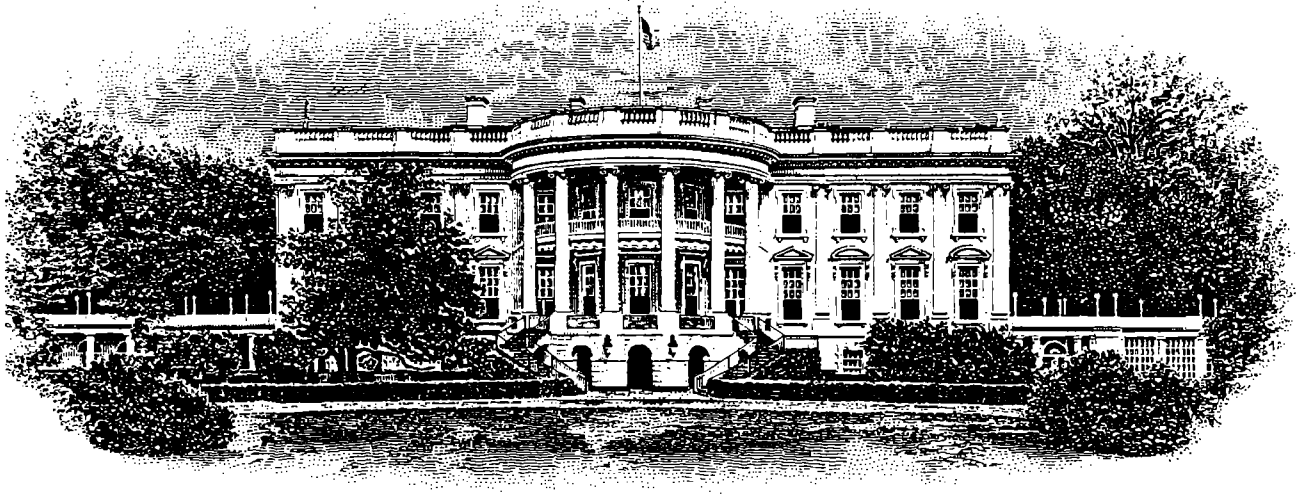
MC/SS event

The White House



January 27, 1999

Panel Nears Consensus on Redesigning Medicare

By ROBERT PEAR

WASHINGTON -- A federal advisory commission inched toward a fragile consensus Tuesday on a plan to redesign **Medicare** as a marketplace in which the government would compete with private insurers. But Democrats insisted that elderly people get coverage for prescription drugs, raising doubts about whether the plan would save money.

No votes were taken. But it appeared that 8 Republicans were ready to join 3 Democrats in support of the basic framework proposed by Sen. John Breaux, D-La., chairman of the 17-member commission.

Tuesday's debate, though vehement, was civil. After it ended, Rep. Bill Thomas, R-Calif., co-chairman of the commission, said: "Nobody turned over a table and walked out. Nobody blew up the basic structure. People complained about parts of the proposal."

The panel, created by law in August 1997, is supposed to recommend ways of solving **Medicare**'s long-term financial problems. The deadline for its final report is in just five weeks.

Commission members debated radical changes in **Medicare** that would affect virtually every baby boomer. Under Breaux's proposal, **Medicare** officials, rather than setting prices and reimbursing doctors and health care providers separately for each medical service, would offer a fixed amount of money to each beneficiary to purchase insurance from a private health plan or from the government.

Supporters of this approach say, without definitive proof, that it could save money because beneficiaries would be more sensitive to prices and premiums, and would shop around for the best deal. For the same reason, critics say, elderly beneficiaries would be more exposed to financial risks and ruin if health costs rose more than expected, as has often happened.

Liberal Democrats on the commission -- Rep. Jim McDermott of Washington, Rep. John Dingell of Michigan and Bruce Vladeck, who ran **Medicare** for the first five years of the Clinton administration -- denounced Breaux's proposal.

Vladeck told Breaux, "You are disentitling a generation of American workers" to benefits they have been guaranteed since 1965. Dingell said Breaux assumed that "the private sector will have some wonderful mechanism, which I don't quite understand, to save money."

Sen. Bob Kerrey, D-Neb., enthusiastically supported Breaux's proposal. Two pivotal Democrats on the panel -- Laura D'Andrea Tyson, former chief economic adviser to Clinton, and Stuart Altman, a professor of health policy at Brandeis University -- said they could support it if elderly people were assured

of prescription drug coverage in both the original fee-for-service **Medicare** program and in the private health plans.

"Drug coverage is the condition of my support," Ms. Tyson said in an interview.

Administration officials, while holding back public comment till they see the panel's final report March 1, have told the commission staff that they have many concerns about Breaux's proposal. They worry, for example, that benefits would erode and that the federal subsidy would become less and less adequate over the years.

It became clear Tuesday that Clinton's recent proposal to use some of the federal budget surplus for **Medicare** had altered the politics of the issue.

