

NLWJC - KAGAN

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 7-APR-1997 09:18:53.00

SUBJECT: Decision Memo

TO: Floydetta McAfee (CN=Floydetta McAfee/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP @ EOP [WHO])
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TO: Richard L. Hayes (CN=Richard L. Hayes/OU=WHO/O=EOP @ EOP [WHO])
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TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])
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TO: Susan M. Liss (CN=Susan M. Liss/O=OVP @ OVP [UNKNOWN])

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TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=WHO/O=EOP @ EOP [WHO])
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TO: Virginia N. Rustique (CN=Virginia N. Rustique/OU=WHO/O=EOP @ EOP [WHO])
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TEXT:

FYI. Attached is the decision memo that was submitted to the President on Friday. Thanks again for all your help in drafting it.

March 9, 2010

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES AND SYLVIA MATHEWS

**SUBJECT: AMERICA 2000: A PRESIDENTIAL INITIATIVE TO
PREPARE OUR NATION FOR THE 21st CENTURY**

This memorandum outlines the components of a comprehensive proposal for a Presidential initiative on race.

ISSUES FOR DECISION

1) Whether you should appoint a commission that will help prepare Americans for the 21st Century by working to improve race relations. 2) Whether you should do a series of town hall meetings with the commission. 3) Whether you should hold meetings every other month with the commissioners at the White House.

(If you choose to deliver a speech on April 24 in which you announce the commission members, Bob Nash informs us that we need to have them selected and notified by this Monday, April 7. Even if we start the vetting process April 7, Bob feels that it would be a challenge to have all fifteen commissioners vetted in that time frame. The next opportunity to deliver a speech in which you announce the commissioners would be sometime during the week of May 12, after the Service Summit and your Mexico trip.)

BACKGROUND

This memorandum describes a proposal that will help implement your call to the American people that we must become "One America" and must confront unresolved issues of race and bigotry. As we discussed with you on March 25, we have concluded that any efforts in this area must include: 1) action on this issue; 2) an examination of the difficult issues involved in the nation's racial tensions; and 3) recommendations for addressing these problems.

This memo will discuss the various components of this proposal: 1) Mission; 2) Goals and Actions; 3) Commission; 4) Town Hall Meetings; 5) Commission Meetings at the White House; and 6) Report. A separate memo will discuss our plan for working with other groups which are not included in the scope of this initiative, but are concerned about discrimination and equality issues.

Mission

The mission of this initiative is to enable America to prepare for the 21st Century through a nationwide program of dialogue, study and action addressing the issues of race and pluralism.

This initiative is occasioned not by an immediate crisis but rather by your long term commitment that we enter the next century a strong and united country: strong because we will benefit from the talents of all our people; united because we will overcome the divisions of race that have deprived too many Americans of the full benefit of their citizenship and deprived the rest of us of the benefit of their contributions.

The initiative would be forward looking, preparing us for a new century (and a new millennium). It would address the issue of race in the contemporary American context: Hispanic, Asian American, African American, Native American, other people of color, and White.

The initiative would have several components, beginning with Presidential leadership. You would participate personally in several town hall meetings on this issue. In addition, you would ask fifteen distinguished Americans to serve on a Presidential commission that would work with you. The commission would primarily focus on basic areas which are important in providing every American the unhindered ability to pursue the American dream -- education, employment and housing -- and also address those unique issues which affect the goal of racial reconciliation and understanding -- youth, violence, the dynamic change in our nation's racial composition, global economic leadership and our criminal justice system.

The commission will engage in extensive discussions around the country, find effective interracial efforts already underway in local communities and meet with scholars who can examine certain issues in depth. The commission will report back to you regularly on their progress.

On January 19, 1998, the federal holiday marking the birth of Dr. Martin Luther King, Jr., you would receive the final report of the commission, including a comprehensive look at race relations in America today and recommendations for action as we go forward.

Goals and Actions

To carry out this mission, the following goals and actions have been developed.

GOAL ONE: Frame a debate with a positive, forward-looking focus on how we think and talk about race; strengthen Americans' appreciation of the value of diversity as one of our greatest resources; and instill the sense of promise that One America holds.

ACTIONS:

- Use the bully pulpit of the President to articulate these themes.
- Highlight these themes in all of the commission's activities and through targeted amplifiers (e.g. PSAs and Cabinet involvement).
- Engage Americans on these themes through the interactive components of the initiative (e.g. town hall meetings, web site, etc).

- Distribute literature reflecting these core themes through the commission to schools, businesses and community organizations.

GOAL TWO: Raise the profile of racial reconciliation and understanding, to a degree previously reached only in times of trouble.

ACTIONS:

- Introduce the initiative in a major Presidential address.
- Elevate the initiative nationally through your participation in town hall meetings, regular meetings with the commissioners and possibly a presentation of a Presidential award.
- Elevate the initiative nationally and locally through the town hall meetings, public hearings and policy roundtables sponsored by the commission.
- Activate Cabinet involvement with the commission and incorporate outside disciples and validators.
- Highlight the initiative through active involvement with the national media, through public service announcements and other ways.

GOAL THREE: Confront and work to eliminate discrimination and promote racial reconciliation and understanding.

ACTIONS:

- Survey local and community groups for ideas on best practices involving these issues.
- Serve as a clearing house to distribute best practices to a wider range of community and governmental bodies (e.g. ministerial groups, U.S. Conference on Mayors, National League of Cities and National Governors' Association)
- Highlight, analyze and develop strategies for overcoming common stereotypes and discriminatory acts through town hall meetings, public hearings and report.
- Provide recommendations for actions to eliminate certain discriminatory acts.
- Spotlight those persons, groups and businesses who exemplify One America through the town hall meetings, public hearings, your speeches, PSAs and other means.
- Consider bestowing a Presidential award or awards upon those who best exemplify One America.
- Work in partnership with non-profit organizations and businesses involved in these efforts and encourage others to join.
- Address these issues in visits to schools and campuses and through youth-oriented media.

GOAL FOUR: Initiate ongoing constructive dialogue on racial issues between and among races, which includes particular attention on how to maintain civil discourse on some of these divisive issues. Foster and encourage sustaining this dialogue through the spread of organizations which will further provide expansion of meaningful interracial dialogue.

ACTIONS:

- Establish and explain the importance of dialogue in your major speech.
- Set an example through Presidential participation in town hall meetings.

- Issue Presidential challenge for Americans across the country to join in such a dialogue in their homes, schools, businesses and places of worship.
- Encourage dialogue through a wider range of community and governmental bodies (e.g. ministerial groups, service organizations, U.S. Conference on Mayors, National League of Cities and National Governors Association).
- Engage students at schools and campuses in dialogue and create youth-oriented media which addresses the importance of dialogue.

GOAL FIVE: Foster a greater understanding among the American people of the many ways in which our racial backgrounds affect perceptions of life and events, and with that understanding, arrive at a better appreciation for the views of people of different races.

- Highlight common perceptions held by groups about themselves and others at town hall meetings and public hearings.
- Deliver insightful, accurate information that addresses those perceptions.
- Analyze how these perceptions are created and recommend effective ways for dealing with them.
- Encourage public outreach campaign that challenges stereotypes and encourages people to work beyond them.

GOAL SIX: Deliver an accurate analysis of the progress we have achieved, our present condition and the challenges ahead for the American public.

ACTIONS:

- Review existing literature and analyses, including the Truman Commission, Kerner Commission, Johnson Council and the U.S. Civil Rights Commission.
- Undertake original research which analyzes the present complexity of race and race relations in the U.S. through in-put from town hall meetings, hearings and other fact-finding.
- Study and analyze the changing demographics of the U.S. through the first fifty years of the 21st Century.

GOAL SEVEN: Provide concrete, specific recommendations on how to derive strength from this country's dynamic racial composition.

ACTIONS:

- Build a consensus locally and nationally that is committed to implementing the commission's recommendations.
- Distribute and encourage specific action items for the American people that private citizens, acting as individuals, can pursue.
- Produce report in both print form and as a living document in video format. For example, a video could include you speaking to the issue, the results of the report, footage

of town hall meetings and other meetings, brief shots of commissioners and "real people" which could be shown in schools and community meetings.

Commission

Charter: The commission would be charged with implementing the mission of the President's initiative by carrying out the action items. Through these efforts, the commission would help lead all Americans towards One America by bringing the races together through dialogue and education, and it would raise and answer the tough questions facing an America with a dynamic and diverse population. In the commission's report, it would make concrete recommendations for action by individuals, businesses, churches, schools and government at all levels.

