

FAX TRANSMISSION

HEALTH CARE FINANCING ADMINISTRATION

Office of Legislation
Washington, D.C. 20201
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To: Chris Jennings **Date:** June 23, 1999
Fax #: 456-5557 **Pages:** 4, including this cover sheet.
From: Julie Salz
Subject: MedPAC Testimony on Ernst & Young and Lewin reports, HCFA q&a

COMMENTS:

Per your request to Bonnie

At the same time, MedPAC recognized several factors pointing to the need for caution in specifying future updates, including emerging evidence that the decade-long trend in rising case mix complexity, which automatically increases PPS payments, may be subsiding. We also questioned whether the unusually low rate of hospital cost inflation observed in recent years can be sustained without adverse effects on quality of care. With these factors in mind, we concluded that the operating update for FY 2000 enacted in BBA—1.8 percentage points less than the increase in HCFA's operating market basket index—will provide reasonable rates. (Under current forecasts, that would be an update of 0.9 percent.) MedPAC's recommendation took into account part, but not all, of the cumulative reduction in costs per case due to shifts in the site of care.

*MedPAC Testimony, Senate Finance Committee,
June 10*

 Since MedPAC made its recommendation in March, the hospital industry has issued several reports projecting the impact of the BBA on hospital revenues and margins. These reports contain new projections but no new data. In response to congressional requests, MedPAC staff have analyzed these studies and found that all of them project a more adverse impact of the BBA than we believe to be the case. Some present a particularly inaccurate picture of the impact in FY 1998 by assuming a rate of increase in costs that substantially exceeds what we already know has occurred. Data from the American Hospital Association's National Hospital Panel Survey suggest that when complete Medicare cost report data become available, we will again see a decline in Medicare cost per discharge for FY 1998, the fifth year in succession.

Although we believe that these reports overstate to some degree the impact the BBA will have on hospital margins, the overall direction of that impact is correct. The law has thus reversed a six-year trend of Medicare payments rising more rapidly than the costs of treating Medicare payments. But changes in total margins also reflect developments in the private sector, where HMOs and other payers have continued to exert strong downward pressure on hospital revenue flows. As Medicare tightened its payment policies in 1998, the combined pressure on revenues has caused the financial distress that hospitals are currently experiencing.

Projections of margins also need to be interpreted with caution. Because hospitals will respond to financial pressures, MedPAC views projected margins only as a gauge of the pressure that Medicare payment policies will impose on hospitals but not as a prediction of what will occur. Evaluating whether those responses affect quality and access to care will be just as important as measuring financial performance. MedPAC has seen no evidence that the changes to date have affected either quality or access in the inpatient sector, but we will continue to monitor developments.

Outpatient hospital services

In addition to changes in payments for inpatient services, the BBA also enacted major changes in Medicare's payments for services provided in hospital outpatient departments. It eliminated the so-called formula-driven overpayment under which Medicare's payments did not correctly take into account the effect of beneficiaries' cost sharing and extended the reduction in payments for

Q. Both Lewin and Ernst & Young came out with reports on the impact of the BBA on hospitals. What is HCFA's position on these studies?

A. HCFA is still in the process of analyzing both the Lewin and Ernst & Young studies. However, after a preliminary review, HCFA believes that there are many methodological problems with the studies. As you may know, MedPAC released an analysis of the Ernst & Young report that also questioned the methodology used. We will continue to evaluate these studies and keep you abreast of our progress.



FAX COVER SHEET
OFFICE OF LEGISLATION



Number of Pages: C+14

Date: 6-23

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REMARKS: REVISED PER YOUR REQUEST

HEALTH CARE FINANCING ADMINISTRATION

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JUN 23 1999 17 38 HCFH LEGISLATION 410 203 5157 P.02/15

MEDICARE REFORM PLAN: IMPLICATIONS FOR PHYSICIANS

SURPLUS

Surplus for Medicare: Extending the life of the Medicare trust fund helps providers because it lessens the need for radical payment reductions that would otherwise be required. To extend the life of the trust fund without the surplus financing, Medicare provider payments in Part A would have to be reduced by almost \$200 billion over 10 years – and hundreds of billions more in the outyears.

Legislative

Set-aside funding for modifications of BBA (legislative; \$7.5 billion over 10 years). The plan would create a set-aside stream of funding to be used to make appropriate and justified modifications to BBA policies. This set-aside, totaling \$7.5 billion over 10 years, is funded in the context of the reform plan, but its uses are not specified. We want to work with Congress, Congressional advisory commissions, provider and beneficiary groups to assess what policies would be most focused to address problems in a fiscally responsible way.

Improvements to the physician sustainable growth rate (legislative; no cost). The President's FY 2000 budget/legislative program, which was submitted in February 1999, contains a legislative proposal for a budget-neutral technical amendment to fix a number of problems with the physician sustainable growth rate (SGR). The SGR is a target rate of growth for Medicare physicians' services which was legislated in BBA.

The problems and solution are highly technical. As a result of some design flaws, Medicare updates for physicians' services are expected to oscillate between large increases and large decreases. In addition, the SGR cannot be revised to correct for estimation errors.

The physician community has argued strongly that they believe we have the existing authority to correct for estimation errors in the SGR. They believe that the 1999 and 2000 updates were lower than what they would have been by at least 1 percent in each year if we corrected for projection error. The HHS General Counsel has indicated that we cannot fix this problem under current law. Thus, we have submitted a legislative proposal to fix all the SGR problems in a budget-neutral manner.

OUT-YEAR CHANGES

There are no provider payment reductions for physicians in the plan.

MEDICARE REFORM PLAN: IMPLICATIONS FOR HOME HEALTH AGENCIES

SURPLUS

Surplus for Medicare: Extending the life of the Medicare trust fund helps providers because it lessens the need for radical payment reductions that would otherwise be required. To extend the life of the trust fund without the surplus financing, Medicare provider payments in Part A would have to be reduced by almost \$200 billion over 10 years – and hundreds of billions more in the outyears.

EARLY-YEAR CHANGES

Administrative

Extending time for repayment of overpayments (administrative; no cost). The President's plan increases the time for repayment of overpayments related to the interim payment system from one year to three years, with interest. Currently, home health agencies are provided with one year of interest-free extended repayment schedules. This will alleviate cash flow problems some home health agencies are facing as a result of the interim payment system.

Modifying the requirements for surety bonds (administrative; no cost). In addition, the plan postpones the requirement for surety bonds until October 1, 2000, when the new home health prospective payment system will be implemented. This will help ensure that overpayments related to the interim payment system will not be an obstacle to agencies obtaining surety bonds. Also, agencies will be required to obtain bonds of only \$50,000, not 15 percent of annual agency Medicare revenues as was proposed earlier.

Legislative

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OUT-YEAR CHANGES

There are no provider payment reductions for home health agencies in the Plan.

MEDICARE REFORM PLAN: IMPLICATIONS FOR SKILLED NURSING FACILITIES

SURPLUS

Surplus for Medicare: Extending the life of the Medicare trust fund helps providers because it lessens the need for radical payment reductions that would otherwise be required. To extend the life of the trust fund without the surplus financing, Medicare provider payments in Part A would have to be reduced by almost \$200 billion over 10 years – and hundreds of billions more in the outyears.

EARLY-YEAR CHANGES

Administrative

Refining resource utilization groups (administrative; no cost). We know that there are concerns that the PPS does not fully reflect the costs of non-therapy ancillaries such as drugs for high acuity patients. We share these concerns and are conducting research that will serve as the basis for refinements to the Resource Utilizations Groups (or "RUGs") that we expect to implement next year. We know, too, that we will need to periodically evaluate the system to ensure that it appropriately reflects changes in care practices and in the Medicare population. HCFA has also asked the HHS Inspector General to interview hospital discharge planners about whether they are having difficulty placing beneficiaries in nursing facilities or home health.

The statute for the SNF PPS is very restrictive. The law requires use of 1995 as a base year, and implementation by July 1, 1998 with a three year transition. It did not allow for exceptions to the transition, carving out of any service, or creation of an outlier policy. We are carefully reviewing the possibility of making administrative changes to the PPS, but we believe we have little discretion.

Some have advocated for changing the index HCFA uses to update SNF payments from the market basket to the Producer Price Index (PPI). The PPI is a relatively new measure and is volatile. While the PPI was higher than the market basket last year, it is likely to fall below the market basket in the coming years. The PPI measures for hospitals and home health are already lower than these providers' respective market baskets.

Legislative

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Congress, Congressional advisory commissions, provider and beneficiary groups to assess what policies would be most focused to address problems in a fiscally responsible way.

OUT-YEAR CHANGES

There are no provider payment reductions for skilled nursing facilities in the Plan.

MEDICARE REFORM PLAN: IMPLICATIONS FOR HOSPITALS

SURPLUS

Surplus for Medicare: Extending the life of the Medicare trust fund helps providers because it lessens the need for radical payment reductions that would otherwise be required. To extend the life of the trust fund without the surplus financing, Medicare provider payments in Part A would have to be reduced by almost \$200 billion over 10 years – and hundreds of billions more in the outyears.

EARLY-YEAR CHANGES

Administrative

Delaying expansion of hospital transfer policy (administrative; \$1.6 billion over 10 years). The BBA reduced payments to hospitals that transfer patients to another hospital or unit, skilled nursing facilities (SNF), or home health agency after a shorter than average length of stay. This policy has been implemented for the 10 Diagnostic Related Groups (DRGs) with the highest rates of discharge. This action would delay the implementation of this transfer policy in all DRGs for 2 years.

Transition to outpatient department prospective payment system (administrative; no cost). Under the BBA, a new prospective payment system (PPS) would be implemented for outpatient departments in 2001. HCFA estimates that certain hospitals could have a large loss in payments (e.g., a rural hospital reduction of 15 percent; teaching hospital reduction of 10 percent; cancer hospital reduction of 30 percent). The Administration is proposing to limit these losses through a 3-year, budget-neutral transition.

Delay implementation of outpatient department “volume control mechanism” (administrative; no cost). The new prospective payment system for hospital outpatient departments required Medicare to develop a mechanism to ensure that the PPS does not lead to unnecessary increases in volume that offset the savings from the PPS. The Administration will delay the implementation of this volume control mechanism to provide an adjustment period for providers as they become accustomed to the system.

Making it easier for rural hospitals to reclassify as “urban” for payments (administrative; no cost). Right now, facilities can obtain reclassification if the wages they pay their employees are at least 108 percent of the average wages in their rural area, and at least 84 percent of average wages in a nearby urban area. We are planning to change these percentages to ease the restrictions on reclassifications. Additionally, rural hospitals could use the inpatient wage index under outpatient prospective payment system and the Bureau of Labor Statistics would conduct a study of the indexes affecting rural hospital payments (in Daschle’s rural hospital bill).

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Removing disproportionate share hospital (DSH) payments from managed care (legislative; no cost). The plan would include a policy to remove DSH payments from managed care payments and pay the hospitals directly. Supported by the Administration in 1997, this assures that hospitals receive the payments intended by the law.