Kerrey said the president might have made the commission's work more difficult because Clinton "left the impression that there are no tough choices, that it's fairly easy" to solve **Medicare**'s financial problems. On the other hand, Ms. Tyson said Clinton's suggestion was helpful because it "put a new source of financing on the table" -- $650 billion to $700 billion over 15 years.

Drug companies fear that **Medicare** coverage of prescription drugs would lead to federal price controls, which they say would reduce their profits and the money available for pharmaceutical research. But there may be ways of limiting the government's role, commission members said.

For example, private companies could manage prescription drug benefits for **Medicare**, in an effort to obtain discounts from drug makers and pharmacies and to encourage doctors to use lower-cost drugs. Moreover, economists said, thought the manufacturers' average profit on each prescription might decline, the loss of revenue could be partly offset because the demand for drugs would increase if **Medicare** covered them.

Breaux said his proposal was likely to succeed because it was modeled on the Federal Employees Health Benefits Program, which covers 9 million people. Many lawmakers say HMOs can slow the growth of **Medicare** spending, but HMOs have dropped more than 400,000 **Medicare** beneficiaries in the last six months, saying federal payments were not keeping up with their costs.

Under Breaux's proposal, a new government agency, known as the **Medicare** Board, would supervise both the government-run program and private health plans for the elderly. HMOs would have to provide the same types of benefits now covered by **Medicare**, but Congress would leave the details to be worked out in negotiations between the board and private health plans.

Commission members of both parties said they were dissatisfied with the Federal Health Care Financing Administration, which now runs **Medicare**. Sen. Bill Frist, R-Tenn., described it as "a huge, unresponsive bureaucracy."

Under Breaux's proposal, the Health Care Financing Administration would run the original **Medicare** program, but would no longer regulate HMOs. It would be given new power to negotiate prices and sign contracts with selected doctors and hospitals, so it could compete with private health plans.

Wednesday, January 27, 1999

Medicare Panel Working on Proposal

By ALICE ANN LOVE, Associated Press Writer

WASHINGTON--Leaders of a **Medicare** advisory commission say they are working to solidify support for a proposal to make the system more like those offered to working people.

The idea: Change **Medicare** to help elderly and disabled Americans buy health insurance so the government can begin to shift away from paying individual medical bills.

"Now is where we really need to start making a deal," said Sen. John Breaux, D-La., chairman of the National Bipartisan Commission on the Future of **Medicare**.

Most commission members offered general -if qualified -support for a draft of the proposal that Breaux presented at a meeting Tuesday.

Under the plan, sometimes called "premium support," a retiree could choose from a menu of health insurance policies and receive a **Medicare** subsidy to help cover the enrollment fee or premium. That's similar to the health benefits many companies and the federal government offer to workers.

However, serious concerns were raised about how to guarantee adequate benefits and affordable prices.

"I'd like to know how the senior citizens ... are going to come out," said Rep. John Dingell, D-Mich.

The commission is due to make recommendations to Congress and President Clinton on March 1. But first, 11 of its 17 members must agree.

Without changes, **Medicare** is expected to run short of cash in 2008, just as the huge baby boom generation starts to retire.

Clinton, in his State of the Union address, suggested using part of the government surpluses expected over the next 15 years to keep **Medicare** solvent to 2020.

Most on the commission welcomed the idea but agreed additional steps would be needed to modernize and bolster **Medicare**.

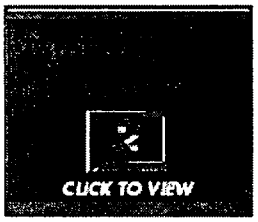
Under the plan being considered, private health insurers would compete to enroll senior citizens who would have new **Medicare** subsidies to spend.

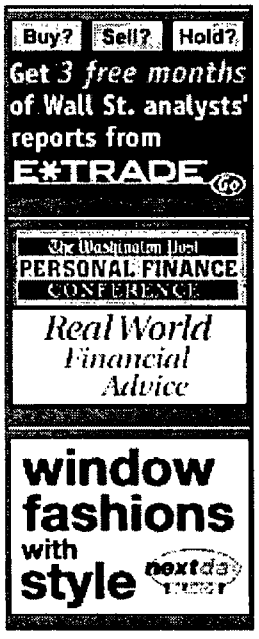
Medicare insurance provided directly by the government, as most retirees now have, would likely remain as an option. However, out-of-pocket costs could rise if that's not as efficient as the private plans -and some commissioners say it should eventually be phased out.

The new **Medicare** subsidies for retirees would be set annually, as a percentage of the average premium price for all the health plans offered. Breaux is suggesting that the portion the elderly pay be kept near what their **Medicare** premiums are now -about 12 percent.

