DEPARTMENT OF HEALTH & HUMAN SERVICES

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200 Independence Avenue, S.W., Bldg. HHH, Room 647-D, Washington, D.C. 20201

Hon. Donna E. Shalala
Secretary of Health and Human Services
Op-ed for the Washington Post
January, 11 1999
Rebuttal to Robert Kuttner's Op-ed of January 8, 1999, "One More Hoax"

Robert Kuttner, in his January 8th Op-ed "One More Hoax" alleges that President Clinton's proposed long-term care initiative is "falling so short of a real remedy as to be a hoax." He could not be more wrong. He may not think this proposal will make much of a difference, but to five million disabled Americans and their families, many who now receive little or no assistance, the difference may be substantial.

Our proposal is the first-long term care strategy in our nation's history, and it recognizes two truths. First, as the number of seniors continues to grow rapidly, so will the need for long-term care. Because although we are living healthier and more active lives, with aging inevitably comes the disabilities of old age. Second, it recognizes that long-term care is primarily being provided at home, often by family members.

The core of our five year, $6 billion initiative is a targeted $1,000 long-term tax credit, paid for as part of our balanced budget, for people with long-term care needs or their caregivers. For some families, the tax credit will help offset some of the direct costs of long-term care, like adult day care or home health care visits. For others, it will help offset indirect costs like unpaid leave some caregivers must take. As the President has said, this initiative will help "give care to caregivers." But the important point is that it flexibly responds to the real needs of real families that have gone unaddressed for years.

In a very practical way, this proposal will support caregivers, who are usually women in the workforce, who are trying to care for their elderly or disabled loved ones as well as their spouses and children. Like so many other American families, my own family is experiencing this. When I was home in Cleveland over Christmas, my cousins were talking to me about one of my aunts who has Alzheimer's. My cousins are rushing home from work in the middle of the day, every day, to make sure that their mother gets the help she requires. It is very stressful. They need help. But they could find very few places that would help them, because they are middle income and do not qualify for Medicaid services.

Although the tax credit represents the crux of our proposal to help people like my aunt and my cousins, a complicated challenge requires a comprehensive solution. Our initiative also includes a number of items that Mr. Kuttner simply dismisses or fails to mention. It would provide funds for states to create one-stop-shops where caregivers can access community resources, find guidance and obtain adult day care services. It would include an effort to inform all Medicare beneficiaries about long-term care options, since most know very little about their alternatives. (This is an education effort designed to offer seniors options and choices, not a gimmick designed to placate the insurance industry as the writer charges.) Finally, as part of this initiative, the federal government would offer private long-term care insurance to federal employees. As the nation's largest employer, the market leverage of the federal government will influence the private sector to develop options that better meet the needs of older Americans and their families, and, hopefully, more businesses will invest in long-term care coverage for their

employees. Overall, our initiative is a pragmatic, comprehensive response to the growing problem of long-term care.

Mr. Kuttner also argues that the neediest elderly, whose incomes are too low to pay federal taxes, would get no benefit from the proposed tax credit and would therefore be bypassed by our initiative. This is simply not true. As I have discussed, our initiative provides and expands services for both the disabled and their caregivers who do not qualify for the credit. This initiative is really about providing comprehensive assistance, not just financial assistance, to those requiring or providing long-term care.

Our proposal also recognizes the fiscal realities that Mr. Kuttner ignores. Any program or plan we propose must be within the balanced budget framework that the President and Congress worked out in a bipartisan fashion. Although the writer feels otherwise, it is a framework that will provide a solid fiscal foundation for our children and grandchildren.

Mr. Kuttner seems to argue that since our proposed initiative is insufficient to offset all the costs or address all the needs associated with long-term care, it should not be adopted. This suggests that it would be better to do nothing to help millions of disabled Americans and their families, than to do what we can. I strongly disagree.

It is true that this initiative will not address all the needs of those requiring or providing long-term care, but it is an historic first step. It is, in fact, the first step towards

a long-term care strategy in our history. With the number of elderly Americans doubling by the year 2030, providing proper care for our aging and disabled citizens will be one of the central challenges of the 21st century. Our long-term care initiative will help us meet that challenge.

OWL PRESS RELEASE

666 11TH STREET, NW • WASHINGTON, DC 20001 • 202-783-6686 • FAX 202-638-2356

FOR IMMEDIATE RELEASE
January 4, 1999

CONTACT: Deborah Briceland-Betts
202-783-6686

Long Term Care Proposal Long-Awaited Help for Women

"Today's long term care proposal by President Clinton is a long-awaited step towards relief for America's caregivers, most of whom are women," said Deborah Briceland-Betts, the Executive Director of OWL (the Older Women's League). "The proposal comes at a time when Boomer women are stretching themselves across the generations to provide care for both aging parents and children. The proposal offers these women support and does not try to second-guess or replace them unnecessarily."

Caregiving support is important to women because:

- The majority of family caregivers, about 80 percent, are women caring for aging parents, children, or ailing spouses.

