

**January 31, 2008**

## **Bush Seeks Surplus via Medicare Cuts**

By [ROBERT PEAR](#)

WASHINGTON — In his new budget, to be unveiled Monday, President Bush will call for large cuts in the growth of Medicare, far exceeding what he proposed last year, and he will again seek major savings in Medicaid, according to administration officials and budget documents.

Over all, the 2009 budget is likely to be the first \$3 trillion spending request by a president.

Health care savings are a crucial part of Mr. Bush's plan to put the nation on track to achieve a budget surplus by 2012. But before then, the officials said Wednesday, the White House anticipates higher deficits in 2008 and 2009, reflecting the current weakness of the economy and the cost of a stimulus package.

The president's budget will not seek money for another full year of the wars in Iraq and Afghanistan. Pentagon officials said the administration would request \$70 billion for the fiscal year that begins on Oct. 1. That would be enough to continue combat operations for several months, until the next president takes office.

Mr. Bush has repeatedly said that the costs of Medicare and Medicaid, which dwarf spending for lawmakers' pet projects, are unsustainable. The two health programs account for nearly one-fourth of all federal spending, and their combined cost — \$627 billion last year — is expected to double in a decade.

Budget documents show that Mr. Bush will propose legislative changes in Medicare to save \$6 billion in the next year and \$91 billion from 2009 to 2013. In his last budget, by contrast, his legislative proposals would have saved \$4 billion in the first year and \$65.6 billion over five years.

The president's budget also takes aim at Medicaid, the insurance program for low-income people. He would pare \$1.2 billion from it next year and nearly \$14 billion over five years.

Those figures do not include tens of billions of dollars that Mr. Bush wants to save through new regulations. Such rules are not subject to approval by Congress, but could be revised by a future administration.

Congressional Democrats often pronounce Mr. Bush's budget dead on arrival, and they have no reason to make unpopular cuts in this election year.

But lawmakers say they feel obliged to pass a Medicare bill in the first half of this year, to spare doctors from a 10 percent cut in Medicare fees that would otherwise take effect on July 1. Lawmakers say that bill could easily become a vehicle for other changes in Medicare and Medicaid.

Most of the Medicare savings in the budget would be achieved by reducing the annual update in federal payments to hospitals, nursing homes, hospices, ambulances and home care agencies.

The budget would not touch payments to insurance companies for private Medicare Advantage plans, even though many Democrats and independent experts say those plans are overpaid.

In the next five years, the largest amount of Medicare savings, by far, would come from hospitals: \$15 billion from an across-the-board reduction in the annual updates for inpatient care; \$25 billion from special payments to hospitals serving large numbers of poor people; and \$20 billion from capital payments for the construction of hospital buildings and the purchase of equipment.

In addition, the president's budget would reduce special Medicare payments to teaching hospitals, including many in the New York area, by \$23 billion over the next five years.

To justify prior budget proposals, the White House has often cited the work of an independent federal panel, the Medicare Payment Advisory Commission. The panel voted this month to recommend that Medicare payments to hospitals be increased about 3 percent in 2009, to reflect the expected increase in the cost of goods and services hospitals use. Under the president's budget, Medicare payments would not keep pace with those costs in 2009 or any subsequent year.

The advisory panel found that the special Medicare payments to teaching hospitals were excessive, as the White House contends. But it recommended a much more modest cutback than Mr. Bush will propose.

Kenneth E. Raske, president of the Greater New York Hospital Association, said the president's proposals showed "great insensitivity to teaching hospitals" across the country. The proposals "would undermine our ability to train young doctors at a time when the nation is facing a shortage of doctors," Mr. Raske said.

Under the president's budget, Medicare payment rates for nursing homes would be frozen in 2009, and payment rates for home health agencies would be frozen at current levels through 2013.

William A. Dombi, vice president of the National Association for Home Care and Hospice, a trade group, said the proposal could affect many of the three million Medicare beneficiaries who receive home health services each year.

"Under the proposal," Mr. Dombi said, "75 percent to 80 percent of home health agencies would be doomed. They would not be able to meet payroll. They would not be able to operate."

Within 15 days of sending his budget to Congress, Mr. Bush is supposed to submit legislation to strengthen the financial condition of Medicare and to reduce its reliance on general revenues, which include income taxes. The 2003 Medicare law established special procedures to ensure that Congress would consider such legislation.

House Democrats want to eliminate this requirement, saying it is a Republican device to undermine Medicare's status as an entitlement.