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THE WHITE HOUSE

WASHINGTON

January 3, 1977

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR *JEB*

SUBJECT:

Presentation of Medicare in the
1978 Budget

The President reviewed your recent undated memorandum on the above subject and made the following notation:

"Good"

Please follow up with appropriate action.

cc: Dick Cheney

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FROM: JAMES CONNOR

TO: DICK CHENEY

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SPECIAL INSTRUCTIONS:

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Good / MCF

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: James F. Lynn

SUBJECT: Presentation of Medicare in the 1978 Budget

During the HEW 1978 budget appeal session, earlier this month, you agreed to Secretary Mathews' request to allow HEW to develop alternative Medicare proposals that would result in the approximate budgetary savings initially recommended as part of the 1978 budget allowance.

Secretary Mathews has devised a set of Medicare proposals that will result in outlay savings of \$1.8 billion in 1978 and \$3.6 billion in 1979 outlays--consistent with our recommended levels. These proposals include:

- hospital per diem reimbursement limits of 7% in 1978 and 1979;
- a freeze on physician prevailing charge levels for 1978 and 1979, but allowing 7% increases for those physicians charges that are below the prevailing charge levels;
- catastrophic protection and additional Medicare beneficiary cost-sharing as proposed in the 1977 budget, i.e., an annual maximum beneficiary limit of \$500 for hospital and \$250 for physician charges, but with a later effective date; and
- an allowance of up to \$100 million for new depreciation and interest and other possible exceptions to the hospitals reimbursement limit of 7%.

The attached table shows the outlay savings of the HEW proposals which we will be reflecting in the 1978 Budget.

Attachment

Attachment

1978 Budget
Medicare Proposals

	(Outlays, in \$ millions)	
	<u>1978</u>	<u>1979</u>
Hospital Reimbursement Limits (Effective April 1, 1977)	-1,080	-2,470
Physician Reimbursement Limits (Effective July 1, 1977)	-250	-484
Cost Sharing/Catastrophic Protection (Effective June 1, 1978)	--	-94
Escrow--Limitation on Depreciation (Effective April 1, 1977)	<u>-440</u>	<u>-520</u>
	<u>-1,770</u>	<u>-3,568</u>