

**NLWJC - KAGAN**

**EMAILS RECEIVED**

**ARMS - BOX 021 - FOLDER -002**

**[12/12/1997]**



December 12, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING  
CHRIS JENNINGS

SUBJECT: Health Insurance Coverage Initiatives

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 any more support than it has in the past three years.

## 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, which 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 even 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 an 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, appropriate child care sites, and Head Start 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.

**Simplifying enrollment.** A simple, accessible enrollment process 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 inexpensive. 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 cost 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 packages.

## **Discussion**

There is unanimous support across agencies for focusing on children's health outreach. HHS, Treasury and CEA 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 because 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 initiative 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 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. 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 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 and CEA 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, fearing that it would leave the small group market with only the most risky and expensive groups, as low-risk groups 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.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: June G. Turner ( CN=June G. Turner/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:12-DEC-1997 12:11:21.00

SUBJECT: Rescheduled: Domestic Family Planning Meeting

TO: Roberta W. Greene ( CN=Roberta W. Greene/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: FOLEY\_M ( FOLEY\_M @ A1 @ CD @ LNGTWY [ UNKNOWN ] ) (WHO)  
READ:UNKNOWN

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

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

TO: Sylvia M. Mathews ( CN=Sylvia M. Mathews/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Susan M. Liss ( CN=Susan M. Liss/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

TO: Ann F. Lewis ( CN=Ann F. Lewis/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Audrey T. Haynes ( CN=Audrey T. Haynes/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

CC: Aimee M. Malnati ( CN=Aimee M. Malnati/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

TEXT:

The Domestic Family Planning Meeting has been rescheduled for Tuesday, December 16 at 3:00pm in Room 476 OEOB. Please let me know if anyone else should be included.

Attendees:

Sylvia Mathews  
Elena Kagan  
Chris Jennings

Audrey Haynes  
Melanne Vermeer  
Ann Lewis  
Martha Foley  
Bobbie Greene

Outside Groups:

Janet Benshoff, Center for Reproductive Law & Policy  
Joanne Blum, National Abortion & Reproductive Rights Action League  
Judy DeSarno, National Family Planning & Reproductive Health Assn  
Kathryn Engustian, American Civil Liberties Union  
Marcia Greenberger, National Women's Law Center  
Helen Howell, Planned Parenthood Federation of America  
Joanne Hustead, Women's Legal Defense Fund  
Ann Kolker, National Women's Law Center  
Kate Michelman, National Abortion & Reproductive Rights Action League  
Cory Richard or Susan Cohen, Alan Guttmacher Institute  
Brenda Romney, Center for Reproductive Law & Policy  
Nancy Zirkin, American Association of University Women

Thanks.



**TO: BRUCE REED, ELENA KAGAN**

**FROM: TOM FREEDMAN, MARY SMITH**

**RE: SUMMARY OF FORD, LUGAR, AND ROBB TOBACCO FARMER  
BILLS**

**DATE: DECEMBER 12, 1997**

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The bills most basic difference is over whether there should be a tobacco buyout and a continuation of the quota program. Ford does not have a buyout but compensates farmers for loss of value in their quota. Lugar provides for a buyout, moving towards the freedom to farm model of the 1996 farm bill. Robb phases out the quota system, but sets up in its place a quasi-private licensing system to regulate production quantities.

USDA is putting together a detailed side by side together, with some historical numbers on the tobacco program. This note compares cost, quota buyout structures, and transitional costs.

**I. FORD**

**A. Cost: \$28.5 billion. Included as part of the \$368.5 billion.**

\* Payments for lost tobacco quota capped at \$1.6 billion per year.

\* Administrative costs of program, including crop insurance, paid for from fund. Limited to \$100 million annually.

\* Tobacco Community Development: \$300-350 million annually. Half the money to states for direct compensation proportionate to county share of tobacco income, half to state generally.

\* Farmer Opportunity Grants: \$1.4 billion total for higher education fund for farmers and dependants.

\*Tobacco Worker Transition Fund: \$500 million worker retraining program.

**B. Quota Buyout? No.**

**C. Payments for Lost Tobacco Quota:** Sets a baseline based on the quota for 1994-1996. Quota holders get \$4 a pound per year for every pound below baseline. Payments subject to lifetime limit of \$8 a pound times the farmer's baseline quota. Farmers who lease would be paid at a rate of \$2 a pound below

baseline. The lessee has a lifetime limit of one-half the baseline time the \$8 per pound. Tenant farmers receive half the payment going to the lessee.

**D. Future Changes to Program**

USDA can approve referendums in each state, enforces penalties against companies that don't meet purchase intentions. Payments for lost quota would be accelerated and paid in full upon termination of the program or in the case of a greater than 50% cut in quota for three consecutive years.

**II. LUGAR**

**A. Cost:** Approximately \$15 billion. Added on top of \$368.5 billion.

\* Cost of buyout and transition payments.

\* Economic Assistance Program costing \$300 million (\$100 million for 3 years--block granted to states).

**B. Quota Buyout:** Yes. Quota program ends in 1999. Quota owners receive \$8 for every pound they own, either in lump sum or over three years. (There was roughly 1.5 billion pounds of tobacco quota last year.)

Price support program is phased out over three years. (1999 price supports decline by 25%, 10% more in 2000 and 2001.)

Payments for transition for those who don't own quota payments are at 40 cents per pound over three consecutive years that they lease, rent or cash-rent or crop-share.

**III. ROBB BILL**

**A. Total Cost:**

\* \$12 billion buy-out.

\* \$250 million for economic diversification.

\* "Transition" costs.

**B. Buyout?** Yes. Five installments at \$1.60 a pound based on a three-year average of their basic quota. Money can be put in tax-deferred plan.

**C. New Tobacco Program:**

Private licensing arrangement phased in to replace quota system. System will be run by Tobacco Production Control Corporation. Board consists of 21 people from industry and government. Justification is that there is no free market in tobacco, four companies dominate it. Also public policy goal to have high prices.

Licenses would have no cost but could be obtained only by actual producers. Rights cannot be sold or leased. Suggests that the cost of operation will drop by 40 cents a pound.

- D. Economic Development Fund:** \$250 million annually for economic diversification in tobacco-dependant communities. Generally given to counties.
- E. Transition:** A minimum income protection system during the five-year buy-out period. Protection added in the event tobacco quota falls by more than 10% from 1997 levels. Tobacco producers would then be eligible for a \$1 per pound payment for lost quota from their 1997 level.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 18:39:49.00

SUBJECT: Central Americans

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:

Elena,

This afternoon, Maria held an advocates meeting to discuss the implementation of the Central American legislation. First, the fax that I sent you earlier was more of an advocacy piece by the EOIR on why we should not do an administrative remedy (they want to keep it). DOJ has since convinced EOIR of their decision to proceed with this administrative alternative if possible.

