

NLWJC - KAGAN

EMAILS RECEIVED

ARMS - BOX 020 - FOLDER -009

[12/09/1997]

CIVIL RIGHTS ENFORCEMENT INITIATIVE

**Mandatory/Entitlement
Cost**

Proposal	FY99 Cost	Five-Year Cost
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**Mandatory/Tax
Cost**

Proposal	FY99 Cost	Five-Year Cost
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Discretionary Cost

Proposal	FY99 Cost	Five-Year Cost
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EEOC

• Mediation Program	\$13,000,000	3 yr @ \$40M
• Benchmark EEO Survey Data	\$ 250,000	
• Video Outreach and Technical Assistance	\$ 225,000	
• PSA Campaign	\$ 100,000	
• Stakeholder Meetings	\$ 125,000	
• Translation of Materials	\$ 280,000	
• 162 FTEs	\$8,000,000	
• Cost Increases	\$7,600,000	
• Information Systems	\$10,000,000	3 yr @ \$25M
• Replacing Paper Forms	\$ 200,000	
	\$39,780,000	

Ed-OCR

• Across All Programs	\$3,000,000	
• Alternate Dispute Resolution	\$ 100,000	
• Elementary and Secondary School Civil Rights Compliance Report	\$1,700,000	
• Intranet Technology to share information	\$ 500,000	
	\$5,200,000	

Automated Records Management System

Hex-Dump Conversion

\$5,300,000

HHS-OCR

•	Mediation Partnerships	\$ 250,000
•	Testing Program - Nursing Home Assistance and Program Abuse	\$2,600,000
•	Analysis of Differential Treatment Modalities	\$1,065,000
•	Managed Care Data Collection	\$ 550,000
•	Outcome Measurement	\$ 250,000
•	Changes in Complaint Processing to Respond to Additional Workload	\$ 400,000
•	State and Local Program	\$ 500,000
•	Civil Rights on the Internet	\$ 250,000
•	Geo-Coded/Mapping Data Base on a Civil Rights Internet	\$ 350,000

\$6,215,000

HUD

•	Targeted, audit-based enforcement initiative	\$10,000,000
•	Across ongoing programs	\$4,000,000

\$14,000,000

DOL-OCR

•	Mediation	\$ 990,000
•	Improved Targeting	\$ 100,000
•	Compliance Activities - 18 FTEs	\$1,620,000
•	Data Collection on JTPA	\$ 360,000
•	Compliance Assistance - 3 FTEs	\$ 270,000
•	Technology Improvements	\$ 158,000

\$3,498,000

DOL-OFCCP

•	Alternate Dispute Resolution	\$ 203,000
•	Future Targeting	\$28,400,000
•	Ombud Activities	\$1,700,000
•	Information Technology	\$4,000,000
•	Coordination with DOJ and Veterans Affairs	\$ 400,000

\$34,703,000

DOJ

•	Coordination between DOJ and OMB	\$ 90,000
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Automated Records Management System

Hex-Dump Conversion

• Interagency Training Program	\$1,000,000
• Litigation Support	\$1,500,000
• Police Brutality and Conduct Cases	\$ 300,000
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	\$2,890,000

ALL CIVIL RIGHTS ENFORCEMENT AGENCIES

• Linked Civil Rights Data Bases	\$ 500,000
• Interagency Civil Rights Councils	\$ 200,000
	<hr/> <hr/>
	\$ 700,000

TOTAL **\$107,086,000**

C. MEDICARE COVERAGE OF CANCER CLINICAL TRIALS

Medicare has not traditionally covered patient care costs associated with clinical trials. Scientists and advocates believe that we are not making sufficient progress in treating cancer, in part because of low participation in these trials that stems from lack of Medicare's coverage. HHS and DPC have been working on an approach that covers patient care for a limited number of these trials. Because of concerns about its cost potential, OMB and Treasury strongly oppose this option.

Nearly half of all cancer patients are covered by Medicare, yet Medicare does not cover patient care costs associated with these trials. This care can often be prohibitively expensive for cancer patients and their families, perhaps explaining why only 3 percent of all cancer patients participate in trials. Expanding Medicare coverage could increase access to trials for the many Medicare beneficiaries with cancer. Historically most insurers have covered clinical trials for children. As a consequence, nearly 70 percent of children with cancer participate in clinical trials. Scientists agree that this fact has helped improve cancer treatments for children, and some argue that this is one reason for the dramatically higher survival rates for children cancer patients.

This problem has significant implications for research in all cancer areas, particularly for those cancers like prostate cancer where scientists still have no good answers and where clinical trials are particularly undersubscribed. According to a former National Cancer Institute director, if 10 percent of all cancer patients participated in such trials, then trials that currently take three to five years would only take one year. Additionally, as the nation's largest insurer, Medicare plays a significant role in setting the standard for the insurance companies. A commitment from Medicare to cover clinical trials would go a long way in encouraging private insurance companies to agree to cover these trials.

Proposal

We have developed a proposal to expand Medicare to cover cancer clinical trials conducted at the NCI and trials with comparable peer review. In addition, we would require the National Cancer Policy Board to make further coverage recommendations, and HHS to assess the incremental costs of such trials compared to conventional Medicare-covered therapies. Assuming the true incremental costs are substantially less than the actuaries project, as we believe, additional trial coverage as recommended by the Board could occur. The initial coverage would cost \$1.7 billion over five years. Senators Mack and Rockefeller have developed a more expansive and expensive proposal (co-sponsored by 26 Senators), which covers all FDA trials, many of which the experts believe do not meet a scientifically-meritorious standard. While they would prefer a broader approach, the Senators have indicated that they would consider this an important first step. However, we do believe that there may be some trials above the \$1.7 billion proposal that could be justified on policy grounds.

A possible alternative way to cover clinical cancer trial's patient care costs is to directly dedicate resources from any significant increases that NIH / NCI receive in the upcoming budget. NCI could use these increase to simplify and centralize their clinical trials system, which has the potential to increase patient access. Although this may be a viable option, the cancer community has clearly stated their preference that extending Medicare coverage is their top priority in this area, as they believe that patients need better access to these cutting edge treatments.

Discussion

HHS is supportive of this policy and believes that it would not only give Medicare beneficiaries, who represent a significant portion of cancer patients, much-needed choices but would encourage the private industry to cover clinical trials as well. There is no question that this proposal is the highest priority for most of the cancer community as well as many in the women's community who believe it is an essential step to improve breast cancer treatment. However, the advocates have made it clear that they would strongly prefer the more expansive and expensive Rockefeller/Mack approach. We are working to determine whether we can modify our more limited proposal in a way that they would support.

OMB and Treasury oppose the Medicare coverage option strongly. They note that it would involve very substantial costs (\$1 to 3 billion per year) to provide medical services that are experimental, and therefore are unlikely to help the majority of beneficiaries. Once an exception has been made for experimental cancer drugs and therapies, they argue there is no reason that similar support won't be demanded for experimentation with Alzheimer's, Parkinson's, and other maladies. As a result, these costs will grow as other therapies are included. They also believe that Congress would likely expand the proposal beyond coverage of only NCI trials — given the fact that prime Hill sponsors favor broader coverage — and such expanded coverage will be very costly (up to \$3 billion over five years). OMB also does not believe that Medicare should lead the way on clinical trials, but rather drug companies should be the first to contribute to improving access for Medicare beneficiaries.

The DPC/NEC believes that OMB and Treasury raise some valid concerns. However, we would support this proposal if we can develop an affordable option that both Senator Rockefeller and Senator Mack and the cancer community would strongly support.

If we cannot obtain such support in short order, we would recommend not including it in the budget. We would be in a very good position to argue our likely support for a significant increase in biomedical research will also pay large dividends in cancer breakthroughs and are more than sufficient in this budget year. However, if we decide to not fully double the NIH budget, as described in a separate memo, this policy might be more important to reenforcing your commitment to research. Finally, if it becomes clear that our final cost estimates for the Medicare buy-in are low enough to be financed by the available \$2 billion in traditional (anti-fraud) Medicare savings, the DPC and NEC would recommend giving serious consideration to use these limited dollars to support the

Medicare buy-in proposal. However, HHS prefers that these offsets be used only for the clinical cancer trial proposal.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 15:42:11.00

SUBJECT: Re: civil rights memo

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

READ:UNKNOWN

TO: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

We made a pretty specific list of the \$107 million programs. Mary will send it you. There are a lot that could be cut, but it sounds substantial as a \$100 million program. We phased in ADR at 13 million for the first year. Mary says the Ed survey has not been approved by OMB, they came up with it for us. Should we lower the dollar figure in the memo and take it out?

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

SUBJECT: Reforms that Prepare Medicare for the Retirement of the Baby Boom Generation

The Balanced Budget Act (BBA) that you enacted took critically necessary steps to modernize the Medicare program and prepare it for the twenty-first century. It extended the life of the Trust Fund to 2010, invested in preventive benefits, provided more choice of plans for beneficiaries, strengthened our ongoing fraud activities, and lowered cost growth to slightly below the private sector rate through provider payment reforms and modest beneficiary payment increases. However, the BBA's policies were not intended to solve the long-term problems posed by the retirement of the baby boom generation.

The Medicare Commission was established to address the demographic challenges facing the program. However, a major policy and political question remains. Is there anything we can and should do prior to the March 1999 Commission deadline that could further strengthen the program and lay the groundwork for implementation of likely Commission recommendations?

The National Economic Council (NEC) and Domestic Policy Council (DPC) have led an interagency examination of several targeted policy options. This memo examines options for coverage for pre-65 year olds, Medicare coverage of patient care costs associated with clinical trials, and a project to increase awareness of private long-term care insurance. Financing options to pay for these proposals follow this description.

Your advisors have differing views on whether to pursue any new proposals while the Medicare Commission is active and which proposals to pursue if you choose to do so. OMB and to some extent Treasury have concerns about a pre-65 option, because it may open the door to subsidies for a costly population and have the unintended effect of reducing employer coverage. Both OMB and Treasury oppose the clinical cancer trials proposal because it could set a precedent for every other disease group asking for the same treatment. In addition, altogether, it may well be the case, that the traditional Medicare savings alone will not be sufficient to offset the costs of these proposals. As such, a decision to propose a pre-65 policy may be feasible only if the decision is made to propose an income-related premium or, much less likely, dollars from any residual tobacco tax. It is worth noting that an income-related premium would clearly be more politically acceptable to our Democratic base if it were linked to a benefit expansion.

A. PRE-65 HEALTH INSURANCE OPTIONS

Although people between 55 and 65 years old are generally more likely to have health insurance, they often face greater problems gaining access to affordable health insurance, especially when they are sick. Individuals in this age group are at greater risk of having health problems, with twice the probability of experiencing heart disease, strokes, and cancer as people ages 45 to 54. Yet their access to affordable employer coverage is often lower because of work and family transitions. Work transition increase as people approach 65, with many retiring, shifting to part-time work or self-employment, as a bridge to retirement. Some of this transition is involuntary. Nearly half of people 55 to 65 years old who lose their jobs due to firms downsizing or closing do not get re-employed. At the same time, family transitions reduce access to employer-based health insurance, as individuals are widowed or divorced, or as their spouses become eligible for Medicare and retire.

As a result, the pre-65 year olds, more than any other age group, rely upon the individual health insurance market. Without the advantages of having their costs averaged with younger people (as in employer-based insurance), these people often face relatively high premiums and, because of the practice of medical underwriting, may be unable to get coverage at any price if they have pre-existing medical conditions. While the Kassebaum-Kennedy legislation improved access for people with pre-existing conditions, it did not restrict costs.

These access problems will increase because of two trends: the decline in retiree health coverage and the aging of the baby boom generation. Recently, firms have cut back on offering pre-65 retirees health coverage; in 1984, 67 percent of large and mid-sized firms offered retiree insurance but in 1997, only 37 percent did (although this decline may be slowing). In addition, in several small but notable cases (e.g., General Motors and Pabst Brewery), retirees' health benefits were dropped unilaterally, despite the firm's prior commitment to their retirees. These "broken promise" retirees do not have access to COBRA continuation coverage and could have difficulty finding affordable individual insurance. An even more important trend is demographic. The number of people 55 to 65 years old will increase from 22 to 30 million by 2005 and to 35 million by 2010, over a 50 percent increase. Assuming current rates of uninsurance, this trend could raise the number of uninsured in this age group from 3 million today to 4 million by 2005, without even taking into account the decline in retiree health coverage.

