UNITED STATES
SENATOR JOHN BREAUX

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UNITED STATES SENATE
WASHINGTON, D.C. 20510
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DRAFT WORKING DOCUMENT II

I. PREMIUM SUPPORT

A. Administrative Structure [see January 22 document]

B. Benefit Package:

- Covered benefits: Plans would cover current service categories and amount, duration and scope plus a prescription drug benefit (described below), but copay/coinsurance flexibility would be allowed. Private plans could vary cost sharing so long as the value of the benefits package is no less than Medicare fee-for-service, but could not increase cost sharing to more 25 percent of cost for each benefit and could not apply cost sharing for preventive services. Private plans could have less cost sharing than Medicare fee-for-service (and include the cost of this in their premiums).

  The prescription drug benefit would include:
  - Separate, $250 deductible, indexed to inflation
  - $7 per generic, $15 per name brand, indexed to inflation
  - Cap on expenditures of $1,250, indexed to inflation

  A 50 percent premium for this benefit would be built into the general premium contribution. Fee-for-service enrollees could choose not to purchase this coverage; private plans would have to offer this benefit to all enrollees but could vary copays.

  For the fee-for-service benefit, the Secretary would have the authority to contract out for management, including the authority to competitively contract with pharmaceutical benefits managers (PBMs). Generic substitution would be required unless the physician indicates that name brand is medically necessary. PBMs and private plans would have flexibility in managing benefits, but all options would ensure that every therapeutic category is covered.

- Cost sharing:
  - Deductible: $350 combined Part A/B, indexed to general inflation
  - Coinsurance: 20% for all services except those listed below
    - Preventive: None; Hospital: None (end day limit)
    - OPD & Mental Health: Current law
    - Home Health: 10%

C. Calculating Medicare's Premium

a) Government's Contribution

- The government-run fee-for-service plan would bid nationally based on its actual and projected claims costs. Other plans would bid on the standard benefits package for an average beneficiary in their region (defined by the Medicare Board). The government's

contribution would be based on a percentage of the national weighted average premium. Specifically, it would be 85 percent of the national weighted average premium, fully adjusted for geographic variation and health risk. The government would pay 85 percent because the beneficiary would pay 15 percent: the sum of the Part B equivalent percent (12 percent) plus 3 percent which is about equal to a 50 percent premium for the new drug benefit.

b) Beneficiary's Contribution

- The beneficiary's contribution would be based on the cost of the plan chosen. Beneficiaries would pay the difference between their plan's premium and 85 percent of the geographically-adjusted national weighted average premium. Beneficiaries choosing plans above the national average would pay more than 15 percent of the national average premium -- beneficiaries choosing lower cost plans would pay less.

  Beneficiaries choosing Medicare fee-for-service would pay the same premium everywhere. If fee-for-service remains at or below the national average premium, this premium would equal 12 percent of its national cost (or 15 percent if the beneficiary takes the drug option). Beneficiaries would have the option to pay an extra premium for the drug benefit; rules on when they can elect that option and how they can transition between private plans and Medicare fee-for-service would be developed to minimize adverse selection.

- **High-income beneficiaries:** Higher income beneficiaries would pay an increasing percent of the premium, so that the percent paid would increase from 15 percent to 40 percent of the premium for the highest income beneficiaries . Specifically:
  - Single beneficiaries: Begin increase at $50,000 with full 40% at $105,000
  - Couples: Begin increase at $75,000 with full 40% at $130,000

  For subsequent years, the starting point would be indexed to general inflation and the premium contribution would increase by 2.5% for each additional $10,000 of income. The income determinations and collection of this premium would by done by Treasury.

- **Low-income beneficiaries**: Today's low-income protections would be strengthened. Medicaid would pay the full premium for beneficiaries with income up to 135 percent of poverty, with a sliding-scale, premium assistance payment for beneficiaries with income between 135 and 150 percent of poverty. As under current law, Medicaid would pay the cost sharing for poor beneficiaries. States would be allowed to limit their premium assistance to plans with premiums at or below the national average so long as beneficiaries have access to fee-for-service Medicare.

II. MODERNIZING MEDICARE FEE-FOR-SERVICE:

- Preferred provider arrangements
- Competitive pricing and negotiated pricing authority
- Purchasing through global payments
- Flexible purchasing authority
- Contracting reform

Balanced Budget Act extenders: for 2003-2007:

- Extend PPS capital reduction of 2.1 percent
- Extend the 15 percent PPS-exempt capital reduction
- Reduce hospital market basket update by 1.1 percentage points
- Reduce PPS-exempt hospital update using BBA relationship between hospital's operating costs and hospital's target amount
- Reduce SNF update by 1 percentage point
- Reduce hospice update by 1 percentage point
- Reduce OPD update by 1 percentage point
- Reduce ambulance payment updates to CPI minus 1 percentage point
- Reduce prosthetics and orthotics updates by 1 percentage point
- Freeze lab updates, DME updates, and PEN payments
- Reduce ambulatory surgical centers update to CPI minus 2 percentage points

III. MEDIGAP [see January 22 document]

IV. MISCELLANEOUS

- **Age Eligibility Increase:** Raise to conform with Social Security, allow a Medicare buy-in for 62 to 67, like S. 1789 (Early Medicare Act) from last year. Congress would work on additional policies to provide premium assistance to protect against increasing the number of uninsured.

- **Graduate Medical Education reform:**

  - OPTION 1. Leave DME in Medicare.

  - OPTION 2. Moves direct medical education (DME) funding out of Medicare into a new discretionary (or mandatory) program. No reduction in spending.

V. REVENUE AND FINANCING

- President's proposed dedication of the surplus

AMENDMENT NO. ____ Calendar No. ____

Purpose: To use any Federal budget surplus to save Social Security and Medicare first.

IN THE SENATE OF THE UNITED STATES—106th Cong., 1st Sess.

S. CON. RES. 20

Setting forth the congressional budget for the United States Government for fiscal years 2000 through 2009.

Referred to the Committee on _____
and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. CONRAD

Viz:

After section 206, insert the following:

SEC. ___. SAVE SOCIAL SECURITY AND MEDICARE FIRST LOCKBOX.

(a) DEFINITION.—In this section, the term "Social Security and Medicare lockbox" means with respect to any fiscal year, the Social Security surplus (as described in section 311(b)(1) of the Congressional Budget Act of 1974), and the Medicare surplus reserve, which shall consist of amounts allocated to save the Medicare program as provided in subsection (b).

(b) MEDICARE SURPLUS RESERVE.—

(1) IN GENERAL.—Subject to adjustment pursuant to paragraph (2), the amounts reserved for the Medicare surplus reserve in each year are—

(A) for fiscal year 2000, $0;

(B) for fiscal year 2001, $3,000,000,000;

(C) for fiscal year 2002, $26,000,000,000;

(D) for fiscal year 2003, $15,000,000,000;

(E) for fiscal year 2004, $21,000,000,000;

(F) for fiscal year 2005, $35,000,000,000;

(G) for fiscal year 2006, $63,000,000,000;

(H) for fiscal year 2007, $68,000,000,000;

(I) for fiscal year 2008, $72,000,000,000;

(J) for fiscal year 2009, $73,000,000,000;

(K) for fiscal year 2010, $70,000,000,000;

(L) for fiscal year 2011, $73,000,000,000;

(M) for fiscal year 2012, $70,000,000,000;

(N) for fiscal year 2013, $66,000,000,000; and

(O) for fiscal year 2014, $52,000,000,000.

(2) ADJUSTMENT.—

(A) IN GENERAL.—The amounts in paragraph (1) for each fiscal year shall be adjusted each year in the budget resolution by a fixed percentage equal to the adjustment required to those amounts sufficient to extend the solvency

of the Federal Hospital Insurance Trust Fund based on the most recent Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund (intermediate assumptions) through fiscal year 2020 or 12 years after the date of insolvency specified in the 1999 Report, whichever date is later.

(B) LIMIT BASED ON TOTAL SURPLUS.—The Medicare surplus reserve, as adjusted by subparagraph (A), shall not exceed the total budget resolution baseline surplus in any fiscal year.

(c) MEDICARE SURPLUS RESERVE POINT OF ORDER.—It shall not be in order in the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on the resolution) that would decrease the surplus in any of the fiscal years covered by the concurrent resolution below the levels of the Medicare surplus reserve for those fiscal years calculated in accordance with subsection (b)(1).

(d) ENFORCEMENT OF MEDICARE SURPLUS.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would cause a decrease in the Medicare surplus reserve

in any of the fiscal years covered by the concurrent resolution.

(e) SOCIAL SECURITY OFF-BUDGET POINT OF ORDER.—It shall not be in order in the Senate to consider a concurrent resolution on the budget, an amendment thereto, or a conference report thereon that violates section 13301 of the Omnibus Budget Reconciliation Act of 1990.

(f) SUPERMAJORITY WAIVER.—

(1) WAIVER.—A bill, resolution, amendment, motion, or conference report violating this section shall be subject to a point of order that may be waived or suspended only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

(2) APPEALS.—An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under paragraph (1).

On page 46, strike section 204.

At the end of section 101, insert the following:

(7) MEDICARE SURPLUS RESERVE.—The amounts of the surplus that shall be reserved for Medicare are as follows:

(A) Fiscal year 2000: $0;

(B) Fiscal year 2001: $3,000,000,000;

(C) Fiscal year 2002: $26,000,000,000;

(D) Fiscal year 2003: $15,000,000,000;

(E) Fiscal year 2004: $21,000,000,000;

(F) Fiscal year 2005: $35,000,000,000;

(G) Fiscal year 2006: $63,000,000,000;

(H) Fiscal year 2007: $68,000,000,000;

(I) Fiscal year 2008: $72,000,000,000; and

(J) Fiscal year 2009: $73,000,000,000.

Increase the levels of Federal revenues in section 101(1)(A) by the following amounts:

(1) Fiscal year 2000: $0;

(2) Fiscal year 2001: $3,000,000,000;

(3) Fiscal year 2002: $25,000,000,000;

(4) Fiscal year 2003: $13,000,000,000;

(5) Fiscal year 2004: $18,000,000,000;

(6) Fiscal year 2005: $31,000,000,000;

(7) Fiscal year 2006: $57,000,000,000;

(8) Fiscal year 2007: $58,000,000,000;

(9) Fiscal year 2008: $59,000,000,000; and

(10) Fiscal year 2009: $56,000,000,000.

Change the levels of Federal revenues in section 101(1)(B) by the following amounts:

(1) Fiscal year 2000: $0;

(2) Fiscal year 2001: $3,000,000,000;

(3) Fiscal year 2002: $25,000,000,000;

(4) Fiscal year 2003: $13,000,000,000;

(5) Fiscal year 2004: $18,000,000,000;

(6) Fiscal year 2005: $31,000,000,000;

(7) Fiscal year 2006: $57,000,000,000;

(8) Fiscal year 2007: $58,000,000,000;

(9) Fiscal year 2008: $59,000,000,000; and

(10) Fiscal year 2009: $56,000,000,000.

Reduce the levels of total budget authority and outlays in section 101(2) and section 101(3) by the following amounts:

(1) Fiscal year 2000: $0;

(2) Fiscal year 2001: $0;

(3) Fiscal year 2002: $1,000,000,000;

(4) Fiscal year 2003: $2,000,000,000;

(5) Fiscal year 2004: $3,000,000,000;

(6) Fiscal year 2005: $4,000,000,000;

(7) Fiscal year 2006: $6,000,000,000;

(8) Fiscal year 2007: $10,000,000,000;

(9) Fiscal year 2008: $13,000,000,000; and

(10) Fiscal year 2009: $17,000,000,000.

Increase the levels of surplus in section 101(4) by the following amounts:

(1) Fiscal year 2000: $0;

(2) Fiscal year 2001: $3,000,000,000;

(3) Fiscal year 2002: $26,000,000,000;

(4) Fiscal year 2003: $15,000,000,000;

(5) Fiscal year 2004: $21,000,000,000;

(6) Fiscal year 2005: $35,000,000,000;

(7) Fiscal year 2006: $63,000,000,000;

(8) Fiscal year 2007: $68,000,000,000;

(9) Fiscal year 2008: $72,000,000,000; and

(10) Fiscal year 2009: $73,000,000,000.

Decrease the levels of public debt in section 101(5) by the following amounts:

(1) Fiscal year 2000: $0;

(2) Fiscal year 2001: $3,000,000,000;

(3) Fiscal year 2002: $26,000,000,000;

(4) Fiscal year 2003: $15,000,000,000;

(5) Fiscal year 2004: $21,000,000,000;

(6) Fiscal year 2005: $35,000,000,000;
(7) Fiscal year 2006: $63,000,000,000;
(8) Fiscal year 2007: $68,000,000,000;
(9) Fiscal year 2008: $72,000,000,000; and
(10) Fiscal year 2009: $73,000,000,000.

Decrease the levels of debt held by the public in section 101(6) by the following amounts:
(1) Fiscal year 2000: $0;
(2) Fiscal year 2001: $3,000,000,000;
(3) Fiscal year 2002: $26,000,000,000;
(4) Fiscal year 2003: $15,000,000,000;
(5) Fiscal year 2004: $21,000,000,000;
(6) Fiscal year 2005: $35,000,000,000;
(7) Fiscal year 2006: $63,000,000,000;
(8) Fiscal year 2007: $68,000,000,000;
(9) Fiscal year 2008: $72,000,000,000; and
(10) Fiscal year 2009: $73,000,000,000.

Reduce the levels of budget authority and outlays in section 103(18) for function 900, Net Interest, by the following amounts:
(1) Fiscal year 2000: $0;
(2) Fiscal year 2001: $0;
(3) Fiscal year 2002: $1,000,000,000;

PRESIDENT WILLIAM JEFFERSON CLINTON
STATE OF THE UNION ADDRESS
MEDICARE EXCERPTS

January 19, 1999
United States Capitol
Washington. D.C.

THE PRESIDENT: Second, once we have saved Social Security, we must fulfill our obligation to save and improve Medicare. Already, we have extended the life of the Medicare trust fund by 10 years -- but we should extend it for at least another decade. Tonight, I propose that we use one out of every $6 in the surplus for the next 15 years to guarantee the soundness of Medicare until the year 2020.

But, again, we should aim higher. We must be willing to work in a bipartisan way and look at new ideas, including the upcoming report of the bipartisan Medicare Commission. If we work together, we can secure Medicare for the next two decades and cover the greatest growing need of seniors -- affordable prescription drugs...