At the meeting, the advocates stated that: (1) they want a regulation that provides for a presumption of extreme hardship for those covered by the legislation. The advocates maintain that the INS grant rates are actually much lower for Salvadorans and Guatamalans than INS says they are, in part because of the wide discretion given to immigration judges that allows for caprice to sometimes determine outcomes. Thus, they argue that without a regulation that provides a presumption of extreme hardship, they will still have low grant rates; and (2) that they would prefer, with our without a regulation, to proceed with an administrative adjudication rather than with EOIR (admin judges).

We explained to them our concerns about doing a regulation: (1) that we could not do administratively what the Congress expressly did not do by legislation -- i.e., provide amnesty for the Guat. and Sal.; and (2) that we do not want to create by regulation a definition of "extreme hardship" for this class of aliens for this adjudication that is different from how we adjudicate extreme hardship in other circumstances. However, we did express a willingness to further explore an administrative adjudicative process (within INS), and that we would look into developing training materials and guidance for the asylum officers who would be adjudicating these claims that sets out with particularity the standard that should be used for making these determinations. It would not be as clean as a regulation, but it would provide strong guidance to the INS officers on what factors to look for, and thus somewhat direct their discretion in a way that looks favorably on the group covered by the legislation.

So, we are pretty much where we were with three remaining concerns: (1) I would like to better clarify the grant rates for Salvadorans and Guat. discussed by INS. They say that the grant rates are much higher than the groups think is valid (and did not come with the very specific information that we had asked for last time) and, according to DOJ, there are wildly disparate grant rates for these groups between offices (92% grant rate in S.F.; 62% grant rate in LA). Morton from DOJ had no explanation for this. (2) DOJ still owes us a breakdown of how many people covered by the legislation are in each of the relevant procedural categories; i.e., how many ABC class members v. non-ABC (rem: ABC class members have an

entitlement to an asylum process anyway, so the admin. option would be folded into what they would already be doing); how many have already had an asylum hearing; how many are in some other INS process, etc.; and (3) according to the legislation, those people with a letter of deportation (b/c , for example, they were denied asylum but did not qualify for suspension under the 1996 law) will have to file a motion to re-open within

240 days of January 14, 1997. According to many present, this is too short a time period to get a lawyer (\$) and file a motion, unless the filing is pro forma. INS has to decide how to make this a reasonable process.

All agree that we have to decide asap whether we are doing this admin. adjudication and what it will look like. (to allow for notice to communities, etc.). I am, as before, in favor of the administrative option, provided we can get some answers in the next couple of days on the remaining questions. Scott and DOJ also favor the admin. adjudication. Maria, I think, is on board with the admin. adjud. as opposed to the reg., as long as the training and guidance are there.

julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 16:25:32.00

SUBJECT: WORKAHOLICS NOTICE!!!Vacation Over The Holidays.

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TO: Christa Robinson ( Christa Robinson @ EOP @ LNGTWY [ OPD ] )

READ:UNKNOWN

TEXT:

I am very concerned about the "fry" factor among DPC staff. Many of you work ridiculous hours, all weekends, and do not take time for yourselves to cool down. Well, you are about to be presented with an historic opportunity. From approximately December 23rd until January 4, the President, Bruce Reed, and Gene Sperling will all be on vacation. That hopefully means no events, little budget work, etc. There will not be an opportunity like this until next August. Therefore, I am asking all of you to take some significant time off this holiday season in order to preserve your mental sanity, physical health, and family ties.

This request is in my own interest. If you take a vacation, then you won't burn out and quit. In addition, you will come back hopefully recharged.

Please go away. Take a week off at a minimum. Don't force me to have to lock you out of the office over the holiday break.



**Q. During the Race Town Hall Meeting in Akron two weeks ago, you announced a proposal for Education Opportunity Zones. What are these Zones, and how will they help improve educational opportunities for minorities?**

A. Urban school districts around the country, almost all with large concentrations of low income and minority youngsters, face some of the toughest educational challenges of all, both because of the circumstances in which many of their students live and because of the problems of large education bureaucracies. Yet in recent years we have begun to see important signs of improvement in our city school systems. Cities from Philadelphia to Detroit to San Francisco have reported recent increases in test scores. Many are raising academic standards for their students, and 15 of the largest cities volunteered to participate in my national tests. Chicago and other cities are ending social promotions, beginning to turn around failing schools, and remove weak teachers from the classroom. Los Angeles now gives bonuses to teachers who meet high national standards and become master teachers. These are places that are getting very serious about improving schools.

These are steps that we must encourage, strengthen and spread. That is what the Education Opportunity Zones will do--it will help more cities raise academic standards, hold students, schools and educators accountable for meeting them. It will help cities provide teachers with the training they need, help schools implement programs that work, and provide students who need it extra help in after school or summer school programs.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 13:40:00.00

SUBJECT: Housing Initiative

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

TO: Jose Cerda III ( CN=Jose Cerda III/OU=OPD/O=EOP [ OPD ] )  
READ:UNKNOWN

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

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

TEXT:

This looks ok to me. I guess Gene wants it for the 2:00 pm meeting.  
----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
12/12/97 01:39 PM -----

Jonathan Orszag  
12/12/97 11:12:00 AM

Record Type: Record

To: Paul J. Weinstein Jr.  
cc:  
Subject: Housing Initiative

Message Creation Date was at 12-DEC-1997 11:12:00

Gene request this. Can you review and then add, subtract, and edit as necessary. Thanks.