The last reason for considering the coverage issues of this age group is the likelihood of proposals to raise Medicare eligibility age to 67, consistent with Social Security. The experience with covering a pre-65 age group now will teach us valuable lessons if we need to develop policy options for the 65 to 67 year olds.

Policy Questions. Two central questions guide policy decisions in this area: what is the target population, and what is the best way to cover these people.

Whom to Target. As with any incremental reform, targeting is essential to reduce the chance that the policy does not unintentionally offset or reduce employer health coverage. While this policy will not affect employers' decisions to offer coverage to their current workers, it may affect employers' decisions to cover retirees, as well as employees' decisions to retire early. At the same time, the current level of employer dropping suggests that a policy for the affected people is needed. Although your advisors remain divided on the advisability of implementing a new policy in this area, we all agree that any policy protect against substitution by limiting eligibility to a subset of the pre-65 year olds. There are two design approaches to achieve this.

The first approach is to limit eligibility by age. We recommend an age break of 62, which is already the most common retirement age. The 6 million people ages 62 to 65, compared to people ages 55 to 59, work less (48 percent versus 74 percent), are more likely to have fair to poor health (26 versus 20 percent), and are more likely to be uninsured or buy individual insurance (28 versus 21 percent). In addition, it is also the age at which Social Security benefits can be accessed. Within this 6 million, we could limit eligibility to the 2 million without access to employer or public insurance, and would require that they exhaust COBRA coverage before becoming eligible. These steps should reduce the likelihood that the policy will lead individuals to retire or drop retiree coverage.

A second approach is to limit eligibility within a broader age group — e.g., 55 to 65 year olds — to individuals who lack access to employer-based insurance for particular reasons:

- (1) Displaced workers: About 60,000 people ages 55 to 65 lost their employer insurance when they became lost their job because a firm closed, downsized, or their position was eliminated.
- (2) Medicare spouses: As many as 420,000 people lost employer-based family coverage when their spouses (almost all husbands) turned 65 and retired. This number could grow if employers drop retirees' dependent coverage for these spouses as a result of this policy.
- (3) "Broken promise" people: A small but visible and vulnerable group is the pre-65 retirees who lost retiree health coverage due to a "broken promise" (i.e., when the employer unexpectedly terminates coverage).

How to Provide Coverage. The second question is: what is the best way to increase access to affordable insurance? One approach is to extend COBRA continuation coverage for longer than 18 months. Currently, COBRA allows workers with insurance in firms with 20 or more employees to continue that coverage for 18 months by paying 102 percent of the premium. The major problems with extending COBRA are that (1) people in small firms are not eligible, (2) businesses will consider the policy an unfunded mandate, and (3) the policy could lead to discrimination against hiring older workers. In addition, firms could use this longer COBRA mandate as an excuse to not cover any employees. Despite these difficulties, a COBRA extension appears to be the best option for the "broken promise" people, since the former employer would bear some of the costs of its decision to terminate coverage and COBRA could then serve as a "bridge to Medicare" for this population.

A second option, preferable for most of the target groups, is a Medicare "buy-in." Eligible people could buy into Medicare at the age-adjusted Medicare payment rate, plus an add-on for the extra risk of participants. Because the actuaries think that most participants will be sicker than average, this add-on will be costly. To attract healthier people and make it possible for more people to take advantage of the benefit, we could defer payment of the additional cost until age 65 by "amortizing" this payment. Under this scheme, Medicare would pay part of the premium as a loan up front, with repayment by the beneficiaries with their Part B premiums after they turn 65. The HCFA actuaries have estimated that this Medicare "loan" in a worse-case scenario would cost \$1.1 billion per year assuming participation of no more than 300,000 people. Because the preliminary estimates assumed that only sick people would participate and that all would enroll in one year, and because they did not take into account the pay-back from beneficiaries, the official estimates, expected soon, will probably be lower. Subsidies would be considerably more costly and your advisors agree that we cannot afford it.

Option 1. "Broken Promise" People Only. All your advisors recommend a policy that employers who break their promise of providing retiree coverage extend COBRA so that retirees can buy into their active employer plan at a higher premium as has been done for other special COBRA populations until age 65. This option has no cost to the Federal government.

Option 2. Medicare Buy-In for Select Groups. The second option is to allow a limited group of 55 to 65 year olds to buy into Medicare. If you decide to consider any of the Medicare buy-in proposals, OMB favors undertaking only the "Medicare spouses" — primarily uninsured women ages 55 to 65 whose husbands are already on Medicare. OMB argues that, if the goal is a limited test of a buy-in for the pre-65 year olds, this is a discrete group whose eligibility would likely have a smaller effect on the general trend in retiree health coverage or retirement. The Department of Labor strongly supports a policy to help displaced workers, in line with the broader theme of improving workers' security. In the absence of a buy-in, Labor would support a COBRA extension, though this approach would help fewer people. HHS supports covering these select groups, but is concerned that the enrollment be sufficient to justify the administrative effort. The small size of these groups means that costs will be low.

Option 3. Medicare Buy-In for 62 to 65 Years Old Plus Selected Groups. The third option is to permit eligibility for 62 to 65 year olds plus a group like displaced workers. The cost of this option is not yet known but will likely be less than \$5 billion over 5 years. HHS and NEC/DPC think that this is a sufficiently narrow group to limit significantly the effects on retiree health coverage or retirement. This group is also more representative of the 65 to 67 year old population, giving a better sense of what would happen if Medicare eligibility were postponed to 67 years old. Although Treasury is concerned that this policy could become an underfinanced policy expansion, some concerns would be allayed if the buy-in participants were enrolled only in managed care, so that the insurers and not Medicare bore the risk. This approach, however, could be politically difficult given the distrust of managed care. OMB thinks that the 62 to 65 group is not narrow enough and that the "unsubsidized entitlement" (the subsidy is in the financing) will not stay that way for long. It is important to note that we are still waiting for actuarial analyses, which could alter the recommendations of your advisors.

B. PRIVATE LONG-TERM CARE OPTIONS

A second idea to improve access to insurance focuses on long-term care. Unlike acute care, long-term care is not primarily financed by private insurance, which pays only 6 percent of its costs. Medicaid pays for 38 percent, Medicare pays for 21 percent, and families pay for 28 of the costs out of pocket. This large government role may not be sustainable as the baby boom generation retires. Today, one in four people over age 85 lives in a nursing home. This could increase substantially as the proportion of elderly living to age 90 is projected to increase from 25 percent to 42 percent by 2050. Thus, it is important to encourage the development of private insurance options. The Kassebaum-Kennedy legislation took a step in this direction by clarifying that certain long-term care insurance is tax deductible. But because many people incorrectly assume Medicare covers all of their long-term care needs and do not know about private long-term care insurance, more action is needed. This action could include providing information to Medicare beneficiaries about private insurance, funding a demonstration program to improve the quality and price of private insurance, or both. None of these options includes a new Medicare entitlement or subsidy.

Information on Quality Private Long-Term Care Insurance

We propose to leverage our role in Medicare to improve the quality of and access to private policies. HCFA would work with insurers, state regulators, and other interested parties to develop a set of minimum standards for private long-term care policies. If a plan met these standards, Medicare would approve its inclusion in the new managed care information system. (As a reminder, the BBA included provisions to provide annual information on managed care choices to beneficiaries.) This proposal would build upon that system and cost up to \$25 million in discretionary funds over 5 years (\$5 million in FY 1999), distinct from the user fees currently authorized for the managed care information system. We also could propose a demonstration that would test the feasibility of a partnership between Medicare and private long-term care insurance on a limited basis. The cost of a demonstration would depend on its size and policy parameters, but could be limited to \$100 to 300 million over 5 years.

Discussion

We believe this proposal has significant potential and is worth further developing. There is some concern at HHS that coming to an agreement on a set of standards could be difficult and that insurers may argue that our standards drive up the cost of the policies, making them unaffordable. HHS also would prefer that any demonstration be funded through the mandatory budget. However, these concerns may not be insurmountable, especially since one objective of a demonstration could be to investigate high quality private options that are affordable. Finally, we are still looking into the feasibility and advisability of using tax incentives to encourage the purchase of private long-term care policies and/or the use of IRAs for long-term care financing.

C. **MEDICARE COVERAGE OF CANCER CLINICAL TRIALS**

Medicare has not traditionally covered patient care costs associated with clinical trials. Scientists and advocates believe that we are not making sufficient progress in treating cancer, in part because the lack of Medicare coverage limits participation in these trials. HHS and DPC have been working on an approach that covers patient care for a limited number of these trials. Because of concerns about its cost, OMB and Treasury strongly oppose this option.

Nearly half of all cancer patients are covered by Medicare, yet Medicare does not cover patient care costs associated with these trials. This care can often be prohibitively expensive for cancer patients and their families, perhaps explaining why only 3 percent of all cancer patients participate in trials. Expanding Medicare coverage could increase access to trials for the many beneficiaries with cancer. Historically most insurers have covered clinical trials for children. As a consequence, nearly 70 percent of children with cancer participate in clinical trials. Scientists agree that this participation rate has helped improve cancer treatments for children, and some argue that it is one reason for the dramatically higher survival rates for children cancer patients.

This problem has significant implications for research in all cancer areas, particularly for those cancers like prostate cancer where scientists still have no good answers and where clinical trials are particularly undersubscribed. According to a former National Cancer Institute director, if 10 percent of all cancer patients participated in such trials, trials that currently take three to five years would take only one year. Additionally, as the nation's largest insurer, Medicare plays a significant role in setting the standard for the insurance companies. A commitment from Medicare to cover clinical trials would go a long way to encourage private insurance companies to cover these trials.

Proposal

We have developed a proposal to expand Medicare to cover cancer clinical trials conducted at the NCI and trials with comparable peer review. In addition, we would require a National Cancer Policy Board to make further coverage recommendations, and HHS to assess the incremental costs of such trials compared to conventional Medicare-covered therapies. Assuming the true incremental costs are substantially less than the actuaries project, as we believe, additional trial coverage as recommended by the Board could occur. The initial coverage would cost \$1.7 billion over five years. Senators Mack and Rockefeller have developed a more expansive and expensive proposal (co-sponsored by 26 Senators), which covers all FDA trials, many of which the experts believe do not meet a scientifically-meritorious standard. However, we do believe that there may be some middle ground between our proposal and the Senators' proposal that could be justifiable on policy grounds but more costly.

A possible alternative way to cover clinical cancer trials' patient care costs is to dedicate resources from any significant increases that NIH / NCI receive in the upcoming budget. NCI could use these increases to simplify and centralize their clinical trials system, which has the potential to increase patient access. Although this option may be viable, the cancer community has clearly stated its preference for extending Medicare coverage. Another possibility is to require drug companies desiring Medicare coverage of additional clinical trials to contribute to the part of the patient costs.

Discussion

HHS is supportive of this policy and believes that it would not only give Medicare beneficiaries, who represent a significant portion of cancer patients, much-needed choices but would encourage the private industry to cover clinical trials as well. There is no question that this proposal is the highest priority for most of the cancer community as well as many in the women's community who believe it is an essential step to improve breast cancer treatment. However, the advocates have made it clear that they would strongly prefer the more expansive and expensive Rockefeller/Mack approach. Conversations with the Senators suggest that they would support this proposal as an important first step; this support will weigh heavily with patient groups and the cancer community.

OMB and Treasury oppose the Medicare coverage option strongly. They note that it would involve very substantial costs (\$1 to 3 billion per year) to provide medical services that are experimental, and therefore are unlikely to help the majority of beneficiaries. Once an exception has been made for experimental cancer drugs and therapies, they argue there is no reason that similar support won't be demanded for experimentation with Alzheimer's, Parkinson's, and other maladies. As a result, these costs will grow as other therapies are included. They also believe that Congress would likely expand the proposal beyond coverage of NCI trials and that this expanded coverage will be very costly (up to \$3 billion over five years). OMB also believes that rather than Medicare leading the way on clinical trials, drug companies should be the first to contribute to improving access for Medicare beneficiaries.

