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Briefing Material - Fall 1987 Issues (2)

Box 1

Dubenstein, Kenneth A.; Files
Office of the Chief of Staff
Series I: Subject File

E

I

Form XXXX

Computation of Supplemental
Medicare PremiumOMB No. 1545-xxxx
1988

Name(s) as shown on return

Your social security
number

1. Enter the number of months you were covered by the Medicare Part B insurance program for 1988 (from Form SSA-1099). See instructions if you are married filing a joint return.
2. Enter your tax liability from Form 1040, line 42, or Form 1040A, line 20.
3. Divide the amount on line 2 by \$150. Enter the result. See the instructions for how to round dollars and cents.
4. Multiply the number on line 1 by the amount on line 3.
5. Maximum premium. Enter \$800 if you were covered by the Part B insurance program for 12 months in 1988. Otherwise, see the instructions. Also, see the instructions if you are married filing a joint return.
6. Enter the smaller of the amount on line 4 or the amount on line 5. Also, enter this amount on Form 1040, line xx, or Form 1040A, line xx. This is your supplemental medicare premium.

1 _____

2 _____

3 _____

4 _____

5 _____

6 _____

Purpose of Form. - Beginning in 1988, if you are eligible for medicare benefits under Part B of Title XVIII of the Social Security Act, you must pay a supplemental medicare premium with your Federal income tax. This form is used to figure the amount of the premium.

Who Must File. - In general, you must file this form for 1988 with Form 1040 or 1040A if you were covered by the insurance provided under Part B of Medicare during any month during 1988 and you have a liability for Federal income tax of more than \$150. If you are married and file a joint return, the additional premium is computed separately for each spouse.

Line-by-line Instructions

Line 1. - Enter the number of months you were covered by Part B of the medicare insurance program. This number will be shown on the Form 1099-SSA furnished to you by the Social Security Administration. If you were covered for the entire year, enter 12.

If you are married and filing a joint return and either you or your spouse was covered for the entire year, enter 12. If only one of you was covered during the year, enter the number shown on the Form 1099-SSA. If both of you were covered during the year, enter the number shown on the Form 1099-SSA for the one covered for the longer period of time.

Line 3. - Divide the amount on line 2 by \$150. If the result is less than 1, do not file this form. If the result is not a whole number, reduce it to the next lowest whole number. For example, \$40.95 would become \$40.00.

Line 5. - Maximum premium. If you were covered by the Part B insurance program for the entire year, enter \$800. Individuals who were covered for fewer than 12 months during the year should enter the appropriate amount from the table below. Married persons filing joint returns in situations where both spouses are covered by Part B of the medicare insurance program must make a separate computation for each spouse, and then show the sum of the separate computation on line 5.

<u>If Number of months covered is:</u>	<u>Enter amount of:</u>
11	\$733
10	667
9	600
8	533
7	467
6	400
5	333
4	267
3	200
2	133
1	67

F

S. 1127'S FLAWS COULD TRANSFORM MEDICARE

- CURRENTLY NEARLY EVERY MEDICARE BENEFICIARY VOLUNTARILY ELECTS SMI COVERAGE
 - THEY SHOULD, SINCE THE FEDERAL SUBSIDY EXCEEDS THEIR PREMIUMS BY \$840 PER YEAR
 - UNDER S. 1127, BOTH SMI AND CATASTROPHIC REMAIN OPTIONAL
- EVEN IN FIRST YEARS, SURTAXES AND PREMIUMS FOR HIGHEST INCOME ELDERLY WOULD EXCEED MEDICARE'S FEDERAL SUBSIDY, MAKING S. 1127 BAD INSURANCE
 - MANY OF THESE ELDERLY WOULD PRESUMABLY DROP SMI COVERAGE
- HIGHER INCOME ELDERLY WOULD PAY OVER 5 TIMES THEIR EXPECTED CATASTROPHIC BENEFITS
- AS HIGHER INCOME ELDERLY DROP OUT OF PART B, PREMIUMS FOR THE OTHER ELDERLY WILL INCREASE TO COVER SHORTFALL, CAUSING FURTHER EXODUS
- SMI BECOMES POORER AND POORER INSURANCE VALUE, TURNING IT INTO A PROGRAM FOR LOW AND MIDDLE INCOME ELDERLY:
 - NEGATIVE STIGMA AND A SECOND CLASS OF MEDICAL CARE