OUT-YEAR CHANGES

No payment changes until 2003: The plan does not include any extension of BBA savings from providers until 2003, when the Balanced Budget Act (BBA) of 1997 expires.

Higher updates than BBA: Beginning in 2003, policies would be implemented that increase hospital payments in most cases more than the BBA effects in 2002. There would be no DSH cut, as in the BBA. The hospital market basket would be reduced by 1.0 rather than 1.1 (2001 reduction in BBA), and rural hospitals would get an even higher update (-0.5). The PPS hospital capital reduction would be halved.

MEDICARE REFORM PLAN: IMPLICATIONS FOR RURAL HOSPITALS

SURPLUS

Surplus for Medicare: Extending the life of the Medicare trust fund helps providers because it lessens the need for radical payment reductions that would otherwise be required. To extend the life of the trust fund without the surplus financing, Medicare provider payments in Part A would have to be reduced by almost \$200 billion over 10 years – and hundreds of billions more in the outyears.

EARLY-YEAR CHANGES

Administrative

Delaying expansion of hospital transfer policy (administrative; \$1.6 billion over 10 years). The BBA reduced payments to hospitals that transfer patients to another hospital or unit, skilled nursing facilities (SNF), or home health agency after a shorter than average length of stay. This policy has been implemented for the 10 Diagnostic Related Groups (DRGs) with the highest rates of discharge. This action would delay the implementation of this transfer policy in all DRGs for 2 years.

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MEDICARE REFORM PLAN: IMPLICATIONS FOR TEACHING HOSPITALS

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Administrative

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MEDICARE REFORM PLAN: IMPLICATIONS FOR MANAGED CARE PLANS

The President's Medicare plan is designed to increase competition within the Medicare program by:

Giving HCFA additional private sector purchasing tools that will allow it to become a more prudent purchaser of health care, and

Introducing price competition into the Medicare+Choice program so that both beneficiaries and Medicare can reduce the amount they pay for benefits provided by Medicare+Choice plans.

These changes will help ensure beneficiary access to quality care while maintaining the discipline of the BBA that is essential to protecting Medicare's future.

Under the President's plan, Medicare+Choice plans would annually submit premium bids for the cost of providing Medicare services. Medicare would pay each plan based on the plan's bid relative to Medicare fee-for-service costs:

For plans that bid at the Medicare fee-for-service level, Medicare would pay 85 percent of the plan's premium and the beneficiary would pay the remainder.

For plans that bid lower than the Medicare fee-for-service level, beneficiaries would get 75 percent of the savings from the lower bid and Medicare would get 25 percent of the savings. This arrangement gives beneficiaries financial incentives to choose more efficient plans.

For plans that bid above the Medicare fee-for-service level, Medicare would pay 85 percent of the Medicare fee-for-service cost in the area toward the plan's premium and the beneficiary would pay the remainder.

The President's new payment structure for the Medicare+ Choice program will be fairer to beneficiaries, Medicare+Choice plans and Medicare.

Beneficiaries will be able to reduce their Part B premiums by choosing more efficient health plans. Efficient Medicare+Choice plans will be able to provide the guaranteed Medicare benefits plus lower cost sharing for a premium below the current Part B premium. Beneficiaries who today are receiving additional benefits from their Medicare+Choice plans can continue to do so, by using some of their Part B savings to purchase supplemental benefits from their Medicare+Choice plan.

The new payment plan also addresses many of the concerns raised by Medicare+Choice plans about the current payment arrangement. The new arrangement:

Relies on competitive bidding rather than administered pricing. Plans will be able to bid whatever premium they feel is appropriate for the Medicare benefits, capped at 97 percent of Medicare fee-for-service costs. This "cap" is higher than the effective payment level for Medicare+Choice plans today. Under this new system, efficient plans will be able to offer more choices of savings and additional benefits to beneficiaries than they do today.

Restores full geographic adjustment in higher cost areas while retaining enhanced payment rates in lower-cost areas. Under the current system, payment rates in historically higher cost areas have been reduced so that rates in lower-cost areas can be enhanced. These "blended" rates have reduced the amounts available in urban and other higher-cost areas, with rates often increasing at only 2 percent per year.

Adds a prescription drug benefit to the defined Medicare package for all beneficiaries, including beneficiaries in Medicare+Choice plans. Including drugs as a Medicare benefit will mean that plans will receive a higher payment from Medicare for providing drug coverage. Due to rising drug costs, plans recently have expressed concern that they may not be able to continue to provide drug coverage under the current Medicare+Choice payment arrangement. The payment arrangement will assure that plans will be able to continue to provide a basic drug benefit. Plans also will be able to offer to supplement the Medicare defined drug benefit if they wish to do so.

Bases the level of payment to Medicare+Choice plans on the fee-for-service costs in each area. This assures that the payments available to Medicare+Choice plans will increase as fast as Medicare fee-for-service (many areas are now seeing payments increasing at only 2 percent per year).

MEDICARE REFORM PLAN: IMPLICATIONS FOR PHARMACY BENEFIT MANAGERS

The President's Medicare plan is designed to strengthen and protect Medicare for the future. It will ensure adequate financing of the program and extend the life of the Trust Fund, include a new prescription drug benefit, and give Medicare the ability to use private sector purchasing tools to better manage the program.

Prescription drugs have become an essential part of health care today. The correct use of prescription drugs can reduce hospitalizations, prevent and manage disease, and dramatically improve the quality of life.

The new prescription drug benefit included in the President's Medicare plan uses private sector competition to offer choice, encourage innovation, negotiate the best prices and ensure access to drugs for Medicare beneficiaries.

Specifically, the benefit relies on the experience and purchasing power of pharmacy benefit managers that have simplified administration and contained drug costs.

The prescription drug benefit will be privately run through a set of pharmacy benefit managers. The contracted PBM will be paid a fee for managing the benefit, with some incentives to control cost and utilization. In general, however, the government would retain the risk for the cost and utilization of services under the benefit.

The benefit will include minimal direction from the federal government and would allow the PBMs to use various cost containment tools in administering the program. The plan will include no government mandates beyond a basic minimum package.

This plan will increase the number of lives covered by PBMs while not restricting the PBMs' ability to negotiate with drug manufacturers and will allow PBMs to continue to gain savings by educating physicians and patients to select appropriate, affordable, and safe and effective drugs.

The prescription drug benefit will vastly improve the quality of care that Medicare provides to its beneficiaries by not requiring them to choose between drugs and other necessities. Also, the drug benefit, if properly administered by a PBM or other entity, will decrease drug-drug interactions and hospitalizations.

MEDICARE REFORM PLAN: IMPLICATIONS FOR DRUG MANUFACTURERS

The President's Medicare plan is designed to strengthen and protect Medicare for the future. It will ensure adequate financing of the program and extend the life of the Trust Fund, include a new prescription drug benefit, and give Medicare the ability to use private sector purchasing tools to better manage the program.

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The new prescription drug benefit included in the President's Medicare plan uses private sector competition to offer choice, encourage innovation, and ensure access to drugs for Medicare beneficiaries.

Specifically, the benefit creates access to prescription drugs for all Medicare beneficiaries, including the approximately 14 million that do not currently have any type of prescription drug coverage. The benefit relies on pharmacy benefit managers to continue to negotiate fair prices with drug manufacturers rather than on price controls.

Medicare beneficiaries are large consumers of prescription drugs. However, with numerous employers and insurers dropping their drug coverage, many beneficiaries have decreased their drug consumption due to the lack of insurance. This benefit will ensure that beneficiaries have access to prescription drugs and that drug manufacturers do not lose their current volume.

The benefit will include minimal direction from the federal government and will allow drug manufacturers to negotiate with pharmacy benefit managers much as they do today, without any additional price controls.

This benefit will allow drug manufacturers to continue to conduct their research and develop the latest technology while ensuring that Medicare beneficiaries have access to that technology.

The prescription drug benefit will vastly improve the quality of care that Medicare provides to its beneficiaries by not requiring them to choose between drugs and other necessities. Also, the drug benefit, if properly administered by a PBM or other entity, will decrease drug-drug interactions and hospitalizations.

MEDICARE PLAN SCORING: FINAL
(Dollars in billion, FY)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
DRUG BENEFIT: 50% up to \$5,000	0.0	0.0	5.0	11.0	12.6	14.1	16.0	17.7	19.7	21.8	28.6	117.9
50% Premium			\$24	\$25	\$31	\$32	\$38	\$39	\$44	\$47		
SAVINGS												
Managed Care Reform	0.0	0.0	0.0	0.1	-0.4	-1.0	-1.4	-1.7	-1.9	-2.1	-0.3	-8.4
Traditional Medicare Modernization	0.0	-0.3	-1.0	-1.6	-2.4	-3.4	-3.6	-3.9	-4.1	-4.4	-5.3	-24.7
Provider Savings	0.0	0.0	0.0	-1.3	-2.8	-4.4	-5.8	-7.8	-10.0	-12.2	-4.1	-44.3
Provider Set-Aside	0.4	1.7	1.0	0.7	0.5	0.5	0.6	0.6	0.7	0.7	4.3	7.4
Cost Sharing	0.0	0.0	-0.4	-0.7	-0.8	-0.9	-1.1	-1.2	-1.4	-1.6	-1.9	-8.1
Income-Related Premium											0.0	0.0
Interactions	0.0	0.0	0.0	-0.1	0.2	0.3	0.3	0.4	0.6	0.6	0.1	2.3
Premium Offset	-0.1	-0.1	0.0	0.1	0.3	0.5	0.5	0.6	0.8	0.8	0.2	3.4
TOTALSAVINGS	0.3	1.3	-0.4	-2.8	-5.4	-8.4	-10.5	-13.0	-15.3	-18.2	-7.0	-72.4
TOTAL SURPLUS	5.1	1.5	16.4	13.5	13.9	16.4	36.0	64.6	88.1	118.1	50.4	373.6
Surplus for Solvency	4.8	0.2	11.8	5.3	6.7	10.7	30.5	59.9	83.7	114.5	28.8	328.1
Surplus for Drugs	0.3	1.3	4.6	8.2	7.2	5.7	5.5	4.7	4.4	3.6	21.6	45.5

Part A Trust Fund Effect: 2032



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6.30.99

TO:

Chip J. J. J.

FAX #:

456-555

FROM:

Gerald M. Shea

Assistant to the President for Government Affairs

Number of Pages (including cover sheet):

2

COMMENTS:

FYT - our mobilization plan!
We may be complaining, but we're
also working.

AN IMPORTANT MESSAGE FROM YOUR UNION

CALL 1-877-722-7494 TODAY

**STRENGTHEN
Social Security
and Medicare**

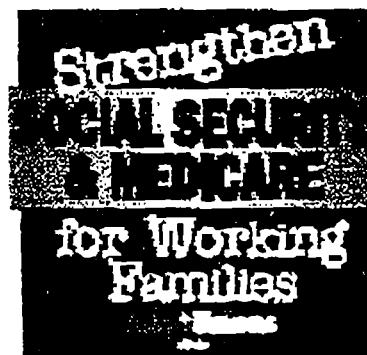
**Or Give a
TAX CUT
to the Rich?**

Our members of Congress are about to make a big decision: strengthen Social Security and Medicare—or pass a tax cut that's likely to go mostly to the rich.