While recognizing the OMB and Treasury concerns, the DPC/NEC believes that this policy has potential to contribute to important expansions of clinical trials and possible break-throughs in cancer treatment. We believe that we should investigate the possibility of amending the current policy to tap into the drug industry as a financing partner. In addition, we believe that this policy will be even more attractive if we are unable to find the resources to double the NIH budget. Although we support the cancer clinical trial policy, if we have limited resources available in Medicare and it comes down to a choice between the pre-65 initiative and this one, we would recommend the former.

D. PAYING FOR INITIATIVES: MEDICARE ANTI-FRAUD AND AN INCOME-RELATED PREMIUM

We assume that the funding for these Medicare initiatives will require Medicare offsets. One approach is to use Medicare anti-fraud initiatives. HHS and OMB believe that these offsets could total about \$2 billion over 5 years. This could fund some, but not all of the initiatives described above. To fund a more expansive series of initiatives, you will probably have to consider an income-related premium. As you know, Medicare subsidizes 75 percent of the Part B premium for all beneficiaries, including the wealthiest. This policy is not only regressive; it ignores the fact that higher income beneficiaries actually cost Medicare more than poor beneficiaries. But the addition of an income-related premium would constitute a move away from the concept of social insurance.

Anti-Fraud Provisions

In our ongoing efforts to reduce Medicare fraud, we have identified a number of small but important policies that could sum to about \$2 billion over five years. Several of them address problems identified by the HHS Inspector General, such as the overpayment by Medicare for certain cancer drugs, highlighted in recent press reports.

Income-Related Premium

As you know, the Administration has publicly supported an income related premium. However, it is not clear whether we should carry through on this support by including it in the budget. The Medicare Commission will definitely consider and probably recommend this policy. Yet, there remains some Democratic opposition to this policy and some of your advisors would counsel not to move unilaterally in this direction. Because this issue is extremely controversial, this description is not intended to present recommendations but to begin a discussion of the topic.

Building from our position last summer, the income-related premium would be administered by the Treasury Department, not HCFA or the Social Security Administration. Eligible people would fill out each year a Medicare Premium Adjustment form (a separate form or a line on the 1040 form) and send a check to "The Medicare Trust Fund." The two open questions are: who pay and how much do they pay. The answers to these questions determine costs, but the more modest proposals generate about \$8 billion over five years.

Who pays. The income thresholds determine how many people are paying the higher amount. We proposed thresholds of \$90,000 for singles and \$115,000 for couples in the Health Security Act. Last summer, the Senate, including most centrist Democrats, passed a policy where the extra premium payment began at \$50,000 for singles and \$65,000 for couples. During the budget debate, we did not state publicly our support for any particular thresholds.

How much. The amount of the payment for the wealthiest beneficiaries is a second question. In the budget debate, we argued that a 100 percent premium (no subsidy) would cause some healthy and wealthy people to opt out of Medicare. However, an analysis by the Treasury Department this fall found that the effects of a 100 percent premium would be small. (About 5% of beneficiaries who pay the full premium would drop.) HHS would strongly object to changing our position and supporting an income-related premium that completely phases out the Part B subsidy. If we decide to change our past policy, it might be advisable to have a strategic discussion about the timing of announcing such a change. It could be an important in negotiating the give and take on this issue.

Discussion

The decision to include an income-related premium is a complicated one. On one hand, it is almost certain that this policy will be recommended by the Medicare Commission. At that point, however, we will have less opportunity to direct any of its revenue toward important Medicare reforms like a Medicare buy-in. On the other hand, many Democrats and possibly AARP will oppose the income-related premium as a beneficiary payment increase. A possible exception is if it is explicitly linked to a Medicare investment or possibly a pre-65 policy. In addition, Republicans might label it a new tax and use our support for it as an issue during the 1998 campaign.

Although our discussions are ongoing, the agencies believe that the decision to propose an income-related premium depends on the context. OMB's position ultimately depends upon the entire package of initiatives and savings being offered. OMB considers the income-related premium to be a sound policy option, but believes that it should be considered as a means to offset Medicare Trust Fund insolvency or provide benefit expansions for the currently eligible Medicare population. HHS believes that if an income-related premium is pursued, its savings should be used for Medicare. HHS further notes that Medicare has already contributed \$115 billion in savings and that we may wish to preserve this option for the Commission recommendations lest we have the Commission with no reasonable options. DPC/NEC will prepare for a separate meeting to discuss this issue.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1997 14:51:45.00

SUBJECT: Does anyone know anything more about this "new study"?

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

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

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

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

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

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

TO: Maria J. Hanratty (CN=Maria J. Hanratty/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Emil E. Parker (CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Diana Fortuna (CN=Diana Fortuna/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:

I'm trying to track it down.

----- Forwarded by Cynthia A. Rice/OPD/EOP on 12/09/97

02:51 PM -----

Robin J. Bachman
12/09/97 02:42:44 PM
Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
Subject: Did you see this?

From today's McCurry briefing:

Q On welfare, there's a new study out today that says that jobs exist for only about half of the displaced welfare workers and there are protests being planned tomorrow in 50 states. Does the

President have any plans or ideas to find jobs for these displaced workers?

MR. MCCURRY: We've been working ceaselessly on that, as you know. From the efforts that we've made to encourage a response by the private sector to the works that we're doing with state governments to assure that there are services, training, placement services available -- there's a considerable amount of effort both in the public sector and the private sector to get the kind of response we need and we need -- we have an economy, remember, that's now created almost 14 million jobs in the last five years, so the jobs are there. Matching people who we're formerly dependent on welfare to the job opportunities that exist has to be part of the effort, but also encouraging private sector employees to take a chance on someone who has been welfare-dependent has been a major part of the President's effort. He's worked on this, done lots of events. I think you've all been at some of those events.

Q Does that mean that he's done everything he can and it's up to the private sector now?

MR. MCCURRY: Well, he's has not done everything he can because he plans to do more and has been doing a great deal to stimulate that kind of response. We've been working on this I think -- I don't think anyone can challenge the notion that the President has devoted a considerable amount of time to making sure that this transition that has to occur in our economy away from a model of dependency through the cycle of welfare that existed prior to reform -- we've made it clear that we've got to change the whole culture and the ethic of how employers and those who are welfare-dependent approach their own responsibilities as we implement welfare reform.

MEMORANDUM

TO: Elena Kagan

FROM: Julie Fernandes

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DATE: December 9, 1997

RE: Asian Pacific American Leaders Meeting

The following are responses to immigration policy questions raised by Asian Pacific American leaders at an October 16, 1997, meeting with Erskine Bowles.

Q. The final report of the Commission of Immigration Reform ("CIR") does not support family reunification of adult siblings ("fourth preference"). The groups stated this is an important eligibility category and request that it be maintained.

One of CIR's recommendations was the reduction in the level of "core" admissions of legal immigrants, plus a special program to allocate visas to the spouses and children of legal permanent residents ("second preference") to alleviate a backlog. In order to make these extra visas available without increasing the total number of family-sponsored immigrants, CIR recommended eliminating three other categories of more extended family members -- adult sons and daughters of U.S. citizens ("first" and "third preferences") and siblings of U.S. citizens ("fourth preference").

The Administration supported efforts in Congress for study and assessment of the fourth preference backlog in order to determine an appropriate response in light of future immigration and economic trends. The Administration also supported a suspension of new applications under fourth preference while this assessment was underway, and development of an agreement on an equitable process to "grandfather" those already on the waiting list whose petitions had been approved. However, while the Administration supported the CIR recommendations generally, it never endorsed the elimination of other family preferences in favor of second preferences.

The DPC is coordinating a review of the CIR's proposal and other reform recommendations designed to improve the executive branch's administration of the immigration laws. As part of that process, we are examining recent reforms made to our immigration laws that could have a significant impact on legal immigration, and the CIR's recommendation in this area. The Administration continues to support legal immigration reform that is pro-family, pro-work, and pro-naturalization

Q. The group expressed concern that within the INS, there is no accountability at the local level.

Though the INS has made tremendous strides in working with communities, both along the border and around the country, the INS and the Administration remain concerned with the accountability of INS officers operating in local communities. The issue of accountability is an ongoing challenge at a time of tremendous changes in the nation's immigration laws. As part of the DPC review of the various proposals for reforming the nation's immigration system, we are evaluating various ways to improve the accountability between field officers, district directors and Headquarters.

Q. Though we encourage naturalization, the groups were concerned that the process is often difficult and overloaded -- the standard wait to become a citizen is currently two years.

The Administration is committed to the highest standards of integrity in the naturalization process as we work to improve waiting times and provide more efficient service to citizenship applicants. Prior to recent reforms, the naturalization process used an antiquated system, which was overwhelmed by the recent enormous increase in naturalization applications. Since 1996, INS has faced an unprecedented increase in citizenship applications -- receipts historically at the 300,000 level annually had risen to more than 1.3 million by the end of FY 1996. This past May, INS undertook a series of improvements that will help guarantee the integrity of the citizenship program, improve customer service, and ultimately reduce the backlog of pending cases. These efforts aim to reduce the time it takes to complete the naturalization process, from the submission of the application to the oath of citizenship, to six months.

With the signing of the FY 1998 Department of Justice Appropriations bill, the INS will receive a \$211 million funding increase necessary to see these reforms through. The funding will be used to reduce the current application backlog, to enhance automation, and to add staff and other resources to continue naturalization reform efforts.

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December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

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SUBJECT: 21st Century Trust Fund

There is growing bipartisan support for a substantial new investment in biomedical research. This support is driven by the great potentials for biological breakthroughs in biomedical research and by increasing concerns that the rising costs of caring for the baby boomers will overwhelm the Medicare Trust Fund. New investments in research which could prevent or delay the onset of costly chronic diseases, such as cancer, Alzheimer's, and osteoporosis and improve treatment methods have the potential to deliver enormous social and economic benefits. We are developing proposals to substantially increase the NIH budget through the creation of a new 21st century biomedical research trust fund. We are considering options ranging from \$10 billion to \$15 billion. However, to double the NIH budget over the ten years would cost about \$15 billion. We are recommending that this substantial investment be funded primarily, if not solely, from new resources from tobacco.

Background

Recent progress in biomedical research has ensured that many of the diseases Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the entire world and polio is gone from the Western Hemisphere. Surgical interventions, such as organ transplantation or cardiac pacemakers, can restore normal lives for those who once had few treatment options. Because of a combination of new therapies, AIDS patients can plan for a future they would have otherwise been denied a few years ago. These successes, and many others, would not have occurred without our Nation's strong sustained support of biomedical research.

We are now posed to make even more advances that, with sufficient investment, could dramatically alter and improve the way we treat diseases. There are several new technologies in medical research that show great promise: important strides in imaging technologies make it possible to visualize living cells and entire organs giving new insights into the structure of disease; computer-based intervention systems give scientists an entire range of new tools to rapidly analyze vast amounts of new data; and we are on the cusp of a host of breakthroughs in genetics which will enable scientists to map the entire human genome and revolutionize how we understand, treat, and prevent some of our most devastating diseases.

With new knowledge about both genetics and the structure of tumors, scientists will be able to pinpoint more effective treatments for prostate, breast, and ovarian cancer and identify individuals at increased risk for diseases like, heart disease and stroke, Alzheimer, and severe depression. A more precise understanding of an individual's genetic risks will enable researchers to develop more targeted and effective medications. Also, new promising laboratory and clinical research will improve medical treatments. For example, methods for accurately measuring blood glucose levels and improving metabolic control will enable doctors to prevent the debilitating and devastating nerve, kidney, and eye complications of diabetes. Finally, there is great potential for effective vaccines for global threats, such as AIDS, malaria, and tuberculosis, and new knowledge about the biological basis of craving and addiction will result in medications targeted specifically to receptors in the brain that play a role in substance abuse.