- Most women will be caregivers at some point in their lives; 89 percent of women over 18 years of age are caregivers. Women now in midlife, the Baby Boomer cohort, are projected to spend more time caring for their parents (18 years) than they have for their children (17 years).

- Women are also the primary recipients of long term care. Two-thirds of home care consumers are women (10 million) and 70 percent of those in nursing homes are women.

"Caregivers are often still in the workforce and are trying to work and care for a family member at the same time, or they live far away from their parents and are long-distance caregivers." said Briceland-Betts. "Finding needed services in either situation is often difficult and frustrating."

"The National Family Caregiver Support Program proposed by the President fills an information gap for caregivers," said Briceland-Betts. "Many caregivers lose precious time and energy searching for help. They don't know where to go and some simply never find it." The one-stop-shops created by the states under the proposal would provide information about available services and provide training and counseling support to family caregivers. "Providing support to family caregivers will help them do their jobs longer and more effectively. When that happens, we all benefit," said Briceland-Betts.

OWL is the only national membership organization to work solely on issues unique to women as they age. OWL has 75 chapters and 15,000 members across the nation.

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National Committee to
Preserve Social Security
and Medicare
10 G Street, NE, Suite 600
Washington, D.C. 20002-4215 202 216-0420
Contact: Kris Geddings 703 709 6680

NEWS

FOR IMMEDIATE RELEASE:
Monday -- January 4, 1999

For More Information:
Kris Geddings 703/709-6680

White House's Long-term Care Plan Is Encouraging

WASHINGTON, D.C. -- The National Committee to Preserve Social Security and Medicare applauds the Administration for placing the needs of the chronically ill and those requiring long-term care squarely on the agenda for the 106th Congress, the group's executive vice-president said today.

"The President's proposal represents an important effort in addressing the complex problem of long-term care this nation confronts," said the NCPSSM's Max Richtman. "By the year 2030, some estimates project that 150 million Americans will have chronic conditions, and this unprecedented and looming demand for care-giving in the years ahead must be fully addressed sooner rather than later."

"The Administration's proposal is an encouraging step in what we hope will be a process for moving toward the comprehensive health coverage and universal long-term care that America's seniors, the disabled and their families need and should have," Richtman said.

The White House's plan for a $1,000 tax credit toward the cost of care will provide assistance for some seniors and their care-givers and, in some cases, might help avoid institutional placement in favor of in-home care, according to Richtman.

In turn, the establishment of respite care networks will provide those caregivers the assistance they need in order to offer care to vulnerable seniors. Until now, family members have made enormous personal, physical and financial sacrifices to care for their loved ones with not much more than words of encouragement from the federal government, Richtman pointed out.

"Our National Committee members, in a 1998 survey we conducted, said they want their retirement years to be ones in which, among other things, they remain physically active and involved in their communities," Richtman said. "The availability of health and custodial care for the chronically ill would go a long way toward making this goal a reality."

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STATEMENT BY AARP EXECUTIVE DIRECTOR HORACE B. DEETS ON PRESIDENT CLINTON'S ANNOUNCEMENT OF A LONG-TERM CARE TAX CREDIT

AARP is pleased that president Clinton has announced a plan to provide a tax credit to Americans who need long-term care. This is long overdue recognition to many American families who are assuming the enormous burden of providing high quality care to a family member.

As we approach the 21st Century and as the population ages and Americans live longer, the demand for long-term care will continually increase. Our nation must look for more innovative and cost effective ways to provide care for people with chronic illnesses and disabilities and to help sustain their caregivers.

For most families or spouses caring for a seriously disabled loved one, the burden they face in time and money can be overwhelming. This tax credit would help those caregivers find occasional relief, enabling them to continue to provide support.

People give and receive long-term care in a variety of ways. We already know that those who need care prefer to receive it in their own homes. The proposed long-term care tax credit would provide to middle income individuals with serious chronic illnesses or disabilities, or to their caregivers, a modest tax benefit - up to $1,000 per year. It recognizes the need for those with chronic illness and their caregivers to have some flexibility in purchasing the services that are needed. The tax credit is one of a number of steps that we need to take toward solving the nation's long-term care problems.

This tax credit is a step in the right direction. It builds upon a similar proposal previously put forward by Republicans. AARP will continue to work with the President and members of Congress on a bipartisan basis to make sure this proposal and future efforts will help families in need.

HOMECARE

NATIONAL ASSOCIATION FOR HOME CARE
228 Seventh Street, SE, Washington, DC 20003 • 202/547-7424 • 202/547-3540 fax

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"Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has."

Margaret Mead (1901–1978)

1999 NAHC Meeting Schedule

National Policy Conference/Legal Symposium/IS Expo
March 14-17, 1999
Washington, DC

New Business Development/Home Care Aide Conference/Expo
April 17-21, 1999
Crystal City, VA

Clinical/IS/Documentation/Outcomes Conference/Expo
May 10-12, 1999
Dallas, TX

Executive/Management/Leadership Conference
June 2-4, 1999
Newport, RI

Financial Management Conference/Expo
July 7-9, 1999
Hilton Head Island, SC

18th Annual Meeting and HOMECAREExpo
October 9-13, 1999
San Diego, CA

For more information, contact the NAHC Meetings Department at 202/547-5050 or NAHC's FAX-ON-DEMAND at 202/547-6638. For membership information, call 202/547-7424, fax 202/547-3540.