But some commissioners say lawmakers in the future might be

tempted to shift more costs to the elderly -so that taxpayers pay less per retiree as the number of retirees grows, for example.
Also at issue: how closely to control the benefits that health plans would offer.
Breaux has advocated requiring broad categories of basic benefits but allowing variation on details. A government board would make sure all plans met minimum standards.
Some commissioners say that's a step down, however, from what **Medicare** guarantees now.
Currently, "you are entitled by law to a very specified package of benefits," said former **Medicare** administrator Bruce Vladeck. "That is an entitlement this proposal takes away."
Breaux and commission co-chairman, Rep. Bill Thomas, R-Calif., said they will consult with members between now and their next meeting Feb. 9 to find out how to satisfy concerns.
Among other proposals on the narrowed list of options the commission is considering:
-Gradually raising the **Medicare** eligibility age to 67 from 65.
-Providing prescription drug coverage, which is not now offered by **Medicare**.
-Asking senior citizens with higher incomes to pay a greater share of health insurance costs, while exempting the poorest from some out-of-pocket fees.





Medicare Reform Panel Split

Discord Centers on Which Benefits to Guarantee

By Amy Goldstein
Washington Post Staff Writer
Wednesday, January 27, 1999; Page A02

Several members of a federal Medicare reform commission said yesterday they would balk at endorsing any major restructuring of the health insurance program for the elderly unless it promised all patients specific benefits, including prescription drugs.

Reacting for the first time to a proposal laid out last week by the panel's chairman, Sen. John Breaux (D-La.), members expressed sharp divisions in their willingness to loosen the government's reins on Medicare. Breaux has recommended shifting from a system in which the government dictates which medical services are covered for elderly patients, then pays their medical bills, to a new method that would give those patients federal subsidies to buy coverage from private health plans which would compete to provide their care.

With just a month left before the panel is due to submit its advice to Congress and the White House, yesterday's debate over this approach made clear what an ideological chasm members will have to bridge if they are to reach agreement on anything beyond the plan's bare outlines.

The commission's more conservative members contended that the government would save money and patients would have more medical choices under a system that relied more heavily on competition among HMOs and other managed-care plans. But more liberal members argued that such a method would be less likely to guarantee patients all the services they need, and warned that patients eventually might end up paying a greater share of their medical bills.

The commission, created as part of a 1997 federal budget agreement, is composed of members of Congress and outside health policy experts who have been searching for nearly a year for a way to modernize Medicare and to keep it from going broke. A huge and highly popular program created in the 1960s, Medicare is poised to run out of money in the fund that pays for hospital care in about a decade, just before the large baby boom generation starts becoming old enough to sign up.

To help keep it solvent, President Clinton proposed last week that the government pour into Medicare as much as $700 billion from expected federal surpluses over the next 15 years. Yesterday, commission members bickered, too, over whether his proposal aided or hindered their task -- and how many of the looming financial problems it would ease.

Wednesday, January 27, 1999

Medicare Reformers Fear Deadlock as Deadline Nears

■ Health care: Plan to curb federal role in program brings out panel's political differences. At issue are drug coverage, elderly contribution levels.

By ALISSA J. RUBIN, Times Staff Writer

POLITICS & GOV'T

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CLINTON UNDER FIRE
FULL COVERAGE

WASHINGTON--The highly charged politics of the government's influential **Medicare** reform commission were laid bare Tuesday as commissioners grappled with a controversial proposal to limit the federal role in financing and running the health care system for the elderly and the disabled.

While agreeing with the need to cap government's contribution to the $214-billion-a-year program, the 17-member commission found itself at odds on two contentious questions: the scope of the benefits that the elderly would get under a new system and whether coverage of prescription drugs would be offered by all health plans--including the traditional **Medicare** program.

"This could end in an impasse," said Laura D'Andrea Tyson, a commission member and dean of the Haas School of Business at UC Berkeley. "It could deadlock because of the drug coverage questions--that is the pivotal issue."

With just five weeks left before the commission must report to Congress, Rep. Bill Thomas (R-Bakersfield) had the same assessment.

"Today was a basic advance from where we were before. But if we have to have drugs in the traditional **Medicare** program, then it's going to be difficult to come to an agreement," Thomas said.

A Sweeping Change in Medicare Program

If the commission endorses the new framework, it would be a sweeping change in the 34-year-old **Medicare** program, the nation's largest health insurance program serving 38 million elderly and disabled people.

Depending on the direction the commission takes over the next four weeks, the proposal could fundamentally alter the nature of the entitlement that the elderly would be guaranteed. And, over time, it could result in a growing number of the elderly receiving their health care through health maintenance organizations and other managed-care plans.

Under a proposal outlined by Sen. John B. Breaux (D-La.), who chairs the commission, the government would pay 88% of the national average cost of a health care plan and recipients would pick up the remaining 12%, as well as co-payments and deductibles.