President Clinton just proposed using the federal budget surplus to strengthen Medicare with a prescription drug benefit for all older Americans and to shore up Social Security to provide guaranteed, lifelong family security for generations to come.

The Republican leadership in Congress would rather starve our nation's most important family protection programs by using the surplus for a big tax cut.

Urge your members of Congress to choose Social Security and Medicare with a prescription drug plan over a tax cut. Call today and tell them to vote against the tax cut that will rob America's family security.



Call toll-free 1-877-722-7494 today!

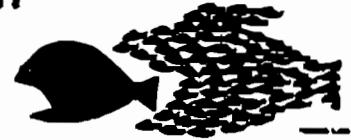
**CENTER ON DISABILITY AND HEALTH**

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**Facsimile Transmittal Form****Date:**June 25, 1999**Receiver's FAX#:**456-5557**To:**Chris Jennings**Company:**White House**Department:**Health Advisor**Number of pages:**
(including cover sheet)2**From:**Bob Green**Description and Message:**

**CENTER ON DISABILITY AND HEALTH**

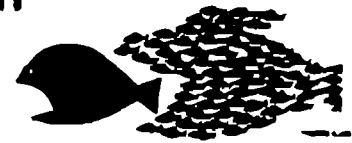
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bgrisscdh@aol.com



DATE: June 25, 1999

TO: Gene Sperling, (Director, National Economic Council)

FROM: Bob Griss, (Director, Center on Disability and Health
and Co-chair, CCD Health Task Force)

RE: PRIORITIES FOR PRESIDENT CLINTON'S MEDICARE PROPOSAL

You made a good case on Wednesday, in your meeting with representatives of the Consortium for Citizens with Disabilities (CCD's) Health Task Force, that it is important for President Clinton to fulfill his promise of producing a Medicare proposal to safeguard federal surplus funds that would otherwise be used for an election year tax cut that might be popular in the short run but would be lost to the growing financial needs of the Medicare program. We were also pleased to hear your commitment to the goal of preserving the affordability of fee-for-service Medicare which could easily become unaffordable under the Breaux-Thomas premium support proposal.

With 85% of Medicare beneficiaries in Medicare fee-for-service plans, it is crucial that this sector is protected in terms of quality assurance as well as affordability. Despite predictable resistance from hospitals and providers, I think it would be wise to earmark a portion of the federal surplus not only for extending the solvency of the Part A Trust Fund, but also for addressing the long-neglected quality assurance needs of the Medicare fee-for-service side which actually constrains the development of quality assurance on the managed care side. Quality assurance in Medicare managed care can be addressed through conditions for participation in the program, but quality assurance in Medicare fee-for-service may require a federal commitment of a portion of the federal surplus to the collection and reporting of quality performance measurement by all health care providers so that the health care system can begin to reward quality rather than low price.

Since President Clinton's Medicare proposal is not likely to general bipartisan support anyway, when many Republicans would prefer to fulfill their commitment to both a tax cut and to shrinking certain federal capacities, it is important that your Medicare proposal emphasize provisions that would strengthen the Medicare program. Two priorities which you should seriously consider to strengthen the Medicare program are: (1) quality assurance in Medicare fee-for-service, and (2) "reasonable pricing" requirements for prescription drugs, at least that produced with federal money which Congressman Bernie Sanders has proposed in H.R. 626. Both priorities are consistent with your goals of increasing the efficiency, effectiveness, and equity within the Medicare program. I would be happy to assist you in developing these priorities, and in safeguarding the quality of care to Medicare beneficiaries with disabilities who are likely to be vulnerable in a market-driven health care system designed to reward savings, often at the expense of quality for minorities.

cc: Chris Jennings
Jonathan Young

American Medical Association

Physicians dedicated to the health of America



1101 Vermont Avenue, NW
Washington, DC 20005

FAX TRANSMISSION SHEET

Date: 6/29/99
To: Chris Jennings

From: Richard A. Deem
Vice President
Government Affairs
Tel: (202)789-7413

Message: AMA Statement on the President's
Medicare Reform proposal.

Total Pages (including cover sheet): 2

Reply Fax Number: (202)789-4692
Government Affairs

American Medical Association

Physicians dedicated to the health of America



Statement

FOR IMMEDIATE RELEASE

June 29, 1999

Statement attributable to:

D. Ted Lewers, MD
Chair, Board of Trustees

AMA RESPONDS TO PRESIDENT'S MEDICARE REFORM PROPOSALS

Chicago—The American Medical Association is pleased that President Clinton has offered Medicare reform proposals to modernize the program, strengthen its financing and address gaps in coverage with a prescription drug benefit. We look forward to reviewing the details of the President's proposals.

For more than a decade, policymakers have focused on short-sighted provider cuts without undertaking the longer-term reforms necessary to maintain quality and to ensure Medicare's solvency for the future. To help drive the debate, the AMA has advocated its own comprehensive plan to make sure that a strong Medicare program is available for current and future generations of disabled and elderly Americans. Earlier this year, a bipartisan Medicare Commission outlined a number of reform options that also merit careful consideration.

We look forward to working with President Clinton and Members of Congress to build bipartisan support to enact long over-due reforms. Medicare is one of the most complex and politically sensitive issues facing the country. The answers do not come easily. However, we will all pay a greater price if we continue to delay implementation of sound Medicare reforms.

For information, contact:

Linda Stepanich
312/464-2410

515 North State Street
Chicago, Illinois 60610
312 464 4430

THE
CATHOLIC HEALTH
ASSOCIATION
OF THE UNITED STATES

FAX ID NUMBER: 202/296-3997

FACSIMILE TRANSMISSION COVER SHEET

Date: 6/30/99Message From: Jack BreselMessage To: Chris JenningsFax ID Number: 456-5557☐ Urgent Delivery☐ Normal Delivery☒ Number of Pages (Including Cover Sheet)

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PLEASE NOTE OUR NEW ADDRESS!!!! PHONE/FAX NUMBER REMAINS THE SAME

STATEMENT OF THE CATHOLIC HEALTH ASSOCIATION ON PRESIDENT CLINTON'S MEDICARE PROPOSAL

WASHINGTON (June 29) -- The Catholic Health Association of the United States (CHA) applauds President Clinton for his leadership in addressing the critical, but extremely complex, issue of reforming the Medicare program.

During the last 34 years Medicare has been highly successful in achieving affordable health coverage for hundreds of millions of elderly and disabled Americans. It is a government success story! Yet real reform of Medicare is needed to ensure financial stability and solvency and to modernize the program for the new millennium. In addition to necessary structural reforms in benefits and delivery of care, new federal revenues are essential.

"We strongly support efforts by the President to dedicate a portion of the federal budget surplus to Medicare," said Rev. Michael D. Place, STD, CHA's president and chief executive officer. CHA also supports expansion of the Medicare benefit package to reflect the current practice of medicine, which includes a greater reliance on prevention, prescription medications, and chronic care than was the case when the program was created in the 1960s. On a cautionary note, Fr. Place stressed that any new benefit must be balanced with the financial ability of Medicare to sustain the cost of both current and new benefits over time.

"The President's prescription drug benefit proposal is a significant contribution to the Medicare reform debate and would, indeed, respond to very legitimate needs of millions of America's seniors," added Fr. Place. "In particular, we support the President's efforts to make the new drug benefit affordable and available to all beneficiaries -- especially to low-income seniors."

As for the President's proposal to reduce substantially Medicare payments to healthcare providers, Fr. Place explained that "CHA is not supportive of further reductions to providers and is, in fact, greatly disappointed in this aspect of the proposal."

Calling the proposal to cut payments to providers "ill-timed and ill-conceived," Fr. Place questioned "the wisdom of adding even more financial burden to the mission of the nation's healthcare providers." Healthcare facilities across the country, he pointed out, are currently experiencing the severe impact of provisions enacted as part of the Balanced Budget Act of 1997 (BBA). "The fact that the President has proposed a modest amount of additional funding to lessen the BBA impact is welcomed, but does not ameliorate the severity of the BBA reductions."

(MORE)

CHA RESPONSE / ADD 1

To provide *real* relief on the BBA, the President and Congress should immediately:

- ◆ Eliminate the additional 5.7 percent "across-the-board" reduction in payments to outpatient departments proposed by the Health Care Financing Administration (HCFA);
- ◆ Preserve Medicare Disproportionate Share Hospital (DSH) payments for safety-net hospitals; and
- ◆ Adjust the new prospective payment system (PPS) for skilled nursing facilities to reflect the costs of care for medically complex patients.

CHA looks forward to learning more details with regard to the President's proposal and pledges to work with him and Congress to enact true Medicare reform.

"Preserving Medicare is a test of our nation's commitment to the elderly and disabled," Fr. Place emphasized. "The President's proposal responds to that challenge." CHA calls on the President and Congress to act with the same urgency to achieve accessible and affordable healthcare for the nearly 44 million people uninsured.

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The St. Louis-based Catholic Health Association of the United States is the national leadership organization of more than 1,200 Catholic-sponsored facilities and organizations. Founded in 1915, CHA's members make up the nation's largest group of not-for-profit healthcare facilities under a single form of sponsorship. For more information, visit the CHA Web site at www.chausa.org.

News Release

For Immediate Release:
06/29/99

Contact:
Dan Eramian
Charles Craig
(202) 857-0244

Clinton Plan Another Step In Debate That's Critically Important To Seniors And Biotech

(WASHINGTON, D.C., June 29, 1999 — Carl B. Feldbaum, president of the Biotechnology Industry Organization, issued the following statement in response to President Clinton's proposed changes to Medicare and extension of drug benefits to seniors:)

"The debate over Medicare and prescription drug coverage for its beneficiaries is critical to the health of both seniors and the biotechnology industry they count on for new therapies and cures.

"President Clinton's proposal provides a much desired drug benefit to seniors and also appears to acknowledge the need to continue to encourage future biotech drug development for our aging population.

"The president's plan is laudable for its attempt to employ private sector approaches to deliver drug benefits to seniors. It is important that any plan focus on a U.S. strength — market competition — rather than price controls.

"Before we take a position on the president's plan we'll have to see the details. It remains only an outline, complex and nuanced, blending policy and politics. The Clinton administration says it does not favor drug price controls, but we have yet to find out how market-based competition will be maintained.

"Perhaps more troubling is the failure of the president's proposal to cover medicines for the sickest patients with the highest drug costs. It has capped expenditures without stop-loss coverage. Not to add a backstop for seniors' drug expenses leaves them without protection when they need it most.

"From our discussions with the Clinton administration, it is clear that certain provisions of this proposal are not yet set in concrete, much less granite. It will bear serious study and involvement in the weeks and months ahead.