Barbara

HOMECARE

Val J. Halamandaris
President

NATIONAL ASSOCIATION FOR HOME CARE
228 Seventh Street, SE, Washington, DC 20003
202/547-7424 • fax 202/547-6137 • e-mail: vjh@nahc.org

Great to see you Val

Contact: Valerie Erb Tully
202/547-7424

January 4, 1999

NAHC STATEMENT ON PRESIDENT'S LONG-TERM CARE INITIATIVE

The National Association for Home Care (NAHC), on behalf of America's home care providers and patients, supports President Clinton's inclusion of a long-term care program in his FY 2000 budget.

NAHC President Val J. Halamandaris attended the announcement of the initiative, which would provide family caregivers with more than $6 billion in relief over the next five years.

"NAHC has long advocated for the creation of a meaningful long-term care program for the nation's disabled," said Halamandaris. "This initiative is an important first step in recognizing the financial and emotional stress faced by thousands of caregivers who are providing unpaid assistance to elderly or disabled relatives. As the number of elderly Americans continues to increase into the next century, it is vital that we focus our resources on providing community-based, quality long-term care."

The President's initiative includes: a $1,000 yearly tax credit to assist family caregivers with the financial burden of providing care; funds for state and local agencies to provide supportive services - such as respite care - to caregivers; affordable long-term care insurance for federal employees; and the creation of a campaign to educate elderly Americans about planning for long-term care.

"Home care has historically been a cost-effective means of enabling elderly and disabled Americans to maintain their independence and receive quality health care at home. NAHC looks forward to continuing to work with the Administration and Congress to develop affordable long-term care options and to meet the needs of our nation's family caregivers." said Halamandaris.

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NEWS RELEASE
From the National Council on the Aging

NCOA Supports President's Long-Term Care Initiative

FOR IMMEDIATE RELEASE
CONTACT: Michael Reinemer, 202 479-6975, Jim Hood, 202 479-6976

WASHINGTON, Jan. 4, 1999 – James Firman, the President and CEO of the National Council on the Aging (NCOA), today expressed the organization's support for the new long term care initiative proposed by President Clinton and Vice-President Gore, but cautioned that it is "just the beginning."

"As the American population ages, long-term care will rapidly replace child care as a major concern of baby boomers," Firman said.

"The proposal would provide some much-needed help in alleviating the tremendous burdens that millions of families face in trying to care for loved ones who are unable to help themselves," Firman said. "Coverage for chronic illness is the biggest gap in our nation's health care system. Currently, people with long-term chronic illness are forced to exhaust their life savings before receiving any assistance. We can do better for America's families."

Clinton is proposing $6.2 billion tax break to the millions of Americans who need long-term care and for their caregivers, in the form of a $1,000 annual tax credit to help patients and their caregivers cope with the effects of Alzheimer's disease, strokes and other disabling conditions.

The initiative recognizees the growing number of disabled persons who are being cared for in private homes, usually by family members -- an estimated 60 percent of the five million Americans with chronic illnesses. The number is expected to grow as the population ages.

The issue is particularly important to middle-aged women, Firman noted. Women comprise more than 80 percent of the family caregivers for chronically ill older Americans. The average caregiver is a 57 year old married woman. "It's about time middle class, sandwich generation caregivers got a little help," said Firman.

NCOA applauded the intergenerational nature of the proposal and the flexibility it would provide to families to determine their own needs. "The proposal would enable a daughter, for example, to pay for about 25 visits to an adult day center for an disabled parent," Firman said. "This would provide much-needed relief and help families to stay together and keep loved ones out of institutions."

The proposal is also consistent with programs sponsored by NCOA's Center for Consumer-Directed Services, Firman said.

Clinton is also expected to ask Congress to distribute $125 million yearly to state and local agencies for older persons, to enable them to furnish more support to caregivers, including respite care, training and stress management.

"We are also excited about the family support program included in the proposal," Firman said. "NCOA looks forward to working with the Administration on Aging to reauthorize and improve funding for services under the Older Americans Act, which provides essential home and community-based care and support for frail, lower income seniors," he added.

NCOA is an association of organizations and individuals dedicated to promoting the dignity, self-determination, well-being and continuing contributions of older persons through leadership and service, education, and advocacy. NCOA's members include professionals and volunteers, service providers, consumer and labor groups, businesses, government agencies, religious groups and voluntary organizations.

ALZHEIMER'S® ASSOCIATION

Someone to Stand by You

For Release at 11 AM
January 4, 1999

Contact:
Scott Treibitz
703/276-2772

Reaction To Clinton Caregiver Proposals

Statement of Stephen McConnell
Senior Vice President, Alzheimer's Association

Spokespeople are Available for News Interviews and Talk Shows
B-Roll Available

"With the proposal he is putting forth today, President Clinton gives powerful recognition of the incredible role that family caregivers play in providing long-term care in this country."