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

TEXT:

The following attachments were included with this message:

-----  
TYPE : FILE  
NAME : housing.d12  
-----

===== END ATTACHMENT 1 =====

===== ATTACHMENT 2 =====  
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D69]MAIL49240554Z.316 to ASCII,  
The following is a HEX DUMP:

## HOUSING INITIATIVE

| <i>Proposal</i>  | <i>Cost</i>   | <i>Status</i>  |
|--|---|--|
| <b>Expand Affordable Housing:</b> Raise the cap on the Low Income Housing Tax Credit (LIHTC) -- A proposal to partially offset the loss of the credit's value since 1986 because of inflation and population growth.   | <b>Five-Year:</b> \$350-\$600 million   | Memo submitted to the President on December 5, 1997.   |
| <b>Housing Mobility:</b> Expand Regional Opportunity Counseling program -- This proposal helps low-income families find housing in lower poverty areas.  | <b>FY99:</b> \$20 million   | Included in the budget   |
| <b>Housing Mobility:</b> Eliminate Obstacles to and Provide Incentives for Portability -- This proposal would (1) establish "portability clearinghouse"; (2) PHAs would receive bonus based on the number of Section 8 participants moving to lower-poverty areas; and (3) PHAs would be encouraged to request "exception rents" (above the fair market rent). | <b>FY99:</b> Within existing funds.   | Included in the budget   |
| <b>Housing/Welfare:</b> Welfare- to-Work Housing Vouchers -- A proposal for 50,000 new housing vouchers to assist welfare recipients who must relocate in order to find employment, as well as to help address the shortage of affordable housing.   | <b>FY 1999:</b> \$100 to \$300 million<br><b>Five-Year:</b> \$1.3 billion                               | Memo submitted to the President on December 5, 1997. OMB has included this on discretionary side, but would rather is be on mandatory side to complement W-T-W Jobs Challenge. |
| <b>Homeownership:</b> Homeownership Voucher Initiative -- This proposal would allow families to use Section 8 vouchers for homeownership.  | <b>FY99:</b> Within existing funds.   | Included in Public Housing Reform bill and in the budget.  |
| <b>Homeownership:</b> "Play-by-the-Rules" Homeownership Initiative -- A homeownership proposal to provide assistance to families who have paid their rent on time but have some impediment to buying their own home.   | <b>FY99:</b> \$30 million   | Included in recommended Presidential initiative list.  |
| <b>Homeownership:</b> Raise FHA Loan Limits -- This proposal would raise the FHA loan limits to help more middle-income Americans get home mortgages with low downpayments.  | <b>FY99:</b> <i>Raises</i> \$150-\$200 million<br><b>Five-Year:</b> <i>Raises</i> \$750-\$1,000 million | OMB and HUD are trying to work out precise proposal. The first \$150 million will be used as offset for Round II of EZ.  |
| <b>Homeownership:</b> Homeownership Opportunity Fund -- HUD could develop a loan guarantee program to allow state and local governments to   | <b>FY99:</b> \$11 million   | Funded within budget. But OMB has concerns about ability of HUD  |

|  |  |   |
|--|--|---|
| leverage current HOME funds with private-sector investments to fund large scale, affordable housing developments in distressed communities.  |  | to manage this new program.   |
| <b>Homeownership:</b> Increased HOPWA funding -- This program provides housing assistance to people with AIDS.   | <b>FY99:</b> \$21 million increase (above FY98)  | Included in the budget.   |
| <b>Housing Assistance:</b> Increased Funds for HOME and CDBG -- There are small increases in the budgets of HOME and CDBG -- two programs that provide housing assistance to local communities.  | <b>FY99:</b> Small increase over FY98  | Included in the budget. In the outyears, the budget will show that these programs are going to be cut significantly |
| <b>Homeless Assistance:</b> Additional Assistance to the Homeless -- This proposal would increase the funding for assistance to the homeless, including 32,000 Section 8 vouchers to help the homeless move into a home/apartment.   | <b>FY99:</b> Approximately \$275 million increase (above FY98). \$1.1 billion in FY99 vs. \$823 million in FY98. | Included in the budget.   |
| <b>Fair Lending:</b> Promoting Fair Lending -- This proposal would include: (1) an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals; (2) issuance of guidance by banking regulators on certain key credit scoring issues and, possibly, on risk-based pricing; (3) a Presidential call to the FDIC and the Fed to obtain more data on reasons for home mortgage loan denials (OCC and OTS already collect such information); and (4) collection of race and income data as part of the Equal Credit Opportunity Act/CRA small business and small farm lending report requirement. | <b>FY99:</b> No budget impact.   | Treasury -- working with HUD, OMB, NEC, and DPC -- is finalizing these proposals.                                   |
| <b>Fair Housing:</b> Double Fair Housing Enforcement Actions -- To ensure that HUD meets the President's pledge to double Fair Housing Enforcement actions, more funds are going to be requested for enforcement.  | <b>FY99:</b> \$8 million   | Included in the budget.   |
| <b>Fair Housing:</b> Metropolitan Area Testing -- A new system of Metropolitan Area Testing to root out the vestiges of housing discrimination.  | <b>FY99:</b> \$10 million  | Included in the budget.   |
| <b>Fair Housing:</b> One America Broker program -- HUD partnered with the National Association of Realtors would develop a training and certification of real estate agents and brokers committed to serving the rapidly growing minority and immigrant homebuyer markets.   | <b>FY99:</b> Within existing funds.  | Included in the budget.   |



December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

RE: DPC Weekly Report

**Crime -- Boston Juvenile Homicide:** Last night, a Boston youth was shot to death, ending Boston's two and a half-year streak of no juvenile homicides by firearms. The 16 year-old Dorchester youth was unarmed and had no known criminal history.

**Crime -- Homicide Study:** This week, the Justice Department released a final National Institute of Justice study of homicide in eight U.S. cities. Some of the key findings of the ten-year study (1985-94) include: 1) Guns are increasingly becoming the preferred means of homicide; 2) Homicide rates are closely linked to cocaine use, with a strong link between crack cocaine use and violence; 3) Youth black males between ages 18 to 24 represented a disproportionately high percentage of homicide victims, with homicide rates increasing for this group in all cities; 4) Homicides where the victim and offender were related or intimate made up only a small portion of all homicides, but were a sizable portion of female-victim homicides; and 5) No solid links were established between homicide rates and factors such as income distribution, education level, or household type. Employment levels and poverty were found to be somewhat related to homicide trends. The eight cities studied were: Atlanta, Washington DC, Detroit, Tampa, New Orleans, Richmond, Indianapolis, and Miami.

**Crime -- Death Penalty Study:** This Sunday, the Justice Department will release new data showing an increase in prisoner executions. During the first 11 months of this year, 70 prisoners were executed in 16 states-- 25 more than all of last year. Texas alone accounted for more than half of all executions (36), the highest number in a single state since 1930. In addition, in 1996, the length of time a prisoner sat on death row before execution was 10 years and 5 months-- 9 months shorter than 1995. Among the 358 individuals executed between 1977 and 1996: 56 percent were white; 37 percent were black; 21 percent were Hispanic; and 3 percent were other races.