Membership: The commission would be composed of approximately fifteen members. The commission would consist of distinguished Americans who transcend race and politics and who embody the vision of One America. They will be diverse professionally and racially. *(The attached memo and lists of prospective commissioners are for your consideration and selection.)*

Executive Director / Staff: An executive director and deputy director would head the commission, and be responsible for managing the commission's work. *(The attached list provides suggestions on potential executive directors for your consideration.)* They would be assisted by a full-time staff of about 30 professional and support employees. Also, various consultants and contractors will be hired to supplement the full-time staff. The commission would be housed in space outside the White House. Among other duties, the commission staff will carry out the following functions:

- support the commission members in their deliberations
- help to develop and oversee the commission's research agenda
- schedule and arrange commission meetings and hearings
- oversee the preparation of working papers and a final report
- serve as a point of contact for the press and others who are interested in the commission's work
- serve as a liaison between the commission and the White House and Executive Branch
- reach out to the public along with the commissioners

(For the Kerner Commission, President Johnson appointed David Ginsburg to be executive director and Victor H. Palmer as deputy executive director. They divided the commission's work into two phases. In the first phase, it held 20 days of public hearings between August and November 1967. More than 130 individuals from federal, state and local government, including leaders from the civil rights, labor, religious, and business community testified. Ninety professional and clerical workers supported this phase. The second phase, which extended from December 1967 to February 1968, involved reviewing the information collected from its extensive research program (e.g., they developed riot profiles on 23 cities) and drafting its final

report. A professional staff of 45 professionals and clerical staff supported this phase of the work.)

Town Hall Meetings

In early June, you would kick off the commission's town hall meetings by hosting the first one. This meeting would focus on promoting the commission's goal of encouraging dialogue and preparing a road map for the 21st Century. It would provide a forum for you to emphasize the positive, forward-looking aspects of the commission and challenge the country to actively engage the commission and each other.

After this initial town hall meeting, the commission would hold a series of others in cities and rural areas around the country. You would attend two or three more meetings throughout the year. The Vice President and First Lady could also participate in town hall meetings. At these town hall meetings, commission members could encourage local officials to have preparatory, parallel and/or follow-up sessions on their own to try to agree on, or at least identify, key problems and solutions. These town hall meetings would focus on engaging and challenging the American people to discuss how we can move forward in specific areas (e.g. employment in Detroit, Michigan; education in rural south; criminal justice system in Los Angeles, California; housing in Chicago, Illinois or Santa Fe, New Mexico. *These locations and topics are illustrative only.*) The participants would consist of mostly people from the community. The town hall meetings could be policy road tests where communities can provide feedback on potential policy outcomes.

Commission Meetings at White House

Over the course of the commission, the commissioners would come to the White House every other month to meet with you. At these meetings, they would brief you on their experiences and progress.

Report

On January 19, 1998, the federal holiday marking Martin Luther King, Jr.'s birthday, the commission would deliver their report to you. The report would layout a vision of the 21st Century. It would teach and challenge the American people. The report would reflect their outreach to thousands of Americans through town hall meetings, interviews and the nation's best minds on this subject. It would include a review existing research and include that of the independent, bi-partisan U.S. Commission on Civil Rights. It would recommend specific concrete actions that we must take on the national and local levels to achieve this vision. This report could be a living document that educates the nation, frames the debate and provides concrete solutions for a long time to come.

RECOMMENDATION

After considering different formats for pursuing your call to the American people, we recommend that you appoint a commission that will work on improving race relations, do a series of town hall meetings with the commission, and meet with the commissioners at the White House once every two months.

This option is not without drawbacks. There is the chance that the commission would recommend that we spend more money on problems despite our serious budget constraints. Also, there is a possibility that the commission will offer recommendations contrary to your policy (e.g. They recommend *against* educational standards.) Additionally, meeting with the commissioners at the White House is a great device for forcing the commission's work along and giving you some ownership, but it also makes it difficult to distance you from the deliberations and conclusions of the commission.

DECISIONS

That you appoint a commission that will work on improving race relations.

approve _____ disapprove _____ let's discuss _____

That you do a series of town hall meetings with the commission.

approve _____ disapprove _____ let's discuss _____

That you meet with commissioners at the White House every other month.

approve _____ disapprove _____ let's discuss _____

Attachment: Memorandum on Recommended Commission
Potential Executive Directors

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth Drye (CN=Elizabeth Drye/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 09:31:07.00

SUBJECT: Re: Tuskegee

TO: Elena Kagan (Elena Kagan @ EOP @ LNGTWY [OPD])

READ:UNKNOWN

TEXT:

HHS had agreed to put more policy options together. I haven't been managing this -- have only weighed in vis a vis radiation event. This is OPL's event as I understand it, so I've assumed we're in a consulting, not a driving, role. I'll check w/HHS and OPL on status and take a look at HHS's policy options and get back to you.

HEALTH CARE

Question: Are you going to submit additional Medicare savings so that your Medicare plan will contain \$100 billion in savings over five years?

Answer: Our actuaries believe that our current Medicare proposal does save \$100 billion over five years. And, over the last four years, our actuaries have been more accurate in their budget estimates than the Congressional Budget Office. Moreover, just last week we sent our detailed language over to CBO. We believe that these additional details will help eliminate some of the current discrepancies between our actuaries' scoring of our Medicare proposal and CBO scoring. If any scoring differences still remain after CBO has had a chance to review all of our statutory language, we will make a determination as to whether any revisions in our proposal are warranted.

Question: In your February budget release you said the 5-year Medicare savings were \$100 billion. There are now reports that it is \$106 billion over five years, according to your actuaries. How do you account for these differences?

Answer: As the Congressional Budget Office (CBO) was scoring our Medicare proposals, they requested that the Office of Management and Budget (OMB) provide clarifications on the intent of our savings proposals. After providing them with this information, we asked OMB to determine how these clarifications changed the scoring of our Medicare package on our baseline. When they did, OMB determined that the provisions would score about \$106 billion in savings off of our baseline. (None of the clarifications involved beneficiary savings.)

CBO continues to score our proposals to save about \$82 billion off of their baseline. We hope that further clarification of our policy will close the gap between how CBO (\$82 billion) and OMB (\$106 billion) score the very same policy.

Question: Do you plan to eliminate any of the new benefit improvements in your Medicare plan?

Answer: While everything will clearly be "on the table" in our budget discussions, we are extremely sensitive about making any changes to the important beneficiary improvements in our Medicare plan. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Improving benefits and fixing flaws in the program which place undue costs on this vulnerable population is a high priority for this Administration. We look forward to continuing to work with both Republicans and Democrats in Congress on passing a balanced budget

which will strengthen and improve the Medicare program.

Question: **Your proposal to lower out-of-pocket costs for outpatient department (OPD) services costs almost 50 billion over ten years. How do you justify the costs of this proposal?**

Answer: **Our OPD policy simply returns the benefit to the original intent of the program.** This policy is in no way a new entitlement. Under current law, Medicare asks beneficiaries to pay 20 percent copayments for Medicare services. An anomaly in outpatient payment methodologies has allowed hospitals to indirectly cost shift to beneficiaries. As a result, beneficiary copayments are now averaging almost 50 percent. The President's proposal simply restores the copayment to 20 percent -- similar to all other Part B services.

The current 50 percent coinsurance costs are significant for Medicare beneficiaries. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Those without Medigap insurance or other secondary insurance simply cannot afford the huge unexpected bills they receive for OPD services. Those with Medigap coverage have seen their premiums increase as a result of this anomaly. It is only fair that this benefit, like all other Part B services, have a 20 percent coinsurance.

Our OPD policies achieve savings. Reducing the coinsurance to 20 percent is only one part of our proposal to improve OPDs. The President's budget also shifts OPDs to a prospective payment system which will provide financial incentives for hospital to reduce costs and simplify payments, achieving at least \$19 billion in savings over the next ten years.

Question: **Why are the costs in your OPD proposal backended. Aren't you just playing political games to balance the budget in 2002?**

Answer: The cost of buying down the OPD copayment is split between hospitals and the Federal government. We felt that an immediate move to a 20 percent copayment might create difficult transitions for hospitals who will already be targeted for reductions in payments from other policies. Having said this, we are more than willing to discuss alternative ways to address this problem.

Question: Your Medicare proposal contains mostly cuts on providers and managed care. Don't you think we need real structural Medicare reform?

Answer: Absolutely. My budget takes important steps to modernize Medicare and bring it into the 21st century through a number of structural reforms including

- **Establishing new private plans** -- including Preferred Provider Organizations and Provider Sponsored Organizations -- available to seniors and people with disabilities.
- *Establishing market-oriented purchasing for Medicare* including the new prospective payment systems for home health care, nursing home care, and outpatient hospital services, as well as competitive bidding authority and the use of centers of excellence to improve quality and cut back on costs.
- *Adding new Medigap protections* to make it possible for beneficiaries to switch back from a managed care plan to traditional Medicare without being underwritten by insurers for private supplemental insurance coverage. This should encourage more beneficiaries to opt for managed care because it addresses the fear that such a choice would lock them in forever.

Question: Do You support the Medicare Commission proposed by Senators Roth and Moynihan?

- **First, I want to praise Chairman Roth and Ranking Member Moynihan for working together -- on a bipartisan basis -- to propose the creation of a commission to address the long-term financing issues that face Medicare. Their efforts reflect a bipartisan spirit which we believe is critical to ensure the success of any process designed to address this important issue.**
- **No one is more committed than I am to seeking a bipartisan process to find long term solutions to Medicare. But my more immediate focus is reaching a bipartisan agreement on a balanced budget that extends the life of the Medicare Trust Fund in the near term. We have an historic opportunity to balance the budget. We should not let it pass.**
- As I have repeatedly said, we will need a bipartisan process to address the long-term financing issues facing Medicare, and I look forward to working

with both parties to develop the best possible process.