"Family members are the heart and soul of our caregiving system. They provide at least 70% of the care for people who have Alzheimer's disease, and they do so at enormous personal cost -- physical, emotional and financial."

"Every family struggling today to keep a spouse or a parent or grandparent at home will understand and appreciate the importance of what the President is doing today."

"This initiative will help millions of hard working families address a real problem and should draw strong and immediate bipartisan support. The Alzheimer's Association will work aggressively with the President and Congress to see these proposals enacted into law this year."

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CAREGIVERS STUDY

The Alzheimer's Association and the National Alliance of Caregiving will soon release a national report on *Caregivers of those with Alzheimer's.*

For details and a general overview
contact Scott Treibitz at 703/276-2772

March of Dimes
Saving babies, together

National Office
1275 Mamaroneck Avenue
White Plains, NY 10605

News Release

Release Date: For immediate release

Contact: Michele Kling, (914) 997-4613
Rosalind D'Eugenio, (914) 997-4608
Michael Jefferson, (914) 997-4622

MARCH OF DIMES SUPPORTS PRESIDENT CLINTON'S NEW LONG TERM CARE INITIATIVE

Jennifer L. Howse, Ph.D., President of the March of Dimes Birth Defects Foundation offered the following statement today in support of President Clinton's long term care initiative.

"The March of Dimes commends President Clinton on the inclusion of children in the long term care initiative announced today. This historic initiative will provide critical support to the growing number of American children with long term care needs as well as to the families, who care for them. America's children are too often forgotten in policy discussions on chronic care. The March of Dimes is extremely pleased that the President recognized the needs of these vulnerable children and the wide array of formal and informal costs associated with long term care that their families must bear. We believe that many families of children with birth defects will be helped by the $1,000 tax credit included in the initiative."

The March of Dimes is a national voluntary health agency whose mission is to improve the health of babies by preventing birth defects and infant mortality. Founded in 1938, the March of Dimes funds programs of research, community services, education and advocacy. For more information, visit the March of Dimes Home Page on the World Wide Web at www.modimes.org.

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NATIONAL ASSOCIATION FOR HOME CARE
228 Seventh Street, SE, Washington, DC 20003 • 202/547-7424 • 202/547-3540 fax

MEMORANDUM

BY FAX: 202-456-5557 (7 pages)

DATE: January 8, 1999

TO: Chris Jennings

FROM: Jeff Kincheloe

RE: CBO Baseline for Medicare Home Health Spending

Chris, thanks for today's excellent briefing on the Administration's new long term care initiative. It is a very worthwhile endeavor.

I wanted to follow up with you on our discussion of the Medicare home health baseline and the 2/3 "behavioral offset" assumption applied by CBO in projecting the impact of the home health interim payment system (IPS). CBO assumed that, for every three dollars saved under IPS, two dollars would be lost because agencies would "game" the system and admit a vastly increased number of Medicare home health recipients. Reports that we have received thus far indicate that this projected behavioral offset will not materialize.

Attached is a summary of Medicare home health spending projections prepared by Lewin and Associates last year. I'm told that CBO will not be out with new figures until the end of January. The chart on page three tells the story of what is happening to the Medicare home health benefit. Also included is a draft of some talking points I've been working on that explain why I describe this situation as a "Catch 22."

We believe there is convincing evidence that the cut in projected spending for FY 1998-2002 will be at least $48.3 billion and probably well over $50 billion. This is occurring despite the fact that the Balanced Budget Act of 1997 targeted cuts of only $16.1 billion over this five-year period.

I look forward to getting your thoughts on how we might resolve this budget dilemma and restore care to medically complex patients who are not receiving all the home health care to which they are entitled.

Thanks for all your efforts on behalf of the chronically ill and disabled.