One commission member, Rep. Jim McDermott (D-Wash.), estimated that the proposal would result in a 30% increase in the premium cost to beneficiaries without any guarantee of new benefits. However, he said, if drugs were covered--as has been

proposed--the increase in costs might be justified.
Many commissioners, however, said that they would make no judgment about the impact on beneficiaries' pocketbooks until government actuaries complete a detailed estimate.
Breaux also proposed that more affluent retirees pay more than others. Under his plan, elderly couples with an income of $50,000 a year and individuals with incomes of $40,000 a year would pay 25% of their premiums--more than twice as much as less affluent beneficiaries. In contrast, the poor would pay nothing.
Those covered by **Medicare** would choose between the traditional fee-for-service program, which allows them to choose any doctor or hospital, and a selection of HMOs and other managed care plans. Because a recipient's costs would be higher in more expensive plans, it is expected that many people would enroll in cheaper plans.
While all the plans offered would cover the same categories of benefits as the traditional fee-for-service **Medicare** plan, the specifics, such as guidelines on how long a patient's hospital care is covered, would be determined by the individual plan subject to the approval of a new review board.
"At the moment, you are entitled by law to a very detailed set of benefits. This is a proposal that takes that away--you have disentitled a set of American workers," said Bruce Vladeck, a commission member and former administrator of the Health Care Financing Administration.
"What is now a statutory guarantee to services becomes an artifact of the way the market drives the system. That's a pretty profound thing." Vladeck said.

Government's Share Could Change
Left unclear is whether the government's 88% share would be set in stone or whether some future Congress might reduce it, shifting more of the cost of health care to the elderly.
"Is the government's contribution going to be adequate to keep pace with the growing cost of that benefit over time? Is the beneficiary's health care program going to remain affordable?" asked Trisha Smith, a senior health lobbyist for the American Assn. of Retired Persons.
Also up in the air is whether both the traditional **Medicare** plan and managed care plans would cover the cost of prescription drugs. Republicans would like prescription drugs to be covered only by plans offered through the private insurance market because they believe that will persuade the elderly to join those plans. They circulated a memo among Republican commissioners arguing that a drug benefit in the traditional **Medicare** program is "bad medicine" and that such a benefit should be reserved for the private insurance plans.
"The drug benefit is the carrot that will get people to join the private plans," said Deborah Steelman, a commission member who is a well-known lobbyist representing major pharmaceutical companies and insurers.
If the government's traditional plan offers drug coverage, then why would anyone join a managed care plan? Steelman said.
But Democrats said that the traditional **Medicare** program must offer a drug benefit as well so that the elderly and disabled could compare plans based on cost and quality rather than choosing a plan based on the benefits it offers.

plan is too much. What might be an appropriate level in your judgment?

Chairman Domenici. [Presiding.] Senator, your time has expired.

Senator Wyden. Can I just get an answer?

Chairman Domenici. So would you answer kind of briefly?

Mr. Greenspan. Yes. It is difficult to judge, but one way of solving the same problem is moving more of the funds into defined contribution plans, which would have the same effect of holding the threshold down.

Senator Wyden. Thank you, Mr. Chairman.

Chairman Domenici. Thank you.

Senator Frist?

Senator Frist. Thank you.

Chairman Greenspan, I want to open the question which is very much on my mind and would appreciate your thoughts, and it has to do with Social Security and Medicare.

This Congress is very much focused and will be, thank goodness, on retirement security. To me, Social Security is receiving a huge amount of attention today, which I am very, very pleased with, but we also have a Medicare Commission that is addressing issues that are--if you were to pick up your address today and read it for Social Security, we had this parallel challenge with the demographics, with trust

funds going bankrupt, with deficit spending, and Medicare.

As I go from one meeting to another, whether it is here and listening to you or to our Medicare Commission meeting, I continually ask myself what the differences might be. Both have to do with retirement security. Both have to do with senior citizens. Both have to do with trust funds that we are all trying to get our hands around. Both involve deficit spending, Medicare right now over the last couple of years, a little bit of a surplus last year, but basically cash-flow deficits, Social Security deficits begin in 10, 14, 15 years, bankruptcy of the trust funds, Medicare going bankrupt in 10 years, Social Security in 25 years.

Could you comment--and I guess another interesting thing, right now we are talking about capturing the dynamism of the marketplace, of equities. We aru arguing over who should be investing and who should not, but all of us agree that there is a real power in the marketplace that we have seen in the last few years.

Should we be thinking of capturing that same power of compounding interest in our Medicare system, where the problems are almost exactly parallel, more complex as you pointed out in the past because we had the whole issue of expectations and service and health care being technologically driven today, things that go beyond the actuarial basis of Social Security? Yet, I ask why aren't

we thinking the same way in Medicare, of capturing this power of the marketplace when you had these parallels.

The demographics are driving both. That is the new incremental variable which we are struggling with in Social Security, which is a 10-year, 20-year problem. Yet, Medicare is really up on us today, even in a more immediate way.

Could you link those two together? Should we be thinking about capturing the power of the equities in the trust fund and Medicare, something that we are not really talking about today, and help me draw both the parallels, but also the differences in these two?

Mr. Greenspan. The difference is a very important one in the sense that we can judge within a reasonably narrow range a Social Security annuity requirement over time. That is, in real terms, so to speak, we know pretty closely what our Social Security obligation is going to be, and therefore, it is far easier to meet on the contribution side as a normal issue of insurance calculations.