QUALITY COMMISSION

Question: What will this commission hope to accomplish?

Answer: The President is calling on the commission to develop a “consumer bill of rights.” He wants it to particularly focus on consumer appeals and grievance rights. He has also asked the Commission to address other issues including assuring:

First, that health care professionals are free to provide the best medical advice possible;

Second, that their providers are not subject to inappropriate financial incentives to limit care;

Third, that our sickest and most vulnerable patients (frequently the elderly and people with disabilities) are receiving the best medical care for their unique needs;

Fourth, that consumers have access to simple and fair procedures for resolving health care coverage dispute plans;

And fifth, and perhaps most important, that consumers have basic information about their rights and responsibilities, about the benefits plans offer, about how to access the care they need, and about the quality of their providers and their health plan.

Question: Will the patient bill of rights be mandated on states and private health plans?

Answer: No. The Commission will develop a model Bill of Rights that states, health care plans, health care providers, associations, and others can use to guide their own efforts. States have already been quite active in this area and the model should help them in future efforts. Many health plans and health care professionals have adopted a form of a bill of rights and this should assist them as well.

Question: Is this an “anti-managed care” commission?

Answer: Absolutely not. Quality and consumer rights are issues that transcend all models of care. We need to address those issues in a comprehensive manner

so that no matter what kind of insurance plan Americans join, they will know that the care they receive is of the highest quality and their rights as consumers are protected.

Question: Won't the commission serve to delay quality legislative initiatives including those that even the President has advocated? Isn't the commission going to compete with these initiatives?

Answer: This commission will complement, not compete with, legislation in the Congress that has broad-based support. The President will continue to support legislation in this area that has already received bipartisan support (e.g., barring gag rules, requiring 48-hour stays for women who have mastectomies). But this is just a start, we must go beyond these reforms to take a comprehensive look at the quality of care and how we can assure it. The Commission will work on building the consensus for more far-reaching reforms.

Question: Doesn't this Commission just serve as a mechanism to implement more government regulation in our health care system?

Answer: Not at all. The Commission has been given the charge of examining whether our rapidly changing health care system is still providing high quality care for all Americans and to ensure that consumers themselves have adequate grievances and appeals processes. Its focus is to help create consensus among the private and public sectors in how best to proceed. As such, its recommendations may or may not suggest additional Federal oversight activities, and it is just as likely as not that it will recommend no new major Federal role.

Question: Doesn't this commission just a reward for campaign contributors and Washington-insiders who know little about what Americans in our health care system experience?

Answer: Absolutely not. By any measure, these commission members are extremely well respected experts who have broad and different experiences in the health care system. They have expertise on a range of health care issues including the unique challenges facing rural and urban communities, children, women, older Americans, minorities, people with disabilities, mental illness and AIDS, as well as issues regarding privacy rights and ethics. They come from all parts of the country and reflect the diverse population in this country.

Question: How much will this cost and who's paying for it?

Answer: The Commission will cost an estimated \$1.8 million over the next year and be paid for by the Department of Health and Human Services. The members of the Commission will not be paid.

WELFARE REFORM: FOOD STAMP WORK REQUIREMENT

Question: Under the new welfare law, states began to cut off food stamps for non-disabled adults who aren't working after three months of benefits. Why does the Administration want to soften these provisions?

Answer: Enacting the welfare law was an historic accomplishment that represents a significant step forward in social policy for this country. However, as I said when I signed this bill,

I strongly support work requirements. But the welfare law's harsh and unreasonable time limit of 3 months in 36 cuts off people who want to work but can't find jobs. In my budget, I proposed an alternative: a real and tough work requirement without arbitrary cut-offs.

Under my proposal, those who refused to work or refused to take advantage of a work opportunity would face tough new penalties. We would limit food stamps to 6 months out of 12. This policy would encourage work while giving those out of work the transitory help they need to get back on their feet. We proposed new funding and a wage supplementation option to expand the number of work slots available to this group by nearly 400,000 over five years. I am looking forward to working with Congress to enact this sensible proposal.

Background:

- As of March 1, states began to cut off food stamp benefits for people who have not met the new work requirement in the welfare law.
- Under the law, able-bodied childless adults between the ages of 18-50 are not permitted to get food stamps for more than 3 months in a 3-year period, unless they are working at least 20 hours a week.
- USDA can waive the work requirement in cities or counties with high unemployment.

To date, USDA has granted waivers to 36 states that exempt specified counties or cities with high unemployment.

- Despite these exemptions, approximately 500,000 individuals will lose their food stamp eligibility in FY98 due to this provision. Under the Administration's proposal, approximately 35,000 individuals would lose eligibility in FY98. Unlike the welfare law, the Administration's proposal targets tough sanctions at those individuals who are unwilling to work and to play by the rules.

WELFARE REFORM: BENEFITS TO LEGAL IMMIGRANTS

Question: Immigrants shouldn't be coming to the U.S. to get on welfare. Why is the Administration making restoration of these benefits a priority?

Or alternative question:

Around the country, hundreds of thousands of frightened, elderly legal immigrants are scrambling to become citizens and avert a cut-off of their SSI and Medicaid benefits. What is the Administration doing about this?

Answer: I believe that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of our society. The welfare law denies most legal immigrants access to fundamental safety net programs unless they become citizens -- even though they are in the U.S. legally, are working and paying taxes and are responsible members of our communities. My Administration has always supported making individuals who encourage their relatives to emigrate to the United States responsible for the immigrant's well being. However, as a nation, we should not turn our backs on anyone who has lost their ability to earn a living due to injury, disease, or illness.

At the same time, this provision of the welfare law has nothing to do with the goal of welfare reform -- putting people to work. It is simply unfair to immigrants who have entered this country legally.

Consequently, my budget proposes to make legal immigrants who become disabled after entering the United States eligible for SSI and Medicaid.

My budget would also provide poor immigrant children the same Medicaid health care coverage low-income citizen children receive.

The United States admits refugees and asylees into this country on a humanitarian basis. My budget proposes to lengthen the five-year

exemption for refugees from the ban from five to seven years in order to give this group adequate time to naturalize.

Finally, the law denies food stamps to most legal immigrants. My budget would delay the cutoffs from April 1, 1997 to August, 1997 in order to give immigrants more time to naturalize.

WELFARE REFORM FIX LEGISLATIVE PROPOSALS

Question: You say you are ready to work with Congress to fix the immigrant and food stamp parts of the welfare law, but the Republican leadership says the bill is fine as it is. Even some Democrats are saying the law shouldn't be changed until we have had a chance to see how it works. Doesn't this mean your proposals have no chance of being enacted?

Answer: I think it is very significant that the nation's Governors are now on record as recognizing that the cuts in benefits to legal immigrants are too harsh and need to be addressed -- even though their final resolution was softened at the last minute at the request of the Congressional leadership.

As the new welfare law is being implemented, the Governors are gaining a new appreciation of some parts of the bill that I have had a problem with from the beginning -- those parts that are not related to putting people to work. This is particularly true of those Governors in states with large numbers of legal immigrants. They are now looking more carefully at their state budgets and the fact that many legal immigrants who are disabled, many in nursing homes, will lose their SSI and Medicaid over the summer. In addition to noting that these provisions are unfair, they can see the potential costs to their own state budgets if they make the decision to ameliorate those cuts.

I think that, over time, more and more people will come to see the harm that these provisions could do to hard-working people who came to this country and, through no fault of their own, became disabled and could no longer support their families.

I don't think we need the following question anymore:

Question: Last summer when you said you would sign the welfare bill there were press reports that you wanted to restore about \$14 billion in cuts. Now we understand your budget includes \$18 billion in legislative restorations. Are you proposing to restore more in food stamps and benefits to immigrants that you were last year?

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Food Stamps and immigrants that correspond directly to the commitments I made at the time I signed the bill. Because of a number of technical reestimates, the budget estimate for these legislative proposals is now higher.

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WELFARE TO WORK

DISPLACEMENT

Question: Aren't you concerned that welfare recipients will displace hardworking Americans -- people who played by the rules and never relied on welfare? Recent stories in The Washington Post and The New York Times have provided anecdotal evidence that welfare recipients are taking jobs from the working poor.

Answer: Let me note that the welfare reform law that I signed prohibits worker displacement. Welfare reform programs cannot place welfare recipients in job openings created by company firings or layoffs (section 407(f) of the law). Welfare recipients can, however, be placed in jobs that are vacant for reasons other than firings or layoffs.

I believe that the growing economy will create enough jobs to meet my goal of putting one million welfare recipients to work by the year 2000 without displacing other workers. Remember, we've created 12 million new jobs over the last four years. Unemployment has dropped to 5.2 percent, as was announced on Friday.

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Question: Some say displacement will happen because welfare recipients are allowed to work without being covered by the minimum wage law and the various protections of the Fair Labor Standards Act. Is this true?