The LEWIN GROUP

Figure 2
Historical Growth in Medicare Home Health Payments

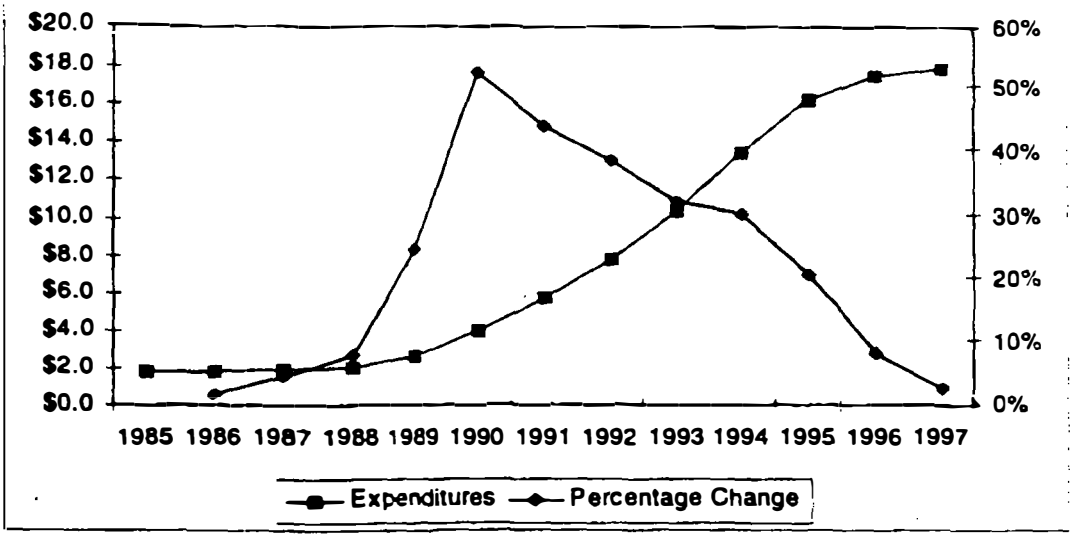
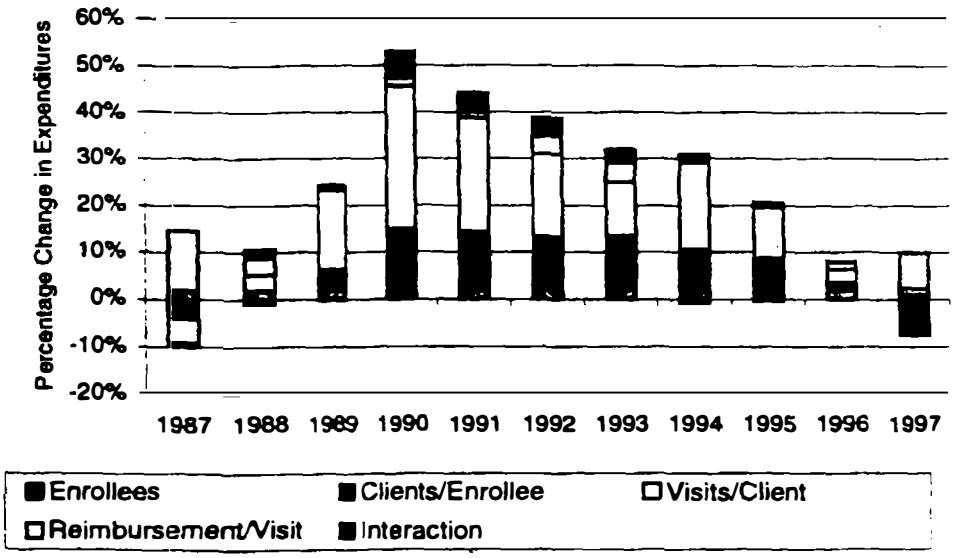


Figure 3
Components of Change in Medicare Home Health Payments, CY



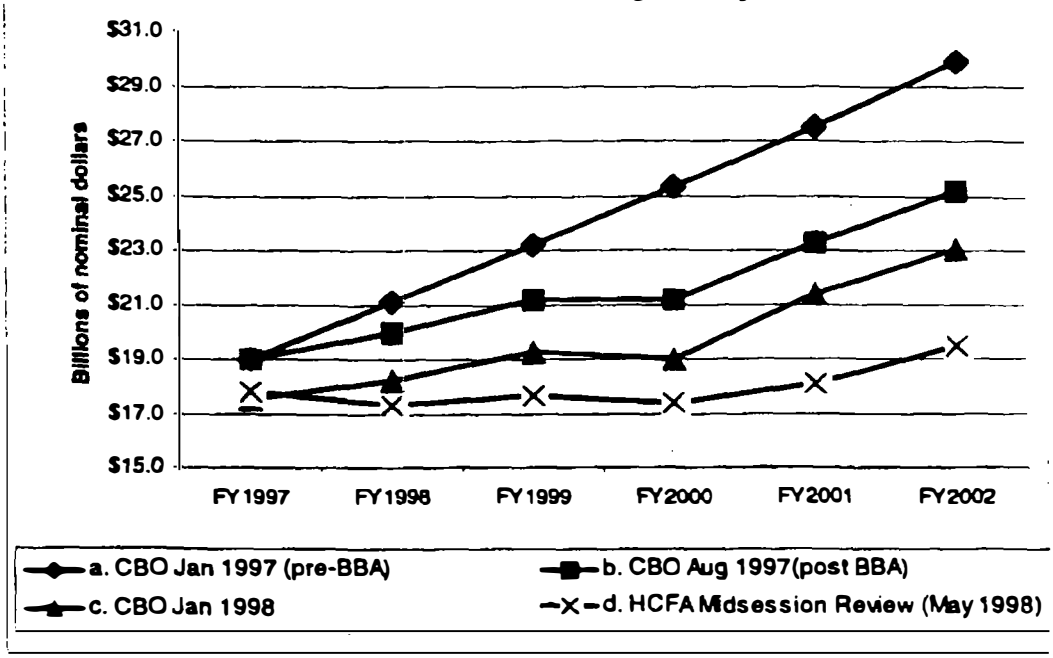
Source: Unpublished data from the Health Care Financing Administration, Office of the Actuary (June 1998).