Therefore, in addition to saving Social Security and Medicare, I propose a new pension initiative for retirement security in the 21st century. I propose that we use a little over 11 percent of the surplus to establish universal savings accounts -- USA accounts -- to give all Americans the means to save. With these new accounts Americans can invest as they choose and receive funds to match a portion of their savings, with extra help for those least able to save. USA accounts will help all Americans to share in our nation's wealth and to enjoy a more secure retirement. I ask you to support them.

Fourth, we must invest in long-term care. I propose a tax credit of $1,000 for the aged, ailing or disabled, and the families who care for them. Long-term care will become a bigger and bigger challenge with the aging of America, and we must do more to help our families deal with it.

I was born in 1946, the first year of the baby boom. I can tell you that one of the greatest concerns of our generation is our absolute determination not to let our growing old place an intolerable burden on our children and their ability to raise our grandchildren. Our economic success and our fiscal discipline now give us an opportunity to lift that burden from their shoulders, and we should take it.

Saving Social Security, Medicare, creating USA accounts -- this is the right way to use the surplus. If we do so -- if we do so -- we will still have resources to meet critical needs in education and defense. And I want to point out that this proposal is fiscally sound. Listen to this: If we set aside 60 percent of the surplus for Social Security and 16 percent for Medicare, over the next 15 years, that saving will achieve the lowest level of publicly-held debt since right before World War I, in 1917.

So with these four measures -- saving Social Security, strengthening Medicare, establishing the USA accounts, supporting long-term care -- we can begin to meet our generation's historic responsibility to establish true security for 21st century seniors.

America's families deserve the world's best medical care. Thanks to bipartisan federal support for medical research, we are now on the verge of new treatments to prevent or delay diseases from Parkinson's to Alzheimer's, to arthritis to cancer. But as we continue our advances in medical science, we can't let our medical system lag behind. Managed care has literally transformed medicine in America -- driving down costs, but threatening to drive down quality as well.

I think we ought to say to every American: You should have the right to know all your medical options -- not just the cheapest. If you need a specialist, you should have the right to see one. You have a right to the nearest emergency care if you're in an accident. These are things that we ought to say. And I think we ought to say, you should have a right to keep your doctor during a period of treatment, whether it's a pregnancy or a chemotherapy treatment, or anything else. I believe this.

Now, I've ordered these rights to be extended to the 85 millon Americans served by Medicare, Medicaid, and other federal health programs. But only Congress can pass a patients' bill of rights for all Americans. Now, last year, Congress missed that opportunity and we must not miss that opportunity again. For the sake of our families, I ask us to join together across party lines and pass a strong, enforceable patients' bill of rights.

As more of our medical records are stored electronically, the threats to all our privacy increase. Because Congress has given me the authority to act if it does not do so by August, one way or another, we can all say to the American people, we will protect the privacy of medical records and we will do it this year.

Now, two years ago, the Congress extended health coverage to up to five million children. Now, we should go beyond that. We should make it easier for small businesses to offer health insurance. We should give people between the ages of 55 and 65 who lose their health insurance the chance to buy into Medicare. And we should continue to ensure access to family planning.

No one should have to choose between keeping health care and taking a job. And, therefore, I especially ask you tonight to join hands to pass the landmark bipartisan legislation -- proposed by Senators Kennedy and Jeffords, Roth and Moynihan -- to allow people with disabilities to keep their health insurance when they go to work.

We need to enable our public hospitals, our community, our university health centers to provide basic, affordable care for all the millions of working families who don't have any insurance. They do a lot of that today, but much more can be done. And my balanced budget makes a good down payment toward that goal. I hope you will think about them and support that provision...

Smoking has cost taxpayers hundreds of billions of dollars under Medicare and other programs. You know, the states have been right about this -- taxpayers shouldn't pay for the cost of lung cancer, emphysema and other smoking-related illnesses -- the tobacco companies should. So tonight I announce that the Justice Department is preparing a litigation plan to take the tobacco companies to court -- and with the funds we recover, to strengthen Medicare.

REMARKS BY THE PRESIDENT
UPON DEPARTURE
ON MEDICARE REFORM

March 16, 1999
Outside Oval Office

THE PRESIDENT: Good afternoon. I would like to begin by saying that our thoughts and prayers are with all those people who were involved in this morning's Amtrak crash in Illinois. We've dispatched safety officials from the National Transportation Safety Board and other federal investigators to the site to lead the investigation. I want you to know that we will do everything we can to help the victims and their families, and to ensure that the investigation moves forward with great care and speed.

Now, before I leave for Florida I would also like to comment on an issue of vital importance to our future -- how to strengthen the Medicare program for the 21st century.

Today, Senator Breaux and Representative Thomas will hold a final meeting of their Medicare Commission. Although it did not achieve consensus, the commission has helped to focus long overdue attention on the need to modernize and prepare the program for the retirement of the baby boom generation, and for the present stresses it faces. The commission has done valuable work, work that we can and must build on to craft Medicare reform.

Make no mistake, we must modernize and strengthen Medicare. For more than three decades, it has been more than a program. It has been a way to honor our parents and grandparents, to protect our families. It has been literally lifesaving for many, many seniors with whom I have personally talked.

In my 1993 economic plan that put our country on the path to fiscal responsibility, we took the first steps to strengthen Medicare. In 1997, in the bipartisan balanced budget agreement, we took even more significant actions to improve benefits, expand choices for recipients, to fight waste, fraud and abuse, and to lengthen the life of the trust fund.

But as the baby boomers retire, and medical science extends the lives of millions, we must do more -- we must take some strong and perhaps difficult steps to modernize Medicare so that it can fully meet the needs of our country in the new century. If we don't act, it will run out of funds. That would represent a broken promise to generations of Americans, and we cannot allow it to happen.

As I said in January, we must act, and when we do our actions should be grounded in some firm principles. We must seize the opportunity created by our balanced budget and surplus to devote 15 percent of the surplus to strengthen the trust fund. We must modernize Medicare and make it more competitive, adopting the best practices from the private sector and maintaining high quality services. We must ensure that it continues to provide every citizen with a guaranteed set of benefits.

And we must make prescription drugs more accessible and affordable to Medicare beneficiaries.

The plan offered by Senator Breaux and his colleagues included some very strong elements, which should be seriously considered by Congress. However, I believe their approach falls short in several respects. First it would raise the age of eligibility for Medicare from 65 to 67, without a policy to guard against increasing numbers of uninsured Americans.

I know that back in 1983, the commission voted in Social Security and the Congress ratified a decision to slowly raise the Social Security age to 67. But there is a profound difference here. Perhaps the fastest growing number of uninsured people are those between the ages of 55 and 65. We cannot simply raise the age to 67 without knowing how we're going to provide for health insurance options for those who are already left out in the cold between the ages of 55 and 65. It is simply not the right thing to do.

Also, the proposal has the potential to increase premiums for those in the traditional Medicare program beyond the ordinary inflation premiums that keep the percentage paid by the beneficiaries the same. It does not provide for an adequate affordable prescription drug benefit.

But most important of all, it fails to make a solid commitment of 15 percent of the surplus to the Medicare trust fund. That is the biggest problem. Even if all the changes recommended by the commission were adopted, because of the projected inflation rates in health care costs, it would not be sufficient to stabilize the fund. Only by making this kind of commitment can we keep the program on firm financial ground well into the next century.

Every independent expert agrees that Medicare cannot provide for the baby boom generation without substantial new revenues. Beyond that, it is clear the it will also require us to make difficult political and policy choices. Devoting 15 percent of the surplus to Medicare would stabilize the program -- and improve our ability to modernize and improve its services, and to make those hard choices.

I want to thank the members of the Medicare Commission for their hard work and for their recommendations. Today, I am instructing my advisors to draft a plan to strengthen Medicare for the 21st century, which I will present to this Congress. I look forward to a good and healthy debate about how best to strengthen this essential program. We must find agreement this year. Medicare is too important to let partisan politics stand in the way of vital progress. I believe if we make the hard choices, if we work together, if we act this year, we can secure Medicare into the future.

Thank you very much.

REMARKS BY THE PRESIDENT
TO AARP NATIONAL LEGISLATIVE COUNCIL

February 3, 1999
The Willard Hotel
Washington. D.C.

THE PRESIDENT: Thank you, and good morning. Thank you, Mr. Perkins -- or, good afternoon. Don't tell anybody. Don't tell anybody I didn't know what time it was.

Thank you, Mr. Perkins, for your memory of that -- I did say that, about counting. Mr. McManus, Tess Canja, Margaret Dixon, John Rother, Horace Deets -- thank you especially for representing the AARP so well in dealing with the White House over the last six years.

I was glad to be invited to come over here today. You know, it's rare that a President gets to speak to an organization of which he's a member. As I said repeatedly a couple years ago, I had mixed feelings about that, when you called my attention to the fact that I was aging. But I don't have mixed feelings about the record the AARP has established for 40 years, calling attention to the challenges of aging to all Americans.

Those challenges, today, are more profound than ever as we look forward to the baby boom becoming a senior boom -- the number of seniors doubling by 2030. We owe it to 21st century America, to the children and the grandchildren of the baby boom-- as well as to all the seniors -- to meet those challenges and to meet them together.

I remember, in 1992 when I was a candidate for President, I came to your convention in San Antonio, and talked about the kind of America I wanted to work with you to build -- an America in which we honor our obligations to older Americans without burdening younger Americans. An America with its fiscal house in order and its future shining brightly. When I took office, we charted a new course to achieve that kind of America-- with fiscal discipline, more investments in our people, more trade for our goods and services around the world.

In the past six years, the American people have worked hard and come far. We know now that we have the longest peacetime expansion in history; nearly 18 million new jobs; wages rising at twice the rate of inflation; the highest home ownership in history; the lowest welfare rolls in history; and now, the lowest peacetime unemployment rate since 1957. Last year, for the first time in three decades, the red ink turned to black with a $70 billion surplus. We project one slightly larger than that this year, and projecting them on out for about a generation, as we have ended the structural deficits that caused our national debt to quadruple between 1981 and 1992.

I want to thank you for your hard work over these past six years -- for standing strong for bipartisan progress on the issues of great concern to you. Now, I ask you to stand with me and to say, we must meet the great challenges of the next century. We must use this prosperity, we must use this confidence, we must use this projected surplus to save Social Security, to strengthen Medicare, to meet the challenges of the aging of America.

In my State of the Union address, I laid out a four-point plan to do that: saving Social Security; strengthening Medicare; providing tax relief to help Americans save for their own retirement; and a tax credit to help families with long-term care for aging, ailing and disabled relatives. These will help our country to honor our duties to people today, and to uphold our responsibility to future generations.

On Monday, I sent my new balanced budget to Congress -- the first budget of the 21st century -- to implement this plan.First, in the budget we dedicate the lion's share of the surplus to saving Social Security and to strengthening Medicare. Both are important, and I'd like to explain why.

I proposed that we invest 62 percent of the surplus to save Social Security, and the surplus -- excuse me, for the next 15 years. I am very pleased that members of Congress in both Houses and both parties have agreed that this is the right thing to do. As you know, I have proposed investing a small portion of the trust fund in the private sector, to do it in a way that any private or state government pension would do. I agree with AARP that we absolutely have to insulate any investment of the surplus from political influence. And I believe we can, just as other public pension funds do.

I was in New York last night, talking to several people there in the investment community who came up to me and said they thought I was right and they hoped that we wouldn't let initial criticism stop us from offering a plan which would demonstrate to the American people that you could run this investment just like any other public pension investment is run. And I am confident that we can do that.

If we do this, we can earn a higher return and keep Social Security sound for 55 years. Now, all of you know that from the beginning we have measured the financial health of Social Security by asking if it will be sound for 75 years into the future. I do believe we have to take steps to strengthen Social Security for 75 years. I have looked at the options, believe me -- it's a lot easier to go from 55 to 75 than it is to go from where we are now, 2032 to 75.

I also believe we have to improve the program by reducing poverty among elderly women who are twice as likely to be poor as married couples on Social Security. I believe we should eliminate the limits on what seniors on Social Security can earn. This costs the trust fund some money in the short run, but over the long-term it will actually strengthen the retirement systems of the country and, more importantly, it will strengthen the quality of life of people in their later years.

Now, doing these things will require some difficult choices, but they are clearly achievable. You know basically what the range of options is and I know what it is, as well. To make them, it is clear what we have to do. We have got to work together across party lines to make these decisions. We have to work together across generational lines to make these decisions. But think of how we'll feel if we have Social Security secure for 75 years, if we lift the earnings limit and if we do something to reduce the deeply troubling rate of poverty among single elderly women, who are growing in numbers at a very rapid rate.

I have told the American people and members of Congress in both Houses of both parties -- I've met with dozens of them, literally -- that I am ready to make these choices and to make them with them, and it is time to get on with the job. Now, I feel pretty good about where we are with that, because of the initial positive support for setting aside the surplus portion for Social Security. I wanted to come here today to tell you what I said in the State of the Union I was very serious about -- I do not think it is enough. We all know that Medicare is going to have financial trouble well before Social Security does, unless we do something about it.

Now, if you look at -- where is my chart -- there it is. What I propose is to take 62 percent of the surplus, which you see there for Social Security -- maybe I'll bring it up a little closer. You may be able to see it just fine, but I can see better from here. And then to take 15 percent, about a little less than $1 in every $6 of the surplus, and commit it to Medicare.

Now, some of those who agree with us on Social Security do not agree that we should do this. They would use the entire rest of the surplus for tax cuts. I believe we can only meet our responsibility to the future by saving Social Security and Medicare. Now, President Kennedy, who first proposed Medicare, once said, "To govern is to choose." And so we should have a great national debate about the choices involved in managing this surplus. After all, we haven't had one in 30 years, and it's a little unusual for us.

Yesterday, we learned of a proposal that would make a very different choice about what to do with the surplus. The plan would spend well over $1 trillion over the next 15 years on a tax proposal that would benefit clearly the wealthiest Americans -- who have, I might add, done quite well as the stock market has virtually tripled in the last six years. I'm happy about that; we should all be. But we ought to look at this proposal against that background. It would do this before Medicare has been secured, and in a way that would prevent us from spending 15 percent of this, or investing 15 percent, of this surplus in Medicare.

Now, to govern is to choose. I believe that's the wrong choice; I believe this is the right choice. You, the American people, and the United States Congress will have to decide. This is the latest in a rather long series of large and risky tax proposals that we have heard over the years. If we had adopted even one of the large ones, we wouldn't have the surplus we enjoy today.