The uncertainty of the potential outlays in Medicare make that very much more difficult to do. As you know far better than I, Senator and Doctor, the technology makes that issue maybe reasonably easy to project in a very short term, but it gets devilishly difficult as you go 4 or 5 or 8 years out and try to get some judgment of what the technology

structure is.

Nonetheless, to put additional real resources in there is crucial for exactly the reasons you point out, and the irony of all of this is that while we think in terms in the abstract of trying to consider a fully funded Social Security system, having the savings that go into the investment which will effectively give the retirement income to the people as they retire, money is fungible, and you can just as readily foresee the capital assets which will engender the real resources for the economy can just as readily be used to fund Medicare in the future as Social Security. In that regard, it is probably wise to think in the broader context of not only Social Security, but Medicare as an annuity in the total system which must be met by increased savings and capital assets.

Senator Frist. And I agree with that, and I guess that is why I am confused today, in terms of public policy, that Medicare is deficit spending. Social Security does not start deficit spending for 15 years, roughly. Medicare is going bankrupt in 10 years. Social Security is knocked to 30 years. In terms of the very broad picture, it does not seem to be that much of a difference as you address the issues of capturing the dynamics of the equities, of compounding interest, or ultimately paying down the debt, since these are both trust funds.

I guess I am struggling, should we be putting more attention on Medicare because of all of these parallels, and if not, why are we putting so much attention on Social Security instead of Medicare?

Mr. Greenspan. I think that we are doing it for Social Security, one, because it is easier, and it is far better to get the Social Security issue out of the way and resolved hopefully, but I certainly agree with you, Senator, that when and if that is done, that the next issue of a very similar nature is Medicare, and knowing how the Social Security issue was resolved to meet the long-term claims will affect how Medicare is approached, but there is a sequence issue which is relevant.

Senator Frist. Thank you.

Chairman Domenici. Thank you very much, Senator, for that.

Senator Durbin, you are next.

Senator Durbin. Thank you very much, Senator, and, Mr. Greenspan, thank you for joining us.

It has been said that the President's State of the Union address suggested that about 80 percent of our surplus would be focussing on senior citizens in America, current seniors and those of us who will soon be in that category. I can understand that, as Senator Frist and others have noted, with the deficiencies in Social Security and Medicare

PRESIDENT CLINTON AND VICE PRESIDENT GORE:
Saving Social Security and Strengthening Medicare
January 27, 1999

In His State of the Union Address, President Clinton Put Forward His Framework To Save Social Security And Strengthen Medicare. A week ago, President Clinton proposed his framework to allocate the projected budget surpluses over the next 15 years to meet America's challenges.

- **Save Social Security Now.** The President's framework includes transferring 62 percent of the projected budget surpluses over the next 15 years -- more than $2.7 trillion -- to the Social Security system and investing a portion of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does. This will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075, while reducing poverty among single elderly women and eliminating the limit on what older Americans on Social Security can earn.

    - **Letter from Social Security Actuary Shows President's Proposal Saves Social Security Until 2055.** Today, a memo from Stephen Goss, Deputy Chief Actuary of the Social Security Administration, was released and it stated that the President's "proposal would extend the estimated year in which the combined OASDI trust funds would become exhausted by 23 years, from 2032 to 2055. It would reduce the size of the estimated long-range OASDI actuarial deficit by over one half, from 2.19 to 0.76 percent of taxable payroll." [Memorandum from Stephen Goss, Deputy Chief Actuary of the Social Security Administration, January 26, 1999]

Strengthening Medicare for the 21st Century. Today, President Clinton emphasized the importance of his proposal to dedicate 15 percent of the projected budget surpluses to the Medicare program, as part of his broad framework to save Social Security and Medicare for the 21st century. These resources alone would extend the life of the Medicare Trust Fund to 2020, as confirmed by the Medicare actuary in a letter released today. However, the President stressed that the dedicated surplus dollars should be used in the context of broader Medicare reforms that modernize and improve the program.

President Clinton Emphasized That Dedicating Revenues is Essential to Preserving and Strengthening Medicare.

- **Letter from Medicare Actuary Shows President's Proposal Keeps Medicare Solvent Until 2020.** Today, a memo from Richard Foster, Chief Actuary of the Health Care Financing Administration (HCFA), was released and it stated that "the assets of the HI trust fund would be depleted in calendar year 2020 under [the President's] proposal, as compared to 2008 under present law." [Memorandum from Richard Foster, Chief Actuary of the Health Care Financing Administration, January 27, 1999]

- **Medicare, like Social Security, Faces Challenge of the "Senior Boom."** Medicare's enrollment is expected to double by 2030. Moreover, by 2030, the ratio of workers (who help finance Medicare through payroll taxes) to beneficiaries is expected to decline by over 40 percent.