The concept of significant increases in NIH has great support in the Congress. In the last couple years, NIH has received nearly a \$1 billion a year increase. In fact, in recent years, Congress has appropriated more funding in NIH than we have proposed. Earlier this year, 64 Senators signed a letter stating their support for doubling the NIH budget over the next five years (\$40-\$50 billion), and Senator Kennedy explicitly called for this investment in his recently introduced tobacco bill. However, CBO is unlikely to raise revenue anywhere near the level that Senator Kennedy's legislation assumes. As a result, he and other Members of Congress interested in such investments, will likely have to scale back their proposals.

Financing a Historic Increase in the Biomedical Research Budget

Doubling the NIH budget over the next ten years would cost approximately \$15 billion. A \$10 billion increase over the next five years would also represent a significant investment, even assuming the recent large increases in the NIH budget. Your advisors do not believe that either of these options could be feasible within the context of the current discretionary caps. In fact, any large investment in biomedical research, if funded within these tight budget caps, would drown out other priorities. Instead, we believe that this initiative should be paid for in the context of any agreement we reach on tobacco. Any revenue raised from such an agreement would be dedicated to a 21st century research trust fund which would supplement the base spending in the discretionary budget for NIH. This proposal assumes that the discretionary budget would have either no increase or a current service level (inflation adjustment).

Your advisors believe that even funding biomedical research at \$10 billion over the next five years would be significant and would be one of the most substantial items in your budget. It is not altogether clear that funding more than \$10 billion would be a better use of funds than other priority investments. Having said this, there is a large and growing constituency for doubling the budget and expectations from the research and patient advocacy community are high. As a consequence, anything below the \$15 billion -- while major by any measure -- may not be validated by all as a visionary development on the future. Moreover, the investment may well be outdone by Republicans and Democrats on the Hill.

Another possibility that has been raised is to place special emphasis on the National Cancer Institute (NCI) Budget. Some have proposed doubling the NCI budget (\$1.5 billion and \$4 billion over five years). This would make a significant contribution to cancer treatment, which will become the leading killer of Americans in the next century, and there are certainly well-documented links between tobacco and cancer. However, we believe that this would have to be done in the context of large increases in the NIH budget. Linking tobacco only to cancer research belies the fact that smoking is associated with a number of other diseases, such as heart disease and diabetes. As a stand alone policy, it would be at risk of being overshadowed by a more broad-based commitment that will likely come from the Hill. However, we could place a special emphasis on cancer and double the NCI budget on top of a \$10 billion overall increase in NIH.

Discussion

All of your advisors support a large increase in biomedical research. HHS explicitly wants to double the budget whereas most of your other advisors believe that calling for 21st century trust fund and increasing research by at least \$10 billion is strongly defensible. A substantial investment in NIH will also no doubt receive strong support from public health groups, such as the National Breast Cancer Coalition, the American Heart Association and the American Diabetes Association. Opponents note that other areas of research at NASA and the National Science Foundation which look at areas such as information communications and the environment should not be overlooked. They also argue that in the context of an extremely limited budget vast increase in biomedical research are excessive. They assume that Republicans will still find ways to outspend us in this area. Understanding their concerns, the DPC/NEC believe that if you take the lead in substantially increasing the NIH budget and are the first to propose a credible means to pay for it, that your commitment will be appropriately recognized.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 15:51:36.00

SUBJECT: Re: civil rights memo

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

TEXT:

I would cut the \$1.7 million for the ed survey, lowering our total to \$105 million in the memo. Also, I would cut the word "program" in the second sentence in section IB, it is clumsy sounding.

Mary is sending a grocery list to you guys of the specifics-- we solicited a bunch of projects to fill out the ADR, data collection, technology categories across the different agencies. If you want to cut the figure down, there may be other ed surveys in that \$21 million or so.

Final thought: we don't mention the commission on civil rights. OMB gave them a little more money but got some management concessions out of them. I think they don't fit with this plan and are better off not mentioned. But you should know in case it comes up.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 18:54:17.00

SUBJECT: INS reform

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

READ:UNKNOWN

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

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

Elena,

In light of your meeting tomorrow morning with Commissioner Meissner and OMB, the following outlines a few questions that we think we should consider at this stage in our review:

1. As you know, there is an outstanding issue of whether we want the budget document to include any statement about INS reform. It is possible that the statement could be very general (talking about our commitment to create a strong delineation between services and enforcement, to better both, building on our successes, etc.) in a way that indicates our goals, without committing to any specifics (though OMB may want it to be more detailed.) Also, we should be mindful of our possible desire to get congressional support for whatever we propose, and therefore not make a budget statement that limits our options or that appears final. Either way, we should finalize as soon as we can what the WH approach will be going into the end of January and the return of Congress.
2. Related to the first, we should decide when (if ever?) we should begin our legislative effort.
3. INS has almost finalized a contract bid process for an outside management assessment of the current INS structure, the INS proposal for reorganization, and other proposals (unclear on whether this includes CIR recommendation). According to Bob Bach, the contract could be signed as early as next week (though we had referred to this as the Booze Allen review, the contract has not yet been awarded). The assessment will take approximately 2 months.

While the assessment could potentially help us to flesh out details with the proposal flowing out of our review process, we are concerned that the assessment could work at cross purposes with our efforts. We want to be sure that the assessment is not a tool for INS to predetermine the outcome of our process, or something they could use to beat back our recommendations. Bob has assured us that their goal is not to simply to have this assessment rubber stamp their proposal.

Ideally, the assessment could be a tool to help us to answer difficult or technical management questions (e.g., looking at other agency reorganizations and management structures such as Customs). We recommend seeking assurances from the Commissioner that they will work with us once the contract is awarded to make sure the assessment complements, not

conflicts, with our process.

Thanks.

julie & leanne

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey T. Haynes (CN=Audrey T. Haynes/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-DEC-1997 13:08:18.00

SUBJECT: VAWA 245i

Sorry to E-Mail again about this issue, but Jana Sidley in Bonnie Campbell's office
Is there someone else working on this that I should be speaking with. Please advise.

THANKS

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

READ:UNKNOWN

TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

CC: Tania I. Lopez (CN=Tania I. Lopez/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 08:35:42.00

SUBJECT: coverage memo

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

READ:UNKNOWN

TEXT:

Chris and I have continued to work on this a bit (mostly cleaning up). I
you have read it, don't worry -- it really has not changed that much.

If you have not read it yet, just call or page me as you are beginning and
I will get you the latest draft.

I am sorry and thank you for your patience.

CHILD CARE

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Tax Revenue Loss

Proposal

FY 1999

Five-Year

Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate from 30 percent (current law) to 50 percent and moving the phase-out range from \$10,000-\$28,000 (current law) to \$30,000-\$59,000.

\$270 million

\$5.2 billion

Proposal

FY 1999

Five-Year

Provide a tax credit to businesses that incur costs related to providing child care services to their employees.

\$637 million (based on JCT costing of Senator Kohl's proposal)

\$2.6 billion (based on JCT costing of Senator Kohl's proposal)

Discretionary Spending

Proposal

FY 1999

Five-Year

Increase federal investment in the Child Care and Development Block Grant (CCDBG) and structure the increased investment to include a new set-aside for standards enforcement.

\$800 million (\$700 million in HHS budget request)

\$4 billion

Proposal

FY 1999

Five-Year

Establish the Child Care Provider Scholarship Fund

\$50 million (\$150 million in HHS budget request)

\$250 million

Proposal

Expand the Child Care Apprenticeship Training

Program to fund the training of child care

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providers working toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice.

FY 1999

\$10 million (DOL budget request)

Five-Year

\$27 million (DOL budget request)

Proposal

Establish a Child Care Research and Evaluation Fund to support data and research and technology development and utilization.

FY 1999

\$50 million (HHS budget request)

Five Year

\$250 million

Proposal

Establish an Early Learning and Quality Fund to provide challenge grants to communities for early learning and parent involvement activities.

FY 1999

\$200 to \$400 million (\$800 million in HHS budget request)

Five-Year

\$1 to \$2 billion

Proposal

Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5.

FY 1999

\$30 million

Five-Year

\$500 million (based on NEC option to double Early Head Start set-aside)

Proposal

Expand the 21st Century Community Learning Center Program to provide start-up funds to additional school-community

partnerships to establish before- and after-school programs for school-age children at public schools.

FY 1999

\$100 million (\$400 million in DOE request)

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Five Year

\$500 million

Proposal

FY 1999

Five Year

Establish a demonstration project for states to test innovative approaches to assisting parents who to stay at home with their children.

N/A

N/A

CIVIL RIGHTS ENFORCEMENT

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Discretionary Spending

Proposal	FY 1999	Five-Year
Civil Rights Enforcement Initiative -- The initiative involves EEOC and six agencies who have jurisdiction of civil rights enforcement. Funds will be used for activities such as alternative dispute resolution, increased compliance targeting, improved technology and data collection, and reduction in case backlog.	\$106 million	N/A

CRIME

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Discretionary Spending

Proposal

FY 1999

Five-Year

Community-Based
Prosecutors & Justice

\$100 Million

\$500 Million

EDUCATION

Mandatory Spending

Proposal	FY 1999	Five-Year
Class Size	\$615 Million	\$9.2 Billion
Proposal	FY 1999	Five-Year
School Construction	\$5 Billion	\$5 Billion

Discretionary Spending

Proposal	FY 1999	Five-Year Cost
Education Opportunity Zones ¹	\$320 Million	\$1.1 Billion
Proposal	FY 1999	Five-Year
School/College Partnership ²	\$300 Million	\$2.9 Billion
Proposal	FY 1999	Five-Year
Hispanic Education Initiative	\$153 Million	\$765 Million
Proposal	FY 1999	Five-Year
Indian Education Initiative	\$75 Million	\$375 Million
Proposal	FY 1999	Five-Year
Technology Teacher Training \$100 Million		\$500 Million
Proposal	FY 1999	Five-Year
Learning on Demand	\$50 Million	\$250 Million

¹This could be shifted to the mandatory spending side if necessary

²This could be shifted to the mandatory spending side if necessary

HEALTH CARE

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Mandatory Spending

Proposal	FY 1999	Five-Year
Medicare -- Pre-65 Coverage Initiative	Up to \$1 billion	Up to \$5 billion
Proposal	FY 1999	Five-Year
Medicare -- Clinical Cancer Trial Coverage	\$200 to \$400 million	\$1.7 to \$2 billion
Proposal	FY 1999	Five-Year
Medicare -- Private Long-Term Options	\$5 to \$50 million	\$25 to \$300 million

Coverage Initiatives

Proposal	FY 1999	Five-Year
Children's Health Outreach	\$300 million	\$1 to \$2 billion
Proposal	FY 1999	Five-Year
Workers Between Jobs Demonstration	\$250 to \$500 million	\$0.5 to \$3 billion
Proposal	FY 1999	Five-Year
Voluntary Purchasing Cooperatives	\$10 to \$20 million	\$50 to \$100 million
Proposal	FY 1999	Five-Year
National Institutes on Health Budget	\$1 billion	\$10 to \$15 billion

Discretionary Spending

Proposal	FY 1999	Five-Year
Race and Health Initiative	\$100 million	N/A
AIDS Spending	\$115 million	N/A

HOUSING/WELFARE

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Mandatory Spending

Proposal

FY 1999

Five-Year

50,000 Welfare to Work
Housing Vouchers

\$100-\$200 million

\$1.3 billion

Tax Revenue Loss

Proposal

FY 1999

Five-Year

Raise the cap on the Low
Income Housing Tax
Credit (LIHTC)

\$120 million

\$600 million

Discretionary Spending

Proposal

FY 1999

Five-Year

Homeownership
Initiative

\$30 million

\$150 million

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1997 10:15:11.00

SUBJECT: Re: health and race

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

READ:UNKNOWN

TEXT:

2 questions about this initiative -- which you can ignore if we don't have time to answer.

First, why \$100 million? That's the lot for a program that doesn't buy much tangible (beyond the \$30 million for 30 communities). I would be happy with \$60m.