We cannot return to the old policies of deficit and debt. Quite apart from our obligations to deal with the aging of America, the strength of our economy is premised on our demonstrated discipline and driving down profligate deficit spending, driving down interest rates, getting private investment up, generating opportunities for the American people.

I believe the American people should have tax relief; in a few moments I'll talk a little bit about what I think the best way to do that is. I believe there are things we can and we must do to help families. And I believe our targeted tax cut for the USA account is especially important. I'll say more about it in a moment.

But, first of all, anyone who hopes to invest the surplus or to spend it on other programs, or to spend it with a tax cut, must first tell America's families: What is your plan to preserve and strengthen Medicare in the 21st century? I was always taught from childhood, as most of you were, that you may want to do a lot of things, but you have to do first things first. To me, Social Security and Medicare, with their looming financial challenges, are the first things, and we have to take care of them first.

I want to work with you to strengthen Medicare. I want to work with the results of the Medicare Commission that Senator Breaux is chairing. In the bipartisan balanced budget we reached in 1997, we extended the life of the Medicare trust fund by 10 years. But no one seriously believes this is adequate, particularly with more and more people qualifying for Medicare.

To stabilize Medicare, we should extend its life until 2020. To truly strengthen Medicare for the long-term, we will have to take further steps. That means committing a percentage of the surplus to the trust fund. It also means committing ourselves to meaningful reforms that will meet the demands of the 21st century.

I am frank to tell you that some people have said, well, the President, by committing this amount of money from the surplus to Medicare to the trust fund, is trying to convince people that we can just go on forever without making any changes in Medicare. That is simply not true, and I don't want to pretend that that's true. But neither do I believe we should be in the position of making reforms or changes that we might later regret, simply because we haven't stabilized the trust fund when we have the funds to do it. These funds should support meaningful reform and prevent permanent damage to Medicare and to the people who depend upon it and are entitled to rely on it.

So here's what I think we should do, with regard to at least basic principles, as we look forward to the 21st century Medicare program. Did they change the chart? Good.

First, Americans should be able to count on Medicare and know it will be there when they need it. I have proposed to use, as I said, about one of every six dollars in the surplus for the next 15 years to just simply guarantee the soundness of the Medicare fund until the year 2020. Without these new resources, Medicare spending would have to plummet significantly below the private sector average. No one believes we can have that happen without seriously weakening a program that millions of older Americans need.

Second, Americans on Medicare should be able to count on a modern, competitive system that maintains high-quality care and top-notch service by drawing on the best private sector practices. Third, Americans on Medicare, especially Americans with lower incomes, should be able to count on a defined set of benefits and protections without having to worry about excessive new costs they can't begin to afford.

Fourth, Americans on Medicare should be able to count on a benefit that many have long waited for, and that will actually cut our cost over the long run, and lengthen life, and lengthen the quality of life: prescription drugs.

Now, I believe we ought to use the savings that reforms in Medicare can create to provide this prescription drug benefit. Yes, it will be more costly on the front end, but over the long run it is bound to save money. It will keep people out of the hospital. It will keep people away from more expensive medical procedures. It will lengthen life and it will lengthen the quality of life.

I want to thank especially Senators Kennedy and Rockefeller for their leadership on this issue. I look forward to working with members of both parties. But keep in mind -- within these principles, my view of Medicare is: take 15 percent of the surplus, make sensible reforms, add the prescription drug benefit. All three will be required to truly strengthen Medicare for the 21st century.

Now, as I said before, we know the American people have worked very hard to replace the era of budget deficits with an age of budget surpluses. They deserve to benefit from that, and they deserve some tax relief. The real question is: What kind of tax relief and how much should it be? What are the other competing demands for the country? Again, to govern will be to choose.

I think we should use a percentage of the surplus to give Americans tax relief -- that strengthens working families, that encourages savings and the sharing of our nation's wealth among a broader range of Americans. And that is why I have proposed that we set aside -- we're back to the chart now -- 12 percent of the surplus, or, over 15 years, $536 billion, to establish USA accounts, Universal Savings Accounts, that give working Americans a chance to save for the future. These accounts would basically involve the government giving a tax credit that would be a cash match for a certain amount of savings by Americans who save, with extra help for Americans who are lower-income working families who have less ability to save on their own.

Now, all of you know that when Social Security was set up, it was never viewed as the sole source of income, ideally, for retirees -- although, unfortunately, it still is the sole source of income for a large number of people. We need a country in which we have a sound Social Security system, a sound set of pension options -- and all of you know how the pension marketplace has been changing, from defined benefits to defined contributions -- and we need, thirdly, a vehicle which promotes more private savings.

The USA account is designed to give tax relief -- which, I might add, would be considerably greater tax relief for middle income families than most of the other proposals I've heard that cost a lot more money. But tax relief in the form that actually promotes personal savings, more secure retirement and gives people who otherwise would not have it a chance to have a savings account which would give them the opportunity to hook into the creation of wealth in America, and to own a part of America's wealth-creating enterprise. I think it's very, very important.

I have also proposed $1,000 tax credit to help pay for the long-term care needs of families who are caring for aged, ailing or disabled family members. We know that long-term care needs will increase. Frankly, I would like this tax credit to be even larger. But I believe if we start now, within our other obligations to fix Social Security and Medicare and other competing claims and responsibilities of the government, I believe that this will become an integral part of the way we manage long-term care, and will be a strong part of a bipartisan American consensus for how we should support long-term care over the long run. So I very much hope that will pass.

For middle-income families I have also supported tax relief for child care, for work related expenses for disabled Americans, for further tax relief from the interest payments on student loans and tax relief to businesses which help their employees start retirement programs. We've worked very hard for six years to stabilize the existing retirement systems and to facilitate the establishment of retirement programs by more small- and medium-sized businesses for whom the old laws were quite a hassle and a lot of trouble, and actually a lot of start-up costs, so we're working very hard on that.

Now, this is the kind of tax relief that I think is good for the country. I have proposed tax reliefs to individuals and corporations who will invest money in areas of high unemployment in America -- in inner cities and rural areas, to bring private enterprise to create jobs and to generate more national growth and more national wealth.

This is the first time, at least in 30 years, when we've had a level of prosperity and the resources necessary to actually get free enterprise into the inner-city and rural areas that still have been left behind by the economic expansion. And I hope you will all support that, because, keep in mind, that helps the whole economy. We have to keep finding new ways to growth this economy, even with a low unemployment rate, that doesn't spark inflation. And this is clearly the best way we can.

Now, I think this tax relief is good for America. We can afford it. It is all paid for -- all this tax relief I mention, except for the USA Account -- every other bit of this tax relief I mentioned is paid for in the balanced budget. It has nothing to do with this surplus. It will not have anything to do with undermining our fiscal strength.

I simply think we have to use the surplus in a way that honors our most profound responsibilities to our parents, to our children, to our grandchildren, and I think that we cannot waste a penny of it until we have saved Social Security and Medicare for the 21st century.

As I pointed out in the State of the Union address, there is another enormous benefit that will come from saving the surplus in this way. It will enable us to buy back a lot of the national debt held by the public. And that is very important. Why? In 1981, our total national debt amounted to about 26 percent of our annual income. In 1992 it had quadrupled in dollars, and it was about half our national income. When I got the budget charts, it was projected to go as high as 75 or 80 percent of our national income -- a very dangerous situation.

Now, the national debt has dropped from 50 percent down to 44 percent of our income, but if -- if -- we save the money I recommend for Social Security and for Medicare for 15 years, our national debt will drop to seven percent of our national income. That's the lowest level since 1917, before the United States entered World War I.

Now, what does that mean in practical terms, to an average family? It means that we will have lower interest rates; lower home mortgage rates; lower car payment rates; more investment; a dramatic increase in national savings; and more economic growth. It also means that if we have all the financial instability you see around the world -- and I want to make it clear that the financial instability that we saw, for example, in Asia, came primarily not out of irresponsible government spending policies -- a lot of those people had balanced budgets -- but there was just turmoil in the financial markets because of banking systems and investment patterns. That undermines our ability to grow, when our trading partners get in trouble.

We need to know that we have some insurance against that sort of trouble here at home, so we can keep plugging ahead, even as we try to help our friends around the world get back on their feet and start growing again. So this is an enormous insurance policy.

The last thing I want to tell you is this: You can be thinking about what your successors around this table will be debating 15 years from now. Today, when we draw up a budget, the first thing we have to do is take interest payments on the debt off the table. Right? Some of you may own that debt -- you may have government bonds. We've got to pay you before we can do anything.

Today, that takes over 13 cents of every single tax dollar. Fifteen years from now, if we do this, it will take 2 cents of every tax dollar. Once we secure Social Security and Medicare, think what you could do with that difference -- in tax cuts, or investments in education, or whatever you think it ought to be spent on. This is a very important issue.

So, seven years ago, I said to you that if we worked together we could leave our children a nation that is stronger, freer, and wealthier than the one we inherited. Today, we actually have the chance to do this. Today we have a chance to deal with the aging of America -- a challenge facing every advanced society on earth -- in a way that is dignified, that has genuine integrity; that will strengthen not only the lives of seniors but will strengthen the lives of their children and grandchildren. It is an enormous opportunity, and an enormous opportunity.

I ask you to join with me to make sure that our country meets that responsibility. Thank you, and God bless you.

REMARKS BY THE PRESIDENT AND THE VICE PRESIDENT
IN SOCIAL SECURITY-MEDICARE ROUNDTABLE

January 27, 1999
The East Room

THE PRESIDENT: Thank you and good morning. The Vice President and I are delighted to welcome you here. We have an unusually large delegation from the United States Congress here today, and I believe I have all their names and I would like to acknowledge Senator Thomas and Representatives Becerra, Bliley, Borski, Cardin, Hill, Nadler, Pickering, Portman, Pomeroy, Markey, Smith, and Tauscher. I think I have got them all. And give them a hand. I think that's amazing that they're here.

I would like to thank Secretary Shalala, Social Security Commissioner Apfel, and Gene Sperling for their work on this meeting today. I'd like to thank our panelists Laura Tyson, Uwe Reinhart, Martha McSteen, Hans Riemer, and Stuart Altman for their presence. And they will be introduced in a few moments.

In my State of the Union address last week, I challenged Congress and the American people to meet the long-term challenges our country faces for the 21st century. Today you all know we are here to talk about perhaps the largest of those, the aging of America.

The number of elderly Americans will double by 2030. Thanks to medical advances, by the middle of the next century, the average American will live to be 82 -- six years longer than today. These extra years of life are a great gift, but they do present a problem for Social Security, for Medicare, for how we will manage the whole nature of our society.

As I have said repeatedly, this is a high-class problem, and the older I get the better it looks. But it is one, nonetheless, that we have to face. Fortunately, we are in a strong position to act because of our prosperity and our budget surplus.

It is well to remember that the current prosperity of this country was created not by rash actions in Washington, but by facing boldly the challenge forced by the budget deficits -- by getting the deficit down, getting into balance, bringing the interest rates down and bringing the economy back. We also should face the challenge of the aging of America in the same way.

In the State of the Union, I laid out a three-part plan, and asked Congress to consider it -- to invest our surplus in ways that will both strengthen our economy today and in the future, and meet the needs of the aging of America. First, I proposed that we devote 62 percent of the surplus for the next 15 years to saving Social Security, investing a small portion in the private sector, as private, state and local government pensions do. The average position of the retirement fund in the stock market, of Social Security, would be under two percent of the market for the next 15 years, under three percent for the next 20 years, and always under four for the next 50 years.

Over the course of the last week, I have been gratified to see discussions of this proposal, and obviously differences about the whole market investment issue, but substantial agreement in the idea of dedicating a large portion of the surplus to saving Social Security across partisan lines. And for that I am very grateful. I think we should build on this to extend the life of the Social Security trust fund further. If we do what I suggested it will add 55 -- take us to 2055.

I think we should have a 75-year life for the Social Security trust fund. We should also make some changes to reduce the poverty rate among elderly women who have a poverty rate at twice -- almost twice the general poverty rate among seniors in our country. And I believe we should eliminate the limits on what seniors on Social Security can earn.

To make the changes necessary to go to 75 years on the trust fund and deal with these other challenges, we will simply have to have a bipartisan process. There is no way to avoid it. But I'm confident that the changes, while somewhat difficult, are fully achievable. And if we work together we can make them.

To prepare America for the senior boom will require more than saving Social Security. We also have to deal with the challenge to Medicare and our obligation to make sure that our seniors have access to quality health care. I want to say very clearly that we need to set aside enough of the surplus for Medicare and Social Security before we address new initiatives like tax cuts. That's why the second part of our proposal calls for devoting 15 percent of the surplus for 15 years to the Medicare trust fund. If we do this and nothing else we can secure the trust fund until after the year 2020.

But I want to make something else clear. I believe that -- some have suggested that by dedicating the surplus to Medicare we won't need to make any decisions to reform the program. I disagree with that. Medicare needs revenues to increase its solvency, but it also needs reform to make sure that it is modern and competitive and to gain additional savings to help finance a long overdue prescription drug benefit. So, for me, reforming Medicare and committing the surplus go hand in hand.

I'd also like to say that for me there could be no better use of our surplus in assuring a secure retirement and health care to older Americans. And I believe that it is good not only for older Americans, but for their children and grandchildren as well, and for the larger economy.

Why is that? Well, first of all, if we dedicate this portion of the surplus to Social Security and Medicare over the next 15 years, obviously in most of those years that money will not be needed. In all those years we will, in effect, be buying back the national debt. As we do that, we will bring the percent of our debt -- I mean, our publicly held debt as a percentage of our economy -- down to its lowest point since 1917, since before World War I. What will that do? That will drive interest rates down and it will free private capital up to invest in the United States -- to create jobs, to raise incomes.

So I think that it's very important. If you look around the world today at the troubles these countries are facing, when their budget deficits get out of hand, when their interest rates go through the roof and they can't get any money from anywhere, when we worry constantly about our trading partners, trying to keep them in good shape and help them to not only preserve our economic markets, to preserve partners for peace and democracy and freedom -- if we in the United States could actually be doing something to pay down our debt while saving Social Security and Medicare, we would keep these interest rates down. And it would be an enormous hedge against whatever unforeseen future volatility occurs in the global economy.