**Welfare Reform -- Reports Released by Union-Sponsored Group:** On Wednesday, Jobs With Justice, a group funded primarily by AFSCME, SEIU, and the AFL-CIO, released two

reports critical of welfare reform. The first, called Welfare Reform as we know it, seems designed to discourage states and cities from sponsoring workfare programs. As you know, the public employee unions are very concerned about the effects of workfare because, as the report says, "In large cities already crippled by downsizing, workfare participants have proven to be an irresistible, cheap labor force that can be applied to waning city services." Welfare recipients quoted in the report complain that workfare assignments don't lead to real jobs, aren't paid as well as comparable work, and don't meet all the required health and safety standards. While some of the specific charges are worrisome, the general implication is that no one on welfare should be required to work unless they are trained and placed in a skilled, well-paid, unionized job.

The second report, Welfare Reform: The Jobs Aren't There argues that there are twice as many welfare recipients seeking work as there are low wage jobs. First, we should note that the U.S. economy has historically shown a tremendous capacity to absorb new workers -- such as the millions of women and baby boomers who joined the workforce in the last 30 years -- and most economists expect it to do so again. Second, we believe that this particular study understates the number of low-skilled jobs being created and overstates the number of welfare recipients needing jobs. For example, the study estimates that only 430,000 low skilled jobs were created in 1997 and 270,000 will be created in 1998. This underestimates the number of low skilled jobs because it counts only jobs in certain occupational categories (those with incomes in the lowest 20 percent.) This method leaves out many low-skilled jobs in other occupational categories, where the average income is higher. It also seems low compared to the total new jobs being created -- 404,000 in November alone.

The report also assumes one-third of all adults on welfare, or 1.2 million persons, will enter the labor force next year. This is a very high estimate. While it is true that 30 percent of adult welfare recipients must be participating in "work activities" in 1998, not all will need newly created jobs because 1) some welfare recipients are already working and thus won't need "new" jobs; and 2) states can lower the required work participation rate due to caseload reductions -- for example, a state whose caseloads had declined by 10 percent since 1995 would have to meet only a 20 percent work participation rate. For these reasons, HHS staff have estimated that between 440,000 and 880,000 individuals will need to participate in "work activities" under TANF in 1998 (the upper bound assumes no caseload reduction). However, not all 440,000 to 880,000 people would need "jobs" as defined by economic statistics because the law allows community service, workfare, vocational education, high school (for teen parents), and some job search to count toward "work participation."

**Welfare -- Food Stamps for Legal Immigrants:** You asked about an article in this week's New York Times that describes the impact of food stamp cutoffs on legal immigrants in New York. Nation-wide, the welfare law cut off food stamps to over 700,000 legal immigrants. Most cutoffs took place in September. Our budget last year focused on restoring SSI and Medicaid benefits to legal immigrants, rather than food stamps, and as you know we achieved a significant restoration of these benefits in the balanced budget act. Now advocates are pushing

us to turn to food stamps and include full restoration of these benefits in our new budget, at a cost of \$3.2 billion over five years.

We are considering this option as part of the budget process, although a partial restoration seems more likely -- restoring benefits to some subset of the population, such as children, families with children, and/or others. One important question is how seriously Congress would consider such a proposal. In contrast to this year's battle over SSI and Medicaid, we will not have the forcing effect of impending cutoffs or the leverage of the balanced budget act this time around. The other major area where benefits have not been restored is SSI and Medicaid for legal immigrants who entered the country after the welfare law was signed, which would cost as much as \$6.6 billion over five years. However, this area has considerably less political support at this time.

States have the option of using their own funds to continue food stamp benefits, as a result of legislation we supported earlier this year. Twelve states have done so or plan to do so, at least in part, with Washington, Nebraska, and Rhode Island restoring all benefits. New York has made it a county option to restore benefits to the elderly and disabled only. New Jersey and California have offered partial restorations as well.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 19:13:42.00

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,

I wanted to follow up on your meeting earlier this week with Commissioner Meissner. Leanne talked the Bob Bach from INS today. Apparently, they were concerned that OMB was moving forward with drafting chapters on INS reform, and that this was going to somehow trump or co-opt our review. I spoke with Steve Mertens at OMB and sure enough, he was drafting such a chapter. According to Steve, he was putting this in as a "straw man" because he was sure that we wanted something in the budget document and that he might as well put in his recommendations. I asked Steve not to include anything more than the most general statement (we are reviewing recommendations) in the budget document until he heard otherwise from us. This is the second time that Steve Mertens has made assumptions about our process directly contrary to what we are telling him. At least for now, we have spoken with INS and assured them that our process has not been completed, etc. and that OMB was not driving what we do.

What should be our next step in all this? As this latest episode indicates, OMB (or, at least Steve) is nervous about their budget deadlines, and wants to have an idea from us if we are going to use the document as a vehicle, how we are going to use it. To make that determination, we only need to decide the broad questions, of course.

Thanks.

julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 12:36:55.00

SUBJECT: Re: \$200 million Head Start increase

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

So could we win Gene over for a total of \$200m for Head Start, \$30m of it for Early Head Start, and call it a day on the \$400m for Early Learning?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 12:28:09.00

SUBJECT:

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:

I don't know if it helps for your meeting this afternoon, but Jeremy Travis did a quick memo and one-pager for me on how to better focus the non-hiring community prosecutors' funds on "community justice." It's on the fax to both of you.

Jose'

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jacinta Ma ( CN=Jacinta Ma/OU=PIR/O=EOP [ PIR ] )

CREATION DATE/TIME:12-DEC-1997 17:50:24.00

SUBJECT: PIR Weekly Report to the President

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

TO: Robert N. Weiner ( CN=Robert N. Weiner/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Dawn M. Chirwa ( CN=Dawn M. Chirwa/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Doris O. Matsui ( CN=Doris O. Matsui/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Mona G. Mohib ( CN=Mona G. Mohib/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

TO: Paul E. Begala ( CN=Paul E. Begala/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Gene B. Sperling ( CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

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

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

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

TO: Trooper Sanders ( CN=Trooper Sanders/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

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

TO: edley ( edley @ law.harvard.edu @ INET @ LNGTWY [ UNKNOWN ] )  
READ:UNKNOWN

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

READ:UNKNOWN

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

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

TO: Grace A. Garcia ( CN=Grace A. Garcia/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Patrick Aylward ( CN=Patrick Aylward/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: John M. Goering ( CN=John M. Goering/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: David K. Chai ( CN=David K. Chai/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

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

TO: Maria E. Soto ( CN=Maria E. Soto/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Evelina Mosby ( CN=Evelina Mosby/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Ana Lopez ( CN=Ana Lopez/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Allison J. King ( CN=Allison J. King/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Linda C. Gray ( CN=Linda C. Gray/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Marjorie A. Black ( CN=Marjorie A. Black/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Michael J. Sorrell ( CN=Michael J. Sorrell/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Cedra D. Eaton ( CN=Cedra D. Eaton/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