"Any plan which begins the process of imposing direct, or even indirect, government control over drug prices eventually will slow the pace of medical research. Put simply, price controls reduce incentive for support of biotech drug development among private investors, the primary source of the hundreds of millions of dollars required to take a single drug from the laboratory to a patient's bedside.

"Biotech companies, which target the underlying causes of diseases, have a proven track record in developing breakthrough drugs and vaccines. More than 80 biotech medicines are on the market and more than 300 new drugs and vaccines are in late stage clinical trials. Many of them are designed to treat conditions affecting Medicare beneficiaries, such as Alzheimer's and Parkinson's diseases, age-related cancers, heart disease and stroke."

BIO represents more than 850 biotechnology companies, academic institutions and state biotechnology centers in 47 states and 26 nations. BIO members are involved in the research and development of health care, agricultural and environmental biotechnology products.

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Contact: Alicia Mitchell, (202) 626-2339
Carol Schadelbauer, (202) 626-2342

STATEMENT ON PRESIDENT CLINTON'S MEDICARE REFORM PLAN

Dick Davidson
President
American Hospital Association

June 29, 1999

For millions of Americans, Medicare is Social Security against illness and injury. That's why the President is right to dedicate a sizeable portion of the federal budget surplus to shore up the Medicare program. Unfortunately, President Clinton's prescription for Medicare reform potentially exacerbates a major ailment, the devastation inflicted by the Balanced Budget Act on those who care for our elderly, by proposing further cuts.

As caregivers, we recognize that prescription drugs are an important part of treating illness and enhancing wellness, and that many Medicare beneficiaries require assistance in purchasing these medicines. We believe the best course is to help those elderly most in need to purchase necessary medicines. But, before we expand benefits—and make new promises—to Medicare beneficiaries, it is essential that we keep our current promises by preserving access to existing benefits and the ability to deliver on our commitments.

The \$71 billion in Medicare cuts to hospitals Congress enacted in 1997 have shaken the foundation upon which the Medicare program is built. These cuts are causing hospitals to reduce services to our elderly in communities across America. And the full impact of these cuts has yet

(more)

Washington, DC Center for Government and Public Affairs
Chicago, Illinois Center for Health Care Leadership

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325 Seventh Street, N.W.
Washington, DC 20004-2802
(202) 638-1100



Page 2/AHA Statement

to be realized. That's why we are particularly concerned that the President's plan contains further Medicare reductions to hospitals and other caregivers -- chipping away at our ability to provide quality services that our elderly depend on. We are deeply disappointed that the President continues the pattern of cutting payment to hospitals for services when independent analyses have documented that Medicare is paying caregivers substantially less than the costs of providing services.

Instead of further reductions, we need to fix the unintended consequences of the Balanced Budget Act. We commend the President for taking administrative action today to address two major regulatory problems in Medicare. The President's willingness to allocate \$7.5 billion to address the Balanced Budget Act is a start, but we ask that the President work further with Congress to provide additional legislative relief.

We also are concerned about the plan's call for "competitive bidding," which would give federal bureaucrats enormous decision-making authority to restrict the elderly's choice of providers. Giving government the ability to use the enormous economic power that Medicare has could disrupt health care in communities across the country, making the current market power of HMOs pale in comparison.

We call on the President to rethink the decision to cut Medicare payments and look forward to working with both the Administration and Congress to enact balanced Medicare legislation.

###

Clinton Medicare Proposal

Statement From
Jordan J. Cohen, M.D.
President, Association of American Medical Colleges
June 30, 1999

As our nation's elderly population swells dramatically over the next three decades, the need for Medicare to be responsive to the increasing demands for the program's services is of paramount importance. President Clinton's Medicare proposal aims to create just such a program. However, while the Medicare proposal's long-term objectives are laudable, they fall short in their ability to repair the damage already inflicted by the Balanced Budget Act of 1997 (BBA). The Administration's proposal fails to recognize that Medicare beneficiaries need more than just prescription drug benefits, they also need a financially stable system of health care providers, including teaching hospitals, that offer a breadth of quality services.

Teaching hospitals, and many other providers, are hurting now. The BBA cut far more deeply than was originally anticipated. A competitive and efficient Medicare program that provides quality care and supports the training of the best doctors will never be achieved if teaching hospitals—the backbone of our health care system—do not remain strong. Teaching hospitals train most of the country's new physicians and provide over 40% of hospital uncompensated care. If the cuts called for in the BBA continue, some 40% of all major teaching hospitals, nearly 100 institutions, may actually be losing money by 2002. Where will the elderly turn for the latest and most sophisticated services if they are no longer provided at their nearby teaching hospital?

The financial troubles now facing many teaching hospitals, in part, are the unintended consequences of the BBA, which the new Medicare proposal needs to more aggressively address. While President Clinton's proposed provider set-aside of only \$7.5 billion over 10 years is insufficient to ease even the most troublesome BBA provisions, we do appreciate the Administration's plans to pay hospitals directly for the uncompensated care they provide rather than to managed care organizations.

The Association of American Medical Colleges (AAMC) is also concerned that the Medicare proposal would extend some of the BBA provisions beyond 2002, the final year of implementation. The potential for additional Medicare cuts to teaching hospitals could be disastrous.

The AAMC applauds the Clinton Administration's continuing efforts to improve the Medicare program. The Administration's plan to provide long-term financing for Medicare advances this critically important debate. Likewise, the proposal to provide prescription drugs ensures this issue will be central to the ongoing Medicare deliberations. But providers cannot carry the cost burden of these new benefits at a time when they are struggling to maintain their existing services.

The AAMC plans to work closely with the Congress and Administration to create a Medicare program that improves the health of its beneficiaries but does so without jeopardizing the viability of health care providers.

For more information, contact John Parker at 202-828-0975.

##

The Association of American Medical Colleges represents the 125 accredited U.S. medical schools; the 16 accredited Canadian medical schools; some 400 major teaching hospitals, including 74 Veterans Administration medical centers; 87 academic and professional societies representing nearly 88,000 faculty members; and the nation's 67,000 medical students and 102,000 residents.

Additional information about the AAMC and U.S. medical schools and teaching hospitals is available at www.aamc.org/newsroom.



American Association of
HEALTH PLANS

Press Release

FOR IMMEDIATE RELEASE
June 29, 1999

Contact: Susan Pisano
(202) 778-3245

President Clinton's Medicare Proposal: Bad News for Medicare+Choice Beneficiaries

**In Response to the Administration's Medicare Announcement,
AAHP President & CEO Karen Ignagni Issued the Following Statement:**

"The Clinton administration's Medicare proposal is bad news for both current Medicare+Choice beneficiaries and any beneficiary wanting to join a Medicare+Choice plan for three fundamental reasons:

- ▶ first, by calling for new cuts in Medicare+Choice, this plan would drive more private health plans out of the program and reduce the private health plan choices available to seniors and the disabled;
- ▶ second, it would take important benefits away from beneficiaries choosing to enroll in Medicare managed care plans; and
- ▶ third, it would expand the reach of the federal government by micromanaging private Medicare+Choice health plan operations.

Before moving on to new Medicare promises, it's time Washington fulfilled the ones it made to America's seniors and disabled more than two years ago. Today, we challenge the Administration to work with Congress to stabilize the only program in Medicare capable *here and now* of providing seniors with affordable prescription drug coverage: Medicare+Choice. Job one in Medicare ought to be keeping the promises already made to these beneficiaries.

Let me be clear: as proposed, this plan is a bait and switch for the nation's Medicare beneficiaries, particularly the more than 6 million Medicare beneficiaries in Medicare managed care plans. Only the federal government would refer to this plan as "competition."

###

AARP NEWS

For further inquiry, contact AARP Communications
601 E Street, NW • Washington, DC 20049
(202) 434-2560 • Fax: (202) 434-2588 • www.aarp.org

HOLD FOR RELEASE UNTIL:

4:15 pm ET
June 29, 1999

CONTACT:

Steve Hahn
(202) 434-2592

AARP EXECUTIVE DIRECTOR HORACE B. DEETS ON THE PRESIDENT'S MEDICARE REFORM AND PRESCRIPTION DRUG PLAN

AARP is pleased that the President has proposed a prescription drug benefit for all Medicare beneficiaries as part of his Medicare reform plan. A prescription drug benefit for all older Americans is good medicine. Today, older Americans depend more on prescription drugs, pay more for their medications, and have less insurance to cover the cost of their drugs than any other age group in our society.

The President's proposal recognizes the importance of spreading the cost of prescription drug coverage across all Medicare beneficiaries. It also acknowledges what millions of American families know: that even many middle class older Americans find that their prescription drug costs can be unaffordable.

Since Medicare was established over 30 years ago, new and effective prescription drugs have been created and are now central to the delivery of quality health care. As a result, most health insurance plans for workers cover prescription drugs. Medicare, however, does not. The President has put a pragmatic proposal on the table – a proposal that tries to balance the need to provide meaningful coverage for Medicare beneficiaries with the requirement for fiscal constraint on Medicare's spending. It requires that Medicare beneficiaries still pay a considerable amount of the cost of their drugs, and only a vigorous public debate will tell us whether older Americans believe that the additional premium for prescription drugs is affordable.

We are also pleased that the President has put forward his ideas on broader Medicare reform. Strengthening the underlying Medicare program and making it more competitive and efficient will be essential ingredients of any reform plan.

-more-

FROM: AARP
2024343714

AARP Statement/Page 2

The President's proposal along with those being offered in the Congress will help promote a broad national debate about the future of Medicare. AARP looks forward to working with the Administration and Congress on a bipartisan basis to develop a solution that will strengthen Medicare for today's and tomorrow's beneficiaries. Financing prescription drug coverage and reforming Medicare to meet the needs of the coming "baby boomers" are two sides of the same coin. Older Americans need prescription drug coverage today, and younger Americans will want and expect that coverage as they grow older. Moreover, today's Medicare beneficiaries are paying top dollar for their medications, compared with the industry's preferred buyers who can negotiate better prices. It only makes sense that Medicare, like private business purchasers, should be able to obtain lower prices on prescription drugs for Medicare beneficiaries.

We are fortunate to be in era in which we have a budget surplus. This provides the opportunity, indeed the responsibility, to engage in a vigorous debate about our nation's economic priorities. Quality health care coverage for Americans of all ages, and prescription drug coverage for all older Americans should rank high in that debate.

AARP urges all stakeholders – government, industry, and consumers – to engage in a serious debate on the merits of the full range of approaches to Medicare reform and prescription drug coverage. Before Medicare legislation can be enacted, older Americans and their families must understand the proposals that are under consideration and be able to assess their impact on them individually.

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American Medical Association

Physicians dedicated to the health of America



Statement

FOR IMMEDIATE RELEASE

June 29, 1999

Statement attributable to:

D. Ted Lewers, MD
Chair, Board of Trustees

AMA RESPONDS TO PRESIDENT'S MEDICARE REFORM PROPOSALS

Chicago—The American Medical Association is pleased that President Clinton has offered Medicare reform proposals to modernize the program, strengthen its financing and address gaps in coverage with a prescription drug benefit. We look forward to reviewing the details of the President's proposals.

