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INFORMATION

THE WHITE HOUSE

WASHINGTON

April 8, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON *Jim*SUBJECT: Secretary Weinberger's Memorandum
on Medicare Savings*MW
Proceed*

When the 1976 budget was put together last fall HEW recommended, and you agreed, that Medicare payments to hospitals should be revised. Your policy statement on Medicare hospital costs was "to limit reimbursement for medically necessary services to reasonable costs."

The decision at that time was that the cost of any hospital above the 80th percentile of costs at comparable hospitals would be considered unreasonable and therefore not reimbursable by Medicare.

The 90th percentile is the current reimbursable level. By reducing the level to the 80th percentile, the 1976 budget counts on a saving of \$15 million.

Secretary Weinberger has submitted an information memo to you on this subject (at Tab A). He reports that HEW is about to issue regulations on this new rule so that it can take effect by July 1.

The Secretary points out that we can expect great protests when the regulation is issued. About 750 hospitals, including some of the country's most prestigious, will receive less than full reimbursement for their Medicare patients. A list of the major hospitals affected is attached.

While we have already received criticism from the medical community on this decision, you should be aware that we will probably soon be hearing from prominent citizens who serve on the boards of these hospitals.

While they support your efforts to reduce Federal spending, they do not agree that hospital funds should be included in the cuts.

Attachment



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

April 2, 1975

MEMORANDUM FOR THE PRESIDENT

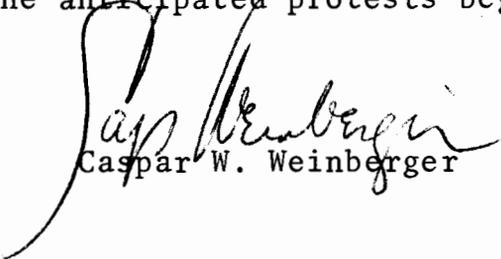
SUBJECT: ANNOUNCEMENT OF MEDICARE SAVINGS

One of the budget decisions in Medicare requires that we revise the "reasonable cost" schedule for hospitals. Eight months ago we published regulations which established a rule that if a hospital had costs which exceeded the 90th percentile of "comparable" hospitals, plus a small margin, such additional costs would be considered unreasonable and, therefore, not reimbursable. The budget decision this year requires that we reduce this from the 90th to the 80th percentile; we have prepared regulations and are ready to publish them. The effect of this is that about 750 hospitals, or roughly 12 1/2 percent of the total, will receive less than full reimbursement for their charges to Medicare patients. Among these are some of the most prestigious hospitals in the United States, and obviously a great outcry can be expected. Last year's regulations require that the new schedule be in place by July 1, 1975, or no limit will be in effect. We are prepared to publish immediately to meet that deadline unless we should hear from you to the contrary.

Attached is a list of some of the major hospitals with the reduction in Federal funding caused by the 90th percentile regulation, adopted eight months ago, and the further reductions that will occur after we publish the 80th percentile regulation which is the subject of this memorandum.

If we do not make the reduction from the 90th to the 80th percentile, the savings of \$15 million called for in the budget will not be achieved.

We are not recommending a change, but I did think you should know about this before the anticipated protests begin to roll in.


Caspar W. Weinberger

MEDICARE REIMBURSEMENT REDUCTIONS FOR SELECTED HOSPITALS

HOSPITAL NAME	PRESENT COST TO HOSPITALS UNDER MEDICARE REIMBURSE- MENT AT THE 90th PERCENTILE	ESTIMATED COST TO HOSPITALS UNDER MEDICARE REIMBURSE- MENT AT THE 80TH PERCENTILE	ADDITIONAL COST TO HOSPITALS OF NEW 80TH PERCENTILE LIMITATION
Johns Hopkins (Baltimore)	-	\$ 241,090	\$ 241,090
Stanford University (Palo Alto)	\$ 744,525	1,524,456	779,931
University of Pennsylvania (Philadelphia)	-	605,412	605,412
Mt. Sinai (New York)	-	1,188,000	1,188,000
University of Chicago (Chicago)	206,206	677,094	470,888
Cook County (Chicago)	927,795	1,450,785	522,990
Philadelphia General	192,198	635,844	443,646
San Francisco General	287,245	541,662	254,417
Long Island Jewish	-	203,970	203,970
New England Medical (Boston)	221,693	509,640	287,947
Peter Bent Brigham (Boston)	-	163,805	163,805
Memorial Hospital for Cancer (New York)	2,241,040	2,803,194	562,154
Duke University (Durham)	-	197,816	197,816

THE WHITE HOUSE

WASHINGTON

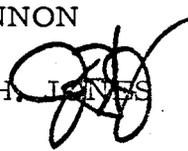
April 9, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JERRY H. JONES 

SUBJECT:

Secretary Weinberger's Memorandum
on Medicare Savings

Your memorandum to the President of April 8 on the above subject has been reviewed and the following notation was made:

-- Proceed.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld