

**ASSUMPTIONS BEHIND ANALYSIS OF EFFECT OF \$300 OR \$160 BILLION
IN MEDICARE CUTS ON BENEFICIARY'S MONTHLY SS CHECK**

General

- Cuts are over a 7-year period (1996-2002)
- Distribution of cuts by year during that period is the same distribution of the HSA proposed cuts

A: Medicare State-by-State Benefit Spending in the Outyears:

1. Calculated the state's actual share of Medicare benefit spending for the years 1992-1994.
2. Calculated the annual average increase in that state's share of total Medicare benefit spending over that time period (1992-1994).
3. Took the state's share of Medicare spending in 1994 and multiplied by (1 + the percent calculated in step 2) to get the state's estimated share of 1995 spending. Repeated this calculation to get estimates for the state's share of Medicare spending in the years 1996-2002. *+ how do I grow with?*
4. Took the percentages calculated in step 3 times the total estimated Medicare benefit spending projected by the actuaries for the years 1996-2002 (based on President's budget estimates) to get projected state-by-state Medicare spending in the outyears. (Note -- held Puerto Rico's and All Other Area's percentage of 1994 Medicare spending constant during the outyears).

B: Medicare State-by-State Enrollee Estimates in the Outyears:

1. Calculated each state's actual share of Medicare enrollment for the years 1989-1994.
2. Took the actuaries 1995-2002 estimates of total Medicare enrollment times the 1994 percentage figure calculated in step 1 to arrive at the outyear estimates for each state's Medicare enrollment (used the 1994 percentage because each state's share of total enrollment as calculated in step 1 has remained relatively constant over the entire 1989-1994 period).

C: OASDI Average Monthly Benefit Projections for 1995-2002:

- Used 1994 SS Statistical Supplement to find average OASDI monthly benefit by state. Applied the outyear COLA projections to the 1994 amount to produce outyear estimates for the average monthly OASDI benefit in New Hampshire, Oklahoma, and Mississippi.

Calculating Estimated Reduction in Beneficiary's OASDI Check in the Year 2002

1. Took the distribution of the 7-year cut falling in the year 2002 times each state's estimated share of spending in 2002 (as calculated in Part A) times 50 percent (assumed that 50% of the cuts would go to beneficiaries) to get each state's share of beneficiary cuts in 2002.
2. Took the amount from step 1 and divided by the number of estimated beneficiaries in the state (as calculated in Part B) and then divided by 12 to calculate the monthly reduction in a beneficiary's Medicare benefits.
3. Took projected monthly average OASDI benefit calculated in Part C and subtracted the amount calculated in step 2 to get the amount the beneficiary's SS check would have to be reduced to meet the cut. This was done for each of the 3 states.
4. Repeated this process assuming both a \$300 billion and \$160 billion Medicare cut over the 1996-2002 period.