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**THE PRESIDENT'S MEDICARE PROPOSAL**

**FEBRUARY 21, 2008**

Last week, the Bush administration released a proposal to 1) raise the Medicare premiums for wealthy Americans enrolled in the prescription drug program; 2) reform medical liability laws; and 3) introduce "value-based health care" measures to improve Medicare efficiency.

The proposal was issued in compliance with the "trigger" provision of the Medicare Modernization Act of 2003. This provision states that the President must present a plan when, for two consecutive years, the Medicare program's trustees estimate that funds taken from general revenues will exceed 45 percent of Medicare's total funding in any of the next seven years.

The Committee for a Responsible Federal Budget strongly urges Congress to use this as an opportunity to develop a plan to reduce Medicare's long-term shortfall.

"Spiraling healthcare costs pose the single greatest threat to this country's fiscal stability," said Maya MacGuineas, President of the Committee for a Responsible Federal Budget. "Although one may disagree with the specifics of how the trigger is designed, we can all agree that the time has come to begin a national discussion on controlling unsustainable healthcare costs."

The President's Budget for FY 2009 called for reductions in provider payments as part of a plan to create \$178 billion in savings over 5 years, and reduce Medicare's long-term liability by \$10 trillion, however these cuts were not included in his most recent proposal. Assuming the proposal is formally offered, Congress will be required to consider the proposal on an expedited basis, although they have no obligation to accept the recommendation or offer an alternative.

"This trigger is supposed to serve as a stern warning of this country's declining fiscal health," MacGuineas explained. "We can no longer afford to ignore this problem, nor can we cure it with a band-aid solution."