TO: Mark Miller, John Richardson, Anne Mutti
FROM: Jeanne Lambrew
RE: **BENEFICIARY EFFECTS**
DATE: July 21, 1995

WAYS & MEANS BENEFICIARY CUTS. There are a couple of notes on this.

1. **Option 1 Issue:** Maybe we don't need to worry about the complexity of estimating option 1 if we decide to go with Option 2. Behavioral Responsive

2. **Year by years.** This shows that the timing of the implementation of proposals is critical. In the early years, the beneficiary hits alone (without the provider hits) exceed the savings targets. This leads me to the conclusion that we should not do seven-year impacts (which makes me happier anyway, since those are pretty weak conceptually).

3. **Use of the home health and SNF estimates by user.** It looks like the White House folks want these numbers which appeared in Judy's testimony. I think that we should simply use $1400 for both: the sum of the 35% premium per Part B enrollee plus the about $1,000 in the cost sharing. I am looking into validating these per user numbers before our conversation at 11am.

4. **Offset:** In trying to figure this out, the only thing that I could think about doing is the following. Assume that the cuts are proportionately distributed (40% part B). Also remember that the reduction off of gross baseline spending in 2002 is 20%. This implies that 40% of the 20%, or 8%, of the reduction in spending is in Part B. If we multiply the 35% premium per beneficiary by 92%, it makes about a $30 difference. If we round to $800, we should be OK.

5. **High income premium:** I still have no better ideas than the 13% reduction. I am hoping that you might have a different idea.

STATE-BY-STATES:

I have also attached a table for the state by state estimates. The first two columns, the projected outlays and beneficiaries in 2002, are based on the methodology developed in May. In review, the outlays are the gross CBO outlays in 2002 distributed proportionately across states. The distribution across states is based on the 1994 share of Medicare outlays, adjusted for the average growth in the share between 1989 and 1994. A similar method was used for the projected beneficiaries by state. The third column represents the 2002 per beneficiary spending. The fourth column is the ratio of the state's per beneficiary spending to the national average.

To estimate the state by state effect, the premium increases were treated separately than the cost sharing. The premium increase is assumed to be the same across all states. The cost sharing presumably is affected by the health care costs per capita in the state. Thus, the national average increase in cost sharing per beneficiary was multiplied by the ratio of the states' 2002 outlays per beneficiaries (column 5). In column 6, the premium amount per beneficiary ($438) is added to the cost sharing per beneficiary in the state (US average of $390).

29.4 = 40%.　　37.7 / Part B =

36.9　　967

Draft Ways & Means Document: FY 2002 Beneficiary Impact

	1996	1997	1998	1999	2000	2001	2002	1996-2002	Per Beneficiary
Beneficiary Effects									
Gen'l Cost Sharing									
Option 1.	0.42	0.80	0.92	1.08	1.29	1.54	1.86	7.91	45
Option 2.	1.03	1.67	1.88	2.17	2.52	2.96	3.51	15.74	85
Part B Deductible	0.64	1.21	1.62	2.12	2.68	3.27	3.86	15.40	93
Premium Extensions									
31.5% relative to 25% ($104)	4.95	5.55	6.19	6.95	7.99	8.95	10.05	50.63	243
33% relative to 25%	6.10	6.83	7.61	8.56	9.83	11.01	12.37	62.31	300
35% relative to 25%**	7.62	8.53	9.52	10.69	12.29	13.77	15.46	77.88	374
Income-Related Premium *	0.55	1.03	1.24	1.50	1.81	2.18	2.63	10.95	64
Copayment for Home Health	2.38	3.90	4.51	4.99	5.46	5.94	6.41	33.59	155
Copayment for SNFs	0.24	0.46	0.57	0.65	0.75	0.87	1.01	4.56	24
Copayment for Lab	0.51	0.80	0.89	1.03	1.16	1.27	1.36	7.02	33
Total (assuming Option 2 & 35% Premium)	**12.97**	**17.60**	**20.23**	**23.15**	**26.67**	**30.26**	**34.24**	**165.13**	**829**

* Reduced by 13% to account for 35% premium.

** This differs from the $400 in 2002 since the denominator is all benes., not just Part B

Most of these estimates are based on the CBO "Reducing the Deficit" book, which uses the older CBO baseline.

Estimates were projected using the 2000 growth rates (adjusted for the '99-00 change in the growth rate)

The premium estimates are extrapolated from the sheet with CBO scoring of premium proposals.

The 2002 estimates were divided by 41.299 to get the per bene. impact.

These estimates do not take into account the premium offset.