- **Without New Surplus Revenue, Medicare Spending Would Have to Be Reduced Significantly.** For the Hospital Insurance (HI) Trust Fund to be solvent only through 2017, it would take a 10 percent reduction in baseline spending in each year (all else held constant). For example, in 2000, this would amount to about $15 billion -- more than Medicare pays for all of home health care.

- **Growth Would Have to Be Slowed to below General Inflation.** Even if Medicare per capita cost growth were constrained to general inflation in every year -- virtually unprecedented in health care and less than half projected private spending growth rate -- the Trust Fund would only be extended to 2016.

- **Experts Validate That Additional Revenues Are Critical to Preserving and Strengthening Medicare.** Health economists and experts agree: not only are new revenues needed but the surplus is a good source. Experts supporting this proposal include: Robert Reischauer, Henry Aaron, Judy Feder, Marilyn Moon, and Uwe Reinhardt and other respected economists.

The President Underscored His Strong Belief That Surplus Dollars Should Be Utilized In the Context of Broader Reforms to the Program. The President emphasized that it would be ill-advised to expand Medicare in the absence of broader reforms. He stressed that the additional dedicated dollars should be used in conjunction with important reforms which would modernize the program by providing market-oriented purchasing tools, additional savings, and a long-overdue prescription drug benefit.

The President's Framework Would Also Allocate Projected Surpluses To Provide Tax Relief for Retirement Security and To Prepare America for the Challenges of the Future:

- **Create New Universal Savings Accounts -- USA Accounts.** After we save Social Security, the President would allocate 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs). USA Accounts would be a $536 billion tax cut over the next 15 years to help Americans save for their futures, providing Americans a flat tax credit to make contributions into their USA Account and additional tax credits to match a portion of an individual's savings -- with more help for lower-income workers.

- **Prepare America for the Challenges of the Future.** And after Social Security reform is secured, the President's framework would allocate 11 percent of the projected surpluses for military readiness and other pressing domestic priorities.

EVENT:	Social Security/Medicare Event
DATE:	Wednesday, January 27, 1999
TIME:	10:15am-11:05am
LOCATION:	The East Room

MEMBERS CONFIRMED TO ATTEND (13):
Sen. Craig Thomas (R-WY)
Rep. Xavier Becerra (D-CA)
Rep. Tom Bliley (R-VA)
Rep. Robert Borski (D-PA)
Rep. Ben Cardin (D-MD)
Rep. Rick Hill (R-MT)
Rep. Jerrold Nadler (D-NY)
Rep. Charles "Chip" Pickering (R-MS)
Rep. Earl Pomeroy (D-ND)
Rep. Rob Portman (R-OH)
Rep. Nick Smith (R-MI)
Rep. Pete Stark (D-CA)
Rep. Ellen Tauscher (D-CA)

January 26, 1998

SOCIAL SECURITY AND MEDICARE EVENT

DATE:	January 27, 1999
TIME:	9:45 am to 10:10 am (Pre-brief)
	10:10 am to 10:20 am (Meet and Greet)
	10:20 am to 11:10 am (Event)
LOCATION:	Oval Office (Pre-brief)
	Blue Room (Meet and Greet)
	East Room (Event)
FROM:	Gene Sperling
	Chris Jennings

I. PURPOSE

To emphasize the importance of dedicating 15 percent of the budget surplus to Medicare and to underscore your strong belief that these funds should be used in the broader context of reforms that would: extend the life of the Trust Fund to 2020; make Medicare a more efficient purchaser of health care; and achieve additional savings, while providing for a prescription drug benefit.

II. BACKGROUND

Background on Medicare

Medicare is in impending crisis. Medicare, like Social Security, is threatened by the tidal wave of the "senior boom." Its enrollment is expected to double by 2030. The aging of America affects its financing as well. By 2030, the ratio of workers (who help finance Medicare through payroll taxes) to beneficiaries is expected to decline by over 40 percent.

In addition to the sheer demographic challenge the program faces, Medicare --as well as the private sector --could face escalating health care costs. The last several years have seen revolutionary changes in the practice of medicine; treatments for cancer, arthritis, and even Alzheimer's appear to be on the horizon. However, these advances will likely come at a cost. As a result, the Medicare Trustees project that the Trust Fund will be exhausted in 2008 if no actions are taken.

Without new revenue, massive cuts would be needed. For the Hospital Insurance (HI) Trust Fund to be solvent only through 2022, it would take an 18 percent reduction in baseline spending in each year (all else held constant). To give an example of what that means, in 2000, this would amount to about $26 billion --more than Medicare pays for all of outpatient services or home health care.

Your framework would reserve 15 percent of the projected surpluses --$650-$700 billion --over the next 15 years for the Medicare Trust Fund. These funds would be prohibited from being used for any other purpose, ensuring that the money will go to help the health care needs of older and disabled Americans. Even in the absence of broader reforms, this framework would guarantee that Medicare can continue to provide its critical health services until 2020 --doubling the life of the Medicare Trust Fund and providing the strongest outlook in the last 25 years.