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Question: Are you planning to let Texas privatize welfare? I understand you met with labor leaders 10 days ago to discuss this issue.

Answer: No decision has been made on the Texas request. It is a complicated issue involving both Medicaid and Food Stamps. The agencies are working as hard as they can to examine all of the relevant issues, and we hope to get the State of Texas their answer soon. I can tell you this: my Administration has fought hard to preserve federal guarantees for both Food Stamps and Medicaid and we don't intend to undermine them now. Regarding the meeting I had with labor leaders on March 28th -- it was a broad discussion of budget and welfare to work issues.

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PRIVATE SECTOR JOBS

Question: What are you doing to encourage private companies to hire welfare recipients without displacing current workers?

Answer: The \$3 billion Welfare to Work Jobs Challenge I propose in my budget could be used by cities and states to provide subsidies and other incentives for private businesses to add welfare recipients to their workforce. Complementing this initiative is the enhanced and expanded Work Opportunity Tax Credit that I also propose in my budget. First, the WOTC would be enhanced for long-term welfare recipients. This credit would allow employers who hire welfare recipients to claim a 50 percent tax credit on the first \$10,000 of wages paid to that person for two years. Wages may include the cost of training, health insurance, and day care. **Second, the WOTC would be expanded to make a new population -- 18-50 year olds made ineligible for food stamps under the new welfare law -- eligible for the existing base credit.**

In addition to my legislative proposals, I am reaching out to employers large and small to challenge them to hire welfare recipients. I met in the White House with a group of 14 CEOs interested in helping people move from welfare to work. Then, during the State of the Union Address, I announced commitments from five of these companies -- Sprint, Monsanto, UPS, Burger King, and United Airlines. I hope to be announcing commitments from even more companies

soon.

Question: *Why wasn't Marriot, which has done so much to put welfare recipients to work, one of the companies you praised in the State of the Union?*

Answer: The CEO of Marriot was invited to the initial meeting I had with CEOs of 14 companies interested in helping people move from welfare to work. Unfortunately, he had a conflict and could not attend. However, Marriot has a top notch welfare to work program already in place that we are reviewing and will encourage other corporations to emulate. I hope Marriot, as well as all of the corporations I met with in early January, will work with me and others to make the new welfare law a success.

Question: **You have mentioned several times that under the new welfare law, employers may turn the welfare and food stamp checks into temporary wage subsidies. How does this actually work?**

Answer: As of August 22, 1996 when I signed the welfare law, 11 states had received waivers to modify work supplementation rules. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs. Oregon pioneered this concept. HHS is currently gathering more recent statistics on work supplementation since I signed the law.

In Oregon, both private and public sector jobs are subsidized for up to six months per placement. The job is subsidized at minimum wage and gives employers cashed out AFDC and food stamps benefits to cover the minimum wage. In addition, the employee is entitled to the Earned Income Tax Credit (EITC). If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer must make up the difference by paying up to \$1 dollar an hour over the reimbursed minimum wage or may put \$1 for every hour worked into an Individual Development Account (IDA). Once a recipient is hired in a full-time, unsubsidized job, she becomes eligible for her wage, the EITC, *and* food stamps coupons previously used to subsidized her wage. Such a system creates an escalating financial incentive that always makes full-time, unsubsidized work the most attractive option.

FEDERAL GOVERNMENT HIRING

Question: What has the White House done to encourage federal government hiring of welfare recipients?

Answer: Most of the jobs required to make welfare reform succeed will come from the private sector. But I believe that the Federal Government, as the Nation's largest employer, should contribute to this critical national effort. That's why on March 8th, I directed the head of each federal agency and department to use all available hiring authorities to hire people off the welfare rolls into available job positions in the Government. To underscore the importance of this issue to the White House, I appointed Vice President Gore to oversee this effort.

I have called a Cabinet meeting for this Thursday, April 10th, to meet face to face with the members of my Cabinet to discuss how each agency intends to recruit, hire, and retain qualified welfare recipients.

Question: Will the White House hire any welfare recipients?

Answer: I expect the Executive Office of the President, like any other agency, to produce a detailed plan to assist in this effort and I would fully expect them to plan to hire welfare recipients.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth Drye (CN=Elizabeth Drye/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 10:03:21.00

SUBJECT: OSTP Report

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

My phone message Friday just forwarded to you a call from OSTP. Donna Coleman was looking for DPC comments on the NSTC children's research initiative report I gave you Thursday. 6-6120. I apologize again that this sat on my desk for a while before I got it to you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 10:46:38.00

SUBJECT: FYI: note to Bruce re: bifurcation

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ: UNKNOWN

TEXT:

----- Forwarded by Cynthia A. Rice/OPD/EOP on 04/07/97
10:47 AM -----

Cynthia A. Rice
04/07/97 10:44:05 AM
Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Cathy R. Mays/OPD/EOP
Subject: Bifurcation: Elena and I think the letter Thurm sent you is unacceptable

Bruce, as you know, Elena and I have been insisting the HHS agree to propose language to apply the work rates to the state programs, and a key part of that is getting them to say they plan to do so in the letter they are sending to the Hill re: technicals bill being marked up Wednesday.

We sent them a perfectly reasonable redraft on Friday. Thurm sent you a redraft that completely ignores our concerns. We're holding our ground. FYI -- Attached is the letter we've proposed.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT: [ATTACH.D54]MAIL45688369C.016 to ASCII,
The following is a HEX DUMP:

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DDAFCB3BAE383FAAFE47E175ECE1CADDBCC7527EDAA4F133AF274148A61B1BB062E0CE27BEDEBB

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to offer the Department's support for the Welfare Reform Technical Corrections Act of 1997 (HR 1048). This legislation will help ensure the effective implementation of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

As you know, the Commissioner of Social Security and I forwarded our recommendations for technical and conforming amendments to the landmark welfare reform legislation in December. We are pleased that your bill includes most of the amendments recommended by HHS as well as a number of others that, upon further review, were found to be necessary. We note, however, the omission of certain amendments that were included in the Administration's proposed technical corrections package and would be happy to work with you and the affected agencies to facilitate their inclusion in the bill.

In addition, we look forward to working with you in the weeks ahead on other important issues related to the implementation of welfare reform. As you know, we recently released guidance to States on the State spending provisions under TANF. We are interested in confirming these State maintenance of effort requirements and ensuring the work-based focus of welfare reform. In particular, we want to collect information on how States are using their dollars to ensure that State policies focus on work; we want to work with you and the Governors in a bipartisan fashion to ensure that each State's overall work effort meets the statute's work participation requirements by clarifying that the calculation of whether a state has met the applicable participation rate shall take into account the state's success in placing in work activities participants both in TANF and in state maintenance of effort programs; and we want to work with the States and Congress to ensure that State flexibility in maintenance of effort programs does not result in costs to the Federal Government due to the potential loss of child support collections. We plan to submit specific legislative proposals in these and other areas, but would be willing to engage in constructive discussions with Congress and Governors on other potential options.

I want to thank you and Representative Levin for the bipartisan manner in which you have developed HR 1048. My staff and I hope to work with you to ensure speedy enactment of this important legislation, and to address the other issues related to welfare reform implementation.

Sincerely,

Donna E. Shalala

HEALTH CARE

Question: Are you going to submit additional Medicare savings so that your Medicare plan will contain \$100 billion in savings over five years?

Answer: Our actuaries believe that our current Medicare proposal does save \$100 billion over five years. And, over the last four years, our actuaries have been more accurate in their budget estimates than the Congressional Budget Office. Moreover, just last week we sent our detailed language over to CBO. We believe that these additional details will help eliminate some of the current discrepancies between our actuaries' scoring of our Medicare proposal and CBO scoring. If any scoring differences still remain after CBO has had a chance to review all of our statutory language, we will make a determination as to whether any revisions in our proposal are warranted.

Question: In your February budget release you said the 5-year Medicare savings were \$100 billion. There are now reports that it is \$106 billion over five years, according to your actuaries. How do you account for these differences?

Answer: As the Congressional Budget Office (CBO) was scoring our Medicare proposals, they requested that the Office of Management and Budget (OMB) provide clarifications on the intent of our savings proposals. After providing them with this information, we asked OMB to determine how these clarifications changed the scoring of our Medicare package on our baseline. When they did, OMB determined that the provisions would score about \$106 billion in savings off of our baseline. (None of the clarifications involved beneficiary savings.)

CBO continues to score our proposals to save about \$82 billion off of their baseline. We hope that further clarification of our policy will close the gap between how CBO (\$82 billion) and OMB (\$106 billion) score the very same policy.

Question: Do you plan to eliminate any of the new benefit improvements in your Medicare plan?

Answer: While everything will clearly be "on the table" in our budget discussions, we are extremely sensitive about making any changes to the important beneficiary improvements in our Medicare plan. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Improving benefits and fixing flaws in the program which place undue costs on this vulnerable population is a high priority for this Administration. We look forward to continuing to work with both Republicans and Democrats in Congress on passing a balanced budget

which will strengthen and improve the Medicare program.