G

DRUG BENEFIT: LARGEST MEDICARE EXPANSION SINCE 1965

EXTRAORDINARILY COSTLY:

- MEDICARE ACTUARY PROJECTS DRUGS AS HUGE COST: \$5.8 BILLION

COSTS PER BENEFICIARY:

- FOR DRUGS ALONE ANNUAL COSTS STARTS AT \$180 IN 1989, GROWS TO \$290 IN 1995, AND \$640 IN 2005
- MONTHLY COSTS OF DRUG PROVISION EQUAL TOTAL MONTHLY MEDICARE PREMIUM BENEFICIARIES PAID LAST YEAR

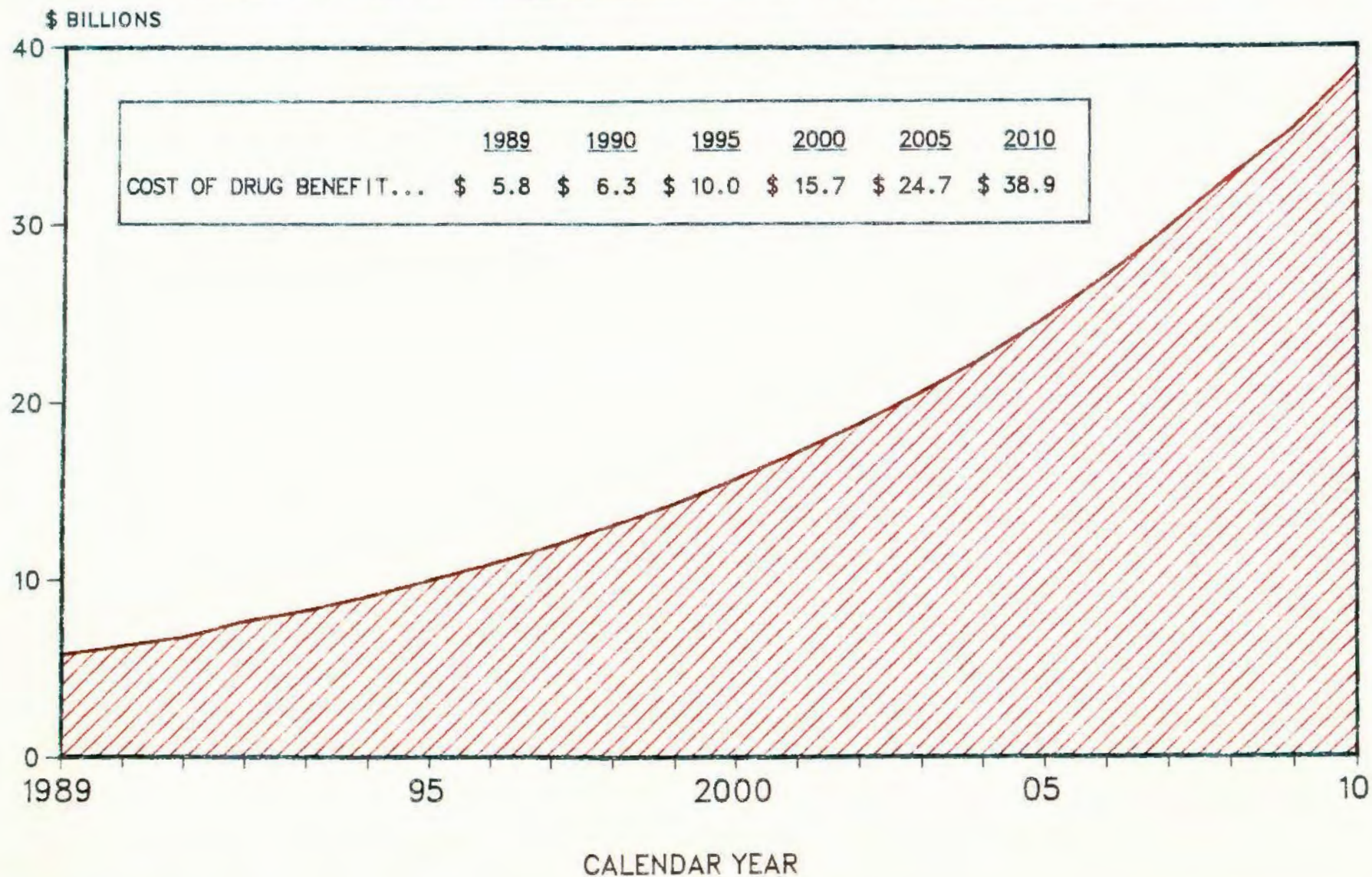
ADMINISTRATIVE NIGHTMARE AS MEDICARE HAS TO COUNT MILLIONS OF BILLS

- ADMINISTRATIVE OVERHEAD FOR DRUG BENEFIT 5 TO 10 TIMES CURRENT OVERHEAD COST RATIO

COULD TRANSFORM THE DRUG COMPANIES INTO FEDERALLY-REGULATED UTILITY

- AS WITH PHYSICIAN FEES, PRESSURE TO PROHIBIT "BALANCE BILLING" OVER MEDICARE PAYMENTS
- IF MEDICARE MANDATES FULL PRICE, GOVERNMENT REGULATIONS WOULD FIX DRUG PRICES