Table 1
Alternative Projections of Medicare Home Health Payments
(amounts in billions of nominal dollars)

	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY98-02
CBO 1997 baseline (pre-BBA)[1]	$19.0	$21.1	$23.2	$25.3	$27.5	$29.9	$127.0
Average annual percent change		11.1%	10.0%	9.1%	8.7%	8.7%	9.1%
CBO post-BBA using 1997 baseline[2]	$19.0	$20.0	$21.2	$21.2	$23.3	$25.2	$110.9
Average annual percent change		5.3%	6.0%	0.0%	9.9%	8.2%	5.9%
CBO 1998 baseline (post-BBA)[3]	$17.5	$18.2	$19.3	$19.0	$21.4	$23.1	$101.0
Average annual percent change		4.0%	6.0%	-1.6%	12.6%	7.9%	6.1%
HCFA mid-session review (post-BBA)[4]	$17.8	$17.3	$17.7	$17.4	$18.1	$19.5	$89.9
Average annual percent change		-2.8%	2.3%	-1.7%	4.0%	7.7%	3.0%

[1] Congressional Budget Office, *Economic and Budget Outlook: Fiscal Years 1998-2007*, January 1997.
[2] CBO Memorandum on the impact of the Balanced Budget Act of 1997 dated August 12, 1997.
[3] Congressional Budget Office, *Economic and Budget Outlook: Fiscal Years 1999-2008*, January 1998.
[4] Unpublished data from the Health Care Financing Administration, Office of the Actuary (May 1998).

Figure 1
Alternative Home Health Budget Projections



In developing their projections, both CBO and HCFA use historical trends in utilization (i.e., the percent of beneficiaries using home health services), intensity (i.e, the number of visits per user) and payments (i.e., reimbursement per visit), as well as any expected impact of legislation and other relevant factors. Since the 1997 baseline projections for both organizations, data concerning the change in Medicare home health payments between 1996 and 1997 became available. These data showed a marked decline in the rate of growth that appears to be primarily related to fewer home health users between 1996 and 1997 (see Figures 2 and 3). As a result, the fiscal year 1997 starting point for the 1998 baseline estimates are $1.2 to $1.5 billion lower than the 1997 baseline estimates.

CBO and HCFA also appear to project a differing impact as a result of the Home Health Interim Payment System (IPS) for fiscal years 1998 and 1999 and the PPS for fiscal year 2000 and beyond. CBO still expects Medicare home health payments to increase four to six percent under the IPS, while HCFA projects a 2.8 percent decline from fiscal year 1997 to 1998 and only a 2.3 percent increase to fiscal year 1999. CBO and HCFA project a similar percentage decline in Medicare home health payments during the first year of the PPS (FY2000) and for FY2002, however, CBO expects a 12.6 percent increase in payments between FY2000 and FY2001, while HCFA projects a four percent increase.

The cumulative effect of the differences in the estimates results in total projected post-BBA Medicare home health payments during the period fiscal years 1998 to 2002 ranging from $89.9 billion (HCFA mid-session review) to $110.9 (CBO 1997 baseline BBA estimates). While it is difficult to disentangle the BBA effects and the baseline reduction, comparing the CBO 1997 and 1998 post-BBA estimates indicates that CBO's reduction in their 1998 baseline resulted in a $9.9 billion reduction in projected post-BBA home health payments ($110.9 billion compared to $101.0 billion).

The assumptions behind the projections from HCFA and CBO often differ, therefore it may be inappropriate to compare the HCFA mid-session review with the 1998 CBO baseline estimate.

DRAFT

BUDGETARY IMPACT OF IPS ON THE MEDICARE HOME HEALTH BENEFIT

* **Home care spending has slowed more than Congress intended.** Congress was prompted to enact the Medicare home health interim payment system (IPS) in the Balanced Budget Act of 1997 (BBA), based on budget estimates from the Congressional Budget Office (CBO) that projected 13.8% growth in home health outlays in FY 1997 and similar high rates of growth in future years. An updated projection of Medicare outlays by the CBO indicates that in FY 1997, prior to passage of the BBA, home health expenditures actually increased by only 4.8%. Moreover, in last year's midsession review HCFA projected that home health outlays in FY1998 would actually decline by about 3%, rather than grow by 4% as CBO predicted. Since home health reimbursements have been reduced an average of 31%, we can expect that the decline in spending will ultimately be even more dramatic.

* **When Congress passed the BBA, Members believed they were voting for a modest reduction in the rate of growth of home care, not slashing the benefit itself.**

* **CBO's baseline last year projected home health spending will be reduced by $26 billion over five years (FY98-FY02), $9.9 billion more than the BBA target of $16.1 billion in savings from home health spending reductions.**

* **HCFA's midsession review projected home health spending will be reduced by $37 billion over five years, $21 billion more than Congress targeted for home health in the BBA.**

* **Because CBO unfairly uses a two-thirds behavioral offset when scoring home health issues, there is convincing evidence that the BBA will reduce home health spending by more than $48.3 billion (3 x BBA target of $16.1 billion) over five years, at least $32.2 billion more than Congress targeted for home health in the BBA.** This two-thirds offset is not applied to any other Medicare benefit and the Small Business Administration, in a written statement, concluded that there is no factual basis for it. The offset assumes that home health agencies, with the imposition of severe restrictions on per visit costs and number of visits per patient under IPS, will "game" the system by substantially increasing the number of home health patients. Preliminary data from the Medicare intermediaries and reports from Medicare home health providers indicate that the home health patient census since implementation of IPS has not increased.