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

TO: Ananias Blocker III ( CN=Ananias Blocker III/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

READ:UNKNOWN

TO: Cheryl D. Mills ( CN=Cheryl D. Mills/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Robert B. Johnson ( CN=Robert B. Johnson/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Lynn G. Cutler ( CN=Lynn G. Cutler/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

TO: Sylvia M. Mathews ( CN=Sylvia M. Mathews/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Thurgood Marshall Jr ( CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TO: Susan M. Liss ( CN=Susan M. Liss/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

TO: Ann F. Lewis ( CN=Ann F. Lewis/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

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

TO: Brenda Toineeta ( CN=Brenda Toineeta/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Alexander L. Boyle ( CN=Alexander L. Boyle/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: David Campt ( CN=David Campt/OU=PIR/O=EOP @ EOP [ PIR ] )  
READ:UNKNOWN

TO: Diana Kappner ( CN=Diana Kappner/OU=PIR/O=EOP @ EOP [ PIR ] )



**MEMORANDUM FOR THE PRESIDENT**

**FROM: JUDITH A. WINSTON**

**THROUGH: ERSKINE BOWLES  
SYLVIA MATHEWS**

**SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT --  
DECEMBER 7 - DECEMBER 12**

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**ADVISORY BOARD ACTIVITIES**

**K-12 School Visits.** This week, five Advisory Board Member visited an elementary or secondary school in their community that implements programs or policies to encourage diversity and that face issues related to a diverse student body. These visits were arranged to give Advisory Board members some preparation for the December 17 Advisory Board meeting at Annandale High School in Fairfax County, Virginia.

**Advisory Board Recommendations.** As follow up to the November 19 Advisory Board meeting at which members discussed the continuing problem of discrimination, Dr. Franklin sent you a letter recommending the enhancement of enforcing civil rights laws, collection of additional data on discrimination, and implementation of initiatives to address and prevent hate crimes. (A copy of the letter is attached.)

**Council of Negro Women.** On December 9, Dr. John Hope Franklin participated in a Town Hall meeting sponsored by the Council of Negro Women. Dr. Franklin spoke to an audience of approximately 600 people. He spoke about the importance of the organization's efforts to address institutional racism and how the Initiative can assist those efforts.

**Congress of National Black Churches.** Dr. Franklin, on December 10, was the keynote speaker at the Annual Leadership Award Dinner in Shreveport, Louisiana. He addressed 500 of the nation's leading clergy and public officials about the role of churches in strengthening communities and the need for them to take strong

**leadership roles in improving race relations.**

**Minority Business Opportunity Steering Committee.** On December 10, Angela Oh met with the Los Angeles Minority Business Opportunity Steering Committee. She discussed issues of race with them and urged them to consider how they could be involved in the Initiative.

**Organization of Chinese Americans.** On December 10, Angela Oh spoke to the San Francisco chapter of the Organization of Chinese Americans. She reassured the audience that the Initiative will be inclusive of all races and encouraged them to become leaders in bridging racial divides.

**Rockefeller Institute of Government.** On December 11, Governor William Winter spoke at a brown bag forum at the Nelson A. Rockefeller Institute of Government at Rockefeller College in Albany, New York. Governor Winter urged the faculty and students to promote the goals of the Initiative and to share their research on the finances and management of state government and the conditions of urban neighborhoods.

#### **OFFICE OF THE EXECUTIVE DIRECTOR**

**Team Harmony.** I accompanied the First Lady to the Team Harmony event where 10,000 young people pledged to try to stop prejudice and to speak out against anyone who seeks to mock or hurt someone of a different race, religion, ethnic group or sexual orientation. The Team Harmony program is one of the original Promising Practices identified on our Website. It is also referenced in the First Lady's book, It Takes a Village. (Attached is an article from the Washington Post on the event.)

#### **OUTREACH**

**Urban League of Greater Chattanooga.** On December 10, I participated in several events coordinated by the Urban League of Greater Chattanooga: a breakfast meeting with business leaders hosted by Chattanooga Mayor Jon Kinsey; a luncheon meeting with members of the Chattanooga Race Relations Committee; a "One America Conversations that Bring Us Together" meeting at which I facilitated a conversation among 16 people, including pastors, students, business people, and educators representing a number of races who expressed their experiences with people of other races and ideas for you and the Initiative; and, finally, the day culminated with the Equal Opportunity Day Dinner at which I gave the keynote address to approximately 1,000 people. I encouraged the participants to think of themselves as part of the Initiative, work toward achieving the goals of the Initiative, and recognize that America's diversity is its strength.

At each event, I urged business and community leaders to take active part in the Initiative

and find solutions to issues related to race. Chattanooga leaders were extremely supportive of the Initiative and offered to host an event in their city.

**YWCA.** I met with 30 women leaders of national organizations, including the League of Women Voters, Coalition of Labor Union Women, National Council of Jewish Women, and National Organization for Women, that are working with the YWCA to encourage women to be leaders in promoting the goals of the Initiative.

**Corporate Leaders.** Working with the Office of Public Liaison, we have scheduled the next two corporate executives forums, entitled One America: The Business Community Responds. We will hold the next forum on January 13 in Phoenix, prior to the Advisory Board meeting there on January 14. The January 13 forum will encompass corporations located in the South West region of the country. For corporations located in the Far West region, we plan to hold a forum on January 30 in Los Angeles. We also will hold a forum in New York and one in Chicago or Cincinnati during the late winter.

**Religious Leaders.** On December 11, we held a conference call with the religious leaders who met with Reverend Johnson Cook last month in conjunction with your Prayer Breakfast. We will schedule four or five forums for religious leaders in different regions of the country. The first one is scheduled to take place on February 10 in Northern California in conjunction with an Advisory Board meeting that will be held in San Francisco or Oakland.

**Leaders in Education.** In partnership with the Association of American Colleges and Universities and the National Urban League, we will hold a national week of campus/community dialogue in April.

**Public Officials.** We are working with the Office of Intergovernmental Affairs to organize "One America Conversations that Bring Us Together" with city and county officials on the day following our Advisory Board meetings in Phoenix, San Francisco/Oakland, and Denver.

#### RESEARCH AND POLICY PLANNING

**Data.** We are producing a binder of data for the Advisory Board Members to use in informing the American people about the facts surrounding race. We will include K-12, higher education and labor data for the Board members as background for the December 17 and January 13 Advisory Board meetings.