So this is a strategy that will actually grow the American economy while preparing for the future. Of course, in an even more direct way it's good for the rest of America because, when the baby boomers retire -- as I said in the State of the Union, none of us want our children to be burdened with the costs of our retirement, nor do we want our grandchildren's childhoods to be lessened because our kids are having to pay so much for our retirement or our medical care. So, from my point of view, this is a very good thing for Americans of all ages, without regard to their political party, their income, their section of the country. I think this will benefit the country and help to bring us together and strengthen us over the next several decades.

Let me just say very briefly that the third part of our proposal is to dedicate $500 billion of the surplus to give tax relief to working families through USA accounts -- Universal Savings Accounts. Under my plan, working Americans would receive a tax credit to contribute to their own savings account, and an additional tax credit to match a portion of their savings -- with the choice theirs about how to invest the funds -- and more help for those who are working harder on lower incomes and, therefore, would have a harder time saving.

This new tax credit would make it easier for Americans to save for their own retirement and long-term care needs. And obviously, this would be further helped by something that is already in our balanced budget, which is the $1,000 long-term care tax credit.

So these are the things that I think together would not only help us to manage and deal with in a very good way the aging of America, I think it would help us to secure the long-term economic prosperity of the country and help to keep families together across the generations without seeing unbearable strains put on those families, as so many of the baby boomers live longer and inevitably have more medical costs.

So I hope that we will have a good debate in Congress. There will be others with their own ideas; I welcome them, I look forward to it. Today, we're going to focus on the programs that I mentioned at the beginning of my talk. And I'd like the Vice President, who has worked very hard on this with me, now to make a few remarks and to introduce our panelists so we can get on with the morning.

Thank you very much.

REMARKS BY THE PRESIDENT
ON RELEASE OF 1998
SOCIAL SECURITY TRUSTEES REPORT

March 30, 1999
Rose Garden

THE PRESIDENT: Thank you very much. Please be seated. (Applause.) I welcome all of our guests here, as well as the members of the administration. And I thank those who have joined me here on the platform for this important announcement.

Twice in the last six years, we have strengthened our nation's future in the 21st century by addressing serious, great fiscal challenges to America. In 1993, we met the threat of mounting deficits and a stagnant economy with an economic plan of fiscal discipline, expanded trade and investment in our people.

Thanks to that action, the red ink of the federal budget has turned to black, and we are enjoying the longest peacetime expansion in our nation's history.

In 1997, we reaffirmed our commitment to fiscal discipline with the bipartisan balanced budget agreement. It took important steps to improve Medicare, savings tens of billions of dollars in costs while expanding benefits for recipients and choices.

Today, we have new evidence that those determined actions were the right ones. I have just been briefed by our four Social Security and Medicare Trustees for the administration -- Secretaries Rubin, Shalala, Herman, Social Security Commissioner Apfel, who here with me today. The Trustees have issued their annual report on the future financial health of these vital programs. The Trustees Report shows that the strength of our economy has led to modest but real improvements in the outlook for Social Security. They project that economic growth today will extend the solvency of the Social Security trust fund to 2034 -- two years longer than was projected in last year's report.

After that date, however, the trust fund will be exhausted, and Social Security will not be able to pay the full benefits older Americans have been promised. Therefore, still I say we must move forward with my plan to set aside 62 percent of the surplus for Social Security, investing a small portion in the private sector for better return, just as any private or state government pension would do.

As I said in my State of the Union address, we then must go further, with difficult but achievable reforms that put Social Security on a sound footing for 75 years; that lift the earnings limitations on what seniors can earn; and that do something about the incredible problem of poverty among elderly women living alone.

The trustees have also told us that today the future for Medicare has improved even more.

The trustees project that the life of the Medicare trust fund has been extended until 2015. That's seven years longer than was projected in last year's report. These improvements are only partially due to the stronger economy. According to the trustees, they are also the result of the difficult but necessary decisions made in 1997; and to our successful efforts to fight waste, fraud, and abuse in the Medicare program.

Now, this Trustee Report is very good news. We should be pleased; Americans can be proud. But we should not be lulled into thinking that nothing more needs to be done, because the improvements we see today, themselves, did not happen by accident, but instead came as a result of determined action to make sure that the problems were not allowed to get out of hand.

When I became President six years ago, Medicare was actually projected to go bankrupt this year. We worked hard in 1993 and 1997 to make sure that didn't happen. Some of the actions we took at the time were not particularly popular, but we knew they had to be done. They helped to strengthen Medicare, and they laid the foundations from the difficult challenges we still must face.

Social Security and Medicare face long-term challenges, as all of you know, with the baby boom aging, with medical science extending the lives of millions, with the number of elderly Americans set to double by 2030. Even with today's good news, Social Security will run out of money in 35 years, Medicare in 16 years. We cannot -- we will not -- allow that to happen.

For three decades, Medicare has protected seniors and the disabled while expressing the values of care and mutual obligations that bind families and the generations of Americans together. Since my State of the Union address, I have called for devoting 15 percent of our surplus to strengthening Medicare, while modernizing the program with real reforms and helping seniors with prescription drugs.

When the Medicare Commission completed its work two weeks ago, I said we must build on their recommendations by adopting the best practices from the private sector while also maintaining high-quality services, continuing to provide every citizen with a guaranteed set of benefits, and making prescription drugs more accessible and affordable to Medicare beneficiaries.

Now we must build on the good news we have received today. We must extend the life of Medicare even further, modernize the program even more, and make prescription drugs even more accessible and affordable. Medicare cannot remain static in the face of the sweeping changes in our nation's health care system, a system today that relies increasingly on prescription drugs.

Today, 13 million seniors each spend more than $1,000 a year, out of pocket, for prescriptions. Let me say that again -- 13 million seniors today spend more than $1,000 a year out of pocket for prescription medication.

At the same time, seniors who have no drug coverage do not benefit from the lower

prices that insurance firms often can negotiate from pharmaceutical companies. The higher prices these seniors pay are in effect a hidden tax. We must find a way through Medicare to inject more competition into the health care system and to provide a prescription drug benefit.

Now, I know that some might say this good news means that we can simply delay reform. Nothing could be further from the truth. Strengthening and modernizing Medicare requires tough but achievable changes. And now is the time to make those changes -- now when our economy is strong; now when our people have renewed confidence; and now when we have time on our side so that modest changes today can have major impacts in the years ahead.

Nothing in this report lessens the need to devote 15 percent of the surplus to strengthening Medicare. But nothing in this report lessens the need to make tough but achievable reforms either. And nothing in this report lessens the need to help seniors with a prescription drug benefit. If we wait we will be condemning ourselves to future changes that will be much more costly and wrenching and much less satisfying in the end.

Today we face a choice that is a test of our wisdom as a self-governing people and a test of our vision of 21st century America. Will we seize this moment of prosperity? Will we devote these surpluses to strengthening Medicare, to strengthening our future? Or will we rush and do the most appealing prospect of the moment, a tax cut that will explode in later years and avoid our generation's responsibility and put the future of Medicare at risk?

The Trustees Report is welcome news, but it also contains a clear lesson -- tough, disciplined action is good economics. It's good for Social Security; it's good for Medicare; it's good for America. It's very good for our children's future and for the future of our families across the generations.

We can extend the life of Social Security and Medicare, and have an appropriate, affordable amount of tax relief specially targeted to the neediest working families and middle class families. But we have to apply the lessons we have learned in the last six years to the first years of the 21st century. I am determined to see that we do so this year. And the Trustees Report should make it easier for us to fulfill our responsibilities.

Thank you very much.

MEDICARE REFORM:

BRIEFING BOOK

PRESIDENT CLINTON UNVEILS PRINCIPLES FOR MEDICARE REFORM AND UNDERSCORES NEED TO DEDICATE THE SURPLUS TO MEDICARE

February 3, 1999

Today, in his speech to the American Association of Retired Persons (AARP), President Clinton underscored the need to dedicate 15 percent of the budget surplus to secure the Medicare Trust Fund until 2020. He stressed his preference for bipartisan Medicare reform that is necessary to modernize Medicare and achieve additional savings to strengthen the program, and outlined four main principles that he believes any such plan should meet. The President:

- **Highlighted the Need to Dedicate Budget Surplus to Strengthen Medicare.** The President highlighted the fact that, while we need reform to improve competition and efficiency in the Medicare program, these reforms will not produce savings that are sufficient to significantly extend the life of the Trust Fund. In fact, if reductions in growth alone were used to extend the life of the Medicare Trust Fund, spending growth per beneficiary would have to be limited to 2.8 percent per year -- in every year -- to get to 2020. This rate is over 60 percent below projected private health insurance spending per person (7.3 percent). Moreover, since this growth rate is below general inflation, the value of Medicare spending per beneficiary would erode. These projections help explain why virtually every independent health analyst agrees that Medicare cannot be significantly strengthened without adding outside financial support such as the surplus.

- **Unveiled Principles to Guide Medicare reform.** The President outlined principles that he will use to evaluate any Medicare reform proposal. Any broad-based reforms should:

  - **Dedicate Surplus to Secure Medicare until 2020.** One of the fundamental goals of Medicare reform is to put the program on stronger financial footing to better prepare it for the demographic and health challenges of the next century. These challenges cannot be addressed solely through making the program more efficient, transferring current liabilities out of the Trust Fund, or increasing payments. The President is proposing to use 15 percent of the projected surpluses over the next 15 years to secure the Medicare Trust Fund until 2020 as part of broader reforms to further strengthen the program.

  - **Modernize Medicare and Make It More Competitive.** Medicare should adopt the best management, payment, clinical and competitive practices used by the private sector, to help maintain high-quality services and keep spending growth in line with the private spending. Moreover, strong and effective Federal administration of Medicare should be assured.

  - **Guarantee Defined Set of Benefits Without Excessive New Costs to Beneficiaries.** Beneficiaries should still be entitled to an adequate set of health benefits. A modernized, well-defined benefits package is needed to assure that health plans compete on cost and quality rather than price. Reforms should also maintain or strengthen protections for low-income beneficiaries, assure that any new cost burdens are not excessive, and assure that beneficiaries have access to a viable traditional Medicare program.

  - **Use Savings from Reform to Help Fund a Prescription Drug Benefit.** Millions of Medicare beneficiaries have no or inadequate coverage for their medications, limiting their access to needed treatments. In fact, over half of Medicare beneficiaries pay more than $500 per month for prescription drugs and one in ten pay more than $2,000. Prescription drugs have become an essential part of treatments and cures, and are expected to play an even greater role in health care in the next century. The President believes that additional savings from making Medicare more efficient should be used to help finance a long-overdue prescription drug benefit for all Medicare beneficiaries.

Final

PRESIDENT WILLIAM J. CLINTON
REMARKS FOR AARP EVENT
WASHINGTON, DC
February 3, 1999

Ack: Joseph Perkins, Pres., AARP; John McManus, Chair, AARP Nat'l Legislative Council; Tess Canja [CAN-ja], President-Elect, AARP. Horace Deets, Exec. Dir., AARP.

I want to begin by thanking you for inviting me to speak to you today. A couple of years ago, I nearly fainted when my first AARP card came in the mail -- it certainly drew my attention to the fact that I was turning 50. But for more than 40 years, AARP has been drawing all of our attention to the long-term challenges posed by the aging of America. I want to talk to you today about what I believe we must do as a nation to meet those challenges -- and to uphold our duty to future generations.

When I first ran for President in 1992, I spoke to you at your convention in San Antonio about the kind of America I wanted to work with you to build -- an American that honored its obligation to our older people without burdening its young people. An American with its fiscal house in order and its future shining brightly.

So when I took office, we charted a new course based on fiscal responsibility, smart investments in our people, and more trade. In the past six years, we have worked hard, and come far. Today, Americans have created the longest peacetime expansion in our history -- nearly 18 million new jobs, wages rising at twice the rate of inflation, the highest home ownership in history, the lowest welfare rolls in history, the lowest peacetime unemployment since 1957. And as you know, last year, for the first time in three decades, we turned red ink to black with a $70 billion surplus -- on course for a quarter century of budget surpluses.

I thank you for your hard work over these six years on behalf of America's seniors. I thank you for standing strong for bipartisan progress for our nation. And I am very proud to stand with AARP as we say, together: We must use this moment to save Social Security and strengthen Medicare for the 21st Century. There is no higher priority for our nation.

For as I said in my State of the Union address, our fiscal discipline gives us an unsurpassed opportunity to address a remarkable new challenge -- the aging of America. I laid out a four point plan -- saving Social Security, strengthening Medicare, providing tax relief to help Americans save for retirement, and a tax credit to help families with long-term care for aging and ailing loved ones -- that will help us to honor our duties to our people today, and uphold our responsibility to future generations.

On Monday, I sent to Congress my new balanced budget for the year 2000 -- the first budget of the 21st Century -- that embodies my plan by ensuring that we use the surplus to meet the challenge of the Senior boom.

I believe it is imperative that we dedicate the lion's share of the surplus to saving Social Security and Medicare. Here's why. We know that these are not just programs -- they reflect our deepest values, and the duties we owe to one another. Before President Franklin Roosevelt created social security, being old meant living in poverty and fear. Before President Johnson created Medicare, old age and illness were virtually synonymous.

We must act and act now to preserve these guarantees. So I have proposed that we invest 62 percent of the surplus for the next 15 years in Social Security. I am very pleased that members of Congress of both parties have agreed that this is the right thing to do. As you know, I have proposed investing a small portion of the trust fund in the private sector, just as any private or state government pension would do. I agree with AARP that we must insulate any investment of the surplus from political influence, and I believe we can. If we do all this, we will earn a higher return and keep Social Security sound for 55 years.

But from the beginning, we have measured the financial health of Social Security by asking if it will be sound for 75 years into the future. So we should aim higher, and take steps to strengthen Social Security for 75 more years. At the same time, as we do so, we should make changes to improve the program: We should help reduce poverty among elderly women, who are nearly twice as likely to be poor as our other seniors. And we should eliminate the limits on what seniors on Social Security can earn.

To do all this won't be easy. It will require difficult but achievable choices. It will require us to work together across party lines and across the generations. But by making hard choices and working together, we did the seemingly impossible when we balanced the budget. And I am confident we can do it again to save Social Security, now.

You know and I know that saving Social Security, alone, is not enough to prepare America for its future. We must use more of the surplus to do that. Take a look at this chart. Republicans and Democrats agree that investing 62 percent of the surplus to strengthen Social Security is the right thing to do. But our responsibility to the generations does not end there -- we must also agree to use our hard-earned surplus to strengthen Medicare. Some -- even those who agree we should save Social Security -- would use the rest of the surplus for tax cuts. But we must meet all our obligations to future generations. We must save Social Security and strengthen Medicare.