For more than a decade, policymakers have focused on short-sighted provider cuts without undertaking the longer-term reforms necessary to maintain quality and to ensure Medicare's solvency for the future. To help drive the debate, the AMA has advocated its own comprehensive plan to make sure that a strong Medicare program is available for current and future generations of disabled and elderly Americans. Earlier this year, a bipartisan Medicare Commission outlined a number of reform options that also merit careful consideration.

We look forward to working with President Clinton and Members of Congress to build bipartisan support to enact long over-due reforms. Medicare is one of the most complex and politically sensitive issues facing the country. The answers do not come easily. However, we will all pay a greater price if we continue to delay implementation of sound Medicare reforms.

For information, contact:

Linda Stepanich
312/464-2410

515 North State Street
Chicago, Illinois 60610
312 464 4430

NACDS

Robert W. Hannan
*Interim President
& Chief Executive
Officer*

COMMUNITY RETAIL PHARMACY COALITION

NCPA

Calvin J. Anthony,
P.D.
*Executive
Vice President*

Joint Statement by Community Retail Pharmacy Coalition on President Clinton's Proposed Medicare Drug Benefit

June 29, 1999

The following joint statement is being issued by the leaders of the Community Retail Pharmacy Coalition regarding President Clinton's proposal for a Medicare prescription drug benefit. The statement is attributable to Robert W. Hannan, Interim President of the National Association of Chain Drug Stores, and Calvin J. Anthony, Executive Vice President of the National Community Pharmacists Association.

"The leadership of community pharmacy believes that true marketplace competition has great potential for helping to assure that prescription drugs and professional pharmacy services are available to Medicare beneficiaries at the pharmacy of their choice, regardless of their financial status.

While actual legislation is yet to be developed, we believe that the White House Medicare prescription benefit proposal is a good start towards providing meaningful pharmacy services for all Medicare beneficiaries.

Including community retail pharmacies in plan development and negotiations will help assure that affordable medicines are available to senior Americans and that these beneficiaries will be assisted in their proper use. When prescription drugs are used properly, they can save lives, enhance the quality of life, and reduce medical costs.

We look forward to working with the Administration and Congress to achieve these goals."

The Community Retail Pharmacy Coalition represents the owners and operators of more than 52,000 chain and independent pharmacies with nearly 128,000 community pharmacists who dispensed over 90 percent of the 2.73 billion outpatient prescriptions in 1998.

For more information contact:

Phil Schneider at NACDS at 703-549-3001
Todd Dankmyer at NCPA at 703-683-8200

National Association of Chain Drug Stores
413 N. Lee Street, Alexandria, Virginia 22314
Tel: (703) 549-3001, Fax: (703) 836-4869

**National Community Pharmacists Association
(formerly NARD)**
205 Daingerfield Road, Alexandria, Virginia 22314
Tel: (703) 683-8200, Fax: (703) 683-3619

FOR IMMEDIATE RELEASE

June 29, 1999

CONTACT: Joan Meehan, 202-651-7020
Michelle Slattery, 202-651-7027
RN=RealNews@ana.org
www.nursingworld.org/RNrealnews

ANA Applauds Clinton Proposal to Add Prescription Drug and preventive screenings to Medicare Program

Washington, D.C. -- The American Nurses Association (ANA) today applauded the Clinton administration for its leadership in calling for reform of the Medicare program.

In particular, ANA noted its strong support for three proposals included in the administration's plan: adding a prescription drug benefit to the Medicare program, dramatically increasing access to preventive services, and using part of the budget surplus (\$794 billion over 15 years) to strengthen the ailing program. These broad recommendations are included in ANA's Medicare reform plan, which was released in March 1999.

ANA board member Rebecca M. Patton, MSN, RN, CNOR, who attended today's White House event where President Clinton unveiled his proposal, called the administration's plan "a very good place to start." "The American Nurses Association stands by its belief that the Medicare program is critically important to older and disabled Americans and their families," said Patton. "We are pleased that the President clearly agrees and recognizes the need to support the existing
MORE...

ANA & MEDICARE/2...

program and make it more valuable to its beneficiaries. We look forward to examining the administration's proposal in detail and to offering our suggestions as to how the Medicare program may better and more economically serve its beneficiaries."

ANA based its reform proposal on the belief that Medicare should remain a broad-based social insurance program that is available to all eligible individuals regardless of income and commends the president's clear commitment to strengthening the Medicare program.

A fundamental underpinning of ANA's proposal is the transformation of the Medicare program to a "beneficiary-focused coordinated model of care" that focuses on primary health care services, prevention, wellness, and early intervention. This is in contrast to the current "medical model of care" where the emphasis is on treatment of disease and where coordination of care among health care providers is negligible.

ANA was the first health professional association to support Medicare when it was introduced as legislation and has been an ardent supporter of the Medicare program since its inception in 1966.

ANA's *Recommendations on Medicare Reform* is available online at:

<http://www.nursingworld.org/pressrel/medrpt/medrpt1.htm>

Reporters who wish to request a printed copy of ANA's *Recommendations on Medicare Reform* may call 202-651-7027 or e-mail Mslatter@ana.org.

The American Nurses Association is the only full-service professional organization representing the nation's 2.6 million Registered Nurses through its 53 constituent associations. ANA advances the nursing profession by fostering high standards of nursing practice, promoting the economic and general welfare of nurses in the workplace, projecting a positive and realistic view of nursing, and by lobbying the Congress and regulatory agencies on health care issues affecting nurses and the public.



June 30, 1999

NATIONAL
ASSOCIATION
OF PUBLIC
HOSPITALS &
HEALTH
SYSTEMS

The President
The White House
Washington, DC 20500

Dear Mr. President:

The National Association of Public Hospitals & Health Systems (NAPH) applauds your leadership in working to preserve and strengthen the Medicare program for future generations. We agree that Medicare must undergo fundamental reforms if it is to remain viable for the future; however, we believe that such reforms must be implemented in ways that continue to ensure access and quality of care for all our nation's elderly and disabled persons. We strongly support your proposal to dedicate part of the budget surplus to Medicare's trust fund to extend its life. We agree that shoring up the Medicare trust fund is a top priority in this time of budgetary surpluses.

NAPH represents over 100 metropolitan area safety net institutions which collectively comprise the essential infrastructure of many of America's urban health systems. These hospitals and systems are uniquely reliant on governmental sources of financing to support care to Medicare, Medicaid, and uninsured, low-income patients. Because of their role as the health care safety net in their communities, NAPH members also consider themselves to be strong advocates for the patients and communities that they serve. For both of these reasons, we are keenly interested in the future of the Medicare program and appreciate your efforts to ensure its continued viability.

We believe that your proposals to modernize Medicare's benefits package by providing a prescription drug benefit and eliminating cost sharing for preventive services are important steps in the right direction for the health of beneficiaries. Furthermore, as providers of care to large numbers of uninsured, we are pleased to see that your proposal includes your Medicare buy-in plan for certain individuals between the ages of 55 and 65. It is especially difficult for persons in this age group to obtain insurance and we appreciate your efforts to ensure that they do not join the growing ranks of the uninsured.

NAPH thanks you for recognizing the unique position of those hospitals that provide a disproportionate share of services to the poor and uninsured ("DSH hospitals") by providing some relief from the cuts of the Balanced Budget Act of 1997 (BBA) and requiring that payments intended for such hospitals be carved out of the payments made to managed care organizations. We are very concerned, however, that the overall impact of the Balanced Budget Act on the Medicare and

N A P H

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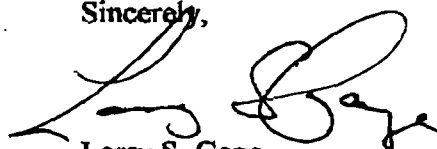
<http://www.naph.org>

Medicaid programs will seriously jeopardize the ability of our hospitals to continue to provide quality care to low income and uninsured individuals, particularly in 2001 and 2002 when the full effect of the BBA is realized. We fear that your relief package is not sufficient to address this problem and that extending BBA cuts is ill advised. Medicare does not become a more modern program if access to hospitals and other providers is lost in the process of adding other benefits.

We are anxious to learn more details about your proposal to make Medicare more competitive and efficient through the use of "private sector purchasing and quality improvement tools." While we agree that many improvements can be made in the traditional Medicare program, we caution you to proceed carefully to ensure that such tools do not harm providers who care for low income and uninsured populations. NAPH stands ready to assist you in working out these details so as to continue to ensure that Medicare remains accessible to all beneficiaries and that the fragile health care safety net remains intact.

Once again, we thank you for your work on these difficult issues. Your proposal is an important step toward ensuring that a meaningful Medicare program continues to be available into the future and NAPH looks forward to working with you as you continue to refine it.

Sincerely,



Larry S. Gage
President

CAB

NATIONAL COUNCIL ON THE AGING

1100 15th Street SW Washington, DC 20024 TEL 202 479-1200
202 479-6674 FAX 202 479-0735 <http://www.ncoa.org>

Contacts: Howard Bedlin, 202-479-6685
Mike Reinemer, 202-479-6975

NEWS

National Council on the Aging Commends Clinton's Medicare Reform Proposal *Statement by NCOA President James Firman, Ed.D., June 29, 1999*

The National Council on the Aging commends President Clinton for his strong leadership in proposing a bold Medicare reform plan that will move the upcoming debate in a positive direction.

Although we have yet to see the details of the President's proposal, we are particularly pleased about a number of important provisions, including:

- Making prescription drug coverage available for all Medicare beneficiaries, not limiting coverage only to the poor. It is important to note that about 40 percent of Medicare beneficiaries currently without prescription drug coverage have incomes above 200 percent of poverty.
- Extending Medicare Trust Fund solvency to 2027—a period of time longer than ever before in the history of the program. This is largely because the President recognizes that surplus dollars should be used to strengthen the program. It is also important to note that this would be accomplished without harming beneficiaries by increasing Medicare's age of eligibility or imposing new out-of-pocket costs on those who need home health care.
- Improving access to preventive care for all beneficiaries by eliminating cost-sharing requirements for these important benefits.

Overall, the President's proposal would modernize and improve Medicare, while increasing competition and efficiency as we move into the next millennium. NCOA looks forward to receiving the details of this and other proposals being discussed so that we can understand and accurately assess the risks and benefits involved in these options and begin to involve and educate the American public in the Medicare reform debate.

NCOA will be working with the White House and members of Congress on a bipartisan basis to strengthen and modernize Medicare while improving access to prescription drug coverage for all beneficiaries.

The National Council on the Aging is a private, nonprofit research, education, and advocacy organization founded in 1950. Members include professionals and service providers in the field of aging, government agencies, and consumer, religious, and labor groups. Web site www.ncoa.org.