**Fairfax County Schools.** The case study on Bailey's Elementary School in Fairfax County identifies some of the challenges, successes and lessons learned in a magnet school that serves an increasingly diverse student body. Linda Chavez-Thompson will release the study on December 15.

## COMMUNICATION

**Press Coverage.** This week there were eleven articles that covered the Initiative in major newspapers. (Attached is a column from the Wall Street Journal, "The Race Initiative: Tough but Worth the Effort.")

## WORK TEAMS

### ADVISORY BOARD

**Advisory Board Meetings.** The December 17 Advisory Board meeting will focus on issues of race in public primary and secondary education. The participants will include William Bennett, Professor James Comer, author Jonathan Kozol, and Principal Deborah Meier. We are working with DPC and NEC on potential policy action items such as school construction, the Hispanic Education Action Plan and 21st Century Scholars programs.

The January 14 Advisory Board meeting will focus on employment issues and will be held in Phoenix.

### TOWN HALL MEETINGS

**Presidential Town Hall Meeting.** The team met to discuss possible dates and formats for the next Presidential Town Hall Meeting. We will try to schedule a meeting with you next week to propose some dates and a format for your approval.

**Advisory Board Town Hall Meeting.** We are working on an Advisory Board Town Hall meeting in Atlanta in late January.

## YOUTH

**Call to Action Letter.** We have been receiving approximately 100 letters a day in response to your "call to action" letter to youth. The response has been overwhelming and very positive. The majority of the letters are coming from white youth. Even though many of them are in the middle of final exams, they have taken the time to respond quickly and enthusiastically to your call to action. We are in the process of setting up a call-to-action column on the website and will post a letter each week. We plan to respond to each student by thanking them for their support and offering them further guidance on steps to take to further the goals of the Initiative. We also plan to inform them about upcoming events in their area.

**FEDERAL AGENCY ACTIVITIES**

**One America Conversations that Bring Us Together. Twenty-nine One America**

Conversations have been held around the country. There are 62 more conversations scheduled to be held by the end of the year and this number continues to grow.

**Department of Justice (DOJ)**

**New Jersey Housing Discrimination Case. On December 8, DOJ filed suits against the owners and managers of two apartment complexes in Clark, NJ, for race discrimination in their rental practices. The evidence was developed under DOJ's fair housing testing program. African Americans inquiring about apartments at the complexes were told that no apartments were available when, in fact, apartments were available.**

**United States Department of Agriculture (USDA)**

**Minority Farmers.** On December 17, Secretary Glickman will participate in a meeting with you and small and minority farmers at the White House.

**Puerto Rican Farmers.** On December 2, in a ceremony in Puerto Rico, USDA's Farm Service Agency made a multi-year commitment to increasing the participation of Puerto Rico's socially disadvantaged rural residents in agriculture and in USDA programs, committing \$320,000 as the first installment of a multi-year outreach project directed at small farmers on the island. USDA will work with the University of Puerto Rico to create programs to lessen some of the financial problems and obstacles to credit which hinder limited-resource farmers. The goal is to ensure that small, disadvantaged, beginning, and youth farmers participate in USDA credit programs, obtain training in farm operations and management, and receive program and technical information.

**Native American Outreach.** The American Indian Program Group, comprised of outreach program specialists from six USDA agencies, is developing program training for the four Native American outreach specialists who will be hired by the Intertribal Agriculture Council using funds provided by USDA by January 15.

**National Scholars Program.** On December 5, Secretary Glickman announced that USDA is accepting applications for its 1890 National Scholars Program for the 1998 school year. The program is aimed at undergraduate students studying agriculture or related subjects at the 17 historically black 1890 land-grant universities.

**Native American Food Distribution.** The National Association of Food Distribution Programs on Indian Reservations has nominated 25 Native American tribal organizations for expansion of a pilot project which provides fresh produce as an alternative to canned fruits and vegetables under the Food Distribution Program on Indian Reservations. The new sites will be added throughout the fiscal year, and will potentially more than double the number of participating tribes.

**One America Conversation at Tuskegee.** On December 8, following his speech on civil rights at Tuskegee University, Secretary Glickman served as the host for a conversation on race with community leaders. The *ABC*, *CBS*, and *NBC* affiliates in Montgomery, AL, *Alabama Public Television*, *AP* (both print and photo), *Montgomery Advertiser* (both print and photo), the *NBC* affiliate in Birmingham, *Birmingham News Print*, and the *ABC* affiliate in Columbus covered the Secretary's speech and conversation on race; print reporters included *AP* and the Birmingham and Montgomery daily newspapers.

### **Department of Labor (DOL)**

**Diversity Task Force.** This week DOL's Diversity Task Force began a series of

visits to each DOL region to meet with REC members, union officials, special interest groups, special emphasis program managers, representatives of the Federal Labor Managers Association, supervisors, managers, and employees to learn first-hand the ideas and concerns of DOL field employees in achieving a model workplace that promotes inclusiveness, fairness and full participation of all employees. Over the next two weeks, Task Force members will visit regional offices in Atlanta, Boston, Chicago, Dallas, Kansas City, New York City, Philadelphia, San Francisco and Seattle.

**National Council of Negro Women (NCNW).** On December 9, Secretary Herman addressed the NCNW. She discussed details of her National Welfare-to-Work fact finding mission, amplified your One America in the 21st Century message, and made reference to the 50th anniversary of Human Rights Day. Media present at the luncheon included: *UPI, BNA, WHUR, Alabama National Radio (70+ stations), Washington Informer, Final Call*, and a photographer from *Jet, Vibe, and Sister-to-Sister* magazines.

**Dr. Dorothy Height.** On December 10, the Secretary represented the Administration in the nation's farewell to President and CEO Dr. Dorothy Height and served as the Mistress of Ceremonies at the NCNW's Gala in Washington, DC.

**National Council of Black State Legislators.** On December 11, Secretary Herman will travel to Milwaukee, Wisconsin, where she will address the National Council of Black State Legislators on themes of both welfare-to-work and racial reconciliation.

### **Department of Housing and Urban Development (HUD)**

**Housing Discrimination.** On December 5, HUD filed housing discrimination charges against a Lake Charles, LA landlord. The landlord is accused of telling an African American man: "I don't like to rent to you people...brown, black, colored, whatever you call yourselves." This filing of federal civil charges against the landlord is part of a nationwide crackdown on housing discrimination that you ordered.