President Kennedy, who first proposed Medicare, famously said "to govern is to choose." And so we should have a great national debate on which course to choose as we enter the 21st Century. Just yesterday we learned of a proposal that would make fundamentally different choices with America's surplus. This plan would spend $743 billion -- nearly three-quarters of a trillion dollars -- on a tax proposal oriented towards the

wealthiest Americans; all before Medicare has been secured. That would be the wrong choice for America.

This is just the latest in a series of risky tax schemes that have been proposed over the years. And if we had adopted even one of them, we wouldn't have a surplus today. We must not return to the old, failed policies of deficit and debt. I believe Americans deserve tax relief, and in a few minutes I will tell you about the tax cuts I have proposed to help families, especially our targeted tax cut for savings called the USA Account. But anyone who hopes to spend the surplus has an obligation to first tell America's families how they plan to preserve and extend the Medicare trust fund into the next century. That's what I mean when I say: first things first.

I want to work with you and with lawmakers of both parties to strengthen Medicare -- including the Medicare Commission chaired by Senator Breaux. In the bipartisan balanced budget agreement of 1997, we extended the life of the Medicare trust fund by 10 years. To truly stabilize Medicare, we should extend its life until 2020. But it is plain that, to truly strengthen Medicare for the long term, we will have to take further steps ~~--and as we do so, we~~ can make sure that it is modern and competitive, and improve its service to America's seniors.

Here are the principles I believe should guide as us as we go forward.

First, Americans should be able to count on Medicare and know that it will be there for them when they need it. I have proposed to use one out of every $6 in the surplus for the next 15 years to guarantee the soundness of Medicare until the year 2020. Without these new resources, Medicare spending would have to plummet significantly below the private sector average -- which would seriously weaken a program that older Americans rely on.

Second, Americans on Medicare should be able to count on a modern, competitive system that maintains high quality care and top notch service by drawing on the best private sector practices.

Third, Americans on Medicare -- especially older Americans with lower incomes -- should be able to count on a defined set of benefits and protections, without having to worry about excessive new costs.

Fourth, Americans on Medicare should be able to count on a benefit they have long waited for: prescription drugs. I believe we should use the savings these reforms create to fund a new prescription drug benefit. I thank Senators Kennedy and Rockefeller for their leadership, and I look forward to working with members of both parties on this important issue. We have all heard the terrible stories of senior citizens making the impossible choice between skipping a dose of medicine or skipping meals. This step will help ensure no American on Medicare ever has to make that choice.

I believe that if we take these actions today, we will ensure that Medicare is there for the today's seniors, for Baby Boomers, and for generations to come.

As I said a moment ago, Americans have worked very hard to replace the era of budget deficits with a new age of budget surpluses. They deserve to benefit from it -- and they deserve tax relief.

I believe that we should use a percentage of the surplus to give Americans well-earned tax relief that strengthens working families, encourages savings, and increases wealth. That is why I have proposed $536 billion in tax credits to establish USA accounts that give working Americans a chance to save for the future. And I have also proposed a $1,000 tax credit to help pay for long term care needs for the aged, the ailing, and the disabled. We know that as America ages, long term care needs will increase -- and we must do more to help.

This is the kind of tax relief that is good for America. But if we squander the surplus before we honor our most profound responsibilities to our parents and our children -- before we save Social Security and strengthen Medicare -- we will waste a once-in-a-lifetime opportunity to build a stronger nation for the 21st Century.

Seven years ago, I told you that if we worked together, we could "leave our children a nation that is stronger, freer, and richer than the one we inherited." Today, I believe we can truly say that we are much closer to leaving this world better than we found it -- and I look forward to continuing our progress, together.

Thank you.

REFERENCES TO MEDICARE REFORM IN THE STATE OF THE UNION

Now, these changes will require difficult, but fully achievable choices over and above the dedication of the surplus. They must be made on a bipartisan basis. They should be made this year. So let me say to you tonight, I reach out my hand to all of you in both houses, in both parties and ask that we join together in saying to the American people, we will save Social Security now.

(APPLAUSE)

Now, last year, we wisely reserved all of the surplus until we knew what it would take to save Social Security.

CLINTON: Again, I say, we shouldn't spend any of it, not any of it, until after Social Security is truly saved. First thing's first.

(APPLAUSE)

Second, once we have saved Social Security, we must fulfill our obligation to save and improve Medicare. Already we have extended the life of the Medicare trust fund by ten years, but we should extend it for at least another decade.

Tonight I propose that we use one out of every six dollars in the surplus for the next 15 years to guarantee the soundness of Medicare until the year 2020.

(APPLAUSE)

Thank you.

But, again -- but, again, we should aim higher.

CLINTON: We must be wiling to work in a bipartisan way and look at new ideas, including the upcoming report of the Bipartisan Medicare Commission. If we work together we can secure Medicare for the next two decades and cover the greatest growing need of seniors -- affordable prescription drugs.

(APPLAUSE)

Thank you.

---- new section of speech ----

CLINTON: Saving Social Security, Medicare, creating USA accounts, this is the right way to use the surplus. If we do so, if we do so, we will still have resources to meet critical needs and education and defense.

And I want to point out that this proposal is fiscally sound. Listen to this: if we set aside 60 percent of the surplus for Social Security and 16 percent for Medicare over the next 15 years, that savings will achieve the lowest level of publicly-held debt since right before World War I in 1917.

BREAUX-THOMAS MEDICARE REFORM PLAN
March 19, 1999

Medicare Commission has made an important contribution. Thanks to the leadership both of the Commission and the President, the problems facing the Medicare program are getting the attention it deserves.

The Breaux-Thomas proposal has advanced the debate. The plan has recommended a number of ideas worth serious consideration, including:

- **Making Medicare's traditional plan more competitive**: It recommends that the program use the same effective, competitive management tools that are used in the private sector.

- **Simplifying Medicare's complicated, confusing and multiple deductible structure**: It recommends creating a single, simple deductible. It also eliminates cost sharing for preventive services, an Administration priority for years.

- **Recognizes need for expanded coverage of prescription drugs:** By expanding Medicaid prescription drug coverage for beneficiaries with income below 135 percent of poverty, the Breaux-Thomas proposal takes a modest but positive step towards providing drug coverage to Medicare beneficiaries. But we can and must do better than providing coverage for fewer than one in ten beneficiaries. The widespread use of drugs in modern medicine, their high cost, and the inaccessibility and unaffordability of drug coverage present problems for all Medicare beneficiaries, not just the poorest.

Despite important contributions, the Breaux-Thomas proposal falls short.

- **It does not address Medicare's financing**: Because it includes no additional commitment for financing, the proposal ducks the economic reality that every independent Medicare expert confirms -- the demographic explosion of the Medicare program will require more financing. No amount of structural reform or cost cutting can compensate for this. The lack of financing makes the problem much larger to solve in the future and shifts more of the burden to our nation's children. This is why the President proposed to dedicate 15 percent of the surplus over the next 15 years to Medicare, to save some of today's prosperity for tomorrow's needs. We cannot waste this historic opportunity.

- **Raises the age eligibility for Medicare**: We are extremely skeptical of any plan that would increase the numbers of uninsured. The most rapidly growing group of the uninsured are between the ages of 55-65; raising the eligibility age of Medicare without a policy that assures that there will not be even more uninsured elderly is simply the wrong thing to do.

- **Includes flawed "premium support" proposal**: The President is committed to adding competition to Medicare, but not at the risk of harming the existing program or its beneficiaries. The current construction of the Breaux-Thomas premium support plan would raise premiums for traditional Medicare by 10 to 20 percent for most beneficiaries, according to the independent Medicare actuary. Although the plan attempts to address this problem for beneficiaries with no private plan options, those with limited or unattractive private options would be forced to pay more to stay in the system. We believe that this is unacceptable.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 16, 1999

REMARKS BY THE PRESIDENT UPON DEPARTURE ON MEDICARE REFORM

Outside Oval Office

3:55 P.M. EST

THE PRESIDENT: Good afternoon. I would like to begin by saying that our thoughts and prayers are with all those people who were involved in this morning's Amtrak crash in Illinois. We've dispatched safety officials from the National Transportation Safety Board and other federal investigators to the site to lead the investigation. I want you to know that we will do everything we can to help the victims and their families, and to ensure that the investigation moves forward with great care and speed.

Now, before I leave for Florida I would also like to comment on an issue of vital importance to our future -- how to strengthen the Medicare program for the 21st century.

Today, Senator Breaux and Representative Thomas will hold a final meeting of their Medicare Commission. Although it did not achieve consensus, the commission has helped to focus long overdue attention on the need to modernize and prepare the program for the retirement of the baby boom generation, and for the present stresses it faces. The commission has done valuable work, work that we can and must build on to craft Medicare reform.

Make no mistake, we must modernize and strengthen Medicare. For more than three decades, it has been more than a program. It has been a way to honor our parents and grandparents, to protect our families. It has been literally lifesaving for many, many seniors with whom I have personally talked.

In my 1993 economic plan that put our country on the path to fiscal responsibility, we took the first steps to strengthen Medicare. In 1997, in the bipartisan balanced budget agreement, we took even more significant actions to improve benefits, expand choices for recipients, to fight waste, fraud and abuse, and to lengthen the life of the trust fund.

But as the baby boomers retire, and medical science

extends the lives of millions, we must do more -- we must take some strong and perhaps difficult steps to modernize Medicare so that it can fully meet the needs of our country in the new century. If we don't act, it will run out of funds. That would represent a broken promise to generations of Americans, and we cannot allow it to happen.

As I said in January, we must act, and when we do our actions should be grounded in some firm principles. We must seize the opportunity created by our balanced budget and surplus to devote 15 percent of the surplus to strengthen the trust fund.

We must modernize Medicare and make it more competitive, adopting the best practices from the private sector and maintaining high quality services. We must ensure that it continues to provide every citizen with a guaranteed set of benefits. And we must make prescription drugs more accessible and affordable to Medicare beneficiaries.

The plan offered by Senator Breaux and his colleagues included some very strong elements, which should be seriously considered by Congress. However, I believe their approach falls short in several respects. First it would raise the age of eligibility for Medicare from 65 to 67, without a policy to guard against increasing numbers of uninsured Americans.

I know that back in 1983, the commission voted in Social Security and the Congress ratified a decision to slowly raise the Social Security age to 67. But there is a profound difference here. Perhaps the fastest growing number of uninsured people are those between the ages of 55 and 65. We cannot simply raise the age to 67 without knowing how we're going to provide for health insurance options for those who are already left out in the cold between the ages of 55 and 65. It is simply not the right thing to do.

Also, the proposal has the potential to increase premiums for those in the traditional Medicare program beyond the ordinary inflation premiums that keep the percentage paid by the beneficiaries the same. It does not provide for an adequate affordable prescription drug benefit.

But most important of all, it fails to make a solid commitment of 15 percent of the surplus to the Medicare trust fund. That is the biggest problem. Even if all the changes recommended by the commission were adopted, because of the projected inflation rates in health care costs, it would not be sufficient to stabilize the fund. Only by making this kind of commitment can we keep the program on firm financial ground well into the next century.

Every independent expert agrees that Medicare cannot

provide for the baby boom generation without substantial new revenues. Beyond that, it is clear the it will also require us to make difficult political and policy choices. Devoting 15 percent of the surplus to Medicare would stabilize the program -- and improve our ability to modernize and improve its services, and to make those hard choices.

I want to thank the members of the Medicare Commission for their hard work and for their recommendations. Today, I am instructing my advisors to draft a plan to strengthen Medicare for the 21st century, which I will present to this Congress. I look forward to a good and healthy debate about how best to strengthen this essential program. We must find agreement this year. Medicare is too important to let partisan politics stand in the way of vital progress. I believe if we make the hard choices, if we work together, if we act this year, we can secure Medicare into the future.

Thank you very much.

Q Mr. President, your critics are suggesting that by not endorsing the Breaux plan you're simply assuring that there will be a campaign issue, something the Democrats can run on.

THE PRESIDENT: I want an agreement this year. I have given my best assessment of where we are now, of what my

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objections are. I think it is now incumbent upon me to present an alternative proposal, and I will do that.

But I want to make it clear that I believe we owe it to the American people to make an agreement this year, and I'm going to do my dead-level best to get it done.

Thank you.

END 4:19 P.M. EST

SUMMARY OF BREAUX/THOMAS PROPOSAL

Medicare Board:
The Board would provide information to beneficiaries, negotiate with plans, compute payments to plans (including risk, geographic, and other adjustments), and compute beneficiaries premiums. Board would approve plan service areas and benefit package designs.

Benefits Package:
The standard benefits package is specified in law and would consist of all services covered under the existing Medicare statute. Plans could establish their own rules as to how the benefits would be provided. Board approval would be required for all benefit design offerings and the Board would allow variation only within a limited range as the risk adjusters were proven over time.

Prescription Drugs:
Private Plans
All private plans would be required to offer a high option that includes at least the standard benefits package plus coverage for prescription drugs.

Low-Income
The proposal would immediately extend coverage of prescription drugs for beneficiaries under 135 percent of poverty ($10,568/individual) under Medicaid with full federal funding of the additional cost. That coverage could be provided through high option plans when the premium support system was implemented.

Fee-For-Service
The government-run FFS plan could offer a high option plan which includes prescription drugs. The Medicare Board would approve the benefit package as it does for private plan offerings. HCFA would work with third-party contractors to offer its high option plan. Government contracts would be based on prices commonly available in the market, without recourse to price controls or rebates.

Medigap
All Medigap plans would include basic coverage for prescription drugs. One plan would be drug-only. Plans would vary regarding the degree Medicare coinsurance was covered.

Premium Formula Basics:
Beneficiaries would pay 12 percent of the premium for the standard benefits package on average, pay no premium for plans less than about 85 percent of national weighted average, and pay all of the additional premium for plan premiums above national weighted average. Only the cost of standard benefits (Medicare covered services) would count toward the computation of the national weighted average premium. Plans with only a high option would be required to separate out the cost of extra benefits in their submission to the Board.

In areas where only the government-run fee-for-service plan operated, the beneficiary obligation would be limited to the lower or 12 percent of the fee-for-service premium or 12 percent of the national weighted average premium.

Fee-for-Service Benefits:
The government-run fee-for-service plan would have a $400 combined deductible, indexed to the growth in Medicare costs. 10 percent coinsurance would be charged for home health, laboratory services, and certain other services not currently subject to coinsurance. No coinsurance would be charged for inpatient hospital stays and preventive care.