Second, are the disparities on these 6 diseases all race-related? What happens when you control for class? Poor uninsured whites must do badly, too. I'm just wondering whether we can make this more consistent with our overall opportunity agenda.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sarah A. Bianchi (CN=Sarah A. Bianchi/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 17:13:50.00

SUBJECT: race and health

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

READ:UNKNOWN

TEXT:

We think \$80 total.. \$30 for the grants and \$50 for existing programs.

examples

New education/prevention initiative on heart disease. This campaign would provide information to health providers and communities on heart disease prevention targeted particularly to minorities such as the importance of keeping blood pressure under control, checking cholesterol, understanding the risks based on family background, and strategies to prevent tobacco use. It could build on models such as Search Your Heart-- a church-based heart health program for African-Americans run by the American Heart Association) and other strategies to target local communities around the nation.

Building on the new National Diabetes Education Program at the CDC, a national information and outreach campaign could target health care providers, particularly those that serve in minority communities, medical schools, and the public, through community-based initiatives to provide education to help identify people at risk for diabetes and provide interventions, such as glucose monitoring and nutrition and exercise guidelines to reduce their risks for this disease. It could also provide those with diabetes information about reducing the risks for some of the devastating side effects of this disease, such as blindness and amputation by increasing awareness about the new Medicare benefit and the importance of regular blood monitoring

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP [OPD'])

CREATION DATE/TIME: 9-DEC-1997 15:38:13.00

SUBJECT: Alternatives on Indian Education

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

TEXT:

In response to your request for a more frugal approach, and in consultation with Interior, I've got two new options, each complete with its own memo.

Option 1 (LOWIND): This proposes to double the facilities improvement and repair budget, and increase of \$32.2 million. It fits right within the 30-40 range Bruce gave me. It eliminates any increase either for annual operation and maintenance, or new school construction. Within the budget range, this approach hits the most schools in the largest number of states, while retaining a clear and definable impact.

Option 2 (MEDIND): This proposal adds a doubling of the school construction \$ to the above proposal, and totals \$51.4 million over FY 98 (and a mere \$47.6 million over the BIA FY99 request.)

You also need to know that in the process of working the alternatives with BIA, I discovered that we have to reduce the claim for new school construction at this funding level from 4 to 3; in effect an additional 20 million buys one additional school rather than 2, as originally claimed (I wasn't able to determine why this additional school costs twice as much as the others, but it does, and it is the next one on a Congressionally approved priority list, so we can't substitute two other schools instead.)

This is also why the first option eliminates new school construction altogether--given the practice of paying for a whole school at once, it was an all or nothing proposition.

While one additional school doesn't sound like a lot, there are only 8 left on the existing priority list (after that, another list must be generated). Consequently, moving one additional school off the list will be seen as a big step forward by the remaining schools.

I recommend that we go for the larger proposal; it's still a small amount of money, and it enables us to claim to be doing something in new school construction as well as in major repairs. And, doubling funding in two budget accounts will seem like a much bigger deal than just doubling the funding for renovations and repairs.

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

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

TEXT:

Unable to convert ARMS_EXT: [ATTACH.D44]MAIL43717524F.316 to ASCII,
The following is a HEX DUMP:

FF5750432D060000010A0201000000020500000002350000000200001BDD0DDDF706163EA1EAF30

MEMORANDUM FOR THE PRESIDENT

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Hex-Dump Conversion

FROM: BRUCE REED
MIKE COHEN

SUBJECT: Proposed Budget Initiatives for Indian Education

Last July, a coalition of education-oriented groups from Indian Country proposed a Comprehensive Federal Indian Education policy statement, which emphasized the importance of Tribal governance of Indian Education, the preservation and revitalization of Native languages and cultures, and the need for equitable access to education resources. The coalition also proposed an Executive Order to implement this policy vision.

This proposal has been under review by DPC staff and the Domestic Policy Council Working Group on American Indians and Alaska Natives. Pending a determination as to whether the proposed Executive Order is desirable and likely to be effective in accomplishing its aims, we have begun to identify steps that can be taken right now to improve education for Native American students in schools controlled by the BIA and Tribes, as well as in the public schools attended by large numbers of Indian students.

The full set of initiatives we have developed summarized below. Most involve ensuring that new education proposals and existing funding streams effectively target resources to schools in Indian Country. In one area -- school construction and maintenance -- we are going further by proposing a significant increase in funds over previous appropriations levels.

Tribal School Construction Proposal

The BIA operates 185 residential and day schools serving 51,000 Native American students, approximately 10% of all Native American students in grades K-12. Enrollment in all BIA schools has increased by 25% since 1987. According to a forthcoming GAO report, BIA schools, compared to schools nationwide, (1) are generally in poorer physical condition; (2) have more "unsatisfactory environmental factors"; (3) more often lack key facilities required for education reform (e.g., science labs); and (4) are less able to support computer and communications technology. Overall, they are in worse condition than even inner-city schools.

The BIA operates 185 residential and day schools serving 51,000 Native American students, approximately 10% of all Native American students in grades K-12. According to a forthcoming GAO report, BIA schools, compared to schools nationwide, (1) are generally in poorer physical condition; (2) have more "unsatisfactory environmental factors"; (3) more often lack key facilities required for education reform (e.g., science labs); and (4) are less able to support computer and communications technology. Overall, they are in worse condition than even inner-city schools.

We are recommending an increase of \$32.2 million over the FY 1998 appropriations (and

an increase of \$30 million over the Department of Interior FY 1999 request) for the Bureau of Indian Affairs account for Facilities Improvement and Repairs. This proposal would increase the number of schools undergoing significant repairs from 6 to 22, and would also provide funds for needed portable classrooms, roof replacements, and other repairs. We also support the BIA proposals for two related accounts, which provide modest increases in New School Construction and Annual Operation and Maintenance.

The Tribes would view this proposal as a significant step forward in improving the quality of education for Indian students. Congressional delegations from the affected states also would receive the proposal warmly.

This proposal is especially important if you choose to propose a new school construction initiative on the tax side, because Tribes do not issue bonds for this purpose. Even if you choose to propose a school construction initiative on the spending side, this initiative would be valuable.

In the Administration's school construction proposal last year, 2% of the funds were set aside for a direct appropriation for Tribal schools, over and above the accounts discussed here. This funding, however, is contingent on the passage of a school construction proposal, and in any event, is insufficient to meet the Tribes' needs.

We have developed this proposal with the involvement and support of OMB, the Department of the Interior and the Department of Education.

Other Initiatives

We are working to make sure that other education initiatives that are proposed for FY99 include an appropriate set-aside for BIA schools and, where feasible, for public schools that serve a large concentration of Native American students. These include:

- Education Opportunity Zones. A percentage of grant funds will be set aside for administration by the BIA, and the Education Department will be encouraged to provide at least one grant to a rural school district with a large percentage of Native American students.
- Early Intervention College/School Partnerships. We are working to determine the best ways to ensure that Tribal Colleges can effectively participate in this initiative, as well as to fund other college/school partnerships in communities with a large percentage of Native American students.
- Child Care. The Child Care Block Grant already contains a set aside for administration by BIA. Proposed funding increases in this program will automatically benefit programs serving Native Americans on reservations.
- Technology. This year the BIA launched Access Native America, an initiative to implement the four pillars of your technology challenge and to connect all schools, classrooms, and libraries to the Department of Interior's Internet backbone by the year

2000. Within the past month, DPC arranged a meeting between BIA staff and the Schools and Libraries Corporation to help Tribal schools take advantage of the e-rate. As a result, the Corporation has agreed that BIA can apply for the e-rate on behalf of all Tribal schools, and BIA has begun to develop materials and plan training so that schools can complete the necessary applications.

- Teacher Preparation and Recruitment. This initiative, which you announced at the NAACP Convention on July 17, helps to prepare and recruit teachers to serve in high-poverty urban and rural communities. At the time this proposal was developed, we did not target funds to Tribal schools. We are in the process of preparing new legislative language to take care of that omission, and will work with our Congressional allies to incorporate it into our proposal.

Automated Records Management System
Hex-Dump Conversion

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MIKE COHEN

SUBJECT: Proposed Budget Initiatives for Indian Education

Last July, a coalition of education-oriented groups from Indian Country proposed a Comprehensive Federal Indian Education policy statement, which emphasized the importance of Tribal governance of Indian Education, the preservation and revitalization of Native languages and cultures, and the need for equitable access to education resources. The coalition also proposed an Executive Order to implement this policy vision.

This proposal has been under review by DPC staff and the Domestic Policy Council Working Group on American Indians and Alaska Natives. Pending a determination as to whether the proposed Executive Order is desirable and likely to be effective in accomplishing its aims, we have begun to identify steps that can be taken right now to improve education for Native American students in schools controlled by the BIA and Tribes, as well as in the public schools attended by large numbers of Indian students.

The full set of initiatives we have developed summarized below. Most involve ensuring that new education proposals and existing funding streams effectively target resources to schools in Indian Country. In one area -- school construction and maintenance -- we are going further by proposing a significant increase in funds over previous appropriations levels.

Tribal School Construction Proposal

The BIA operates 185 residential and day schools serving 51,000 Native American students, approximately 10% of all Native American students in grades K-12. Enrollment in all BIA schools has increased by 25% since 1987. Enrollment in just the day schools has increased 47% since 1987 and 24% since 1992. Consequently, BIA schools have experienced significant problems with overcrowding. In addition, according to a forthcoming GAO report, BIA schools, compared to schools nationwide, (1) are generally in poorer physical condition; (2) have more "unsatisfactory environmental factors"; (3) more often lack key facilities required for education reform (e.g., science labs); and (4) are less able to support computer and communications technology. Overall, they are in worse condition than even inner-city schools.

We are recommending an increase of \$51.4 million over the FY 1998 appropriations (and an increase of \$47.6 million over the Department of Interior FY 1999 request) for two Bureau of Indian Affairs accounts for New School Construction, and Facilities Improvement and Repairs.

The proposed increase would double funding for new school construction and for significant improvements and repairs of existing facilities. Compared to the BIA FY 1999 request, this step would increase the number of new schools to be built from 2 to 3, and increase the number of schools undergoing significant improvements or repairs from 6 to 22. The higher budget request would also provide funds for needed portable classrooms, roof replacements, and other repairs.

	FY98 Appropriations	FY99 BIA Request	FY99 DPC Recommendation
New School Construction	\$19.2 million	\$20.8 million	\$38.4 million
Facilities Improvement and Repairs	\$32.2 million	\$34.4 million	\$64.4 million
Total	\$51.4million	\$55.2 million	\$102.8 million

The Tribes would view this proposal as a significant step forward in improving the quality of education for Indian students. Congressional delegations from the affected states also would receive the proposal warmly.

This proposal is especially important if you choose to propose a new school construction initiative on the tax side, because Tribes do not issue bonds for this purpose. Even if you choose to propose a school construction initiative on the spending side, this initiative would be valuable. In the Administration's school construction proposal last year, 2% of the funds were set aside for a direct appropriation for Tribal schools, over and above the accounts discussed here. This funding, however, is contingent on the passage of a school construction proposal, and in any event, is insufficient to meet the Tribes' needs.

We have developed this proposal with the involvement and support of OMB, the Department of the Interior and the Department of Education.

Other Initiatives

We are working to make sure that other education initiatives that are proposed for FY99 include an appropriate set-aside for BIA schools and, where feasible, for public schools that serve a large concentration of Native American students. These include:

- Education Opportunity Zones. A percentage of grant funds will be set aside for administration by the BIA, and the Education Department will be encouraged to provide at least one grant to a rural school district with a large percentage of Native American

students.