### **Department of Transportation (DOT)**

**Race Relations Roundtable.** On December 12, RSPA will hold a Race Relations Initiative Roundtable discussion among RSPA senior managers. The roundtable will facilitate discussion on race issues within RSPA and be instrumental in developing internal race initiative program components. The discussion will center on favorable interaction between races and examine the reasons behind the instances when interaction is not favorable. This discussion will be part of an ongoing dialogue regarding race issues.

**National Alliance of Black School Educators (NABSE) Conference.** On November 18-23, a diverse team of Coast Guard military personnel attended the 25th Annual NABSE Conference in Reno, Nevada. The team distributed Coast Guard literature and promotional material to conference attendees, and arranged to visit numerous schools and NABSE affiliates throughout the U.S. to talk with students and NABSE members about Coast Guard job and career opportunities. The team also laid the initial ground work for collaboration between NABSE and Coast Guard Recruiting to create a more diverse officer and enlisted workforce. NABSE has 140 affiliates, and is one of the premier African-American educator organizations dedicated to the qualitative improvement of education for African-American students.

**One America Conversation.** Assistant Secretary Charles A. Hunnicutt will conduct a conversation with the members of the Anti-racism Task Force of the National Capital Presbytery, Presbyterian Church (USA) in early January.

### **Department of Energy (DOE)**

**One America Conversation.** On December 5, Secretary Peña held a "One America Conversation" with college students at San Diego State University's Aztec Center to amplify your message on the importance of bridging racial divides. The discussion was observed by approximately 100 college and high school students.

### **Department of Education (DOEd)**

**Florida Higher Education.** For the past year and a half, DOEd's Office for Civil Rights (OCR) has been working in partnership with Florida to resolve higher education desegregation concerns. Although there has been significant progress, critical issues remain unresolved, including agreement on the applicable legal standards and the need for affirmative action programs to satisfy "strict scrutiny." On November 19, OCR sent a letter to the governor's office indicating that if OCR and the state are unable to resolve these issues within the next few weeks, OCR will initiate a more traditional civil rights investigation of statewide higher education issues.

**Florida Discrimination Complaint.** On December 1, DOEd's OCR received Title VI complaints from nine white families alleging that the Palm Beach County School District, in order to achieve racial balance, is discriminating against their children, on the basis of race, by forcing them to attend a school that has an enrollment of approximately 69 percent black students, instead of allowing them to attend one of two high schools closer to their neighborhood. OCR is currently evaluating the complaint, which has received some media attention.

**Ohio Higher Education.** DOEd's OCR recently wrote to the Ohio Governor's office regarding the long-standing civil rights case involving Ohio's only historically black

school, Central State University. Last July, the state legislature passed a bill that addresses many of OCR's concerns, which involve funding disparities between Central State and Ohio's other public universities; OCR's letter indicates that, in light of the legislation and the state's plans to continue addressing OCR's concerns, OCR will not resume investigation until Spring 1998.

**One America Conversations.** On December 11, Secretary Riley hosted a "One America: Conversations that Bring Us Together" event with fifth grade students in Laurel, MD. On December 12, Assistant Secretary for Elementary and Secondary Education Tirozzi is scheduled to host an event at T.C. Williams High School in Alexandria, VA. On December 18, Secretary Riley will host his second "One America Conversation" in a Baltimore elementary school.

#### **Small Business Administration (SBA)**

**One America Conversations.** Several SBA appointees convened One America Conversation events during the Thanksgiving holiday. The Administrator, Deputy Administrator and Chief Advocate are planning to hold roundtable discussions. The Chief of Staff has encouraged all agency appointees to participate in this effort.

#### **Office of Personnel Management**

*Pittsburgh.* On December 14, Director Lachance will host a "One America: Conversations that Bring Us Together" in Pittsburgh, PA at the St. Benedict of the Moor Catholic Church.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mickey Ibarra ( CN=Mickey Ibarra/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:12-DEC-1997 17:36:30.00

SUBJECT: USCM Homelessness Survey

TO: Gene B. Sperling ( CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TO: Amy W. Tobe ( CN=Amy W. Tobe/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Heads-up for Monday

----- Forwarded by Mickey Ibarra/WHO/EOP on 12/12/97

05:23 PM -----

Sky Gallegos

12/12/97 05:01:56 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: USCM Homelessness Survey

Following is some basic information on the report to give you an idea of what they will release. Emily and I will have a hard copy of the survey's executive summary walked around to you. Please remember that the information is embargoed until Monday. We can provide you with more detailed information on the survey if necessary. You may contact me, Emily, Lynn or Mona.

Mayor Riley of Charleston, SC, and Secretary Cuomo will hold a press conference, Monday, December 15, at 10:30 am, to release the U. S. Conference of Mayors (USCM) 13th Annual Survey on Hunger and Homelessness in U.S. Cities. The survey reports information taken from 29 major cities. It shows that over the past year, requests for emergency food and emergency shelter have increased and that a significant amount of the cities' emergency food assistance centers and emergency shelters turn people away. The survey shows that the strong economy has had little or no effect on either hunger or homelessness: low-paying jobs lead the list of causes of hunger identified by the city officials; requests for assisted housing by low income families and individuals increased in

three-fourths of the cities. The report shows that city officials believe welfare reform will have a greater effect on low-income people than the economy in the coming years, and that while there may be additional services, or funding for them, available, it will not be enough to meet the increasing need.

## Message Sent

To:

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Ann F. Lewis/WHO/EOP  
Stacie Spector/WHO/EOP  
Stephen B. Silverman/WHO/EOP  
Anne E. McGuire/WHO/EOP  
Diana Fortuna/OPD/EOP  
Julie A. Fernandes/OPD/EOP  
Trooper Sanders/OVP @ OVP  
Jennifer M. Palmieri/WHO/EOP

## Message Copied

To:

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Mickey Ibarra/WHO/EOP  
Emily Bromberg/WHO/EOP  
Lynn G. Cutler/WHO/EOP  
Suzanne Dale/WHO/EOP  
Mona G. Mohib/WHO/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Diana Fortuna ( CN=Diana Fortuna/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:12-DEC-1997 18:51:53.00

SUBJECT: Re: special ed budget

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

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

TEXT:

Here's Mike's take on the meeting Judy Heumann wants. He offers a legitimate way to say you don't need to do the meeting.

----- Forwarded by Diana Fortuna/OPD/EOP on 12/12/97  
06:52 PM -----

Michael Cohen  
12/12/97 06:47:33 PM  
Record Type: Record

To: William R. Kincaid/OPD/EOP  
cc: Diana Fortuna/OPD/EOP  
Subject: Re: special ed budget

Right now, the special ed budget is level funded, and neither Bruce nor Barbara Chow have been particularly open to an increase.