Background on Your Proposal for the Budget Surplus

In the State of the Union Address, you put forward a framework to save Social Security now -- and then to strengthen Medicare, create Universal Savings Accounts (USAs), and make other sound investments. Your framework would:

Save Social Security Now. Your framework includes transferring 62 percent of the projected budget surpluses over the next 15 years -- more than $2.7 trillion -- to the Social Security system and investing a portion of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does. This will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075, while reducing poverty among single elderly women and eliminating the limit on what older Americans on Social Security can earn.

Strengthen Medicare for the 21st Century. After we save Social Security, this framework would allocate 15 percent of the projected surpluses for Medicare -- $650-$700 billion -- ensuring the Medicare Trust Fund is secure for 20 years. The President believes that the new resources should be utilized to achieve broader, bipartisan reforms that modernize Medicare, make it more efficient, provide for a long-overdue prescription drug benefit, and still keep Medicare safe until 2020.

Create New Universal Savings Accounts -- USA Accounts. After we save Social Security, your proposal would allocate 11 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. USA Accounts would be a $500 billion tax cut over the next 15 years to help Americans save for their futures. To help Americans save and to strengthen our current pension system, we would provide Americans an flat tax credit to make contributions into their USA Account. In addition, we would provide additional tax credits to match a portion of an individual's savings -- with more help for lower-income workers.

Prepare America for the Challenges of the Future. And after Social Security reform is secured, this framework would allocate 11 percent of the projected surpluses for military readiness and pressing national domestic priorities, such as education and research.

Background on Participants

There will be four participants in the roundtable discussion:

- **LAURA D'ANDREA TYSON:** Laura D'Andrea Tyson currently serves as a member of the *National Bipartisan Commission on the Future of Medicare*. Dr. Tyson is Dean of the Haas School of Business at the University of California at Berkley, and is the only woman currently leading a major business school in the United States. Dr.Tyson served in the Clinton Administration from January 1993 through December 1996 as the President's National Economic Adviser and as the sixteenth Chairman of the White House Council of Economic Advisors.

- **UWE REINHART:** A national leader in health care, Professor Reinhart has taught at Princeton University since 1968 and has served on several government commissions on health care, including: the National Council on Health Care Technology, from 1979 to 1982; the Special Medical Advisory Group, from 1981 to 1985; and the Physician Payment Review Commission, from 1986 to 1995. He is currently a member of the Council on the Economic Impact of Health Reform, a privately funded group of health experts established to track the economic impact of the current revolution in health care delivery and cost control. Professor Reinhart is also the Commissioner of the Kaiser Commission on Medicaid and the Uninsured.

- **HANS RIEMER:** Hans Riemer, 26 years old, is the Founder and Director of the 2030 Center, a public policy organization for young adults. Hans is an expert in Social Security policy and is responsible for strategic planning, fundraising, policy development, public speaking and writing, and all other 2030 Center Functions. Prior to founding the 2030 Center, Hans worked as a policy assistant to Arthur S. Flemming, former HEW Secretary and U.S. Commissioner of Civil Rights. Previously, he was a project assistant at the National Academy of Social Insurance.

- **MARTHA MCSTEEN:** Martha A. McSteen serves as the current President of the National Committee to Preserve Social Security and Medicare, the nation's second-largest seniors organization. She served 39 years with the Social Security Administration, the last three years as acting commissioner. She has received numerous awards and citations over the past years, most notably by President Reagan and President Carter. Mrs. McSteen is originally from Iowa Park, Texas, where she originally joined the Administration as a caseworker. She resides in Washington, DC, with her husband Dr. Marshall Parks.

III. PARTICIPANTS

Pre-Brief
The Vice President
Gene Sperling
Chris Jennings
Jack Lew
Doug Sosnik
Larry Stein

Event
The Vice President
Laura D'Andrea Tyson
Uwe Reinhart
Martha McSteen
Hans Reimer

IV. SEQUENCE OF EVENTS

- **YOU** and the Vice President, accompanied by Laura D'Andrea Tyson, Uwe Reinhart, Martha McSteen, and Hans Reimer are announced into the East Room.

- **YOU** proceed to the podium and the Vice President and the panelists proceed to their seats at the table.

- **YOU** make remarks from the podium and then take your seat at the table.

- The Vice President makes remarks from the table and then turns to you to open the discussion (the panelists' speaking order is Tyson, Reinhardt, Riemer, and McSteen).

- Upon conclusion of the panel discussion, **YOU** makes concluding remarks and depart.

V. PRESS COVERAGE

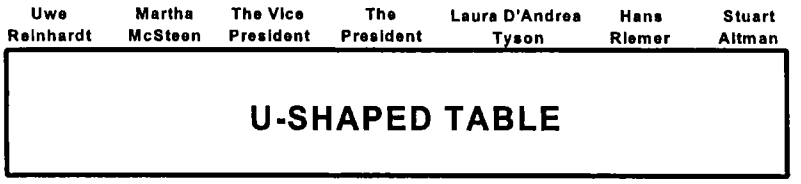
Open Press.