- Early Intervention College/School Partnerships. We are working to determine the best ways to ensure that Tribal Colleges can effectively participate in this initiative, as well as to fund other college/school partnerships in communities with a large percentage of Native American students.
- Child Care. The Child Care Block Grant already contains a set aside for administration by BIA. Proposed funding increases in this program will automatically benefit programs serving Native Americans on reservations.
- Technology. This year the BIA launched Access Native America, an initiative to implement the four pillars of your technology challenge and to connect all schools, classrooms, and libraries to the Department of Interior's Internet backbone by the year 2000. Within the past month, DPC arranged a meeting between BIA staff and the Schools and Libraries Corporation to help Tribal schools take advantage of the e-rate. As a result, the Corporation has agreed that BIA can apply for the e-rate on behalf of all Tribal schools, and BIA has begun to develop materials and plan training so that schools can complete the necessary applications.
- Teacher Preparation and Recruitment. This initiative, which you announced at the NAACP Convention on July 17, helps to prepare and recruit teachers to serve in high-poverty urban and rural communities. At the time this proposal was developed, we did not target funds to Tribal schools. We are in the process of preparing new legislative language to take care of that omission, and will work with our Congressional allies to incorporate it into our proposal.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 16:44:32.00

SUBJECT: Future Cuts to OFCCP

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

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

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Our memo says that the additional money will enable OFCCP to review 30% of companies that do business with the government. They say they can do it even if we cut \$5 million from the fund, they will shift the money around. If we want to do much deeper cuts to the program, we may need to adjust the 30% figure.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 12:46:39.00

SUBJECT: coverage memo

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

READ: UNKNOWN

TEXT:

This is the latest draft with Chris's edits. We will get you the cancer re-write shortly.===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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DRAFT, CONFIDENTIAL, CLOSE HOLD
December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

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SUBJECT: Health Insurance Coverage Initiatives in the FY 1999 Budget

Overview

Throughout your Administration, you have worked to enact legislation to expand access to affordable health insurance. Your signing of the Balanced Budget Act included an unprecedented \$24 billion investment for state-based children's health insurance programs. This historic initiative will clearly reduce the number of uninsured. However, there are other deserving populations whom we could target in our step-by-step reforms. These include the pre-65 year olds (referenced in the Medicare memo), workers between jobs, and workers in small businesses. In addition, we are working on possible proposals to expand Medicaid coverage to people with AIDS and disabilities through pilot programs. The policy development of these proposals is still underway, so we have not included them here.

Taken together, these are not large initiatives, summing to around \$10 billion over 5 years. This is less than half of the health investments enacted as part of the Balanced Budget Act and less 4 percent of the premium assistance proposed in the Health Security Act. Having said this, none of your advisors believe the Medicare and Medicaid savings left after last year's deficit reduction effort are sufficient to fund these initiatives. There may be \$0.5 to 1 billion over 5 years in Medicaid savings, but those savings will be difficult to achieve and there may be other claims on them (e.g., child care, benefits to immigrants). It could also be argued that, given the link between tobacco and health care, any residual revenue from the tobacco settlement or a tax could be considered for coverage initiatives, particularly those related to children.

Your advisors uniformly agree that we need to take all actions possible to achieve if not exceed your goal of increasing insurance coverage for 5 million children. A series of proposals are described to help accomplish that goal. There is less agreement on whether we address a new group of uninsured people in this budget. Labor strongly supports the workers between jobs demonstration; of all health initiatives in the budget, it is their highest priority. OMB also supports that demonstration if sufficient funds are available. While HHS believes that this proposal has merit, they are skeptical that it will achieve significant support since it has not in the past three years of trying.

A. CHILDREN'S HEALTH OUTREACH

The Children's Health Insurance Program (CHIP) provides funds for coverage of millions of working families' uninsured children, a population that previously had trouble affording coverage. It also builds upon a strong Medicaid program that this Administration has worked so hard to protect. However, important work remains to be done. In particular, we need to work with states to enroll the millions of uninsured children in these programs.

Medicaid eligible children are especially at risk of remaining uninsured. Over three million uninsured children are eligible for Medicaid. Educating families about their options and enrolling them in Medicaid has always been a problem, but it has recently become more challenging. The number of children covered by Medicaid leveled off in 1995 and, according to the Census, dropped by 6 percent in 1996. While some of this decline may be due to the lower number of children in poverty, some part may also result from families' misunderstanding of their children's continued eligibility for Medicaid regardless of the changes in welfare.

Options to Increase Outreach for Medicaid and the Children's Health Insurance Program

To address the need for children's health outreach, we propose a series of policy options. Together, these initiatives could cost \$1 to 2 billion over five years (or more depending on policy choices about the enhanced match). Preliminary discussions with NGA and some children's advocates suggest they strongly support these efforts. In addition, the Administration is developing partnerships to encourage a complementary range of private outreach activities.

Enhanced match for outreach. One option for improving state outreach is to provide enhanced match to enroll children who are eligible, but not previously enrolled in Medicaid. At the end of each year, if a state can document that it has increased its enrollment over its baseline, it would receive an increased matching amount per newly covered child or, alternatively, it could receive match through an increase in administrative payments. This policy rewards states only if they succeed in outreach, rather than just matching activities that may or may not work. Although its costs depend on the amount of the incentive and the ability to administer this system efficiently, we could probably constrain costs to \$0.5 to 1 billion over five years.

Moving outreach to schools and child care sites. We could build upon the "presumptive eligibility" provision in the Balanced Budget Act to make it easier to enroll children in Medicaid and CHIP. The BBA option allows limited sites (e.g., hospitals) to give low-income children temporary Medicaid coverage on the spot while they are formally enrolled in CHIP or Medicaid. This proposal would broaden those sites to include schools and appropriate child care sites, at the states' option. HCFA actuaries preliminarily estimate that this would cost \$400 million over 5 years. Also, under the BBA, states that use presumptive eligibility must pay for its costs out of the CHIP allotment, reducing the amount available for other coverage. States have advised us that this is a disincentive to take this new option. HCFA actuaries preliminarily estimate that this costs \$25 million over 5 years.

Accessing 90 percent matching funds for outreach. A third way to increase funding for children's health outreach is to increase states' flexibility in using a special Medicaid fund set aside in TANF for outreach for children losing welfare. This \$500 million fund is currently allocated to states with a 90 percent matching rate for outreach activities to certain children. We could expand its use to all children, not just welfare children. HCFA actuaries preliminarily estimate that this would cost \$100 million over 5 years. NGA supports this change.

Simplifying enrollment. A simple, accessible enrollment process from beginning to end could encourage more families to enroll their children in Medicaid or CHIP. To help create such a process, we propose several actions, all of which are low cost initiatives. First, we could streamline the application process by simplifying Medicaid eligibility and by encouraging the use of simple, mail-in applications. HCFA has already developed a model, single application form for both Medicaid and CHIP. We could condition some of the financial incentives, described above, on using a single or simple application. Second, we are reviewing the feasibility and costs of a nationwide 1-800 number that will link families with their state or local offices. Such a number could be placed in public service announcements, on the bottom of school lunch program applications, and on children's goods like diaper boxes, for example, allowing families easy access to information.

Discussion

There is unanimous support across agencies for focusing on children's health outreach. For HHS and Treasury, it is their first priority in all health initiatives. NEC/DPC and OMB believe that aggressive outreach will be needed to meet or exceed the Administration's goal of covering 5 million uninsured children. Although we believe this policy will receive validation by policy experts, children's advocates, and Governors alike, this package of outreach initiatives may be a communications challenge so soon after the enactment of the \$24 billion base children's health program. In addition, OMB is concerned that we recognize that it is unlikely that we would enroll all 3 million uninsured children, since there may be some children who are impossible to reach.

One great challenge is the difficulty of finding savings from Medicaid to offset the costs of this initiative. With this in mind, your advisors are considering the tobacco settlement as a financing source. Specifically, we are exploring the advisability of allowing states to retain the Federal share of the tobacco funds with an agreement that they dedicate those funds to high priority Administration initiatives like child care, education and health care. There is no doubt that Governor Chiles would support such an approach if we dedicate the funds to children's health care, not just outreach. We are examining policy options should we pursue this path.

B. WORKERS BETWEEN JOBS DEMONSTRATION

Families who lose health insurance while they are between jobs are a small but important group of uninsured Americans. These families pay for health insurance for most of their lives, but go through brief periods without coverage when they are temporarily unemployed. If they experience a catastrophic illness during this transition, the benefit of their years' worth of premium payments is lost. Worse, should a family lose insurance coverage during the period of unemployment, they will not be protected by the provisions of the Kassebaum-Kennedy legislation once they regain coverage. Coverage at that point could be subject to a new pre-existing condition exclusion period.

Limited Demonstration

This policy option is a modification of the program that we have carried in our last two budgets. It would award grants to several states to provide temporary premium assistance to eligible low-income families. States would use this money to partially subsidize families' premium payments for up to 6 months. To truly test how best to address this population's needs, we would select states using a range of approaches like a COBRA-based subsidy, Medicaid, or covering the parents of children covered by CHIP.

Since it is a grant program, the costs are a policy choice. To give a sense of the coverage for the options, last year's \$10 billion proposal over four years covered about 3.3 million people with incomes below 240 percent of poverty. If we assume the same set of policy parameters, a demonstration of \$1 billion over 5 years would cover about 230,000, of \$2.5 billion would cover about 600,000, and it would take about \$3.5 billion to cover about 800,000 people. OMB has suggested that we could limit the costs by reducing the eligibility for assistance to people below poverty. However, NEC/DPC advisors oppose such a limitation because it shifts the target away from the middle class families we originally intended to help.

Discussion

On policy grounds, all of the agencies support this policy. It has been in our last two budgets because of its merits. This policy remains Labor's first priority since they view the unemployed uninsured as a particularly vulnerable and important group to target. They also believe that this is a particularly important policy in the context of the trade debate and worker insecurity issues. OMB would support this initiative if there are sufficient funds. Funding may be a problem since there is probably not enough Medicaid savings for this option, especially if we pursue children's outreach. HHS is concerned about supporting this policy with Medicare savings, believing that Medicare savings should be reinvested for Medicare beneficiaries. HHS also feels as though circumstances have not changed to make this policy viable this year when it has not been in the past. DPC/NEC are concerned about dropping this policy altogether and do support a demonstration large enough to be viewed as improving coverage. However, if resources are limited, we would advocate for the children's outreach initiative before this proposal.

C. VOLUNTARY PURCHASING COOPERATIVES

Workers in small firms are most likely to be uninsured. Over a quarter of workers in firms with fewer than 10 employees lack health insurance — almost twice the nationwide average. While 88 percent of workers in firms with 250 or more workers are offered health insurance, only 41 percent of workers in firms with less than 10 workers are offered coverage. This results in large part from the fact that the small group health insurance market does not function as well as the large group market. Studies have shown that administrative costs are higher and that small businesses pay more for the same benefits as larger firms.

Grants to States

Given the disadvantages faced by small firms, the question is: are there policies that can make insurance more affordable for small businesses and their employees? In the last two budgets, we have included a policy to provide seed money for states to establish voluntary purchasing cooperatives. These cooperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. This year, we propose both the original policy and a variation: a competitive grant approach so that a more limited number of states could receive a smaller, but more targeted, pool of funds. The total costs would be \$50 to \$100 million over 5 years.

Discussion

All agencies remain supportive of this policy and believe it should be included in this year's budget. It is important that we have some initiative that illustrates our understanding that a major problem of lack of insurance continues to exist in the small employer community. In the past, we have been unable to get this policy passed into law primarily because it has been viewed as an alternative to an initiative proposed by Congressman Fawell. His approach would make it easier for small businesses to self-insure and in so doing escape all state regulation. Governors and consumer groups have consistently opposed the Fawell approach, mostly because of the concern that the small group market will only be left with the most risky, most expensive groups, while all the low risk groups will move into the self-insured, non-regulated market. We have raised similar concerns and have also pointed out that a Fawell-type approach would eliminate all of the consumer protections state insurance regulation currently provides. Based on our preliminary conversations with Congressman Fawell, it may be that our impasse is resolvable since this is his last year as a Member of Congress and there are some compromises that seem within reach.