Question: **Your proposal to lower out-of-pocket costs for outpatient department (OPD) services costs almost 50 billion over ten years. How do you justify the costs of this proposal?**

Answer: **Our OPD policy simply returns the benefit to the original intent of the program.** This policy is in no way a new entitlement. Under current law, Medicare asks beneficiaries to pay 20 percent copayments for Medicare services. An anomaly in outpatient payment methodologies has allowed hospitals to indirectly cost shift to beneficiaries. As a result, beneficiary copayments are now averaging almost 50 percent. The President's proposal simply restores the copayment to 20 percent -- similar to all other Part B services.

The current 50 percent coinsurance costs are significant for Medicare beneficiaries. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Those without Medigap insurance or other secondary insurance simply cannot afford the huge unexpected bills they receive for OPD services. Those with Medigap coverage have seen their premiums increase as a result of this anomaly. It is only fair that this benefit, like all other Part B services, have a 20 percent coinsurance.

Our OPD policies achieve savings. Reducing the coinsurance to 20 percent is only one part of our proposal to improve OPDs. The President's budget also shifts OPDs to a prospective payment system which will provide financial incentives for hospital to reduce costs and simplify payments, achieving at least \$19 billion in savings over the next ten years.

Question: **Why are the costs in your OPD proposal backended. Aren't you just playing political games to balance the budget in 2002?**

Answer: The cost of buying down the OPD copayment is split between hospitals and the Federal government. We felt that an immediate move to a 20 percent copayment might create difficult transitions for hospitals who will already be targeted for reductions in payments from other policies. Having said this, we are more than willing to discuss alternative ways to address this problem.

Question: Your Medicare proposal contains mostly cuts on providers and managed care. Don't you think we need real structural Medicare reform?

Answer: Absolutely. My budget takes important steps to modernize Medicare and bring it into the 21st century through a number of structural reforms including

- **Establishing new private plans** -- including Preferred Provider Organizations and Provider Sponsored Organizations -- available to seniors and people with disabilities.
- *Establishing market-oriented purchasing for Medicare* including the new prospective payment systems for home health care, nursing home care, and outpatient hospital services, as well as competitive bidding authority and the use of centers of excellence to improve quality and cut back on costs.
- *Adding new Medigap protections* to make it possible for beneficiaries to switch back from a managed care plan to traditional Medicare without being underwritten by insurers for private supplemental insurance coverage. This should encourage more beneficiaries to opt for managed care because it addresses the fear that such a choice would lock them in forever.

Question: Do You support the Medicare Commission proposed by Senators Roth and Moynihan?

- **First, I want to praise Chairman Roth and Ranking Member Moynihan for working together -- on a bipartisan basis -- to propose the creation of a commission to address the long-term financing issues that face Medicare. Their efforts reflect a bipartisan spirit which we believe is critical to ensure the success of any process designed to address this important issue.**
- **No one is more committed than I am to seeking a bipartisan process to find long term solutions to Medicare. But my more immediate focus is reaching a bipartisan agreement on a balanced budget that extends the life of the Medicare Trust Fund in the near term. We have an historic opportunity to balance the budget. We should not let it pass.**
- As I have repeatedly said, we will need a bipartisan process to address the long-term financing issues facing Medicare, and I look forward to working

with both parties to develop the best possible process.

QUALITY COMMISSION

Question: What will this commission hope to accomplish?

Answer: The President is calling on the commission to develop a “consumer bill of rights.” He wants it to particularly focus on consumer appeals and grievance rights. He has also asked the Commission to address other issues including assuring:

First, that health care professionals are free to provide the best medical advice possible;

Second, that their providers are not subject to inappropriate financial incentives to limit care;

Third, that our sickest and most vulnerable patients (frequently the elderly and people with disabilities) are receiving the best medical care for their unique needs;

Fourth, that consumers have access to simple and fair procedures for resolving health care coverage dispute plans;

And fifth, and perhaps most important, that consumers have basic information about their rights and responsibilities, about the benefits plans offer, about how to access the care they need, and about the quality of their providers and their health plan.

Question: Will the patient bill of rights be mandated on states and private health plans?

Answer: No. The Commission will develop a model Bill of Rights that states, health care plans, health care providers, associations, and others can use to guide their own efforts. States have already been quite active in this area and the model should help them in future efforts. Many health plans and health care professionals have adopted a form of a bill of rights and this should assist them as well.

Question: Is this an “anti-managed care” commission?

Answer: Absolutely not. Quality and consumer rights are issues that transcend all models of care. We need to address those issues in a comprehensive manner

so that no matter what kind of insurance plan Americans join, they will know that the care they receive is of the highest quality and their rights as consumers are protected.

Question: Won't the commission serve to delay quality legislative initiatives including those that even the President has advocated? Isn't the commission going to compete with these initiatives?

Answer: This commission will complement, not compete with, legislation in the Congress that has broad-based support. The President will continue to support legislation in this area that has already received bipartisan support (e.g., barring gag rules, requiring 48-hour stays for women who have mastectomies). But this is just a start, we must go beyond these reforms to take a comprehensive look at the quality of care and how we can assure it. The Commission will work on building the consensus for more far-reaching reforms.

Question: Doesn't this Commission just serve as a mechanism to implement more government regulation in our health care system?

Answer: Not at all. The Commission has been given the charge of examining whether our rapidly changing health care system is still providing high quality care for all Americans and to ensure that consumers themselves have adequate grievances and appeals processes. Its focus is to help create consensus among the private and public sectors in how best to proceed. As such, its recommendations may or may not suggest additional Federal oversight activities, and it is just as likely as not that it will recommend no new major Federal role.

Question: Doesn't this commission just a reward for campaign contributors and Washington-insiders who know little about what Americans in our health care system experience?

Answer: Absolutely not. By any measure, these commission members are extremely well respected experts who have broad and different experiences in the health care system. They have expertise on a range of health care issues including the unique challenges facing rural and urban communities, children, women, older Americans, minorities, people with disabilities, mental illness and AIDS, as well as issues regarding privacy rights and ethics. They come from all parts of the country and reflect the diverse population in this country.

Question: How much will this cost and who's paying for it?

Answer: The Commission will cost an estimated \$1.8 million over the next year and be paid for by the Department of Health and Human Services. The members of the Commission will not be paid.

WELFARE REFORM: FOOD STAMP WORK REQUIREMENT

Question: Under the new welfare law, states began to cut off food stamps for non-disabled adults who aren't working after three months of benefits. Why does the Administration want to soften these provisions?

Answer: Enacting the welfare law was an historic accomplishment that represents a significant step forward in social policy for this country. However, as I said when I signed this bill,

I strongly support work requirements. But the welfare law's harsh and unreasonable time limit of 3 months in 36 cuts off people who want to work but can't find jobs. In my budget, I proposed an alternative: a real and tough work requirement without arbitrary cut-offs.

Under my proposal, those who refused to work or refused to take advantage of a work opportunity would face tough new penalties. We would limit food stamps to 6 months out of 12. This policy would encourage work while giving those out of work the transitory help they need to get back on their feet. We proposed new funding and a wage supplementation option to expand the number of work slots available to this group by nearly 400,000 over five years. I am looking forward to working with Congress to enact this sensible proposal.

Background:

- As of March 1, states began to cut off food stamp benefits for people who have not met the new work requirement in the welfare law.
- Under the law, able-bodied childless adults between the ages of 18-50 are not permitted to get food stamps for more than 3 months in a 3-year period, unless they are working at least 20 hours a week.
- USDA can waive the work requirement in cities or counties with high unemployment.

To date, USDA has granted waivers to 36 states that exempt specified counties or cities with high unemployment.

- Despite these exemptions, approximately 500,000 individuals will lose their food stamp eligibility in FY98 due to this provision. Under the Administration's proposal, approximately 35,000 individuals would lose eligibility in FY98. Unlike the welfare law, the Administration's proposal targets tough sanctions at those individuals who are unwilling to work and to play by the rules.

WELFARE REFORM: BENEFITS TO LEGAL IMMIGRANTS

Question: Immigrants shouldn't be coming to the U.S. to get on welfare. Why is the Administration making restoration of these benefits a priority?

Or alternative question:

Around the country, hundreds of thousands of frightened, elderly legal immigrants are scrambling to become citizens and avert a cut-off of their SSI and Medicaid benefits. What is the Administration doing about this?

Answer: I believe that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of our society. The welfare law denies most legal immigrants access to fundamental safety net programs unless they become citizens -- even though they are in the U.S. legally, are working and paying taxes and are responsible members of our communities. My Administration has always supported making individuals who encourage their relatives to emigrate to the United States responsible for the immigrant's well being. However, as a nation, we should not turn our backs on anyone who has lost their ability to earn a living due to injury, disease, or illness.

At the same time, this provision of the welfare law has nothing to do with the goal of welfare reform -- putting people to work. It is simply unfair to immigrants who have entered this country legally.

Consequently, my budget proposes to make legal immigrants who become disabled after entering the United States eligible for SSI and Medicaid.

My budget would also provide poor immigrant children the same Medicaid health care coverage low-income citizen children receive.

The United States admits refugees and asylees into this country on a humanitarian basis. My budget proposes to lengthen the five-year

exemption for refugees from the ban from five to seven years in order to give this group adequate time to naturalize.

