

## Letter to Congressional Leaders on Medicare Reform October 19, 1999

*Dear Mr. Chairman: (Dear Senator Moynihan:)*

It was a pleasure to meet with you and Senator Moynihan earlier this month to discuss our mutual commitment to strengthening and modernizing Medicare. It continues to be my hope that the Congress will take action this year to, at minimum, make a downpayment on needed reforms of the program. I look forward to working with you toward that end.

In 1997, the Medicare trustees projected that Medicare would become insolvent in 2001. Working together across party lines, the Congress passed and I enacted important reforms that contributed towards extending the life of the Medicare trust fund to 2015. As with any major legislation, the Balanced Budget Act (BBA) included some policies that are flawed or have had unintended consequences that are posing immediate problems to some providers and beneficiaries. In addition, the program faces the long-term demographic and health care challenges that will inevitably result as the baby-boom generation ages into Medicare. As we worked together in 1997 to address the immediate threat to Medicare, we must work together now to address its short-term and long-term challenges.

Preparing and strengthening Medicare for the next century is and will continue to be a top priority for my Administration. For this reason, I proposed a plan that makes the program more competitive and efficient, modernizes its benefits to include the provision of a long-overdue prescription drug benefit, and dedicates a portion of the surplus to help secure program solvency for at least another 10 years. However, I also share your belief that we need to take prompt action—whether in the context of broader or more limited reforms—to moderate the excessive provider payment reductions in the BBA of 1997. I believe that legislative modifications in this regard should be paid for and should not undermine the solvency of the Medicare trust fund.

You have requested a summary of the administrative actions that I plan to take to moderate the impact of the BBA. In the letter that you sent to me last Thursday, you also asked about

four specific issues related to payment for hospital outpatient departments, managed care, skilled nursing facilities, and disproportionate share hospitals.

Attached is a summary of the over 25 administrative actions that my Administration is currently implementing or will take to address Medicare provider payment issues. The Department of Health and Human Services is taking virtually all the administrative actions possible under the law that have a policy justification, which will accrue to the benefit of hospitals, nursing homes, home health agencies, and other providers.

We are finishing our review of our administrative authority to address the 5.7 percent reduction in hospital outpatient department payments. We believe that the Congressional intent was to not impose an additional reduction in aggregate payments for hospitals and I favor a policy that achieves this goal. The enactment of clarifying language on this subject would be useful in making clear Congressional intent with regard to this issue. I have attached a letter from Office of Management and Budget Director Jack Lew, which was sent at the request of Congressman Bill Thomas, detailing how such language would be scored by OMB.

With regards to managed care, we share your commitment to expanding choice and achieving stability in the Medicare+Choice marketplace. The BBA required that payments to managed care plans be risk adjusted. To ease the transition to this system, we proposed a 5-year, gradual phase-in of the risk adjustment system. This phase-in forgoes approximately \$4.5 billion in payment reductions that would have occurred if risk adjustment were fully implemented immediately. The Medicare Payment Advisory Commission and other experts support my Administration's risk adjustment plan. Consistent with this position, most policy experts believe that a further slowdown of its implementation is unwarranted. However, we remain committed to making any and all changes that improve its methodology. Moreover, as you know, any administrative and legislative changes that increase payment rates to providers in the fee-for-service

program will also increase payments to managed care plans.

On the issue of skilled nursing facilities, we agree that nursing home payments for the sickest Medicare beneficiaries are not adequate. I intend to take all actions possible to address this. Administratively, we can and will use the results of a study that is about to be completed to adjust payments as soon as possible. While we believe that these adjustments must be budget neutral, we are continuing to review whether we have additional administrative authority in this area.

Finally, it appears that there has been confusion about the current policy for disproportionate share hospital (DSH) payments. Hospitals across a considerable number of states have misconstrued how to calculate DSH payments. The Department of Health and Human Services (HHS) has since concluded that this resulted from unclear guidance. Thus, as reported last Friday, HHS will not recoup pass

overpayments and will issue new, clearer guidance as soon as possible.

We believe that our administrative actions can complement legislative modifications to refine BBA payment policies. These legislative modifications should be targeted to address unintended consequences of the BBA that can expect to adversely affect beneficiary access to quality care. I hope and expect that our work together will lay the foundation for much broader and needed reforms to address the demographic and health care challenges confronting the program. We look forward to working with you, as well as the House Ways and Means and Commerce Committees, as we jointly strive to moderate the impact of BBA on the nation's health care provider community.

Sincerely,

BILL CLINTON

NOTE: Identical letters were sent to William V. Roth, Jr., chairman, and Daniel Patrick Moynihan, ranking member, Senate Committee on Finance.

## Remarks on Signing the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000, and an Exchange With Reporters

October 20, 1999

*The President.* Ladies and gentlemen, let me, first of all, welcome you all here for the signing of the VA/HUD bill, and say what I would like to do. I want to make a statement, sign the bill, pass out the pens, and then if you have questions, I'll answer the questions then. Okay?

Q. It's a deal.

*The President.* We've got a deal? [Laughter] That way we won't all have to claw each other to death before we finish this.

I would like to welcome Senator Edwards and Congressman Walsh and Congressman Mollohan, Secretary Cuomo, Secretary West, NSF Director Colwell, NASA Director Dan Goldin, and FEMA Director James Lee Witt, as well as the representatives of all these groups who are here who worked so hard with us to fashion what I think is a truly remarkable and positive piece of legislation.

I also want to say a special word of thanks to our OMB Director, Jack Lew, to Sylvia Mathews, and his whole staff, for the wonderful work that they did on this in working with the Congress, and all the people here represented.

For over 200 years, Presidents have been called upon to approve or not approve spending bills passed by the Congress. Because these bills can profoundly affect the future of our Nation, Presidents must carefully weigh their decisions about signing them. In the 6½ years I have been President, I have put my signature on spending bills only when convinced they reflect the values of our people, respected the need for Government to live within its means, and looked toward the future. The VA/HUD bill I'm about to sign clearly meets these standards. It not only maintains the fiscal discipline that has led us to this moment of prosperity; it also honors our highest values.