December 9, 1997

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Hex-Dump Conversion

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

SUBJECT: Health Insurance Coverage Initiatives in the FY 1999 Budget

Throughout your Administration, you have worked to enact legislation to expand access to affordable health insurance. The Balanced Budget Act included an unprecedented \$24 billion investment for state-based children's health insurance programs. This historic initiative will clearly reduce the number of uninsured. However, there are other deserving populations whom we could target in our step-by-step reforms. These include the pre-65 year olds (referenced in the Medicare memo), workers between jobs, and workers in small businesses. In addition, we are working on possible proposals to expand Medicaid coverage to people with AIDS and disabilities through pilot programs. The policy development of these proposals is still underway, so we have not included them here.

Taken together, these initiatives total around \$10 billion over 5 years. This amount is less than half of the health investments enacted as part of the Balanced Budget Act and less than 4 percent of the premium assistance proposed in the Health Security Act. Having said this, none of your advisors believe the Medicare and Medicaid savings left after last year's deficit reduction effort are sufficient to fund these initiatives. There may be \$0.5 to 1 billion over 5 years in Medicaid savings, but those savings will be difficult to achieve and there may be other claims on them (e.g., child care, benefits to immigrants). Another possible source of funds is the tobacco settlement, given the natural link between tobacco and health care.

Your advisors uniformly agree that we need to take all actions possible to achieve if not exceed your goal of increasing insurance coverage for 5 million children. A series of proposals are described in this memo to help accomplish that goal. There is less agreement on whether we should address a new group of uninsured people in this budget. The Department of Labor strongly supports the workers-between-jobs demonstration; of all health initiatives in the budget, it is their highest priority. OMB also supports that demonstration if sufficient funds are available. HHS believes that this proposal has merit, but is skeptical that it will attract significant support since it has not in the past three years of trying.

A. CHILDREN'S HEALTH OUTREACH

The Children's Health Insurance Program (CHIP) provides funds for coverage of millions of working families' uninsured children, a population that previously had trouble affording coverage. It also builds upon the Medicaid program that covers nearly 20 million children. But, important work remains to be done. In particular, we need to work with states to enroll the millions of uninsured children in these programs.

Medicaid eligible children are especially at risk of remaining uninsured. Over three million uninsured children are eligible for Medicaid. Educating families about their options and enrolling them in Medicaid has always been a problem, but it has recently become more challenging. The number of children covered by Medicaid leveled off in 1995 and, according to the Census, dropped by 6 percent in 1996. While some of this decline may be due to the lower number of children in poverty, another part may result from families' misunderstanding of their children's continued eligibility for Medicaid in the wake of welfare reform.

Options to Increase Outreach for Medicaid and the Children's Health Insurance Program

To address the need for children's health outreach, we propose a series of policy options. Together, these initiatives could cost \$1 to 2 billion over five years (or more depending on policy choices about the enhanced match). Preliminary discussions with NGA and some children's advocates suggest they strongly support these efforts. In addition, the Administration is developing partnerships to encourage a complementary range of private outreach activities.

Enhanced match for outreach. One option for improving state outreach is to provide an enhanced match to enroll children who are eligible for but not previously enrolled in Medicaid. At the end of each year, if a state can document that it has increased its enrollment over its baseline, it would receive a increased matching amount per newly covered child (possibly through administrative payments). This policy rewards states only if they succeed in outreach rather than matching activities that may or may not work. Depending on the amount of the incentive and the administrative design, this option could cost to \$0.5 to 1 billion over five years.

Moving outreach to schools and child care sites. We could build upon the "presumptive eligibility" provision in the Balanced Budget Act to make it easier to enroll children in Medicaid and CHIP. The BBA option allows limited sites (e.g., hospitals) to give low-income children temporary Medicaid coverage on the spot while they are formally enrolled in CHIP or Medicaid. This proposal would broaden these sites to include schools and appropriate child care sites, at the state's option. HCFA actuaries preliminarily estimate that this proposal would cost \$400 million over 5 years. Also, under the BBA, states that use presumptive eligibility must pay for its costs out of the CHIP allotment, reducing the amount available for other coverage. States have advised us that this requirement discourages them from taking advantage of the presumptive eligibility provision. HCFA actuaries preliminarily

estimate that dropping this requirement would cost \$25 million over 5 years.

Accessing 90 percent matching funds for outreach. A third way to increase funding for children's health outreach is to increase states' flexibility in using a special Medicaid fund set aside in TANF for outreach for children losing welfare. This \$500 million fund is currently allocated to states with a 90 percent matching rate for outreach activities to certain children. We could expand its use to all children, not just welfare children. HCFA actuaries preliminarily estimate that this policy would cost \$100 million over 5 years. NGA supports this change.

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Discussion

There is unanimous support across agencies for focusing on children's health outreach. HHS and Treasury believe that such outreach should be the Administration's first priority. NEC/DPC and OMB believe that aggressive outreach will be needed to meet or exceed the Administration's goal of covering 5 million uninsured children. Although OMB is supportive, it points out that, since some children may be impossible to reach and some states may not use these options, we are unlikely to enroll all 3 million children. NEC, also supportive, raises the concern that spending on an outreach initiatives may be a communications challenge so soon after the enactment of the \$24 billion base children's health program. However, policy experts, Governors and children's advocates alike will all endorse this initiative.

One great challenge is the difficulty of finding savings from Medicaid to offset the costs of this initiative. With this in mind, your advisors are considering the tobacco settlement as a financing source. Specifically, we are exploring the advisability of allowing states to retain the Federal share of the tobacco funds if they dedicate those funds to high-priority Administration initiatives like child care, education and health care. There is no doubt that Governor Chiles would support such an approach if we dedicate the funds to children's health care, not just outreach.

B. WORKERS BETWEEN JOBS DEMONSTRATION

Families who lose health insurance while they are between jobs are a small but important group of uninsured Americans. These people pay for health insurance for most of their lives, but go through brief periods without coverage when they are temporarily unemployed. If they experience a catastrophic illness during this transition, the benefit of their years' worth of premium payments is lost. In addition, they could lose protection under the provisions of the Kassebaum-Kennedy legislation once they regain coverage. Coverage at that point could be subject to a new pre-existing condition exclusion period.

Limited Demonstration

This policy option is a modification of the program that we have carried in our last two budgets. It would award grants to several states to provide temporary premium assistance to eligible low-income families. States would use this money to partially subsidize families' premium payments for up to 6 months. To test how best to address this population's needs, we would select states using a range of approaches like a COBRA-based subsidy, Medicaid, or covering the parents of children covered by CHIP.

Since it is a grant program, we could make this program as large or small as we want. To give a sense of the coverage for the options, last year's \$10 billion proposal over four years covered about 3.3 million people with incomes below 240 percent of poverty. If we assume the same set of policy parameters, a demonstration of \$1 billion over 5 years would cover about 230,000 people; a demonstration of \$2.5 billion would cover about 600,000; and a demonstration of about \$3.5 billion would cover about 800,000 people. OMB has suggested that we could limit the costs by reducing the eligibility for assistance to people below poverty. However, NEC/DPC advisors oppose such a limitation because it shifts the target away from the middle-class families we originally intended to help.

Discussion

On policy grounds, all of the agencies support this policy. It has been in our last two budgets because of its merits. This policy remains Labor's first priority because it targets a particularly vulnerable group and addresses the worker insecurity issues that played such a large role in the debate over Fast Track. OMB would support this initiative if there are sufficient funds. HHS believes that this policy is no more viable this year than it has been in the past; HHS would also object to using Medicare and Medicaid savings to fund this proposal. DPC/NEC are concerned about dropping this policy altogether and support a demonstration that is large enough to be viewed as improving coverage. If resources are limited, however, we would prefer the children's outreach initiative to this proposal.

C. VOLUNTARY PURCHASING COOPERATIVES

Workers in small firms are most likely to be uninsured. Over a quarter of workers in firms with fewer than 10 employees lack health insurance — almost twice the nationwide average. While 88 percent of workers in firms with 250 or more workers are offered health insurance, only 41 percent of workers in firms with less than 10 workers are offered coverage. This disparity reflects the poor functioning of the small group health insurance market. Studies have shown that administrative costs are higher and that small businesses pay more for the same benefits as larger firms.

Grants to States

Given the disadvantages faced by small firms, the question is: are there policies that can make insurance more affordable for small businesses and their employees? In the last two budgets, we have included a policy to provide seed money for states to establish voluntary purchasing cooperatives. These cooperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. This year, we propose both the original policy and a variation: a competitive grant approach so that a more limited number of states could receive a smaller, but more targeted, pool of funds. The total costs would be \$50 to \$100 million over 5 years.

Discussion

All agencies remain supportive of this policy and believe it should be included in this year's budget. In the past, we have failed to enact this proposal because Congressman Fawell has pushed an alternative approach more attractive to small businesses. Fawell's proposal would help small businesses to self-insure and in so doing escape all state regulation. Governors and consumer groups have consistently opposed the Fawell approach, mostly because of the concern that the small group market will only be left with the most risky, most expensive groups, while all the low risk groups will move into the self-insured, non-regulated market. Our recent conversations with Fawell suggest that he may be open to compromise this year in a way that he has not been in the past.

December 9, 1997

Automated Records Management System
Hex-Dump Conversion

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
TOM FREEDMAN

SUBJECT: Civil Rights Enforcement Initiative

We have developed a civil rights enforcement initiative that places a new emphasis on prevention and non-litigation remedies for discrimination while also strengthening civil rights agencies' ability to enforce traditional federal anti-discrimination policy. The plan promotes prevention by providing increased resources for compliance reviews and technical assistance, and offers an alternative to expensive litigation by funding a dramatic expansion of alternate dispute resolution (ADR) mechanisms. The plan also sets specific performance goals for the EEOC to speed its processing of complaints and reduce its backlog, and provides for greater coordination of strategy across federal civil rights agencies and offices. The package of improvements totals approximately \$107 million, including a 16.5% increase above the enacted FY 1998 budget for EEOC and a roughly 50% increase for the relevant HUD office.

I. Strategies that Promote Prevention and Avoid Litigation

A. Resolving Problems Without Lengthy Court Fights

The plan calls for the dramatic expansion of Alternative Dispute Resolution (ADR) across all relevant agencies. The largest initial investment is a \$40 million expansion over three years of the EEOC's mediation program. The EEOC currently has only a very limited mediation program. The increased funding will allow upwards of 70% of all complainants to choose mediation, rather than the lengthy process of investigation and litigation. (The remainder will not have this option, either because their cases are seen as the most serious enforcement priorities or because their cases are wholly devoid of merit.) We expect about half of all complainants to choose the mediation option. In addition to the EEOC program, pilot mediation programs will be introduced at HHS and Labor.

B. Spotlighting the Problem and Encouraging Compliance

The initiative includes a fund to improve the surveillance, technical outreach, and compliance efforts by civil rights offices. The focus on compliance is reflected in increased support for DOL's Office of Federal Contract Compliance program, which ensures that businesses under contract to the federal government implement E.O. 11246 and comply with

anti-discrimination law. This \$23 million reform will allow the office to increase ten-fold the number of compliance reviews it conducts through the introduction of a tiered review system. **In addition, the initiative provides \$10 million to HUD to conduct a program using paired testers, which is designed to raise awareness of the extent of housing discrimination through the public release of audit results as well as subsequent focused enforcement action. This initiative will also enable the EEOC to improve compliance through videos for employers and a public service campaign.**

II. Making Enforcement Work

A. Resources to Eliminate Backlogs

One of the most common criticisms of federal civil rights enforcement relates to the length of time the EEOC takes to hear and decide cases. This plan uses improvements in technology, mediation, and the addition of over 100 investigators to lower the average time spent resolving private-sector complaints to under 6 months (from the current 9.4 months) and reducing the inventory from 64,000 cases to 28,000 by the year 2000. The plan also includes two new initiatives at HHS to reduce backlogs by expanding the use of case management techniques and giving state and local civil rights agencies an additional role in enforcement.

B. Coordinating and Streamlining Federal Policies

Federal civil rights offices only rarely consult or coordinate with each other. This initiative will institute a standing inter-agency working group to address issues of common interest, including development of strategy, implementation of performance outcome measures, and sharing of training initiatives and data collection.