Finally, the law denies food stamps to most legal immigrants. My budget would delay the cutoffs from April 1, 1997 to August, 1997 in order to give immigrants more time to naturalize.

WELFARE REFORM FIX LEGISLATIVE PROPOSALS

Question: You say you are ready to work with Congress to fix the immigrant and food stamp parts of the welfare law, but the Republican leadership says the bill is fine as it is. Even some Democrats are saying the law shouldn't be changed until we have had a chance to see how it works. Doesn't this mean your proposals have no chance of being enacted?

Answer: I think it is very significant that the nation's Governors are now on record as recognizing that the cuts in benefits to legal immigrants are too harsh and need to be addressed -- even though their final resolution was softened at the last minute at the request of the Congressional leadership.

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Question: Governor Bush is, in effect, calling Secretary Shalala a liar for not making a decision by April 1, as she had promised.

Answer: He knows better than that. The Administration gets a lot of waiver requests from the states. The agencies conduct a routine review process for each of them. Because this is a complicated issue, the review has been lengthy, probably a little more than we expected. But the agencies are working to provide Texas with a response as soon as possible.

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Question: What are you doing to encourage private companies to hire welfare recipients without displacing current workers?

Answer: The \$3 billion Welfare to Work Jobs Challenge I propose in my budget could be used by cities and states to provide subsidies and other incentives for private businesses to add welfare recipients to their workforce. Complementing this initiative is the enhanced and expanded Work Opportunity Tax Credit that I also propose in my budget. First, the WOTC would be enhanced for long-term welfare recipients. This credit would allow employers who hire welfare recipients to claim a 50 percent tax credit on the first \$10,000 of wages paid to that person for two years. Wages may include the cost of training, health insurance, and day care. **Second, the WOTC would be expanded to make a new population -- 18-50 year olds made ineligible for food stamps under the new welfare law -- eligible for the existing base credit.**

In addition to my legislative proposals, I am reaching out to employers large and small to challenge them to hire welfare recipients. I met in the White House with a group of 14 CEOs interested in helping people move from welfare to work. Then, during the State of the Union Address, I announced commitments from five of these companies -- Sprint, Monsanto, UPS, Burger King, and United Airlines. I hope to be announcing commitments from even more companies

soon.

Question: *Why wasn't Marriot, which has done so much to put welfare recipients to work, one of the companies you praised in the State of the Union?*

Answer: The CEO of Marriot was invited to the initial meeting I had with CEOs of 14 companies interested in helping people move from welfare to work. Unfortunately, he had a conflict and could not attend. However, Marriot has a top notch welfare to work program already in place that we are reviewing and will encourage other corporations to emulate. I hope Marriot, as well as all of the corporations I met with in early January, will work with me and others to make the new welfare law a success.

Question: **You have mentioned several times that under the new welfare law, employers may turn the welfare and food stamp checks into temporary wage subsidies. How does this actually work?**

Answer: As of August 22, 1996 when I signed the welfare law, 11 states had received waivers to modify work supplementation rules. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs. Oregon pioneered this concept. HHS is currently gathering more recent statistics on work supplementation since I signed the law.

In Oregon, both private and public sector jobs are subsidized for up to six months per placement. The job is subsidized at minimum wage and gives employers cashed out AFDC and food stamps benefits to cover the minimum wage. In addition, the employee is entitled to the Earned Income Tax Credit (EITC). If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer must make up the difference by paying up to \$1 dollar an hour over the reimbursed minimum wage or may put \$1 for every hour worked into an Individual Development Account (IDA). Once a recipient is hired in a full-time, unsubsidized job, she becomes eligible for her wage, the EITC, *and* food stamps coupons previously used to subsidized her wage. Such a system creates an escalating financial incentive that always makes full-time, unsubsidized work the most attractive option.

FEDERAL GOVERNMENT HIRING

Question: What has the White House done to encourage federal government hiring of welfare recipients?

Answer: Most of the jobs required to make welfare reform succeed will come from the private sector. But I believe that the Federal Government, as the Nation's largest employer, should contribute to this critical national effort. That's why on March 8th, I directed the head of each federal agency and department to use all available hiring authorities to hire people off the welfare rolls into available job positions in the Government. To underscore the importance of this issue to the White House, I appointed Vice President Gore to oversee this effort.

I have called a Cabinet meeting for this Thursday, April 10th, to meet face to face with the members of my Cabinet to discuss how each agency intends to recruit, hire, and retain qualified welfare recipients.

Question: Will the White House hire any welfare recipients?

Answer: I expect the Executive Office of the President, like any other agency, to produce a detailed plan to assist in this effort and I would fully expect them to plan to hire welfare recipients.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lyn A. Hogan (CN=Lyn A. Hogan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 11:08:11.00

SUBJECT: EOP one-pager

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Aida is e-mailing me a copy of the one-pager. The deadline she's meeting is NPR's deadline, which is not really strict. Once Aida e-mails me the one-pager, Cynthia and I will make the changes and run it by you. There is no rush though, as long as we get the final over to the NPR by the end of the day.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 11:30:04.00

SUBJECT: Re: Legal Immigrants

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

FYI --

----- Forwarded by Cynthia A. Rice/OPD/EOP on 04/07/97
11:31 AM -----

From: Kenneth S. Apfel on 04/07/97 10:05:55 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: Diana Fortuna/OPD/EOP, Stephen C. Warnath/OPD/EOP, Emily
Bromberg/WHO/EOP, Janet Murguia/WHO/EOP

Subject: Re: Legal Immigrants

OMB is fine to send up a separate immigration bill. I will ask to get one ready to go so that we will be ready when a decision is made to send one.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth Drye (CN=Elizabeth Drye/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 12:29:20.00

SUBJECT: Radio address

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Can we put sea belt report and EO in the mix for this Saturday's radio address? Per Elena's request, I'm working to get FMLA letter ready -- but seat belts is a great message and it can't be held past 4/17. Wasn't sure if you had considered it for radio address topic.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 12:34:03.00

SUBJECT: Getting Eli Segal Welfare to Work Foundation on Schedule ASAP

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Lyn A. Hogan (CN=Lyn A. Hogan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Everyone at the WH is eager for the rollout to Eli Segal's group -- as you know, we've been waiting for Eli to say he had enough business commitments to move ahead.

Now, Eli and Kate Carr tell Lyn and me that they are ready to schedule and have proposed dates, of which we think April 23rd, 24th, or 30th are workable (May 1 and 2, which they also mentioned, would coincide with one year anniversary of the teen pregnancy prevention group the President set up and would invite unwelcome comparisons.)

The idea would be to have the CEOs on the board of directors (5 companies mentioned in State of the Union -- Sprint, Monsanto, UPS, Burger King and United Airlines -- and hopefully Marriot) meet with POTUS in the Oval, then have a ceremony in the Roosevelt in which 25 additional companies "commit" to 'hire and retain welfare recipients without displacement' and formally launch the group. (Kate Carr thought setting the Roosevelt room up theatre style would work -- I'll leave that stuff to the experts.) By then the organization will be incorporated and had its charter ratified by the board of directors; they will have applied for, but probably not yet received, non-profit status.

Kate says they want to give the CEOs as much notice as possible (hopefully 3 weeks), so it will help if we can schedule as soon as possible.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nicole R. Rabner (CN=Nicole R. Rabner/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 7-APR-1997 13:52:48.00

SUBJECT: vp

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Pauline M. Abernathy (CN=Pauline M. Abernathy/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Wendy Hartman in the VP's office just called me to discuss the VP's role in the Conference and asked for some paper on the Conference. I'm going to forward the POTUS' statement, the agenda as is, and a note saying that we had thought the VP might open the 2nd panel as the POTUS opens the first. I'll also suggest that Elaine follow up with you or me to discuss. Sound okay?