Special Payments:
Direct Medical Education (DME) would be carved out of Medicare. DME funding would continue through either a mandatory entitlement or multi-year discretionary appropriation program separate from Medicare. The proposal would also recommend exploring funding Indirect Medical Education (IME) and other non-insurance subsidies outside of the Medicare program and financing those items through a mandatory or multi-year discretionary appropriation program. Any special payments remaining in Medicare would not be included in the calculation of premiums for the government-run fee-for-service plan or private plans.

Retirement Age:
The normal age of eligibility would be gradually raised from 65 to 67 to conform with that of Social Security. A non-subsidized buy-in would be available at age 65. Congress should develop a special category of eligibility based on specific needs-based criteria (i.e. ADLs) for individuals between 65 and the then-current eligibility age.

Long-Term Care:
Long-term care issues should be separated from Medicare (an acute care program), and long-term care improvements should be made through pension, Social Security, and investment reforms. The proposal would require a study of various long-term care issues.

Financing:
Part A and Part B trust funds should be combined into a single Medicare Trust Fund and a new concept of solvency for Medicare should be developed. In any year in which the general fund contributions are projected to exceed 40% of annual total Medicare outlays, Congress would be required to authorize any additional contributions to the Medicare Trust Fund. This new test (40% of outlays) would probably not be reached until after 2005. Even if general revenue contributions were limited to 40% of program outlays, this proposal would extend solvency to 2013 (2017 under CBO's new baseline.)

Budgetary Impact:
Between 2000 and 2009, this proposal would save approximately $100 billion. Over the longer term, the proposal would reduce the growth of Medicare spending by approximately 1 percent a year. Although the savings would accumulate slowly over time, by 2030 the annual budgetary savings would range from $500 to $700 billion.

PRESIDENT WILLIAM J. CLINTON
REMARKS ON SOCIAL SECURITY AND MEDICARE
TRUSTEES REPORT
ROSE GARDEN, THE WHITE HOUSE
March 30, 1999

Twice in the last six years, Americans have looked to the future by addressing great fiscal challenges. In 1993, we met the threat of mounting deficits and a stagnant economy with an economic plan of fiscal discipline, expanded trade, and investment in our people. Thanks to that action, the red ink of the federal budget has turned to black, and we are enjoying the longest peacetime expansion in our nation's history. In 1997, we reaffirmed our commitment to fiscal discipline with a bipartisan balanced budget agreement that also took important steps to improve Medicare, saving tens of billions of dollars in costs while expanding choices and benefits for recipients.

Today, we have new evidence that those determined actions were the right ones. I have just been briefed by the four Social Security and Medicare trustees for the administration: Secretaries Rubin, Shalala, Herman and Social Security Commissioner Apfel. The trustees have issued their annual report on the future financial health of these vital programs.

The trustees report shows that the strength of our economy has led to modest but real improvements in the outlook for Social Security. They project that economic growth today will extend the solvency of the Social Security trust fund 2034, two years longer than was projected in last year's report. After that date, however, the trust fund will be exhausted and Social Security will not be able to pay the full benefits older Americans have been promised. Therefore we must move forward with my plan to set aside 62 percent of the budget surplus for Social Security, investing a small portion in the private sector for a better return, just as any private or state government pension plan would. And as I said in my State of the Union address, we must go further, with difficult but achievable reforms that put Social Security on a sound footing for 75 years and beyond.

The trustees have also told us today that the financial future for Medicare has improved even more. The trustees project that the life of the Medicare Trust Fund has been extended until 2015 --7 years longer than projected in last year's report. These improvements are only partially due to the strong economy. According to the trustees, they are also the result of the difficult necessary reforms we made to Medicare in 1997, and to our successful efforts to fight waste, fraud, and abuse in the Medicare program.

The Trustees report is good news. We should be pleased. We should be proud. But we should not be lulled into complacency, because the improvements we see today did not happen not by accident. When I became President six years ago, Medicare was projected to go bankrupt this year. We worked hard in 1993 and 1997 to make sure that didn't happen. These were not easy actions. In fact, at the time, some of them were politically unpopular. But they helped strengthen Medicare while paying down while allowing us room to increase investment in our children. And they laid the foundations for the difficult reforms we must still make.

Social Security and Medicare still face serious, long-term challenges, with the baby boom aging, with medical science extending the lives of millions, and with the number of elderly Americans set to double by 2030. Even with today's good news, Social Security will run out of money in just tk years; Medicare in just tk years. We cannot allow that to happen.

For three decades, Medicare has protected seniors and the disabled while expressing the values of care and mutual obligation that bind families and generations of Americans together. In my State of the Union address in January, I said we must seize the opportunity created by our prosperity by devoting 15 percent of the budget surplus to strengthen Medicare, while modernizing the program with real reforms and helping seniors with prescription drugs. When the Medicare Commission completed its work two weeks ago, I said we must build on its work by adopting the best practices from the private sector while also maintaining high quality services, continuing to provide every citizen with a guaranteed set of benefits, and making prescription drugs more accessible and affordable to Medicare beneficiaries.

Now, we must build on the good news we have received today. Some might say this good news means we can delay reform. I could not disagree more. We must extend the life of Medicare even further, modernize the program even more, and make prescription drugs more accessible and affordable.

Medicare cannot remain static in the face of sweeping changes in our nation's health care system--a system that increasingly relies on prescription drugs. Today, 13 million seniors each spend more than a thousand dollars a year out-of-pocket for prescription medications. At the same time, seniors who have no drug coverage do not benefit from the lower prices that insurance firms negotiate from pharmaceutical companies. The higher prices seniors pay are like a hidden tax. We must find a way though Medicare to inject more competition into the health care system, and make the medications seniors need more affordable.

Strengthening and modernizing Medicare will requires tough but achievable changes. Now is the time to make those changes, when our economy is strong and our people have renewed confidence. Nothing in this report lessens the need to devote 15 percent of the surplus to strengthening Medicare, make tough but achievable reforms, and help beneficiaries with prescription drugs. If we wait--if we turn the good news of today or the hard work that lies ahead into excuses for inaction--then we will be condemning ourselves to future changes that will be much more costly and wrenching.

Today, we face a choice, a test of our wisdom as a self-governing people: will we seize this moment of prosperity and devote some of the surpluses we have created to strengthen Medicare for the future? Or will we rush into a tax cut that avoids our generation's responsibility and puts the future of Medicare at risk? This Trustees report brings welcome news, and a clear lesson: with tough, disciplined action we **can** extend the life of Social Security and Medicare. Now we must apply that lesson by acting this year to strengthen Social Security and Medicare for the 21st Century.

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MEDICARE TRUSTEES' REPORT: 1999

March 30, 1999

*Today, the Medicare Trustees projected that the life of the Medicare Trust Fund has been extended until **2015** -- 7 years longer than projected in last year's report. This report affirms that the President's commitment to strengthening and improving Medicare is paying dividends, but it also underscores the need for additional action to strengthen and improve the program.*

- **The Trustees' Report on the Improved Financial Status of Medicare is Good News and Reflects that the Hard Choices the President Made in 1993 and 1997 Strengthened the Program and Were Justified.** When the President came into office, the Medicare program was projected by the Trustees to go bankrupt by 1999. The Trustees' Report validates the President's economic policies. It reports that: "income exceeded expectations as a result of robust economic growth and expenditures declined due to implementation of the Balanced Budget Act of 1997, low increases in health care costs generally, and continuing efforts to combat fraud and abuse." In the last few years, the life of the Trust Fund has been extended by a full 14 years and the actuarial deficit has been cut by two-thirds.

- **Good News Does Not Delay the Need for Decisive Action.** We are proud of our stewardship of the Medicare program. However, our success does not in any way diminish the challenges facing Medicare. Under any scenario, enrollment in Medicare will climb from 39 million to 47 million in 2010, and to 80 million by 2035. As the Trustees' Report points out, "substantially greater changes in income and/or outlays are needed, in large part as a result of the impending retirement of the baby boom generation."

- **The President's Proposal to Modernize Medicare and to Dedicate 15 Percent of the Surplus to the Program is Clearly Necessary to Adequately Extend the Life of the Trust Fund and Add a Long Overdue Prescription Drug Benefit.** While the financial well-being of the Medicare program has improved, its reserves will become exhausted just as the baby boom population begins to retire and long before those of the Social Security program. Moreover, 15 million beneficiaries have absolutely no prescription drug coverage, millions more have totally inadequate coverage, and our nation's elderly are paying excessively high costs for their desperately needed medications. The President's Medicare reform proposal will address these unmet challenges.

- **We Now Face A Historic Fiscal Choice: Do we use the surplus to strengthen and modernize Medicare and keep the program solvent further into the future OR do we use it to provide for an exploding and irresponsible tax cut.** If we choose unwisely and use the surplus to finance tax cuts -- rather than Social Security and Medicare -- we will have made one of the most short-sighted fiscal decisions in our nation's history. Not only will we leave two programs unacceptably weakened, but we will have given up on an unprecedented opportunity to reduce our nation's debt from 44 percent of GDP to 7 percent by 2014 -- the lowest level since 1917. We must use this historic opportunity to strengthen Medicare by devoting 15 percent of the budget surplus to this program over the next 15 years and modernizing Medicare to help fund a prescription drug benefit.

DRAFT: BACKGROUND MEMORANDUM ON COMPETITION IN MEDICARE

This memo briefly summarizes the issues and options associated with competition in Medicare. It does not include cost estimates; instead, it provides background information to facilitate an informed discussion of policy options.

I. COMPETITION IN THE CURRENT MEDICARE PROGRAM AND PREMIUM SUPPORT

Medicare Today. Medicare spending in 1998 and the first part of 1999 has been very low, and the outlook for Medicare's solvency has improved significantly. In 1993, the Medicare Hospital Insurance Trust Fund was projected to be insolvent in 1999; today, it is projected to become exhausted in 2015. The long-term shortfall (75-year actuarial deficit) has been reduced by two-thirds. The positive news regarding the trust fund can be attributed in large part to three major factors: the enactment of Medicare reforms and over $100 billion in savings in the 1997 Balanced Budget Act (BBA); the strong economy that has increased revenues and decreased inflation, and success in combating Medicare fraud. Despite these successes, the retirement of the baby boom generation will overwhelm Medicare. The program not only needs new financing, but also the tools with which to constrain costs to make it more capable of meeting this demographic challenge.

Provider Payments in Traditional Medicare. Currently, the traditional fee-for-service Medicare program cannot use negotiation, competitive bidding, and other market-oriented approaches to reduce costs. For example, since Medicare is a major purchaser of durable medical equipment, it could probably pay less through competitive bidding than through the current rate schedule. Virtually all of Medicare's provider payments are set through statute, with no flexibility to adopt different payment practices, even if they are more efficient.

Your past and present budgets have included a number of policies to improve the efficiency of the traditional program, but ironically Republicans have usually opposed these market-oriented policies. This is because providers would rather take "the devil they know" in the current payment rates than lower, competitively set rates. An important contribution of the Medicare Commission was an acknowledgement of this issue. Nearly all Commission members agreed that the traditional program should be given the kind of flexibility and management options that the private sector uses. Although CBO has not estimated significant savings from these types of policies in the past, our actuaries estimated that a list of policies to modernize fee-for-service Medicare could reduce Federal costs by as much as $14 billion over 10 years, adding a year of life to the Trust Fund.

Medicare Managed Care Payments. Similarly, competition plays virtually no role in setting private managed care plan rates. Before 1998, Medicare paid private plans the county-specific average fee-for-service per capita costs, discounted by 5 percent (the amount of savings that studies suggested could be derived from managed care). The Balanced Budget Act of 1997 modified this payment formula, blending the county-specific rates with national rates to reduce variation, raising rates in rural areas to encourage more plans to enter, and introducing risk adjustment to help reduce the amount of risk selection that occurs in the current system. Under both systems, all plans in an area get paid the same rate – if their costs are higher, they may charge a higher premium, and if their costs are lower, they must offer extra benefits like prescription drugs and preventive services.

Few analysts would argue that this system is efficient or fair. Researchers have documented that, under the old system, Medicare overpaid plans, partly because of the link to the traditional program in high-cost, urban areas. Although this should change under the BBA, Medicare typically lost money with increased enrollment. This is exacerbated by the fact that the government does not pay less for low-cost plans – instead, the plans use excess payments to provide extra benefit. In 1998, 83 percent of plans offered eye exams, 67 percent offered drug coverage, and 37 percent offered dental benefits – none of which are covered by Medicare. Because beneficiaries often do not know the value of supplemental benefits, competition over such benefits is inefficient. This confusion allows some plans to attract healthy beneficiaries through selective marketing and offering extra benefit that younger, less sick beneficiaries prefer. It also leads to geographical inequities. Over 11 million beneficiaries do not have access to a private plan and thus the extra benefits that they offer. Another 5 million beneficiaries have only one plan option, and typically that plan offers fewer, less generous benefits than plans in high-cost, competitive areas.

Premium Support. In a 1995 article, Robert Reischauer and Henry Aaron described an idea called premium support. Their goal was to create incentives for beneficiaries to choose efficient health plans and for providers to provide high-quality care at a low cost. Additionally, they sought to improve Medicare benefits, eliminating the inefficient Medigap system, and to give beneficiaries the same quality and choices that privately insured people have. Under premium support, "Medicare pays a defined sum toward the purchase of an insurance policy that provided a defined set of services." In other words, it maintains the guarantee of a defined, improved set of benefits, but limits the government contribution to create an incentive for beneficiaries to seek care from efficient plans. To ensure that the limit on government payments is reasonable, it is based on the average (or median) premium in an area. Beneficiaries choosing plans, including the traditional program, whose premiums are higher than average would pay more -- those choosing lower-cost plans would pay less than under current law.

Premium support resembles a traditional voucher program since government payments would be limited – even for the fee-for-service program. As such, beneficiaries would be at greater risk for excessive Medicare cost growth. However, there are some critical differences between premium support and a voucher proposal. Premium support includes a guarantee of defined benefits; even if the government contribution is limited, health plans must provide Medicare benefits. Also, the beneficiaries would not face as great a risk for unexpected health care cost inflation. This is because the maximum government contribution is set as a percent of actual Medicare spending, either for the traditional program, managed care, or both. If Medicare costs go up, so does the maximum government contribution (similar to what happens in Medicare Part B, where the government pays 75 percent of costs).

