costs for seniors. The President's plan protects seniors and continues the historic defined benefit package.