Also, fyi, Stacey Rubin in Leg Affairs mentioned that Hilley is rethinking the need for MOC to have a speaking role, given the role of the governors. I suggested that Hilley call you about this. By the end of this, we'll have more speakers than we have audience members.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 16:00:21.00

SUBJECT: Hearing List for Week of 4/7/97

TO: Jonathan Prince (CN=Jonathan Prince/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Stephen C. Warnath (CN=Stephen C. Warnath/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Nicole R. Rabner (CN=Nicole R. Rabner/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: William R. Kincaid (CN=William R. Kincaid/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Lyn A. Hogan (CN=Lyn A. Hogan/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Eric P. Goosby (CN=Eric P. Goosby/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Diana Fortuna (CN=Diana Fortuna/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Leanne A. Shimabukuro (Leanne A. Shimabukuro @ EOP @ LNGTWY [OPD])
READ:UNKNOWN

TO: Elizabeth Drye (CN=Elizabeth Drye/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Dennis K. Burke (CN=Dennis K. Burke/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Sarah A. Bianchi (CN=Sarah A. Bianchi/OU=OMB/O=EOP [OMB])

READ:UNKNOWN

TO: Pauline M. Abernathy (CN=Pauline M. Abernathy/OU=OPD/O=EOP [OPD])
 READ:UNKNOWN

TO: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])
 READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
 READ:UNKNOWN

TO: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP @ EOP [OPD])
 READ:UNKNOWN

TO: Jennifer L. Klein (CN=Jennifer L. Klein/OU=OPD/O=EOP @ EOP [OPD])
 READ:UNKNOWN

TO: Cathy R. Mays (Cathy R. Mays @ EOP @ LNGTWY [OPD])
 READ:UNKNOWN

TEXT:

FYI

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on
 04/07/97 03:56 PM -----

Alison C. Perkins
 04/07/97 03:15:03 PM
 Record Type: Record

To: See the distribution list at the bottom of this message
 cc: Alison C. Perkins/OMB/EOP
 Subject: Hearing List for Week of 4/7/97

HEARING LIST 4/7/97

Date Cte. Bill

*4/8 HRC SUBCOMMITTEE OVERSIGHT HEARING

Forest and Forest Health Subcommittee will hold a hearing on livestock grazing policies on public domain lands in National Forests (4/7 - OMB cleared USDA testimony for the hearing)

*4/9 HAC/HRC JOINT OVERSIGHT HEARING

Impact of Federal forest policy on the health of National Forests

*4/10 HAC SUBCOMMITTEE OVERSIGHT HEARING

Risk Management and Speciality Crops Subcommittee will hold a hearing on the implementation of the risk management provisions in the Federal Agricultural Improvement and Reform Act of 1996

*4/10 HRC SUBCOMMITTEE MARK-UP AND HEARING

National Parks and Public Lands Subcommittee will hold a mark-up on HR449 - Southern Nevada Public Land Management Act, and a hearing on HR136 - Marjory Stoneman Douglas Wilderness Area (OMB has cleared Interior testimony supporting HR136), and HR 765 - Cape Lookout National Seashore Wild Horses (OMB is circulating testimony which THREATENS VETO if HR 765

were to pass)

*4/10 SAC CONFIRMATION HEARINGS

Confirmation hearings on the nominations of V. Ann Jorgensen to be a member of the board of directors of the Farm Credit Administration, and Lowell Lee Junkins to be a member of the board of directors of Farmer Mac

*4/15 HRC SUBCOMMITTEE OVERSIGHT HEARING

National Parks and Public Lands Subcommittee and the Forest and Forest Health Subcommittee will hold an oversight hearing on the implementation of the 1964 Wilderness Act

*4/16,4/23 HRC FULL COMMITTEE MEETING

Committee will meet to consider pending business

*4/17 HRC SUBCOMMITTEE MEETING

Energy and Mineral Resources Subcommittee will meet to consider pending business

*4/17,4/29 HRC SUBCOMMITTEE HEARINGS

Energy and Mineral Resources Subcommittee will hold hearings on 4/17 - Forest Service budget, 4/29 - Forest Health

*4/17 SAC OVERSIGHT HEARING

Oversight hearing on the Federal Crop Insurance program focusing on subsidies for a recently created program that offers protection to farmers who experience drastic drops in crop revenue

*4/24 HRC SUBCOMMITTEE HEARING

Energy and Mineral Resources Subcommittee will hold a hearing on the Administration's proposed buyouts of timber and mining lands using Mineral Leasing Act revenues: Headwaters Forests and New World Mine

*4/24 HRC SUBCOMMITTEE HEARING

National Parks and Public Lands Subcommittee will hold a hearing on NPS budget issues and will receive a GAO report on budget formulation concerning NPS

*4/29 HRC SUBCOMMITTEE OVERSIGHT HEARING

National Parks and Public Lands Subcommittee will hold an oversight hearing on the management of Grand Staircase-Escalante National Monument

*TBA SENRC HEARING

Hearing on the Administration's FY98 budget proposals for programs under its jurisdiction

Committee Abbreviations:

HAP	House Appropriations Committee
HRC	House Resources Committee
HNPS	House National Parks, Forests and Lands Subcommittee
HEMRS	House Energy and Mineral Resources Subcommittee
HAC	House Agriculture Committee
HEIPS	House Int. Economic Policy and Trade Subcommittee
HGRO	House Government Reform and Oversight Committee
SAC	Senate Agriculture Committee
SENRC	Senate Energy and Natural Resources Committee
SEOIS	Senate Energy Oversight and Investigation Subcommittee
SPHPS	Senate Parks, Historic Preservation, and Recreation

Subcommittee
SFPLS Senate Forests and Public Land Management Subcommittee
* New or Revised Listing

Message Sent

To:

GLAUTHIER_T @ A1 @ CD @ LNGTWY
WARD_A @ A1 @ CD @ LNGTWY
COGSWELL_R @ A1 @ CD @ LNGTWY
WEATHERLY_M @ A1 @ CD @ LNGTWY
IRWIN_J @ A1 @ CD @ LNGTWY
HEATH_D @ A1 @ CD @ LNGTWY
STIDMAN_A @ A1 @ CD @ LNGTWY
FRERICHS_S @ A1 @ CD @ LNGTWY
NOLIN_CL @ A1 @ CD @ LNGTWY
SAUNDERS_R @ A1 @ CD @ LNGTWY
KASDIN_S @ A1 @ CD @ LNGTWY
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GREEN_M @ A1 @ CD @ LNGTWY
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MINKLER_J @ A1 @ CD @ LNGTWY
CRUTCHFIEL_J @ A1 @ CD @ LNGTWY
REISNER_G @ A1 @ CD @ LNGTWY
GROVE_K @ A1 @ CD @ LNGTWY
ROSTKER_D @ A1 @ CD @ LNGTWY
DENTON_M @ A1 @ CD @ LNGTWY
PETERSON_RK @ A1 @ CD @ LNGTWY
Paul J. Weinstein Jr./OPD/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 16:01:07.00

SUBJECT: Re: Auto Choice

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])

READ: UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on
04/07/97 04:03 PM -----

Ellen S. Seidman
04/01/97 12:16:24 PM
Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP
cc:
Subject: Re: Auto Choice

Now it's my turn to tell you that DPC is a mite bit disorganized. Elena has been working on this. Attached is a memo I did earlier, which she looked at, but finally decided she didn't have time to really review, so we just sent it forward from the NEC. (Actually, I'm not entirely certain it ever got formally sent, but Gene did give a copy to Sylvia.) I'll be happy to talk. This is another of those issues Kathy's going to have to do until we get another lawyer or someone who's into law and economics on the staff. ellen

PS I also have a mess of stuff created by Rand, which is generally supportive of no-fault, and a piece by the trial lawyers who are -- big surprise -- opposed.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT: [ATTACH.D55]MAIL49177569F.016 to ASCII,
The following is a HEX DUMP:

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February 13, 1997

MEMORANDUM FOR **ERSKINE BOWLES**
FROM: **GENE SPERLING**
SUBJECT: **“Choice” No-Fault Auto Insurance**

Both you asked me to look into whether the “choice” no-fault auto insurance plan devised by Jeffrey O’Connell and Michael Horowitz, supported by Senator Dole in last year’s election, and now proposed for implementation in New Jersey by Governor Whitman might be something we would think a good idea as a matter of policy. My preliminary response is that the Administration should not reject the plan out of hand -- it has positive features, including some that go beyond auto insurance premium reduction, that suggest a closer policy look is appropriate. During the 1970s, the Carter Administration supported national no-fault. There is still staff at Commerce and DOT who were part of that effort and have some expertise in the field. Before deciding to pursue any form of no-fault, we should bring these agencies into the process.

One preliminary question is what “support” for a “choice” no-fault plan might mean. It could be as little as using the bully pulpit to say this is a good idea and states should look into it. Or as much as supporting federal legislation to require states to adopt choice plans. A lesser alternative would be to provide federal incentives, such as increased highway safety or medicare funds, for states that adopt choice plans (presumably ones that meet certain statutory standards). Simply authorizing states to adopt such plans is a legally meaningless act, since they can do so already. These degrees of support implicate issues of federal preemption of state tort law as well as questions related purely to no-fault.

What is no-fault?

No-fault auto insurance is essentially first party coverage: if you’re injured in an auto accident, your carrier pays for your injuries¹ and your right to sue the other party (if there is one) is either non-existent (“pure” no-fault) or circumscribed. Almost all no-fault policies get their savings from the fact that only economic damages are covered -- no pain and suffering. No state has pure no fault. Depending on how you count, about 13 states and Puerto Rico have some form of no-fault. In New York and Michigan, which require extremely serious and objectively verifiable injuries to get into court, it is reasonably effective in holding down costs and keeping cases out of

¹ Much auto property damage (to the auto) is covered by collision insurance. Some states have experimented with broader no-fault for property damage, but it was neither very effective nor very efficient. It is generally not an issue in the debate.

- 2 -

court (although New York premiums are high for other reasons). In other states, which have weak verbal or dollar thresholds, or a right to choose to litigate after an accident, it has been less effective.