Savings from premium support could be achieved in several ways. First, since the maximum government payment is linked to the average premium, government spending would be lower if more people enroll in private plans, thus lowering the national average over time. Second, under most premium support models, the government would pay less for lower-cost plans (rather than a flat dollar amount for all plans regardless of costs). Thus, it gets savings by paying a lower rate when beneficiaries choose low-cost plans. And third, premiums for traditional Medicare could be higher than current law, raising revenue from the beneficiaries who remain in fee-for-service. Under virtually all premium support models, the traditional plan premium would be higher than the average premium, making it a "high-cost plan." Thus, premium revenue would rise from higher premiums – particularly since all analysts assume that even under the most optimistic scenario only a minority of beneficiaries will enroll in private plans. Whether and how much premium support saves from these three mechanisms depends on its design.

Breaux-Thomas Proposal. The Breaux-Thomas proposal included a premium support model that loosely resembles a Reischauer-Aaron concept. Under its outline, the government would pay health plans a percent of plan costs up to a limit -- the national weighted average premium (a dollar amount based on the per capita costs of the traditional program and the private plan bids, adjusted for enrollment). A beneficiary choosing an average cost plan would pay the same premium as under current law (25% of Part B costs or about 12% of Parts A and B costs). Beneficiaries would pay more for plans above the national average -- including the traditional program -- and less for lower-cost plans (see chart 1). The proposal does not explicitly improve the Medicare package and it does not provide a clear guarantee of defined benefits. Additionally, it only partially adjusts private plan payments for geographic variation.

Our greatest concern with the Breaux-Thomas premium support proposal is its increased premium for the traditional program. Our actuaries estimated that their plan would increase traditional Medicare premiums by 18 to 30 percent above current law (10 to 20 percent if traditional program savings are included). This results because traditional Medicare costs would likely be higher than the national average premium. Beneficiaries would pay the current 12% premium plus every dollar that the traditional program exceeds the average ($100 in chart 1).

During the Commission process, Senator Kerrey among others expressed concern about this premium hike, especially for beneficiaries without any private plan options. To allay this concern, the final version of the Breaux-Thomas plan allowed beneficiaries in areas without private plan options to pay current-law premiums for traditional Medicare. As a consequence, for the first time in Medicare history, beneficiaries would pay a different premium for the same traditional program, depending on where they live. Beneficiaries with as few as one private plan option would either have to pay a higher premium to remain in the traditional plan or opt for a private plan that might not contract out with their physician or otherwise meet their needs. Beneficiaries with no private plans would pay the current premium for traditional Medicare but would be vulnerable to an abrupt premium increase should one plan enter the area.

Urban beneficiaries would not fare much better under the Breaux-Thomas proposal. Because of their access to private plans, they would not be protected against higher traditional program premiums. And, because the proposal would only partially adjust for geographic cost variation, the government would pay for only part of plans' higher costs in urban areas. This would probably result in plan cost shifting to beneficiaries.

II. Options for Managed Care Competition

The Breaux-Thomas premium support proposal is clearly a politically and policy-flawed design. However, we believe that there are options for reforming Medicare managed care payments that reduce Federal costs, improve efficiency, and protect the premium for the traditional program. Most analysts agree that our current system for paying managed care plans is inefficient, with little savings accruing to the government. More importantly, it is harder for beneficiaries to compare choices based on extra benefits than on premiums. Allowing plans to compete on lower premiums would raise the cost consciousness of beneficiaries about their plan choices, creating incentives for them to help reduce program costs. At the same time, it represents a major change from the current system, in which all beneficiaries pay the same, Part B premium.

This section describes key policy parameters and options for a competitive approach to managed care payments. All options are structured to prevent the premium for beneficiaries choosing the traditional program from rising. The goal of protecting the traditional program premium is unanimously shared by your advisors. Any approach that we adopt should produce savings through competition, not by implicitly raising the Medicare premium. However, it should be noted that by protecting the traditional program's premium, any option probably would not be considered premium support by those who advocate for it. Additionally, there will be less private plan enrollment and savings without the steep financial incentive to join managed care that results from the higher traditional program premium.

These options being considered also assume that Medicare benefits are guaranteed and explicitly defined; that plan payments are fully adjusted for risk of the beneficiary and local costs; and that private plans have some flexibility in reducing beneficiary cost sharing. Since risk adjustment under current law will not be fully phased in until 2004, this would probably be the earliest implementation date. Another major assumption in the options is that the government splits the savings with beneficiaries when they choose lower-cost plans. This does not occur under current law, since the government pays a flat rate for all plans. The beneficiaries get 100 percent of the plans' lower costs in the form of extra benefits. It is possible to give beneficiaries 100 percent of the savings back in the form of lower premiums rather than extra benefits. However, to ensure government savings from managed care, the options assume that both the government and beneficiaries pay less for lower-cost plans. The examples give beneficiaries 80 percent of the difference between the national average premium and the plan's bid (the government gets 20 percent of the reduced cost). Our actuaries suggest that the government cannot take more than 25 percent of the savings from lower-cost plans, since taking a higher cut would discourage beneficiaries from choosing private plans in the first place.

Setting the Maximum Government Contribution. As stated earlier, the difference between premium support and a voucher proposal is that the maximum government payment is set as a percent of actual Medicare spending, not some arbitrary, budget-driven factor that could shift greater risk to beneficiaries. However, exactly how this maximum is designed determines the extent to which competition occurs, beneficiaries choose private plan options, and the government saves. There are three major options for the setting the government contribution, described below.

Option 1: Based on Average Private Plan Bids: Under this option (see chart 2), the government contribution would be based on the regional average of private plans' premium bids, excluding the traditional Medicare program. Private plans would bid for Medicare benefits, and an average bid would be calculated. Beneficiaries choosing plans whose bid is higher than this regional average would pay more, those choosing lower-cost plans would pay less. The traditional program's premium would be set as under current law and it would not be used in setting private plans' payments. This resembles a current competitive pricing demonstration underway in Phoenix and Kansas City.

- **Pros**

  Most straightforward way of protecting the traditional program's premium since it is totally separate from the competition. Also, it could be characterized as nationalizing the current competitive pricing demonstration.

  May be the only option that the most liberal of Democrats in Congress would at least initially support.

- **Cons**

  Potential for instability since there would be great volatility in the average payment in areas with few plans. This means that beneficiaries' premiums would vary considerably from year to year. Also, it creates the possibility that a plan can low-ball its bid, pulling down the government contribution, driving out other plans and raising premiums for most beneficiaries. As such, it has no supporters in the Administration.

  Most likely to result in lowest participation by managed care plans since payment rates would be the lowest. As such, most likely to be opposed by the managed care industry.

Option 2: Based on Average Costs of All Plans: Under this option, the government contribution would be based on the average of all plan bids (including traditional Medicare), weighted by enrollment. This resembles the Breaux-Thomas proposal, with one important exception: the premium for traditional Medicare would be set using current law, not the average costs, to avoid higher traditional program premiums.

- **Pros**

  Because of its similarities to the Breaux-Thomas proposal, this option most clearly highlights its shortcomings – we can point out how our proposal has the competitive incentives without the financial coercion.

  Much more stable than Option 1 since it maintains link in payments to traditional Medicare. Using the average cost also keeps private premiums on par with those for traditional Medicare.

  Saves from both reduced payments to private plans and increased enrollment, which lowers the average and thus the payment schedule.

- **Cons**

  Because it is the closest to the original Breaux-Thomas model, it is the most vulnerable to being modified into an unacceptable premium support plan.

  Over time, if private plan enrollment is high and/or bids are low, the average costs would be reduced, as would the government payments. Although this would produce greater savings, it would also make the traditional program a better deal relative to a private plan with the same costs.

Option 3: Based on Average Traditional Program Costs But Payments to Private Plans Reduced Consistent with Current Law: This option would maintain current plan reimbursement (discounted traditional program costs) but substitute competition between unstandardized extra benefits with competition on price / premiums. Beneficiaries' premium for the traditional program would be set as under current law.

- **Pros**

  Least disruptive of current managed care payment policy.

  Requires no special rules to protect the traditional premium, making it less vulnerable to movement towards the Breaux-Thomas proposal. At the same time, it leaves Option 2 available if compromise towards Breaux-Thomas is necessary.

  Keeps private plan premiums in line with the traditional program premium, limiting the criticism that the traditional program is getting a special deal.

- **Cons**

  Still subject to the criticism that the private plan payment schedule is linked to the unrelated traditional program costs. Thus, if traditional program costs rise faster than private premiums, the maximum government payment to private plans would also rise.

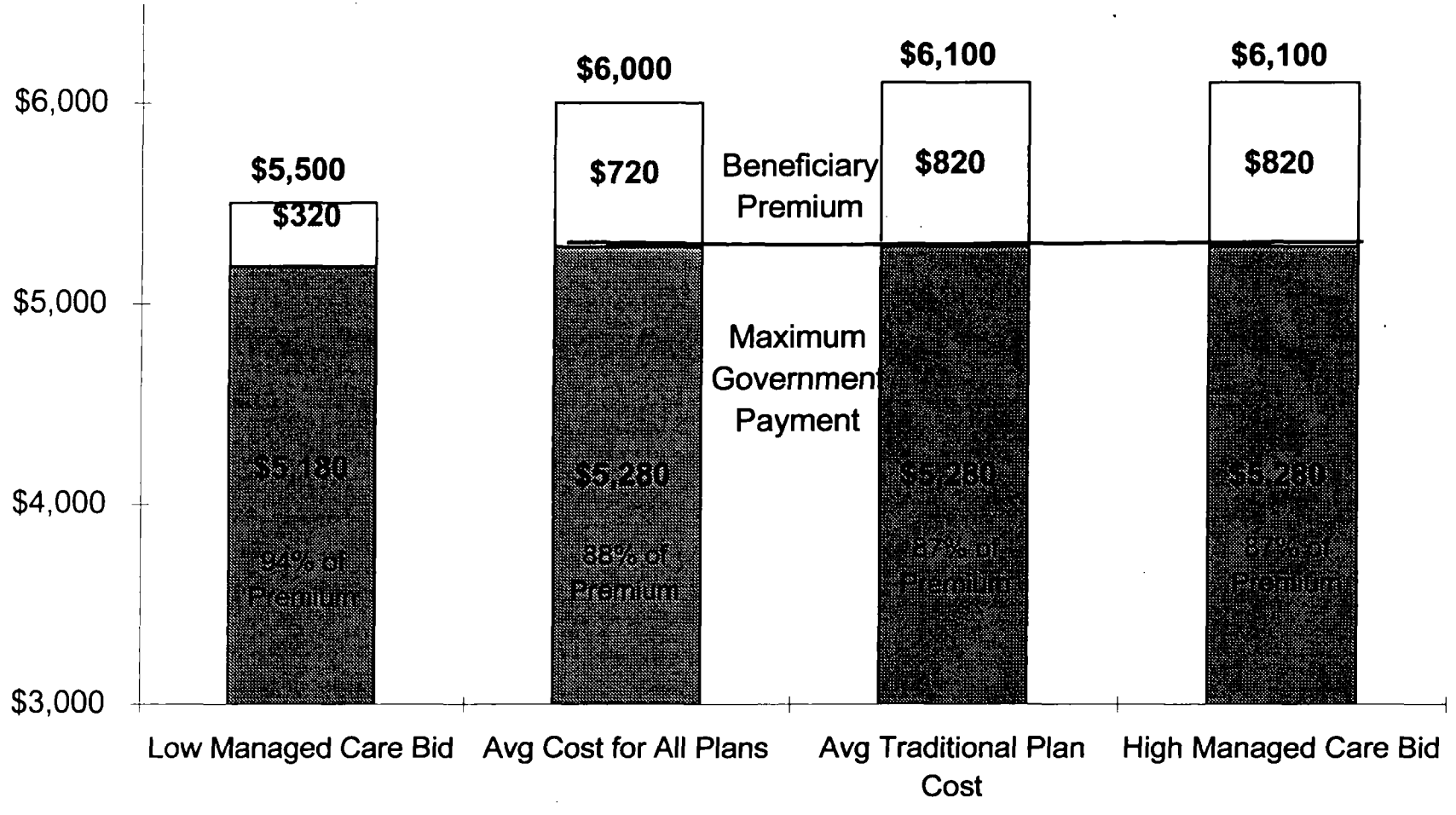
  Harder to explain as a viable alternative to the Breaux-Thomas plan.

  Could be viewed as too incremental

Note: We have not yet gotten cost estimates or impact analyses for these options/

Breaux-Thomas Plan: Payments Based on Average

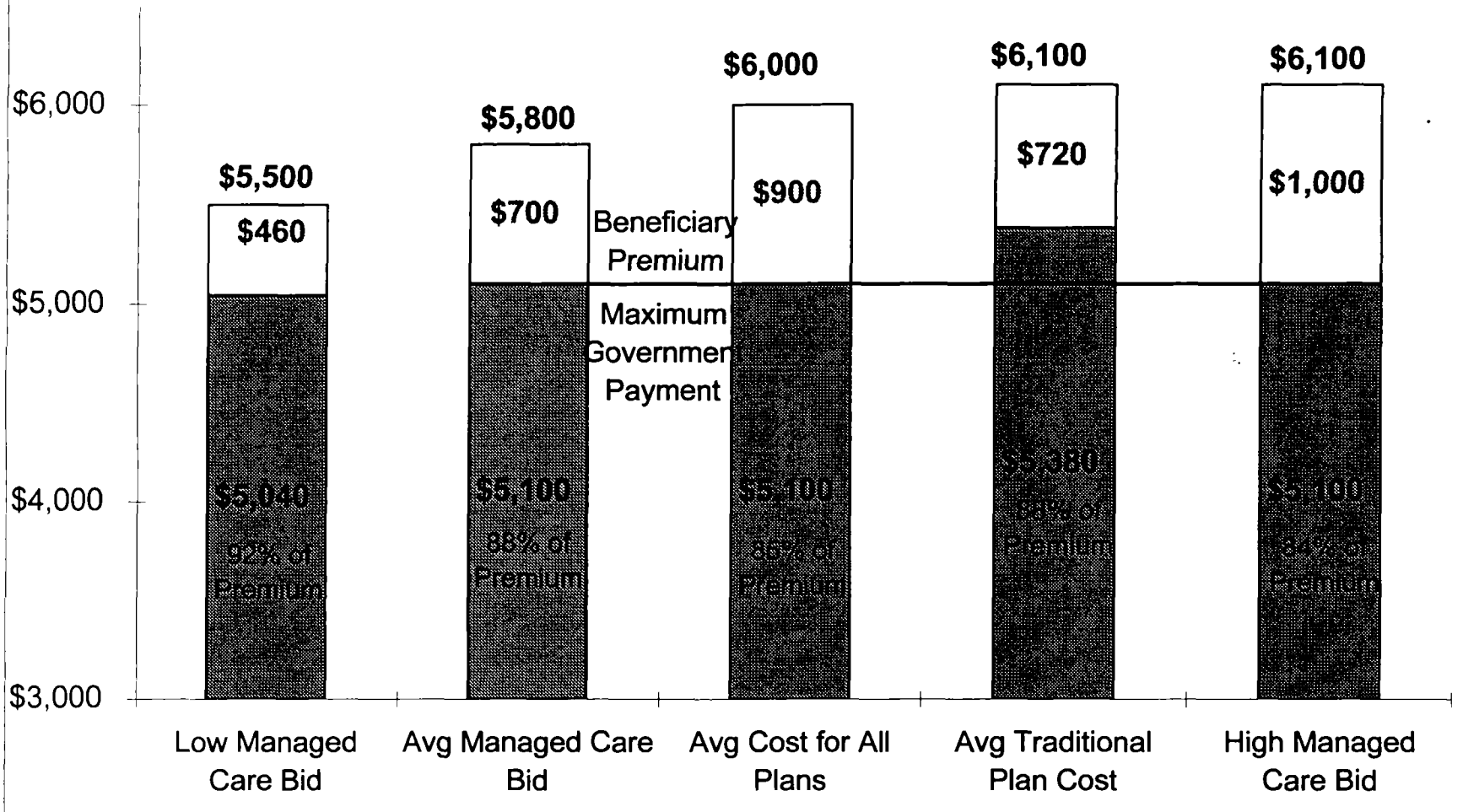
Traditional Medicare Premium Not Protected