H.R. 2470 -- OUTPATIENT DRUG BENEFIT
ON ITS OWN THE LARGEST MEDICARE EXPANSION SINCE 1965



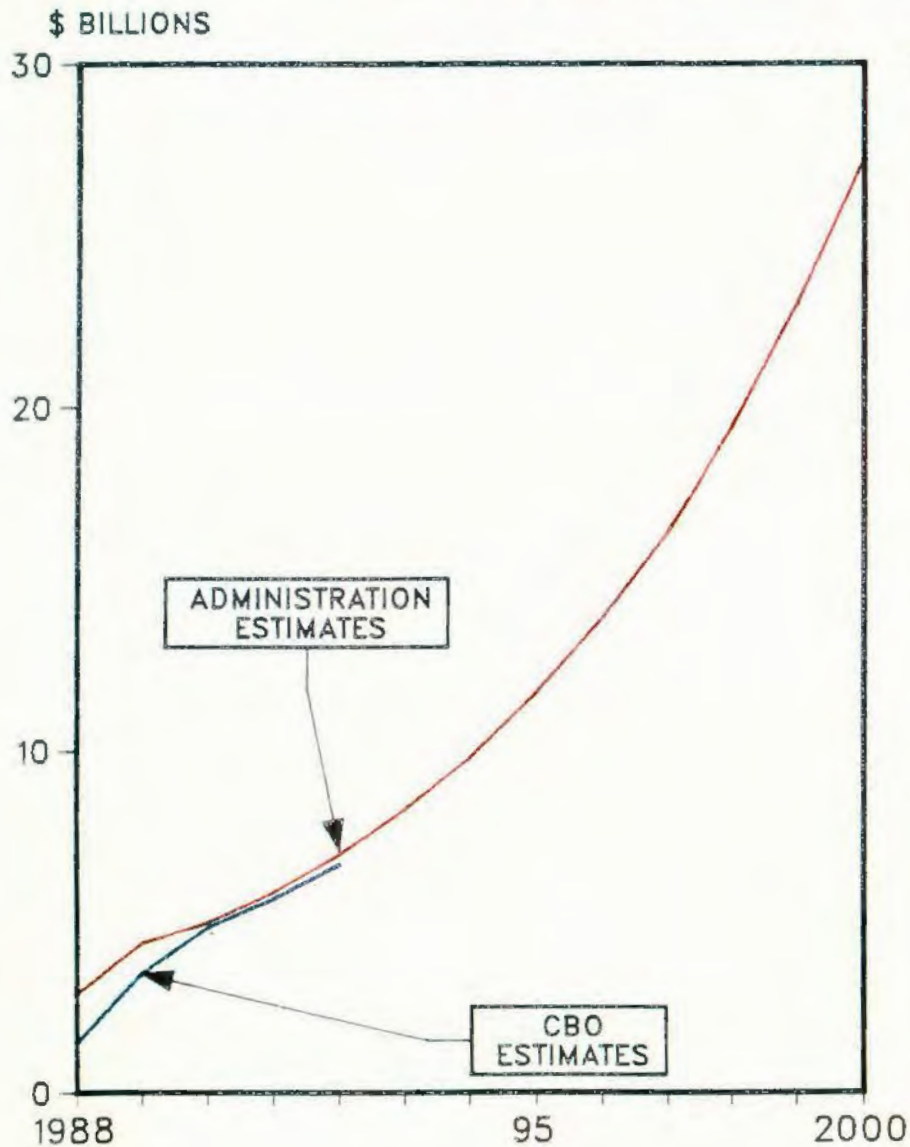
H

CATASTROPHIC PROTECTION: JUDGED OVER LONG RUN

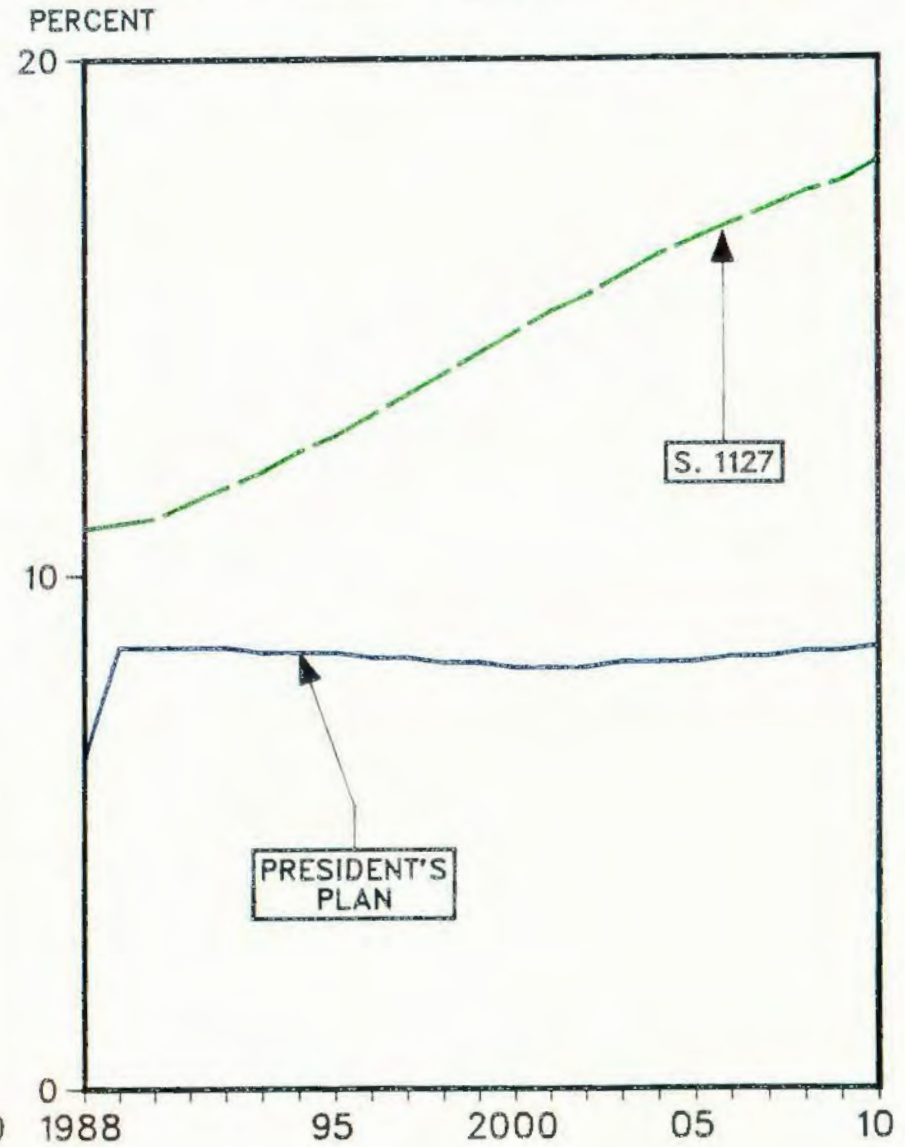
- S. 1127 REQUIRES SKYROCKETING PAYMENTS FROM ELDERLY OVER THE LONG HAUL
 - FLAWED INDEXING, WHICH DRIVES LONG RUN COSTS, LARGELY UNDETECTED BY CONGRESS.
- CBO AND ACTUARY REASONABLY CLOSE FOR FY 1989-92 YEARS, WITHIN \$1.3 BILLION OR 7% OVER THE PERIOD.
- CBO HAS NOT PRODUCED OUT-YEAR ESTIMATES
 - WHAT WOULD CBO'S OUT-YEAR ESTIMATES LOOK LIKE?
- EVERYONE'S PROJECTIONS OF NEW HEALTH PROGRAMS ALWAYS TOO LOW: WHEN MEDICARE WAS ENACTED IN 1965, OUTYEAR PROJECTIONS DRAMATICALLY UNDERSTATED COSTS.
- WILL S. 1127 ALTER THE ENTIRE CONCEPT OF PART B BY DRIVING OUT THE BETTER OFF ELDERLY??