“Choice” no-fault is a system under which drivers would be given the option of choosing either a pure no-fault policy with fairly high policy limits (e.g., \$250,000) but no access to court or a more expensive policy which allowed court access but in which the policy-holder’s insurance company would pay, no matter who was at fault -- as is the case with uninsured motorist coverage today. Governor Whitman has proposed a variation of this system. There would be four policies: pure no-fault at the \$250,000 level (which would have a premium reduction of 20-25%); pure no-fault with an ability to collect for pain and suffering on a first party basis (which would result in a premium reduction of about 8%); no-fault but with access to court with a high verbal threshold (reduction unstated but should be some); and the traditional second-party liability system with unfettered access to court.

Problems and opportunities

The usual rationale for moving to no-fault is that it drives down insurance premiums, and the usual response is that it unfairly keeps injured parties from exercising their constitutional right to access to court. A collateral argument is that first party systems “punish” both good drivers and bad drivers who get into accidents, whereas the current system places the burden on the bad driver. This set of arguments does not tell the whole story.

Flaws in the Argument in Favor

Theoretically, no-fault should reduce automobile insurance premiums. A 1996 study by the Rand Institute for Civil Justice concluded that pure no-fault would reduce personal injury premiums by about 60%, and total premiums -- after taking into account the 50% of the typical premium that is for property coverage -- by about 30%. There are several reasons this has not been borne out in practice in the states that have adopted no-fault, and some additional reasons why certain states are likely to benefit less in any event.

- As noted above, no state has pure no-fault. Where there are weak verbal thresholds or dollar thresholds, not only do cases continue to get to court, but there is pressure to inflate medical expenses to exceed the threshold.
- While legal costs are a significant part of the premium dollar, other costs are also important in determining how fast premiums go up, such as the rate of increase in medical costs (leaving aside any impact of no-fault on these costs). Moreover, automobile insurance is a competitive business in most states and insurance companies regularly cycle through periods of declining and rising premiums.
- In states with a very high proportion of single-car accidents -- i.e., most rural states -- no-fault does not change the complexion of the payout system, and therefore should not have much effect on premiums, which are usually fairly low

in the first place. Rand claims that the proportion of uninsured motorists doesn't matter much, but admits they don't really know.

- Even Rand, generally supportive of no-fault, admits that the most seriously injured individuals will probably get less compensation than under the current system. (The least seriously injured will cease being overcompensated.)

Additional benefits from no-fault

Even if there were no premium reduction, however, no-fault might have other benefits:

- As a medical matter, people who are injured who receive high quality medical and rehabilitative treatment quickly are more likely to recover fully. By keeping cases out of court, no-fault reduces the temptation to keep the plaintiff injured for the jury. Moreover, it provides the money to get the rehabilitation that's needed.
- This was important in the 1970s, but probably has gotten even more important since because:
 - Fewer people have medical insurance today; and
 - Seatbelts and airbags save lives, but those saved are often severely injured.
- High verbal threshold no-fault probably reduces fraud in the medical care system, and should reduce volume pressures on the civil justice system.

Flaws in the Opposition

The part of the argument in opposition that is stated in constitutional terms is basically unanswerable, except to note that in general not everyone has access to the civil justice system because of the cost and time involved in using the system. (The efforts of Republicans to get rid of contingency fees and institute loser pays would, of course, exacerbate this problem, and undoubtedly no-fault's opponents will lump any support on our part with these changes we oppose.) Portions of their argument relating to the lack of reduction in premiums in no-fault states or the fact that many rural states have much lower premiums than no-fault states ignore the different economics of the states and/or the problems related to low thresholds, but clearly need to be taken into account in determining the practical real-life impact of adopting no-fault.

Summary

No-fault generates significant public interest at the state and local level when auto insurance premiums are increasing rapidly (which appears not to be the case today), and may have real policy benefits. However, there are serious questions about the extent of the benefits and the appropriateness and efficacy of dealing with the issue at the federal level. If we have any thought of pursuing this issue, I suggest bringing together an NEC interagency team, including Justice, Commerce and DOT, to further investigate existing information and develop options and recommendations.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth Drye (CN=Elizabeth Drye/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 17:17:25.00

SUBJECT: POTUS decision on seat belt sanctions

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

NEC and DOT are anxiously awaiting the President's decision on the seat belt issue we put in the weekly. Please let me know when we have one. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-APR-1997 18:28:18.00

SUBJECT: Final Version of CFR Letter

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Laura K. Capps (CN=Laura K. Capps/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jim Kohlenberger (CN=Jim Kohlenberger/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Michael Waldman (CN=Michael Waldman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Wendy Smith (CN=Wendy Smith/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Phillip Caplan (CN=Phillip Caplan/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: William P. Marshall (CN=William P. Marshall/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
Final Version including edits discussed at today's meeting.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D74]MAIL435076693.016 to ASCII,
The following is a HEX DUMP:

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4DBFE2FC3937216267A83AC1539CCD697A22436EEB25E86A0A85789AB0B1731FC2BA32F8D34D78

April __, 1997

Members of The Federal Election Commission
c/o Office of the General Council
999 E Street , NW
Washington, DC 20463

To the Members of the Federal Election Commission:

I am writing to you, pursuant to 11 CFR Part 200, to request that you take action, under your existing statutory authority, to ban "soft money" and end the system under which both political parties compete to raise unlimited sums from individuals, labor unions, and corporations.

The rules governing our system of financing federal election campaigns are sorely out of date. Enacted more than two decades ago when election campaigns were much less expensive, they have been overtaken by events, by dramatic changes in the nature and cost of campaigns and the flood of money that has followed them. Today, money is raised and spent in ways that simply were not contemplated when Congress last overhauled our campaign finance laws. We must bring the rules up to date to reflect the changes in elections and campaigning that have overtaken our political system.

An important step in this process would be to change the rules governing the use and solicitation of funds not subject to the contribution limitations and prohibitions of the 1971 Federal Election Campaign Act, as amended ("soft money"). Currently FEC regulations (11 CFR 106.5) allow political parties to raise and spend "soft money" in elections involving state and federal candidates by providing an allocation formula between federal and non-federal expenses incurred by party committees. These regulations, and limited additional guidance provided through advisory opinions, are the basis upon which party committees make expenditures and raise funds with respect to federal and state elections today. The use of so-called "soft money" by party committees today is largely based on the direction provided in these regulations.

Whatever the merit of those regulations at the time they were adopted, it has become abundantly clear today that they are no longer adequate to the task of regulating current campaigns. The role of "soft money" has grown dramatically in the past several elections so

that by the 1996 elections the two parties raised more than \$250 million; \$138 million by the Republican Party and \$123 million by the Democratic Party, more than triple the total of four years before.

The current allocation system, in short, is simply outmoded. Accordingly, I propose that the FEC adopt new rules requiring that candidates for federal office and national parties be permitted to raise and spend only "hard money" -- funds subject to the restrictions, contribution limits, and reporting requirements of the Federal Election Campaign Act (FECA) of 1971, as amended.

The "soft money"ban I seek achieves the same goals as provisions of the "Bipartisan Campaign Reform Act of 1997", introduced by Senators John McCain and Russell Feingold, and Representatives Christopher Shays and Martin Meehan. Specifically, I am requesting that the Commission consider new rulemaking to accomplish the following:

1. Prohibit national political parties (and their congressional campaign committees or agents) from soliciting or receiving any funds not subject to the limitations or prohibitions of FECA. (This action would preclude, for example, contributions directly from corporate or union treasuries, or contributions from individuals in excess of the amount an individual can give to a national party's federal account.)
2. Prohibit any federal officeholder or candidate (and his or her agents) from soliciting or receiving any funds not subject to the limitations or prohibitions of FECA. (This action would preclude the same kind of contributions.)
3. Provide that any expenditure by any national, state, or local political party during a federal election year for any activity that influences a federal election (including any voter registration or get-out-the-vote drive, generic advertising, or any communication that refers to a federal candidate) must be paid for from funds subject to FECA. (This would end the allocation system, currently authorized by the FEC, under which "hard" and "soft" money are mixed for campaign activities that affect both state and federal elections.)

These steps, available to you under your existing statutory authority, will enable our election laws to catch up with the reality of the way elections are financed today, and along with new campaign finance reform legislation, will take significant strides toward restoring public confidence in the campaign finance process.

Sincerely,

Automated Records Management System
Hex-Dump Conversion

William Jefferson Clinton

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kenneth S. Apfel (CN=Kenneth S. Apfel/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 7-APR-1997 18:55:14.00

SUBJECT: Re: separate immigration bill

TO: FORTUNA_D (FORTUNA_D @ A1 @ CD @ LNGTWY [EOP]) (OPD)
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

fyi

----- Forwarded by Kenneth S. Apfel/OMB/EOP on 04/07/97
06:56 PM -----

James C. Murr
04/07/97 05:37:13 PM
Record Type: Record

To: Kenneth S. Apfel/OMB/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: separate immigration bill

Re your note below and my earlier response this morning, we have asked HHS to prepare the immigration provisions as a freestanding bill for HHS to transmit to Congress on behalf of HHS, SSA, and USDA. We asked that the bill be submitted to OMB by no later than c.o.b. on this Wednesday, and the HHS staff has agreed to do so. This gets the ball rolling and does not preclude "White House [Presidential] transmittal" of the bill if your final guidance is to do so.