Partnering to Shape the Future



**The Arc of the United States
Governmental Affairs Office**

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**The Arc of the United States Supports President Clinton's
Efforts To Move Medicare Forward**

For Immediate Release

Tuesday, June 29, 1999

**Contact: Kathy McGinley or
Marty Ford
The Arc
202-785-3388**

Washington, D.C. — The Arc of the United States, the nation's leading organization on mental retardation, supports President's Clinton's efforts to maintain the integrity of the Medicare program and, at the same time, expand its ability to meet the real needs of elderly people and people with disabilities. His proposal to begin to cover prescription drugs for Medicare beneficiaries is a step in the right direction. It is a particularly important step for people with mental retardation and other disabilities who may have high health care needs and for whom access to prescription drugs is a critical facet of daily life.

It is an unfortunate fact that too many people with disabilities have very low incomes. Therefore, The Arc is pleased with the low-income protections included in the President's proposal that would ensure that they too have access to needed prescription drugs. People with mental retardation need comprehensive health care



*a national organization
on mental retardation*

formerly Association for
Retarded Citizens of the United States

insurance just like everyone else. No health plan should be considered appropriate, comprehensive, or affordable without good prescription drug coverage.

The Arc is also very pleased that the President's proposal would ensure that people with mental retardation and other disabilities maintain their status as Medicare beneficiaries and the protections that go along with that status. We are also pleased that it appears the existing "fee-for-service" portion of Medicare would not be weakened. The managed care industry is not yet prepared to meet the needs of many people with disabilities and chronic illness. For them, continued access to physicians and specialists through the fee-for-service portion of the program is essential.

The Arc urges the President and Congress to work together in a bipartisan manner to maintain and improve the Medicare program so that it can meet the needs of the elderly and people with disabilities now and in the future.

The Arc represents over 7 million children and adults with mental retardation and their families. The Arc has over 100,000 members within approximately 1,000 state and local chapters nationwide. The Governmental Affairs Office of The Arc is located in Washington, DC. The national headquarters of The Arc is located in Arlington, Texas (817/277-3491; <http://TheArc.org>).

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PRESS RELEASE

HOLD FOR RELEASE
June 29, 1999, 2:30pm

CONTACT: Lorie Slass
202-628-3030

President Clinton's Plan – Excellent Alternative to Strengthening Medicare

Statement of Ron Pollack, Executive Director of Families USA, in response to President Clinton's Medicare Proposal:

"President Clinton's Medicare reform plan builds on the strengths of the current program, provides much-needed prescription drug coverage for beneficiaries and strengthens the program's capacity to serve future generations. America's seniors will be better off under the President's plan than they are today.

"We applaud the President's leadership in addressing the number one problem faced by Medicare beneficiaries – lack of coverage for prescription drugs. Under the Administration's plan every Medicare beneficiary will be offered prescription drug coverage. Today, too many seniors have to choose between buying groceries and purchasing the medicines they need. This proposal provides a vitally important change to the Medicare program and will go a long way toward improving the health and well-being of America's seniors and persons with disabilities.

"We are especially pleased that the Administration has provided additional support for low-income Medicare beneficiaries who are least able to afford rising health care costs. This protection will make the prescription drug benefit affordable for many beneficiaries who currently struggle to pay for prescription drugs and other necessities.

"The Clinton plan moves us in the right direction in revitalizing the Medicare program. Congress, however, is currently considering a radical restructuring of the Medicare program offered by Senator John Breaux and Representative Bill Thomas.

MORE

CONTACT: LORIE SLASS (202) 628-3030

1334 G STREET, NW • WASHINGTON, DC 20005 • FAX 202-347-2417 • E-Mail: info@familiesusa.org



"Unlike the Breaux-Thomas proposal, the President's plan:

- doesn't raise the eligibility age, which would cause more seniors to be uninsured;
- continues the bedrock principle that all seniors should be guaranteed a defined benefit package;
- keeps the older and sicker seniors with the younger and healthier ones so the Medicare program isn't fragmented;
- keeps the traditional Medicare program viable and doesn't economically coerce people to join HMOs and other managed care plans;
- provides new funding for the program through the use of the budget surplus; and
- gives Medicare new economic tools, such as introducing more competition into the program, to keep costs down without shifting additional costs onto beneficiaries."

"Although the current Medicare program is not perfect, it is a program that has served senior citizens and people with disabilities very well. Unlike the Breaux-Thomas proposal which would cause irrevocable harm to the Medicare program, President Clinton's plan doesn't destroy what works about Medicare and fixes some of the problems.

"We applaud the Administration for outlining a proposal that would strengthen Medicare and ensure the program's effectiveness for this and future generations."

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Families USA is the national organization for health care consumers. It is non-profit and non-partisan and advocates for high-quality health and long-term care for all Americans.



PRESS RELEASE

National Council of Senior Citizens

8403 Colesville Road, Suite 1200 • Silver Spring, Maryland 20910-3314 • (301) 578-8800

For Immediate Release
June 29, 1999

Contact: Bette Cooper
(301) 578-8837

National Council of Senior Citizens Calls President's Plan to Cover Medicare Prescription Drugs "A Historic Move"

WASHINGTON, DC—The National Council of Senior Citizens (NCSC) today saluted President Clinton for his proposal to add universal prescription drug coverage under Medicare. The National Council, which spearheaded the successful battle to enact the federal health insurance program for the elderly in 1965, called the President's action "a historic move on behalf of older Americans." The senior organization, which represents millions of older men and women, also praised the President for including protections for low-income Americans in his prescription drug plan.

NCSC Executive Director Steve Protulis commended President Clinton for taking on the "difficult task" of finding a workable plan to solve the long-term financing problems facing Medicare and Social Security — both of which are vital to the health and economic security of this nation's older men and women. "The good news," said Protulis, "is that President Clinton's Medicare plan, if enacted, would keep the program solvent to the year 2027 without means-testing, raising the eligibility age or increasing premiums for basic coverage.

"It is extremely important to note that the President's proposal, based on initial reports, substantially extends solvency, maintains all existing benefits while, at the same time, strengthening the current program," observed Protulis. Although he cautioned that "we still need to see the fine print," Protulis said, "NCSC's initial reaction is that the President's proposal is a good start in the right direction. The bottom line, in addition to solvency, must be protection of elderly and disabled persons."

NCSC President George J. Kourpias pointed out that "the National Council has always maintained that there has never been a shortage of money with which to solve the problem — only a shortage of political willpower. The current budget surplus, created in large part by President Clinton's 1993 economic package and savings in the Medicare program itself, makes it possible to put both Medicare and Social Security back on the road to long-term solvency." Polls show that the public overwhelmingly supports using the bulk of the federal budget surpluses over the next 15 years to ensure the future of these two senior programs.

Kourpias pledged that "NCSC's goal over the next few months will be to make sure that our elected representatives get this message and take advantage of this historic opportunity to solve Medicare and Social Security's funding problems for the foreseeable future by using these unprecedented budget surpluses. We will be working with Congress to adopt the President's proposals and to strengthen them in some critical areas."

###

The NATIONAL COUNCIL OF SENIOR CITIZENS was founded in 1961 in the battle for Medicare, and has more than 2,000 clubs and councils across the United States. President Lyndon B. Johnson said, "Without the National Council of Senior Citizens there would have been no Medicare." For more information, visit our web site at www.ncscinc.org.

OWL PRESS RELEASE

666 11TH STREET, NW • WASHINGTON, DC 20001 • 202-783-6686 • FAX 202-638-1356

For further information:
Deborah Briceland-Betts
202/783-6686

FOR IMMEDIATE RELEASE
June 29, 1999

WOMEN BENEFIT FROM CLINTON PROPOSAL TO STRENGTHEN MEDICARE AND NEW DRUG COVERAGE

OWL today praised President Clinton's plan to strengthen and modernize Medicare, as "real help to millions of Medicare beneficiaries—most of whom are women."

"Nothing makes better sense in good economic times than to support the generation who sacrificed so much for us," said OWL Executive Director Deborah Briceland-Betts. Because nearly six in ten Medicare beneficiaries are women, the President's plan has a disproportionate impact on women. "You know these women," said Briceland-Betts. "They are our mothers and our grandmothers."

Shoring up Medicare with the surplus, adding a Medicare prescription drug benefit, helping low-income beneficiaries and eliminating cost-sharing for preventive care "directly addresses gaps in Medicare coverage that cause particular problems for women," said Briceland-Betts. She noted that--

- Women are the majority of low-income elderly Americans. Women age 65 and over are twice as likely as men the same age to have annual incomes under \$10,000.
- Nearly eight out of ten women on Medicare use prescription drugs regularly. Lack of prescription drug coverage represents a significant out-of-pocket cost for elderly women.
- Chronic conditions are sources of significant and increasing disability for older women, in contrast to men, who are more likely to suffer one acute, fatal episode. Picking up the cost to help identify and treat diabetes, osteoporosis, arthritis, breast cancer and a host of other disabling diseases could greatly enhance women's quality of life, as well as reduce long-term costs for Medicare.

Briceland-Betts cautioned, however, that while the President's plan is an excellent start, it does have some rough edges. "We are concerned that plan's efforts to control costs in the short run may create a precedent to alter the fundamental social insurance principle on which the program was founded. OWL will be working to smooth these rough edges as the proposal makes its way through Congress."

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



National Partnership for Women & Families

News Release

NEWS RELEASE
June 29, 1999

CONTACT: Margaret Prinzavalli Sotham
202/986-2600

PRESIDENT CLINTON'S PLAN WILL HELP CURE WHAT AILS MEDICARE
Statement of Debra L. Ness, Executive Vice President
National Partnership for Women & Families

We applaud President Clinton for unveiling a Medicare reform plan that will preserve and improve a program that is so critically important to women's health. Most Medicare beneficiaries are women, and because of their reliance on Medicare, women have a lot to lose -- or win -- in this debate. With the President's plan, women win.

We are especially pleased with the creation of the new Medicare prescription drug benefit and its protections for low-income beneficiaries. Elderly women use more prescription drugs than anyone else, and they are twice as likely than elderly men to be poor. The President's plan would give these women the health care they desperately need at a price they can afford. No longer would these women have to make difficult choices between buying food and buying the medicines that keep them alive.

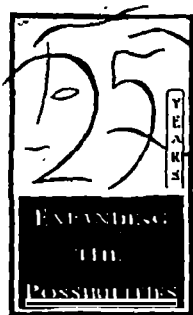
We are glad to see that this proposal eliminates all cost-sharing for preventive benefits such as mammography and bone mass measurements. Removing these and other barriers to preventive care will make it easier for women to stay healthy and get the care they need soon enough to make a difference.

We also agree with the President's determination to use 15 percent of the budget surplus to shore up Medicare. We need this kind of long-term investment in our people more than we need politically motivated, gimmicky tax cuts.

We look forward to studying this proposal in detail and to working with the Administration and Congress to preserve and strengthen Medicare.

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The National Partnership for Women & Families promotes fairness in the workplace, quality health care, and policies that help women and men meet the dual demands of work and family.