S. 1127

CBO AND ADMINISTRATION PRICES
(EXCLUDES A DRUG BENEFIT)



COSTS AS A PERCENTAGE OF SMI OUTLAYS



Housing

ISSUE: HOUSING BILL

Background

- Conference on S. 825 to convene in September.
- Both House and Senate Bills are unacceptable and have drawn veto signals from the beginning.
- Senate Bill passed 71-27 (R20-25/D51-2) on March 31.
- House Bill, H.R. 4, passed 285-120 (R49-105/D236-15) on June 11.
- A Wiley substitute was defeated 179-246 (R169-10/D10-236) on June 11.
- Discussions with House Republicans at that time produced no agreement with the Administration.
- Renewed discussions following Oval Office meeting on August 6 have continued.
- FHA lending authority expires September 30.

Next Steps

- Continue OMB/HUD discussions with Senate and House Republican Leadership and Ranking members on possible compromise.
- Advise Dole/Michel and Republican conferees of final outcome.
- Move forward on a "dual track" with Deficit Reduction Coalition to generate grass roots support to sustain possible veto.
- Remain alert for Senate floor opportunity to seek permanent FHA extension outside the conference report.

Farm credit

ISSUE: FARM CREDIT

Background

- Farm Credit system faces uncertain future and is expected to need further assistance this year.
- Legislative fix is on a fast track. The House has scheduled floor action on its bill (HR 3030) for the weeks of September 7th or 14th. Senate markup expected to begin soon thereafter.
- Democratic House bill was improved by Madigan and Committee Republicans, but still objectionable; prospects for a better Senate bill unlikely.

Next Steps

- Administration efforts have been hampered by unclear Statement of Policy. Need clear understanding of what is acceptable.
- Meet in September with key Senate and House Republicans to determine strategy.

Welfare reform

ISSUE: WELFARE REFORM

Background

- Ford/Downey Bill is unacceptable due to cost and expansion of benefits.
- House Republican substitute (Michel-Brown) is acceptable but needs Democrat support.
- Moynihan Bill as introduced is also unacceptable but has five Republican cosponsors.
- Senate Republican alternative likely soon from Dole.

Next Steps

- Gain Support of key Governors for demonstration authority.
- Solicit support of key House Democrats to Michel-Brown alternative (Carper-Perry-Slattey group and others).
- Promote Michel-Brown Bill to Senate Finance Republicans and others.
- President meets with Senators who have been Governors after Recess.
- Enlist further assistance from Senator Long (meeting with President).
- Be alert to House action on Reconciliation Bill as likely vehicle.

Textiles

ISSUE: TEXTILE BILL

Background

- House floor action is likely the week of September 14th.
- House bill has 243 cosponsors. In 1985, similar legislation passed the House 262-159. Presidential veto was upheld 149-276.
- Most observers feel there may be votes to sustain a veto in the House.
- Senate Finance reported its bill without recommendation by a unanimous vote on July 30th. No date for floor action scheduled.

Next Steps

- Continue efforts to assure veto strength, particularly in the House (Gibbons, Frenzel).
- Pursue public liaison strategy to mobilize outside groups' support.
- Presidential phone calls prior to floor action to reaffirm opposition.