Part B Baseline 147.7

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State	Current Law Medicare Outlays (millions)	Projected Beneficiaries	CL MCR Spend Per Bene	Ratio to National Avg		Cost Sharin	Premiums & Cost shari
Alabama	8,076	703,082	11,486	1.3738		$536	$974
Alaska	203	49,773	4,080	0.4879		$190	$628
Arizona	6,063	743,525	8,154	0.9753		$380	$818
Arkansas	2,552	450,365	5,665	0.6776		$264	$702
California	48,115	4,034,936	11,925	1.4262		$556	$994
Colorado	4,665	514,095	9,074	1.0853		$423	$861
Connecticut	5,070	533,943	9,495	1.1356		$443	$881
Delaware	1,144	115,722	9,882	1.1819		$461	$899
District of Columbia	5,819	76,330	na	na		na	na
Florida	37,881	2,951,880	12,833	1.5348		$599	$1,037
Georgia	8,449	953,079	8,865	1.0603		$414	$852
Hawaii	1,759	184,336	9,542	1.1413		$445	$883
Idaho	606	171,120	3,544	0.4238		$165	$603
Illinois	10,787	1,690,497	6,381	0.7632		$298	$736
Indiana	6,383	890,461	7,168	0.8574		$334	$772
Iowa	2,012	484,783	4,151	0.4965		$194	$632
Kansas	3,392	397,890	8,524	1.0195		$398	$836
Kentucky	3,935	636,855	6,179	0.7390		$288	$726
Louisiana	6,468	634,122	10,199	1.2199		$476	$914
Maine	940	221,565	4,241	0.5073		$198	$636
Maryland	4,335	677,465	6,398	0.7652		$298	$736
Massachusetts	12,496	996,344	12,542	1.5000		$585	$1,023
Michigan	8,886	1,481,749	5,997	0.7172		$280	$718
Minnesota	6,150	671,394	9,160	1.0955		$427	$865
Mississippi	2,739	421,671	6,496	0.7770		$303	$741
Missouri	6,228	876,863	7,102	0.8494		$331	$769
Montana	637	141,557	4,501	0.5383		$210	$648
Nebraska	1,374	256,357	5,359	0.6410		$250	$688
Nevada	2,594	295,417	8,782	1.0504		$410	$848
New Hampshire	1,186	178,655	6,640	0.7942		$310	$748
New Jersey	9,437	1,244,404	7,584	0.9070		$354	$792
New Mexico	1,014	257,452	3,938	0.4709		$184	$622
New York	21,795	2,718,120	8,018	0.9590		$374	$812
North Carolina	8,805	1,202,196	7,324	0.8760		$342	$780
North Dakota	649	106,274	6,104	0.7300		$285	$723
Ohio	10,511	1,800,336	5,838	0.6983		$272	$710
Oklahoma	3,079	519,526	5,927	0.7088		$276	$714
Oregon	4,106	524,031	7,836	0.9372		$365	$803
Pennsylvania	18,407	2,187,966	8,413	1.0062		$392	$830
Rhode Island	1,961	175,375	11,182	1.3374		$522	$960
South Carolina	4,487	593,614	7,559	0.9041		$353	$791
South Dakota	624	122,172	5,109	0.6110		$238	$676
Tennessee	9,673	853,930	11,328	1.3549		$528	$966
Texas	22,075	2,419,444	9,124	1.0913		$426	$864
Utah	1,347	228,000	5,910	0.7069		$276	$714
Vermont	428	91,752	4,665	0.5579		$218	$656
Virginia	4,277	936,837	4,565	0.5460		$213	$651
Washington	3,976	771,781	5,152	0.6162		$240	$678
West Virginia	1,916	348,402	5,499	0.6577		$257	$695
Wisconsin	3,719	804,207	4,625	0.5531		$216	$654
Wyoming	198	72,355	2,742	0.3279		$128	$566
Puerto Rico	1,860	527,920	3,524	0.4214		$164	$602
All Other Areas	12	357,073	na	na		na	na
		0					
US	345,300	41,299,000	8,361		Cost sharing	$390	$828
					Premiums	438	

Medicare Savings: Out of pocket effect of specified proposals
(Fiscal years, dollars in millions)

	1996	1997	1998	1999	2000	2001	2002	96-02
Home Health 20%	2,381	3,898	4,513	4,985	5,403	6,000	6,500	33,680
SNF 20%	244	461	567	652	752	850	950	4,476
Lab 20%	510	800	890	1,030	1,100	1,200	1,350	6,880
$150 Deductible	640	1,210	1,620	2,120	2,680	3,300	4,000	15,570
SUBTOTAL	3,775	6,369	7,590	8,787	9,935	11,350	12,800	60,606
Per Beneficiary	99	164	195	223	249	278	310	
Increase over previous year		65	31	28	26	29	**32**	

NOTE: All of the above estimates are based on extrapolations beyond 2000, and 5 year estimates from CBO

Premium	.25-.35	.35-.45	.45-.55	.55-.65	.65-.75	0.75-0.85	.85-1.00	
Midpoint Premium	0.3	0.4	0.5	0.6	0.7	0.8	0.925	
Change from 25%	0.05	0.15	0.25	0.35	0.45	0.55	0.675	2.475
Percent	2.0%	6.1%	10.1%	14.1%	18.2%	22.2%	27.3%	100%

To: [illegible], Anne
From: Jeanne