We also recommend that you begin the process of implementing EEOC's proposal to strengthen its authority to eradicate discrimination from federal agencies, provided White House and Department of Justice attorneys approve the measures. Currently, parties who complain of discriminatory treatment by an agency can request a hearing from an Administrative Judge who is an impartial EEOC employee. Agencies, however, can then issue a final agency decision (FAD) rejecting the AJ's decision altogether. Statistics show that agencies modify decisions adverse to them nearly two-thirds of the time, while modifying decisions favorable to them only about 1% of the time. The EEOC proposal would eliminate the FAD process where there has been an AJ hearing, and permit both the complaining party and agencies to appeal the AJ's decision to the EEOC.

C. Modernizing Civil Rights Enforcement

Many civil rights agencies have not received sufficient increases in resources to make use of technology and improve their efficiency. For instance, unlike most of the federal government, EEOC offices lack the ability to communicate with each other using e-mail. The plan includes a \$15 million technology initiative for EEOC, HHS, Labor, and Education to provide for communication via electronic mail; eliminate redundant data entry procedures; permit the sharing of information and enhanced research capabilities for investigators and attorneys; allow for the

filing of forms and complaints over the Internet; and provide for the sharing of civil rights data bases.

III. Status of Proposals

DPC developed this plan after consultation with representatives of leading civil rights organizations, heads of federal civil rights offices, and other White House offices. OMB has recommended a package of \$57 million for this initiative, which will fund some of the measures described here. OMB is currently reviewing other agency proposals, including the \$40 million expansion of ADR at EEOC and the \$23 million proposal by DOL-OFCCP to expand its compliance program.

Automated Records Management System
Hex-Dump Conversion

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1997 11:25:01.00

SUBJECT: Color Printer

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

TO: Neera Tanden (CN=Neera Tanden/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Mary L. Smith (CN=Mary L. Smith/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: Jerold R. Mande (CN=Jerold R. Mande/OU=OSTP/O=EOP [OSTP])
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: Andrea Kane (CN=Andrea Kane/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: Jose Cerda III (CN=Jose Cerda III/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

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

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

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

READ:UNKNOWN

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

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

TO: Christa Robinson (Christa Robinson @ EOP @ LNGTWY [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

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

TEXT:

We now have a new color printer. The printer is located in my office.
Please feel free to use it for reports, documents, etc.

For the record, the printer is three times the size of an HP5.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1997 19:11:32.00

SUBJECT: Sect. Herman meeting with reporters Wed @ 11:30

TO: Sky Gallegos (CN=Sky Gallegos/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

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

READ:UNKNOWN

TO: Emil E. Parker (CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Emily Bromberg (CN=Emily Bromberg/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Diana Fortuna (CN=Diana Fortuna/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 -- Secretary Herman is meeting with reporters Wednesday at 11:30 as part of her on-going welfare reform campaign. I'm getting their entire press packet -- so far I've seen their Q&As which are surprisingly on message.

They are also preparing a publication for release in January which I need to talk to them about.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jose Cerda III (CN=Jose Cerda III/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 22:04:12.00

SUBJECT: Crime-Related Budget Items

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: Leanne A. Shimabukuro (CN=Leanne A. Shimabukuro/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Bruce/Elena:

Here are my reactions to OMB's passback/appeals. Please let me know your reaction. I've shared some of these thoughts w/Deich's folks on a preliminary basis.

1. DPC priorities.

Community-Based Prosecutors and Justice. There are currently no funds for our community prosecutors initiative, so it will have to come from the PPR (President's Priority Reserve). Originally, DOJ had \$25 million for compatible items in its budget submission (a \$3 million community justice initiative and \$22 million for a block-by-block program) that, I believe, can be rolled into what we're trying to do with the Community Prosecutors. However, it looks as if DOJ has given up on these items -- or tucked them elsewhere in the budget. If so, this is all new money that we need to find.

Juvenile Justice. The budget retains the funds we proposed last year and adds \$30 million for Indian country -- that means \$100 million for prosecutors, \$60 million for courts (includes \$10 million increase for Indians), and \$95 million for at-risk youth (includes \$20 million increase for Indians). Even though Congress appropriated \$250 million for a juvenile justice block grant (\$110 reserved for prosecutors and courts), I think -- with one exception -- that we should reiterate what we had in last year's budget until a juvie bill passes. Here's my controversial one exception: we should drop the \$95 million for an at-risk youth initiative and consider using that money for prosecutors.

Here's my reasoning: (1) we have not and are not likely to get this money in the CJS bill. The CJS appropriators and Judiciary Committee continue to resist our efforts to use any significant number of crime/juvenile funds for such broad-based/undefined prevention; (2) Rahm continues to make the case to the Hill leadership that our prevention message needs to be school-focused, yet this initiative is anything but school-focused. And (3) DOJ's budget is also not where the real money or battle is at anyway. Safe and Drug-Free Schools already has the district-by-district support Rahm craves and involves serious money (nearly \$600 million) that is at risk in the budget process. More importantly, we DPC are getting ready to launch a \$200 million per year after school program that should be the focus of our message and legislative efforts.

Indian Law Enforcement. DOJ remains opposed to OMB's proposal and, with the exception of OMB's \$40 million earmark in prisons and \$30 million earmark in proposed juvie funds, is appealing for some \$102 million out of the PPR for Indian Law Enforcement. This includes: \$4.657 million for 50 investigative positions (30 agents) at FBI; \$3.352 million for FBI victims/witness coordinators and support staff; \$3.466 million for 35 positions in USAs offices (26 AUSAs); 12 new grant administrators to manage the proposed prison/juvie earmarks (my personal favorite, in light of Ron Klain's e-mail earlier today); and \$90.405 million for BIA law enforcement (part of the Interior, not DOJ, budget allocation). Personally, I think its ridiculous that DOJ -- for such a "high crime priority" -- can't find even part of mere \$11 million in their FBI or USA budget, or cover the costs of administering earmarks that essentially already exists! I leave to the Interior folks whether or not BIA's \$90 million should come out of their base or the PPR.

Hate Crimes. While I don't have a # for what it will take in terms of FBI and USA resources to implement the Hate Crimes enforcement initiative, DOJ is asking for these funds to come out of the PPR. And as with the Indian Directive, we should support DOJ finding at least some of these resources in house.

2. Other Crime Issues

Byrne Grants. The current OMB passback includes two hits to the Byrne program that I believe are sure to lose on the Hill and get us maximum grief from the Govs: (1) a \$100 million earmark in Byrne (\$553 million overall in formula funds to states) for non criminal justice drug treatment. This is not one of Byrne's authorized purposes, and would seen as taking funds from drug enforcement and putting them into treatment -- a "false choice" we have tried to avoid. And (2) a \$25 million earmark for Indian Country law enforcement.

VAWA. VAWA funds for FY 1999 are currently just below last year's appropriation. Given our record on this issue -- and strong Hill support -- we should at least fund VAWA at least year's level. This is only about another \$21 million.

Drug Testing/Treatment and Courts. OMB and I had discussed consolidating some of the drug testing/treatment dollars, so that the President had a larger initiative to point to (\$200 million, instead of 4-5 different programs). Justice is opposed and thinks this will reduce overall funding. OMB and I have backed off.

Safe Start Initiative. DOJ is asking for \$10 million from the PPR to launch a Safe Start initiative for kids exposed to violence. Frankly, unless this is something we or FLOTUS are committed to, I am not inclined to push for it. First, DOJ has discretionary funds to do this (so it shouldn't get bumped up), and HUD has been authorized since '92 to pursue a similar initiative in public housing (about \$4 million). Second, DOJ originally proposed a \$100 million per year initiative -- and none of the numerous and "supportive" agencies have kicked any dollars into the kitty. To me, this initiative looks a lot like "Pulling America's Communities Together (PACT)," "DAWN" (Denver, Atlanta, Washington, Nebraska), "Model Intensive Grants" and "At-risk Youth," and DPC shouldn't adopt another multi-disciplinary prevention initiative unless we're really committed to it (Besides aren't we getting ready to adopt the AG's communities project and link it to our after school effort?) Third, DPC already is proposing a \$200 to \$400 million per year initiative for early learning, and increasing funds for Early Head Start (0 to 3). I know

these initiatives aren't the same, but they've got to be better vehicles/opportunities than DOJ's budget.

Local Law Enforcement Block Grant (LLEBG). DOJ has asked that the President fund this \$523 million law enforcement block grant for cities from the PPR. It's strongly supported by the Hill R's, Mayors and police, and is considered by some as part of the deal that preserves COPS funding at the 100,000 level -- or 1.4+ billion per year. Though we have not supported the LLEBG, it has been faithfully included in the CJS approps and DOJ is now pushing to have it included in our budget. I've suggested to OMB that, if we are really going to consider funding it, we should give the President some options on how to better target the LLEBG. For instance, when the Mayors were here last spring for the Drug Summit, one of their primary beefs was access to direct funds to fight the drug war locally. Maybe we should consider embracing the LLEBG, but asking Mayors to dedicate it to a balanced local drug strategy. Maybe we should look to use these funds for COPS-related initiatives -- technology, retention and other things that they're probably using it for now anyway.

Race. The COPS budget include \$1 million for police recruitment. Also, the Civil Rights budget includes a \$2 million increase for police brutality and misconduct, and the NIJ budget includes \$500,000 for a police use of force study. I asked for the recruitment funds; I take the police brutality and use of force funds to be a DOJ request.

Youth Crime Gun Interdiction (gun tracing, or YOGI, as I call it). I'm going to double check the #s on this tomorrow, but I do know that Treasury is appealing for some additional funds for this initiative (maybe \$4 million more). We -- including Rahm -- should be supportive. We promised to support Treasury's efforts to fund more ATF agents to work on this and to crack down on illegal gun traffickers.

3. Drug Budget

I asked to see the drug cross-cut, but was unable to get my hands on it. I hope to get it tomorrow and pass along some further comments. Several issues have already surfaced. These include: (1) cutting Safe and Drug-Free Schools in half and sending the money to HHS (ouch! Nuff said); (2) cuts to Custom's personnel budget (this speaks to border drug enforcement issues and is likely to be criticized by some on the Hill); (3) McCaffrey's push for another \$100 million in interdiction funds at DOD (I'm uncertain as to whether or not this is close to being resolved); and cuts to Byrne (mentioned above).

Forgive the length of this e-mail, but I hope this info is useful.

Jose'

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 10:23:04.00

SUBJECT: Haitian letter

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

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

I am faxing you a more recent draft of the NSC drafter letter from John Hilley to Lamar Smith. This is written in response to a letter Smith sent Hilley re: Haitians. Scott Busby has not yet vetted it in his office, but hopes to get that done and the letter out (to Hilley's office) by tomorrow. He has also sent it to Maria, Rob Weiner and the DAG's office at DOJ for comments. I think that this draft is o.k. -- much better than the last which I sent you a few days ago. Just let me know if you have any comments or concerns. Thanks.

Also, is there any necessary follow-up on yesterday's meeting with DOJ?

Finally, do you need any more information re: INS reform before your meeting with Doris et al on Wednesday?

Thanks.

Julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jose Cerda III (CN=Jose Cerda III/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 22:26:16.00

SUBJECT: SW Border

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: Leanne A. Shimabukuro (CN=Leanne A. Shimabukuro/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
BR/EK:

Any thoughts on the proposed noon meeting w/Erskine and the General? I spoke to DOJ and Treasury, both of whom have only met once with ONDCP on this. They shared some high-spy and hopefully substantive notes that I'm going to review tonight. The only other thing I know is that McCaffrey may want the President to call for a new and improved Border Strategy in the Miami drug speech.

Jose'

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1997 15:22:49.00

SUBJECT: Re: civil rights memo

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: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

1. We grew the initiative primarily by adding two programs-- an expansion of ADR at EEOC from a \$4 million pilot program to a \$40 million program over three years and \$23 million for the OFCCP program on compliance. 2. We don't mention the ed survey in the memo but I think it was on OMB's approved list. We can try and get rid of it.

Have we sent it in? There was a word in the memo I wanted to delete...

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1997 10:04:56.00

SUBJECT: Re: another

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

READ:UNKNOWN

TEXT:

This looks good.