News Release

FOR IMMEDIATE RELEASE:

Tuesday, June 29, 1999

CONTACT: Shauna Helton
Dorothy Lohmann
202/588-5180

**STATEMENT OF MARCIA GREENBERGER, CO-PRESIDENT,
ON PRESIDENT CLINTON'S MEDICARE REFORM PLAN**

Washington, D.C. -- This is a significant step forward in the fight to protect the health of older women, and all older Americans. By stressing the need to preserve Medicare's traditional benefits, while enhancing and modernizing the program, the President has created a framework in which the very difficult task of reforming Medicare can take place. We applaud his commitment to preserving Medicare's solvency, to reforming its systems, and to providing important new benefits.

In addition, the President's Medicare Reform proposal centers on two issues of special import to older women: the solvency of the Medicare Trust Fund and the need for prescription drug coverage. By both preserving this critical health care program and expanding it to meet the needs of older women as we reach the new century, the President has taken the all-important first step in the move toward actual legislation.

Medicare reform will have a major impact on older women. The majority of Medicare recipients are women (six in ten of all Medicare beneficiaries, seven in ten of Medicare beneficiaries over 84), and women also rely on Medicare longer than men. Women on Medicare tend to be sicker and poorer than their male counterparts. As a result, women on Medicare have high out-of-pocket health care costs (about \$2,613 per year). In fact, older women spend a greater share of their incomes on health care than men (22 percent for women, 17 percent for men). Finally, it is important to note that 78 percent of women on Medicare -- 17 million women -- report using prescription drugs regularly.

Because older women are more dependent on Medicare, its solvency is critically important to them. And, because women have high out-of-pocket health care costs, the failure of the current program to provide prescription drug coverage places a heavy burden on millions of older women every day.

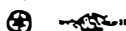
We look forward to reading the details of the President's plan and to working with both the Administration and Members of Congress to forge a Medicare reform plan that truly protects the health of America's older women. The President has already moved us forward by setting forth the principles by which this debate will be guided: ensuring the solvency of the Medicare Trust Fund, providing pharmaceutical coverage for all older Americans, and protecting the traditional Medicare program while enhancing it for the future.

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The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families including economic security, education, employment and health, with special attention given to the concerns of low-income women.

NATIONAL WOMEN'S LAW CENTER

11 Dupont Circle, NW • Suite 800 • Washington, DC 20036 • (202) 588-5180 • FAX (202) 588-5185





PRESS RELEASE

Consortium for Citizens with Disabilities Supports President Clinton's Efforts in Reforming Medicare

June 29, 1999-The Consortium for Citizens with Disabilities (CCD) is a working coalition of approximately 100 national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 54 million children and adults with disabilities and their families living in the United States. Since 1973, CCD has advocated for national public policy that ensures the self-determination and inclusion of children and adults with disabilities in all aspects of society; and that enhances the civil rights and quality of life of all people with disabilities and their families. For people with disabilities, Medicare provides health care services for 5 million beneficiaries and this population is expected to grow to 7 million in the next few years. A social insurance program like Medicare is particularly important to people with disabilities who are for the most part also low income beneficiaries.

For the past 15 months, an Informal Medicare Work Group comprised of CCD members has been tracking the Medicare reform debate both in Congress and with the Bipartisan Commission on the Future of Medicare. The Work Groups' initial response to the President's Medicare proposal is as follows:

- We commend the President for retaining the integrity of this very valued social insurance program.
- We commend the President for having the foresight and initiative to take on the challenge of restructuring the Medicare reform proposal into the next century.
- We commend the President for acknowledging the employment potential of Medicare beneficiaries under 65 with disabilities who wish to be employed and to make a contribution to this country.
- We commend the President for seeking methods in which to modernize the Medicare program while retaining the quality and level of health care benefits for the entire population.
- We commend the President for keeping the Medicare beneficiary population intact and not supporting a proposal that would weaken the current protections for people with disabilities.

- The CCD looks forward to actively working with the President to continue to re-structure the Medicare Program to meet the health care service and delivery needs of beneficiaries with disabilities.

Medicare Reform Proposal-Quotes

Shelley McLane (Co-Chair)-It is the right and appropriate role for government to protect the well being of its citizens. Today, the public good is often lost or placed at a low priority when the cost of health care coverage is discussed among policy makers. President Clinton's Medicare reform proposal acknowledges the terrible burden that many Medicare beneficiaries face in trying to meet their health care drug coverage costs. It is appalling that many beneficiaries have to choose between paying for food or utilities or getting their needed prescription drugs or other health benefits. This proposal will provide some "cost respite" to Medicare beneficiaries and will begin to diminish the fear that many Medicare beneficiaries live with every day when they try to meet their monthly bills.

Jeff Crowley (Co-Chair)-We are pleased the President has put out a sound proposal to reposition the Medicare reform debate to meet the needs of its beneficiaries. We will not rest, however, until a catastrophic drug benefit is added to protect the millions of people with disabilities with high cost drug needs in which this proposal would not reach.

Bob Griss (Co-Chair)-Medicare reform provides an important opportunity to focus on government leverage in the health care system since Medicare is national health insurance for people over age 65 and some people with disabilities under age 65. The seniors can remind us all that Medicare reaches every family. The disability community can remind us what a health care system needs to have in order to keep people actively functioning.

Kathy McGinley (Co-Chair)-The President has taken an important step in the right direction. He is putting beneficiaries first. We hope his Administration and Congress can work in a bipartisan manner to maintain and improve the Medicare program for those who need it.

Contact Person: Shelley McLane, National Association of Protection and Advocacy Systems
Tel: 202/408-9514

Members of the CCD Informal Medicare Work Group

Shelley McLane (Facilitator)

Jeffrey Crowley

Bob Griss

Kathy McGinley

Martha Ford

Mary Gennaro

National Association of Protection and Advocacy Systems

National Association of People with Aids

Center on Disability and Health

The Arc of the United States

The Arc of the United States

National Association of Developmental Disabilities Councils

Mary Frances Laverdure
Michael Losow
Thomas McCormack
Susan Prokop
Sallie Rhodes

Peter Thomas
Steven White

RESNA
NISH
Title II Community and National Network
Paralyzed Veterans of America
National Association of Protection and Advocacy
Systems
Powers, Pyles, Sutter, and Verville
ASHA



**THE CATHOLIC HEALTH ASSOCIATION
OF THE UNITED STATES**

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NEWS RELEASE
For Immediate Release

**STATEMENT OF THE CATHOLIC HEALTH ASSOCIATION ON
PRESIDENT CLINTON'S MEDICARE PROPOSAL**

WASHINGTON (June 29) -- The Catholic Health Association of the United States (CHA) applauds President Clinton for his leadership in addressing the critical, but extremely complex, issue of reforming the Medicare program.

During the last 34 years Medicare has been highly successful in achieving affordable health coverage for hundreds of millions of elderly and disabled Americans. It is a government success story! Yet real reform of Medicare is needed to ensure financial stability and solvency and to modernize the program for the new millennium. In addition to necessary structural reforms in benefits and delivery of care, new federal revenues are essential.

"We strongly support efforts by the President to dedicate a portion of the federal budget surplus to Medicare," said Rev. Michael D. Place, STD, CHA's president and chief executive officer. CHA also supports expansion of the Medicare benefit package to reflect the current practice of medicine, which includes a greater reliance on prevention, prescription medications, and chronic care than was the case when the program was created in the 1960s. On a cautionary note, Fr. Place stressed that any new benefit must be balanced with the financial ability of Medicare to sustain the cost of both current and new benefits over time.

"The President's prescription drug benefit proposal is a significant contribution to the Medicare reform debate and would, indeed, respond to very legitimate needs of millions of America's seniors," added Fr. Place. "In particular, we support the President's efforts to make the new drug benefit affordable and available to all beneficiaries -- especially to low-income seniors."

As for the President's proposal to reduce substantially Medicare payments to healthcare providers, Fr. Place explained that "CHA is not supportive of further reductions to providers and is, in fact, greatly disappointed in this aspect of the proposal."

Calling the proposal to cut payments to providers "ill-timed and ill-conceived," Fr. Place questioned "the wisdom of adding even more financial burden to the mission of the nation's healthcare providers." Healthcare facilities across the country, he pointed out, are currently experiencing the severe impact of provisions enacted as part of the Balanced Budget Act of 1997 (BBA). "The fact that the President has proposed a modest amount of additional funding to lessen the BBA impact is welcomed, but does not ameliorate the severity of the BBA reductions."

(MORE)

To provide *real* relief on the BBA, the President and Congress should immediately:

- ♦ Eliminate the additional 5.7 percent “across-the-board” reduction in payments to outpatient departments proposed by the Health Care Financing Administration (HCFA);
- ♦ Preserve Medicare Disproportionate Share Hospital (DSH) payments for safety-net hospitals; and
- ♦ Adjust the new prospective payment system (PPS) for skilled nursing facilities to reflect the costs of care for medically complex patients.

CHA looks forward to learning more details with regard to the President's proposal and pledges to work with him and Congress to enact true Medicare reform.

“Preserving Medicare is a test of our nation’s commitment to the elderly and disabled,” Fr. Place emphasized. “The President’s proposal responds to that challenge.” CHA calls on the President and Congress to act with the same urgency to achieve accessible and affordable healthcare for the nearly 44 million people uninsured.

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The St. Louis-based Catholic Health Association of the United States is the national leadership organization of more than 1,200 Catholic-sponsored facilities and organizations. Founded in 1915, CHA's members make up the nation's largest group of not-for-profit healthcare facilities under a single form of sponsorship. For more information, visit the CHA Web site at www.chausa.org.



Established in 1978

FOR IMMEDIATE RELEASE
June 29, 1999

FOR ADDITIONAL INFORMATION
CONTACT: Lauren Young
PHONE: (202) 296-3800

HHSSA COMMENDS CLINTON ADMINISTRATION FOR EXCLUDING COPAYMENTS FROM MEDICARE PACKAGE

Administration recognizes the negative impact of an additional requirement for copayments on home health agencies and on access for home health beneficiaries.

WASHINGTON, DC — In President Bill Clinton's announcement today of his plan to strengthen the Medicare program, he did not include home health copayments as a way to fund the new prescription drug benefit for Medicare beneficiaries. The Home Health Services & Staffing Association (HHSSA) commends President Clinton and Vice President Al Gore for opposing the additional burden to home health patients and providers, especially at a time when the home health industry has been negatively impacted by the provisions of the Balanced Budget Act of 1997 (BBA 97).

The home health industry has faced severe Medicare cuts in the past two years causing an oppressive decrease in access for the sickest, most frail Medicare beneficiaries. The home health industry will provide over 300 percent more savings to the Medicare program than had originally been projected. Over a five-year period, home health savings from BBA 97 were expected to be \$16.1 billion, however, the Congressional Budget Office now projects the savings to be approximately \$48 billion. The implementation of a copayment would further exacerbate the current crisis.

In addition, the President's Medicare package highlights concerns related to access for covered services. One provision would require an in depth analysis of BBA 97 in order to determine corrective policy measures to ensure access for the sickest, most frail Medicare beneficiaries. HHSSA hopes this provision will help relieve the current situation faced by home health patients and providers.