Barbara and I met with Mike Smith for ED's appeal--Mike pushed the issue, and I suspect Riley will with POTUS.  
One way Elena could get out of the meeting is to tell Judy that DPC was involved in Mike Smith's OMB appeal, and that we therefore are fully aware of ED's concerns and are trying to figure out how to take them into account in a tight budget year..

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 13:25:17.00

SUBJECT: dec. 17th board mtg.

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:

The initiative has decided to do one afternoon panel, with eight panelists + the board members that attend (5 or 6). The following is the list of panelists:

1. William Bennett
2. E.D. Hirsch (this is the "traditionalist" school reformer that Mike recommended; not yet confirmed; Mike is calling today)
3. Gary Orfield (Harvard professor; has done a lot with deseg. and racial isolation issues)
4. Diana Lam (Superintendant of the San Antonio public schools; system is overwhelmingly Latino)
5. Deborah Meier (heads up the Mission Hill Charter School in Roxbury, MA)
6. James Comer (Yale University professor of psychiatry; well known expert of school reform within education circles; African-American)
7. Jonathan Kozol (author of Savage Inequalities)
8. Waldemar ("Bill") Rojas (superintendant of San Francisco public schools; very diverse system)

Mike, Tanya, Bill and I are reviewing the proposed questions (a copy of which you received yesterday) and I am going to view the proposed 10 minute film -- hopefully today.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-DEC-1997 10:45:01.00

SUBJECT: Central Americans

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:

Elena,

I am faxing you the briefing paper prepared by DOJ on whether the INS should process the Salvadorans, Guatemalans and Eastern Europeans covered by the recent law under the usual procedure (immigration court) or under a more expedited administrative adjudication. As we discussed, the groups are pushing for a regulation (with presumptions), but we all (DOJ, NSC and us) favor an administrative adjudication scheme (though, INS more favors no change to the current process). Maria seems to agree that an administrative procedure would be a fair result, but has not yet concluded that it is the best solution (wants to further consider a regulation).

I thought you might want to look over an outline of the administrative scheme before our meeting this afternoon with the advocates (2pm in room 476). (OPL, NSC, DOJ, INS, us). Thanks.

julie



December 12, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING  
CHRIS JENNINGS

SUBJECT: Health Insurance Coverage Initiatives

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 any more support than it has in the past three years.

## 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, which 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 even 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 an 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, appropriate child care sites, and Head Start 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.

**Simplifying enrollment.** A simple, accessible enrollment process 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 inexpensive. 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 cost 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 packages.

## **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 because 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 initiative 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 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. 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 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, fearing that it would leave the small group market with only the most risky and expensive groups, as low-risk groups 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 12, 1997

MEMORANDUM TO 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. The question is whether we can and should do anything prior to the March 1999 Commission deadline that could further strengthen the program and lay the groundwork for implementation of likely Commission recommendations.

The NEC and 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.

Traditional Medicare savings alone may not be sufficient to offset the costs of these proposals. In particular, a decision to propose a pre-65 policy may be feasible only if the decision is made to propose an income-related premium. An income-related premium may be more politically acceptable to our Democratic base if it were linked to a benefit expansion. However, given the broad ramifications of this policy, a separate discussion outside the context of this memo will be required.

## 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 transitions 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 should 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 to people ages 62 to 65. 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" (ie., 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 approach, 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.

These target populations and ways to cover them can be combined in three options.

**Option 1. “Broken Promise” People Only.** The minimal option, with no Federal cost, 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.

**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. One group is the “Medicare spouses” — primarily uninsured women ages 55 to 65 whose husbands are already on Medicare. An alternative (or complement) is displaced workers who often do not have access to employer-based insurance. Both groups are small, so that costs would be low.

**Option 3. Medicare Buy-In for 62 to 65 Years Old Plus Selected Groups.** The third option is to allow 62 to 65 year olds plus a group like displaced workers to buy into Medicare. The cost of this option is not yet known but will likely be less than \$5 billion over 5 years.

## Discussion

Despite likely business opposition, your advisors all support Option 1, a COBRA option for the “broken promise” people. Beyond this, there is not yet a consensus on policy recommendations. OMB is concerned that any pre-65 proposal’s “unsubsidized” entitlement will not stay that way for long as pressure builds to lower the premiums. If the goal is a limited test of a buy-in for the pre-65 year olds, it would recommend Option 2, covering the Medicare spouses, since 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 favors both Option 2 and 3, so long as we include displaced workers, since this in line with their broader theme of improving workers’ security. In the absence of a Medicare buy-in, Labor would support a COBRA extension, despite its problems. HHS supports covering the select groups in Option 2, but is concerned that the enrollment be sufficient to justify the administrative effort.

HHS and NEC/DPC recommend Option 3, that we have a Medicare buy-in for 62 to 65

year olds plus displaced workers. We 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 bear the risk. This approach, however, could be politically difficult given the distrust of managed care.

It is important to note that we are still waiting for the detailed analysis of these options from the Office of the Actuary. That will give all advisors a better sense of the implications of the choices and could alter recommendations.

## **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 percent 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, although Treasury is concerned about the advisability of such options.

### **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. Additionally, the Vice President's office strongly supports this proposal. 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 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. Alternatively, if we do introduce an income-related premium, we would recommend that you use some of its revenue for this benefit since it represents a reinvestment in Medicare for current beneficiaries.**

#### **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. However, 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.

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

CREATION DATE/TIME:12-DEC-1997 10:47:57.00

SUBJECT: \$200 million Head Start increase

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

TO: Barbara Chow ( CN=Barbara Chow/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

CC: Barry White ( CN=Barry White/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

CC: Robert M. Shireman ( CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [ OPD ] )  
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CC: Charles R. Marr ( CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Gene B. Sperling ( CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

I spoke to Gene last night; he feels strongly that a \$150 million increase for Head Start (above the OMB-recommended level of \$4.489 billion) is inadequate. He is willing to accept \$400 million for the Early Learning fund only if there is also a \$200 million increase in Head Start (above the OMB recommendation, for a total increase of \$334 million over FY 98 enacted). As you know, DPC is recommending, as part of the child care initiative, about \$500 million over four years to expand Early Head Start. I have not seen this item in any OMB materials. A \$200 million overall increase for FY 99 would allow for an expansion of Early Head Start in that year, should we decide to go that way in the context of Head Start reauthorization.

Barbara, I know that you reached agreement with Bob Shireman and others on \$150 million for Head Start. I apologize for the late notice on this. Thank you.

Emil