* **The CBO baseline for home health spending is in a downward spiral that will**

DRAFT

culminate in ruinous cuts in the home health benefit and severely restrict access to home health. Last year, any legislative fixes to the problems caused by IPS were required to ensure savings of $26 billion over five years to be scored budget neutral. This year, if HCFA's midsession review is accurate, the required savings will be $37 billion. This downward spiral will continue until the baseline will require savings of over $50 billion for FY98-02 to score budget neutral. Something must be done now, such as establishing by statute the current baseline as the target for home health spending cuts, to stop the hemorrhaging in the home health benefit.

* **Since the reductions in home health spending are making a substantial contribution to the surplus, Congress should consider financing reform of IPS out of this surplus.** According to last year's baseline, home health contributed $9.9 billion to the FY98-02 surplus, unintended savings that resulted from the cumulative impact of the 1997 pre-BBA slowdown in home care growth. If HCFA's predictions bear out, the FY 99 baseline will show an additional $11.1 billion home health spending cut for FY98-02 resulting from IPS.

January 10, 1999

Some Credit for Those Who Must Give Care

Related Articles
- The New York Times: Your Money

Forum
- Join a Discussion on Career and Workplace Issues

By ROBERT PEAR

WASHINGTON -- Carol Levine has been caring for her husband, Howard, at home since 1990, when their car skidded on an icy highway in upstate New York and crashed into a guardrail, leaving him with a traumatic brain injury.

While Levine, 71, is mentally alert, he is confined to a wheelchair, cannot feed himself or turn the pages of a magazine. He seldom leaves the couple's Manhattan apartment.

The Levines pay $100 a day for a home-care attendant while Mrs. Levine is at work, but that does not include the cost of physical therapy or medical supplies.

So Mrs. Levine was pleased last week when President Clinton proposed a tax credit of $1,000 a year for people with chronic illnesses or disabilities who need long-term care.

Mrs. Levine, 63, is one of millions of Americans who care for close relatives at home. She also works at the United Hospital Fund of New York, as director of a project that aims to improve the quality of such services.

"The tax credit will be a welcome benefit, a tangible benefit, for many people," she said. "It also has a lot of symbolic value, showing the government's support for a type of work that imposes a tremendous emotional and psychological burden on people."

The White House said the tax credit, if approved by Congress, would help two million people, at a cost of $5.5 billion in the next five years. The proposal won praise from the American Association of Retired Persons, the Older Women's League, the March of Dimes, the nursing home industry, the insurance industry and Republicans in Congress. So its political prospects appear bright.

For many years, the federal government has allowed workers to claim a tax credit for child-care expenses, but they generally may not count payments to spouses or their children under the age of 19. By contrast, Clinton's proposed tax break would be available to people caring for their own relatives, including parents and children who have chronic illnesses and disabilities.

While the measure would provide some financial relief to many middle-income Americans, public-policy specialists doubted that it would do much to encourage more people to care for relatives because the cost of doing so can easily run to tens of thousands of dollars a year. That is especially true now that sophisticated services, like intravenous therapy, can be provided at home.

"The president's proposal sends a message that he cares, but I'm not sure that the amount, which averages less than $3 a day, will make much difference," said Andre P. Fogarasi, managing director of federal tax services at Arthur Andersen.

The government, he said, would get "more bang for the buck" if it offered a similar tax credit to help people buy private insurance to cover the costs of long-term care.

Clinton did acknowledge the value of such insurance. He proposed that the government make it available to federal employees and retirees at negotiated group rates, but the government would not subsidize the premiums.

Karen Davis, a health policy expert who is president of the Commonwealth Fund in New York, said she would prefer to see the government spend the $5.5 billion on improvements in coverage of home health services under **Medicare**.

That way, she said, the government could channel the money to lower-income people who most need the assistance and could more easily set and enforce "quality standards and basic safety requirements."

But the tax proposal is probably easier to get through Congress, which shuns new spending programs these days.

Families claiming the proposed new credit would not have to collect receipts to document their expenses, but would simply have to get a doctor to certify that the person receiving long-term care was unable to perform three or more basic tasks of everyday life, like bathing, dressing and eating.

The White House says the tax credit would benefit 1.2 million elderly people, 550,000 younger adults and 250,000 children. Three-fourths of the people claiming the credit would be spouses or other relatives tending people who need long-term care.