"The Clinton Administration is committed to working with the industry to ensure all eligible Medicare beneficiaries receive home health care. HHSSA looks forward to working with President Clinton and Vice President Gore to correct the inequities within the current reimbursement system, and develop a simplified prospective payment system," said Mara Benner, executive director of HHSSA.

HHSSA represents over 1,500 home health agencies providing services to approximately one million patients in 48 states.

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**The Arc of the United States
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**The Arc of the United States Supports President Clinton's
Efforts To Move Medicare Forward**

For Immediate Release

Tuesday, June 29, 1999

**Contact: Kathy McGinley or
Marty Ford
The Arc
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*a national organization
on mental retardation*

formerly Association for
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insurance just like everyone else. No health plan should be considered appropriate, comprehensive, or affordable without good prescription drug coverage.

The Arc is also very pleased that the President's proposal would ensure that people with mental retardation and other disabilities maintain their status as Medicare beneficiaries and the protections that go along with that status. We are also pleased that it appears the existing "fee-for-service" portion of Medicare would not be weakened. The managed care industry is not yet prepared to meet the needs of many people with disabilities and chronic illness. For them, continued access to physicians and specialists through the fee-for-service portion of the program is essential.

The Arc urges the President and Congress to work together in a bipartisan manner to maintain and improve the Medicare program so that it can meet the needs of the elderly and people with disabilities now and in the future.

The Arc represents over 7 million children and adults with mental retardation and their families. The Arc has over 100,000 members within approximately 1,000 state and local chapters nationwide. The Governmental Affairs Office of The Arc is located in Washington, DC. The national headquarters of The Arc is located in Arlington, Texas (817/277-3491; <http://TheArc.org>).

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NATIONAL ASSOCIATION OF
AREA AGENCIES ON AGING

STATEMENT OF N4A

June 29, 1999

N4A applauds the inclusion of a universal drug benefit and the elimination of preventive care copayments in the President's Medicare proposal. The President unveiled his comprehensive plan to strengthen and "modernize" Medicare today during a White House ceremony attended by N4A President Neetu Dhawan-Gray. The creation of a universal, voluntary drug benefit is the centerpiece of the President's proposal to fortify the 34-year old program before the large baby boomer population becomes eligible in slightly over a decade.

"It is hard not to get excited about a plan that includes a drug benefit for all Medicare beneficiaries" said Dhawan-Gray. "Prescription drugs are causing increasingly higher out-of-pocket expenses for older adults and people with disabilities and it is very encouraging to see this issue become a national priority." Under the President's plan, starting in 2002, the prescription drug benefit would be included in a new voluntary Medicare "Part D" program that would cost beneficiaries \$24 a month premium with no deductible. Medicare would then pay half of the Part D enrollee's prescription costs, with a maximum federal contribution of \$1,000 annually. As the program is phased in, monthly premiums would increase gradually to \$44 and the annual federal contribution would increase to \$2,500 when fully implemented in the year 2008.

N4A has long been an advocate for increased protections for low-income older Americans and is pleased that the President's plan provides additional subsidies for this population. Beneficiaries with incomes up to 35% above poverty level (\$11,000 single/ \$17,000 couple) will receive "Part D" benefits but will not be required to pay premiums or cost-share. Individuals with incomes between 35% to 50% above poverty will receive premium assistance.

N4A strongly supports the Administration's proposed elimination of existing co-payments and deductibles for all preventive services covered by Medicare, including screening for osteoporosis, and breast, colon and prostate cancer. "Eliminating these co-payments could mean that many more Americans would take advantage of these valuable tests," noted Dwahan-Gray, "and could potentially reduce long term care costs for Medicare."

While applauding the overall effort of the Administration, N4A hopes some of the plan's shortcomings will be addressed as the proposal moves through Congress. Of specific concern to N4A are the proposed increase in beneficiary deductibles and the 20% copayment proposed for laboratory tests. "The President's plan offers us much to work

with and one of its greatest points is the preservation of a strong traditional fee-for-service option," said N4A Executive Director Janice Jackson. "Our greatest fear is that the Medicare debate might turn back to premium support or a "voucher system," which could spell disaster for many of Medicare recipients".

The National Association of Area Agencies on Aging (N4A) is the umbrella organization for the 655 area agencies on aging (AAAs) and 230 Title VI Native American aging programs in the U.S. Through its presence in Washington, D.C., N4A advocates on behalf of the local aging agencies to ensure that needed resources and support services are available to older Americans.

For more information contact: Shawn McDermott, 202.296.8130

**NARFE**

National Association of Retired Federal Employees

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PRESS RELEASE

FOR IMMEDIATE RELEASE

July 1, 1999

FOR INFORMATION:

Chuck Timanus (Public Relations)

Judy Park (Legislation)

(703-838-7760)

NARFE SEES ADMINISTRATION MEDICARE REFORM PROPOSAL AS GOOD BEGINNING

The national president of the 425,000-member National Association of Retired Federal Employees (NARFE) views the Clinton Administration's announcement of a Medicare Reform proposal as a "long over-due kick off of official debate" to keep the Medicare program viable into the next century. NARFE President & CEO Frank G. Atwater says Medicare must be kept affordable and workable for the nation's elderly, and applauded several aspects of the President's proposal.

"We are pleased that the final Administration plan rejects means-testing monthly premiums for Medicare," Atwater said. "NARFE members have historically opposed means-testing of earned or work-related federal benefits because it is simply unfair to penalize those who have worked long and hard in their careers to assure their retirement security."

Atwater said NARFE is also pleased that the Administration's plan maintains the current eligibility age for future beneficiaries and enhances benefits of current enrollees by eliminating co-payments for preventive care.

And Atwater noted that promises he'd received from senior Administration officials that the reform plan would make new drug coverage and charges were kept in the announced plan. "NARFE welcomes the introduction of a prescription drug option with implied incentives to prevent elimination of current prescription drug benefits for employer-provided or Medigap plans," he added. "Many Federal retirees still remember the financial sting of the ill-conceived Medicare Catastrophic Act of 1988, which attempted to force millions of Medicare enrollees to pay higher taxes for prescription drug coverage they already had, with no choice in the matter."

NARFE is committed to being a full participant in the upcoming Medicare debate.

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NARFE, one of America's oldest and largest associations, was founded in 1921 with the mission of protecting the earned rights and benefits of America's active and retired federal workers. The largest federal employee/retiree organization, NARFE has a membership of nearly 425,000 men and women and represents the interests of nearly 2.4 million federal retirees, spouses, and survivors.

The American College of Physicians-American Society of Internal Medicine (ACP-ASIM) believes that President Clinton's proposal is a positive contribution towards the national discussion on how best to preserve and improve Medicare for future generations. There are several elements of the plan that our organization can strongly support. There are others that raise questions and concerns that need to be more fully explored.

- **ACP-ASIM supports the concept of making the traditional fee-for-service program competitive through the use of market-oriented purchasing and quality improvement tools to improve care and restrain costs.** In 1997, ACP-ASIM published a position paper ("Reforming Medicare: Adapting a Successful Program to Meet New Challenges") that called on Congress to give HCFA the authority to consider competitive bidding, negotiation, and other methods of purchasing supplies and reviewing payments. Our proposal also called on HCFA to adopt the successful management techniques used by private sector plans—such as case management and profiling—to improve care and reduce costs. We look forward to reviewing the details of how the administration proposes to translate such concepts into legislation and program management.
- **ACP-ASIM is pleased that the administration does not support converting Medicare into a defined contribution program.** We believe that the proposal to establish a "competitive defined *benefit*" for managed care plans, while maintaining a viable traditional program, requires more study. Earlier this year, ACP-ASIM published a position paper ("Converting Medicare to a Defined Contribution Program") that argued against a defined contribution program. Such a change would erode the guarantee that all elderly and disabled Americans, regardless of income, will have access to affordable coverage. The administration's "competitive defined benefit" proposal sounds similar to the premium support model that was considered—but rejected—by the Bipartisan Commission on the Future of Medicare. Not enough is known about how beneficiaries, health plans, and health professionals would respond to the incentives in premium support defined benefit program. ACP-ASIM calls on Congress to authorize a demonstration project to evaluate the impact of such a program on adverse selection, access, administrative costs, and the ability of beneficiaries to choose the best plan for themselves—before making a decision that this is an appropriate and desirable model for reform. Such a demonstration project could also look at different ways of adjusting plan payments to reflect severity of illness and how to establish the federal contributions to the competing health plans to establish the right incentives.
- **ACP-ASIM strongly supports the proposal to eliminate cost sharing for preventive benefits in Medicare, to initiate a demonstration project on smoking cessation, and to launch a new nationwide health promotion campaign to Americans over age 50.** We believe that consideration should be given to further expanding the preventive and screening services covered by Medicare.
- **We are concerned about the proposals to charge a 20 percent co-payment for laboratory services and to index the Part B deductible to inflation.** Since

beneficiaries typically have no voice in choosing the laboratory tests that are ordered by a physician to diagnose their medical conditions, the proposed co-payment will *not* result in patients being more cost conscious in their use of Medicare services. What it will do is shift costs onto beneficiaries, particularly lower-income patients. The co-payment could result in some low-income patients choosing not to incur the costs of obtaining needed laboratory tests. Unless it is means-tested, indexing the Part B deductible to inflation could impose a significant financial barrier towards low- and-moderate income beneficiaries obtaining needed care.

- **We support the President's proposal to provide more funding to the Medicare program.** Medicare's commitment to beneficiaries cannot be honored simply by cutting costs. Rather, increased revenue to support the program will also be needed.
- **ACP-ASIM will carefully evaluate the President's proposal to include a prescription drug benefit under Medicare.** A prescription drug benefit would need to be carefully structured to assure that it helps those most in need, does not prevent physicians from prescribing the most effective drugs to treat their patients' medical problems, does not require offsetting cuts in other benefits and payments, and does not stifle pharmaceutical innovation. We expect to be able to expand on our views on Medicare coverage of prescription drugs in the very near future as we learn more about the President's proposals and similar plans in Congress.
- **ACP-ASIM agrees with the need to correct excessive provider payment reductions mandated by the Balanced Budget Act of 1997 that may adversely affect beneficiaries' access to services.** We hope that this includes postponing cuts in payments for indirect medical education expenses and correcting flaws in the sustainable growth rate for physician services.

A realistic plan for Medicare reform will require broad, bipartisan support in Congress. ACP-ASIM looks forward to working with President Clinton and Republican and Democratic members of Congress on enacting legislation to strengthen and improve the Medicare program. Many of the elements in the administration's proposal should be considered as part of a bipartisan plan. Other proposals for improving Medicare should also be considered.

Further, the details of all such plans will need to be carefully examined to determine their impact on Medicare patients, particularly those of lower means. Any reforms that ultimately are enacted must honor the commitment to provide all beneficiaries with access to affordable health care, regardless of income or health status.