VI. REMARKS

To be provided by speechwriting.

VII. ATTACHMENTS

POTENTIAL QUESTIONS AND BACKGROUND FOR ROUNDTABLE DISCUSSION



- **PRESIDENT CLINTON: Question for Laura D'Andrea Tyson:** Dr. Tyson, you have spent a great deal of time carefully looking at the challenges facing the Medicare program. *Yesterday, you pointed out that Medicare would have to grow at half the private sector's growth rate just to extend the Trust Fund to 2016. Can you talk about why we need to dedicate some of the surplus dollars to Medicare and how you would advocate using it?*

  - **BACKGROUND ON LAURA D'ANDREA TYSON:** Laura D'Andrea Tyson currently serves as a member of the *National Bipartisan Commission on the Future of Medicare*. Dr. Tyson is Dean of the Haas School of Business at the University of California at Berkeley, and is the only woman currently leading a major business school in the United States. Dr.Tyson served in the Clinton Administration from January 1993 through December 1996 as the President's National Economic Adviser and as the sixteenth Chairman of the White House Council of Economic Advisors.

- **VICE PRESIDENT GORE: Question for Uwe (Uu-ve) Reinhardt:** Dr. Reinhardt is a professor at Princeton University and a national health policy expert who has served on several government commissions on health care. *One of the reasons why we believe that we need to dedicate the surplus to Medicare is that we have learned that it would take an 18 percent reduction in Medicare spending every year just to extend the life of the Trust Fund past 2020. Dr. Reinhardt, can you discuss why you think significant resources are important to the Medicare program from a health, economic, and budgetary perspective?*

  - **BACKGROUND ON UWE REINHARDT:** A national leader in health care, Professor Reinhart has taught at Princeton University since 1968 and has served on several government commissions on health care, including: the National Council on Health Care Technology, from 1979 to 1982; the Special Medical Advisory Group, from 1981 to 1985; and the Physician Payment Review Commission, from 1986 to 1995. He is currently a member of the Council on the Economic Impact of Health Reform, a privately funded group of health experts established to track the economic impact of the current revolution in health care delivery and cost control. Professor Reinhart is also the Commissioner of the Kaiser Commission on Medicaid and the Uninsured.

- **PRESIDENT CLINTON: Question for Stuart Altman:** Dr. Altman you have served Republican and Democrat Administrations, been a non-partisan advisor to the Congress, and a valuable contributor to the Medicare Commission. *What are the type of structural reforms we need to improve and modernize the program as we extend the life of the Medicare Trust Fund?*

  - **BACKGROUND ON STUART ALTMAN:** Stuart Altman currently serves as a member of the *National Bipartisan Commission on the Future of Medicare*. He is also the Sol C. Chaikin Professor of National Health Policy at The Florence Heller Graduate School for Social Policy, Brandeis University. For twelve years he was Chairman of the Congressionally legislated Prospective Payment Assessment Commission responsible for advising Congress and the Administration on the Medicare DRG Hospital Payment System and other system reforms. Professor Altman is a member of The Institute of Medicine of the National Academy of Sciences.

- **VICE PRESIDENT GORE: Question for Martha McSteen:** Martha McSteen serves as the current President of the National Committee to Preserve Social Security and Medicare, the nation's second-largest seniors organization. *We are going to have twice as many seniors in 2030 as we do today. They are living longer and retiring earlier. Can you talk about why it is important that we address Medicare and Social Security together?*

  - **BACKGROUND ON MARTHA MCSTEEN:** Martha A. McSteen serves as the current President of the National Committee to Preserve Social Security and Medicare, the nation's second-largest seniors organization. She served 39 years with the Social Security Administration, the last three years as acting commissioner. She has received numerous awards and citations over the past years, most notably by President Reagan and President Carter. Mrs. McSteen is originally from Iowa Park, Texas, where she originally joined the Administration as a caseworker. She resides in Washington, DC, with her husband Dr. Marshall Parks.

- **PRESIDENT CLINTON: Question for Hans Riemer:** Hans Riemer is the Founder and Director of the 2030 Center, a public policy organization for young adults, focusing on a range of policy issues, including Social Security. *When I took office, our deficit was projected to skyrocket and the debt was supposed to grow to $5 billion -- now we have the first budget surplus in a generation. What new steps can we take now to ensure that we do not leave an undue burden on your generation?*

  - **BACKGROUND ON HANS RIEMER:** Hans Riemer, 26 years old, is the Founder and Director of the 2030 Center, a public policy organization for young adults. Hans is an expert in Social Security policy and is responsible for strategic planning, fundraising, policy development, public speaking and writing, and all other 2030 Center Functions. Prior to founding the 2030 Center, Hans worked as a policy assistant to Arthur S. Flemming, former HEW Secretary and U.S. Commissioner of Civil Rights. Previously, he was a project assistant at the National Academy of Social Insurance.