Note: $720 is approximately current law

Option 1: Payments Based on Private Plans' Bids

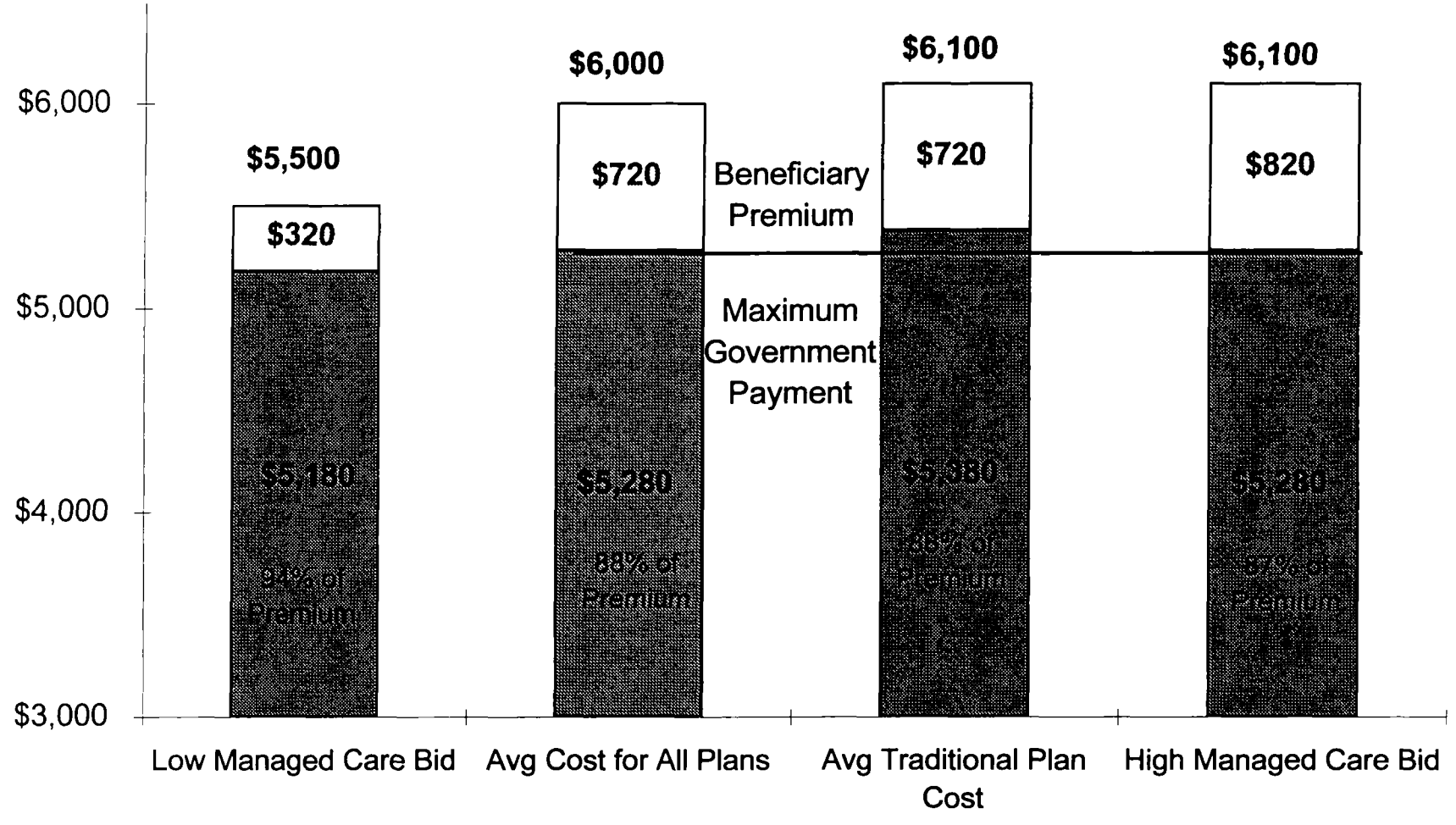
Traditional Medicare Premium Set Separately



Note: $720 is approximately current law.

Option 2: Payments Based on All Plans' Average

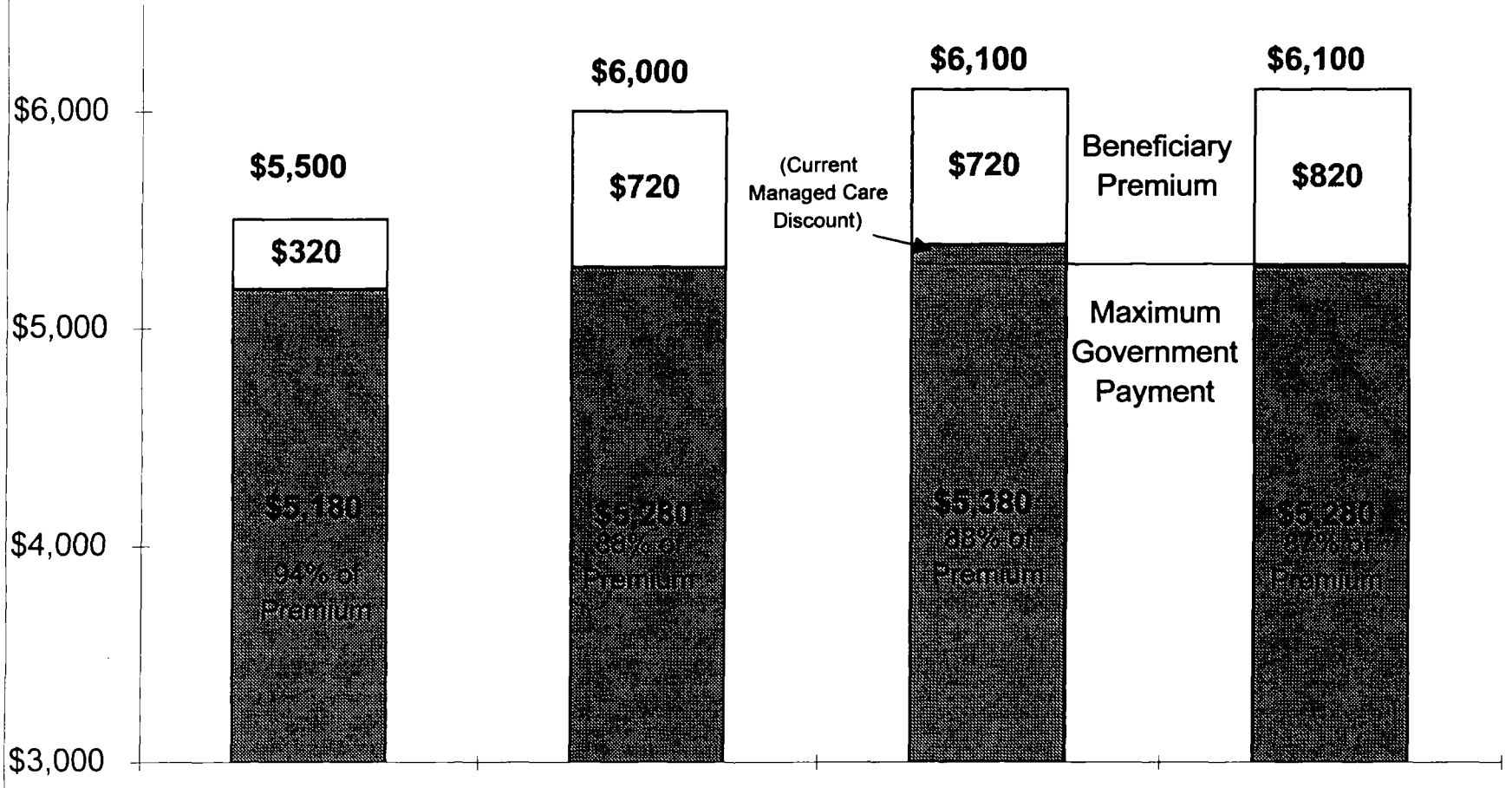
Traditional Medicare Premium Protected / Private Plans Not



Note: $720 is approximately current law

Option 3: Payments Based on Traditional Medicare

Traditional Medicare Premium Automatically Protected



Note: $720 is approximately current law.

Under current law, managed care plans are paid a discounted amount based on the local traditional fee-for-service plan costs

MEDICARE BENEFICIARIES' ACCESS TO PRIVATE PLANS, 1999

STATE	ACCESS TO PRIVATE PLANS			TOTAL	ACCESS TO PRIVATE PLANS		
	No Plans	One Plan	Two + Plans		No Plans	One Plan	Two + Plans
Alabama	476,628	33,517	182,822	**692,967**	69%	5%	26%
Alaska	33,857	-	-	**33,857**	100%	0%	0%
Arizona	-	67,508	602,126	**669,634**	0%	10%	90%
Arkansas	308,763	38,452	100,229	**447,444**	69%	9%	22%
California	86,566	1,146,283	2,693,520	**3,926,369**	2%	29%	69%
Colorado	87,668	18,668	360,698	**467,034**	19%	4%	77%
Connecticut	-	38,656	484,298	**522,954**	0%	7%	93%
Delaware	46,698	64,722	-	**111,420**	42%	58%	0%
District of Columbia	-	-	78,990	**78,990**	0%	0%	100%
Florida	299,738	221,311	2,306,860	**2,827,909**	11%	8%	82%
Georgia	562,467	20,706	335,724	**918,897**	61%	2%	37%
Hawaii	-	8,284	156,802	**165,086**	0%	5%	95%
Idaho	107,704	56,462	-	**164,166**	66%	34%	0%
Illinois	458,978	189,936	1,028,638	**1,677,552**	27%	11%	61%
Indiana	547,287	64,896	255,056	**867,239**	63%	7%	29%
Iowa	473,774	-	14,048	**487,822**	97%	0%	3%
Kansas	258,531	58,732	81,225	**398,488**	65%	15%	20%
Kentucky	469,231	5,064	158,224	**632,519**	74%	1%	25%
Louisiana	76,049	210,193	332,681	**618,923**	12%	34%	54%
Maine	80,920	136,536	-	**217,456**	37%	63%	0%
Maryland	-	108,375	538,408	**646,783**	0%	17%	83%
Massachusetts	-	30,793	949,674	**980,467**	0%	3%	97%
Michigan	532,114	156,237	735,304	**1,423,655**	37%	11%	52%
Minnesota	342,804	10,369	309,896	**663,069**	52%	2%	47%
Mississippi	425,916	-	-	**425,916**	100%	0%	0%
Missouri	369,549	138,815	368,326	**876,690**	42%	16%	42%
Montana	138,454	-	-	**138,454**	100%	0%	0%
Nebraska	191,156	7,008	60,203	**258,367**	74%	3%	23%
Nevada	26,196	6,743	197,837	**230,776**	11%	3%	86%
New Hampshire	60,311	30,713	78,768	**169,792**	36%	18%	46%
New Jersey	-	-	1,222,342	**1,222,342**	0%	0%	100%
New Mexico	80,925	39,808	113,347	**234,080**	35%	17%	48%
New York	248,730	351,537	2,157,058	**2,757,325**	9%	13%	78%
North Carolina	586,460	209,757	336,146	**1,132,363**	52%	19%	30%
North Dakota	105,450	-	-	**105,450**	100%	0%	0%
Ohio	102,024	219,259	1,415,772	**1,737,055**	6%	13%	82%
Oklahoma	94,075	68,562	353,800	**516,437**	18%	13%	69%
Oregon	74,010	53,097	368,148	**495,255**	15%	11%	74%
Pennsylvania	-	80,726	2,056,713	**2,137,439**	0%	4%	96%
Rhode Island	-	-	174,273	**174,273**	0%	0%	100%
South Carolina	501,583	65,437	-	**567,020**	88%	12%	0%
South Dakota	121,606	-	-	**121,606**	100%	0%	0%
Tennessee	222,117	299,948	314,482	**836,547**	27%	36%	38%
Texas	565,209	339,238	1,365,325	**2,269,772**	25%	15%	60%
Utah	204,742	-	-	**204,742**	100%	0%	0%
Vermont	89,392	-	-	**89,392**	100%	0%	0%
Virginia	414,940	235,744	233,085	**883,769**	47%	27%	26%
Washington	108,434	37,012	595,980	**741,426**	15%	5%	80%
West Virginia	219,661	101,940	23,035	**344,636**	64%	30%	7%
Wisconsin	456,194	63,366	277,996	**797,556**	57%	8%	35%
Wyoming	65,648	-	-	**65,648**	100%	0%	0%
Puerto Rico	537,252	-	-	**537,252**	100%	0%	0%
TOTAL	**11,259,811**	**5,034,410**	**23,417,859**	**39,712,080**	**28%**	**13%**	**59%**