People could not take advantage of the tax credit if their incomes were so low they did not have to pay taxes. Indeed, in a description of the proposal, the administration says, "Almost all recipients are middle class" -- but not necessarily wealthy. About 75 percent of elderly taxpayers have incomes below $50,000, it said, and a survey found that 40 percent of "family caregivers" had household incomes less than $30,000 a year.

Thomas J. Jackson, a tax partner at Deloitte & Touche in Chicago, said the tax credit was "a great proposal that will help many people defray part of the cost of caring for relatives." But he observed that the credit would be unavailable to people with incomes above certain levels -- $130,000 for couples and $95,000 for individuals.

Under federal law, taxpayers may already take deductions for medical expenses that exceed 7.5 percent of adjusted gross income. Some taxpayers, including middle-income people with high expenses for long-term care, may find the deduction more advantageous than the credit.

So, tax experts say, if Congress approves the proposal, many families should compute their tax returns both ways, to see which tax break is more beneficial.

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Fixing Medicare: Light at a Tunnel's End

By MICHAEL M. WEINSTEIN

WASHINGTON -- A tense exchange last week between two liberal members of the National Bipartisan Commission on the Future of Medicare moved the group toward a dramatic agreement. The members agreed to develop a plan to radically revamp Medicare by giving its beneficiaries a fixed sum of money to buy private or public insurance. In short, the use of vouchers -- something liberals have shunned in education -- might be good for Medicare.

Bruce Vladeck, a former administrator of Medicare, who is a staunch defender of the basic fee-for-service plan, began the debate by proposing that Medicare officials get stronger powers to restrict some medical practices, to negotiate fees and to favor participation by some physicians over others.

A dissenting member, Stuart Altman, a Brandeis University professor, argued that Vladeck's proposals might result in excessive governmental control. He could support them only if Medicare moved to a system of competing public and private health plans that would give the beneficiaries attractive ways to opt out of the traditional government program. .

Vladeck eventually chose Altman's competitive model, which put him in temporary alliance with at least 10 other commissioners; 11 votes from among the commission's 17 members are needed to forward a recommendation to Congress.

But the consensus may be more illusory than real. Much more has to be agreed on before Vladeck, Altman and other Democratic appointees will agree on a voucher plan to send to Congress.

Medicare, primarily a fee-for-service health plan serving about 40 million elderly, pays nearly any bill submitted by any doctor on behalf of any enrollee. There is little supervision of physician care. The system excludes prescription drugs and other benefits routinely provided by private insurance plans but does not hold down costs. As the baby boomers begin to retire, Medicare costs are expected to soar to about 5 percent of aggregate income by 2020 from about 2.5 percent today

Aiming to change all that are eight Republican appointees of the advisory commission along with its chairman, Sen. John Breaux, D-La., and Sen. Bob Kerrey, D-Neb. They envision Medicare as a health care system similar to the one covering federal employees, who can choose from many insurance plans. Under one version, the beneficiaries would in effect receive a voucher enabling them to enroll in either the traditional government plan or in a private managed-care plan. Each plan would offer an identical package of core benefits.

The tricky step is assigning a dollar value to the voucher. Many economists favor plans setting their own premiums. Then the government would pay a certain amount, say, 75 percent of the cost of the average plan. The beneficiaries would pay the remaining 25 percent, receiving rebates if they chose inexpensive plans. Under some versions, the government would provide subsidies for low-income families.

This voucher system -- which proponents call premium support -- is designed to encourage innovation and to pressure plans to keep their premiums low. Proponents point out that this plan exposes the beneficiaries to little risk because it ties the dollar value of the voucher to the premiums that health plans actually charge in the market. That way, the voucher will not fall below the amount that families need to buy the government-mandated benefits.

Vladeck and some of the other Democratic appointees disagree. They are skeptical that private plans will be affordable to moderate income families or that the government can adequately supervise the market.

Deborah Steelman, a Republican appointee, says that the commission will have to save enough money to cover the future deficit in the current program and save more money to pay for any new benefits that the commission adds. Democratic appointees worry that the savings cannot be achieved without depriving the beneficiaries.

The Republicans have so far refused to consider raising taxes to pay for any new benefits. Ms. Steelman cites the ugly backlash in 1989 after Congress taxed every beneficiary in order to add benefits that many elderly already received from their former employers. The uproar forced Congress to repeal the new benefits.

But the Democrats say the only way to make adequate health benefits universal is to make them mandatory. Vladeck and Altman are unlikely to approve a voucher plan that lacks sufficient revenues for drugs and other essentials and fails to cover low-income families. They lean toward raising taxes.

There are many other potential sources of dispute. Should the commission close some of the future deficit by raising the age of eligibility? And how will it encourage private plans to cater to AIDS patients and others requiring expensive care? So what seemed like an easy consensus last week could quickly break down. The commission may wind up agreeing only to small-bore fixes that would keep the program solvent for a few more years. And even if it does propose a radical overhaul, Congress might not go along.

Yet something of potential importance occurred last week. Vladeck and other defenders of the current system know they cannot make traditional Medicare work well unless Congress gives it the power so long withheld. But, Altman says, the road to the best fee-for-service plan possible runs right through the voucher system.