

**NLWJC - KAGAN**

**EMAILS RECEIVED**

**ARMS - BOX 047 - FOLDER -007**

**[03/23/1999] [1]**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 07:35:19.00

SUBJECT: medicare qs and as for leadership meetings

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Attached are draft qs and as that Larry Stein was interested in for upcoming meetings with Gephardt, Daschle and other key Democrats. How we position ourselves re. our Medicare plan may come up at the morning meeting. Page Chris or call me with questions.

Thanks, Jeanne===== ATTACHMENT 1 =====

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

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D66]MAIL44353229Q.036 to ASCII, The following is a HEX DUMP:

FF57504370040000010A0201000000020500000011190000000200000749FFDB8EF0A17FB596DA  
BBFD39C6420A20B04C97A81B8CFC1EC659A0748F2D0D946B333DC79F97F29A61F1D73DCB44EB97  
7D46D26FE04B5085D8C68C02F5208C9F79C351E23F4BE2C4B88ACDA563ACEC909DB2EB9E335BBF  
5133AD5006D0A36D23A5DFD9CB67828CBE34900423876F9DF381C003463E668AB8F04F11A4E4C6  
1C5349F23640FEDF0FF8288ED65CA821A781D53227460F6F129A6797CCD251F31507411C40F30E  
B2C2343F924093083C226AE5572F3D20252C29A2EAF1E60B36E089094EDA79C169BD4034168735

**MEDICARE QS AND AS**

March 22, 1999

**Q. When is your plan going to be introduced?**

A. You all know how dangerous it is putting a specific time frame on releasing a specific proposal. First, the new Trustees' report is coming out next week, which is likely to change cost estimates associated with Medicare reform options. Second, we want to review all viable options. Third, we need to consult with you. And, fourth, we need to strategically consider the best time frame for releasing the plan after the first three steps have been completed. Suffice it to say, it will be early enough to credibly argue that the Congress will have enough time to respond to it this year.

**Q. What is the process you are going to use to develop this plan, and will we be consulted?**

A. As this meeting indicates, we fully intend on consulting with you as the President develops his plan. We will also be reviewing the options put on the table by the Commission, to see which ones have merit. Also, we want to make sure that our proposals get assessed by the independent Medicare actuaries so we have a good idea of how these policies will affect Medicare.

**Q. Are you going to include premium support in your package?**

A. The President has always been interested in policies to make Medicare more competitive and efficient. Clearly, we do not pay managed care plans in Medicare in a rational way. HMOs continue to pick and choose locations to serve beneficiaries depending on the local payment rate. This should be addressed.

However, the President will not support a voucher proposal or any proposal that undermines Medicare's defined benefits. He has serious concerns about the premium support model proposed by Senator Breaux and Congressman Thomas. It is not entirely clear that this proposal guarantees Medicare's defined benefits. It also would raise premiums for traditional Medicare by 10 to 20 percent for most beneficiaries, according to our actuaries. Although the plan attempts to address this problem for beneficiaries with no private plan options, those with limited or unattractive private options would be forced to pay more to stay in the system. We believe that this is unacceptable.

**Q. Secretary Shalala specifically said that raising the age eligibility is off the table. Is this true?**

A. Raising the eligibility age will not be in the President's package. The President believes that raising the eligibility age for Medicare without policies to prevent the uninsured from increasing is going in the wrong direction.

**Q. What is your prescription drug benefit?**

A. We are reviewing options. As you know, the cost of the benefit is directly linked to its design. Clearly, we want to provide the package that benefits the most people possible while still being affordable.

**Q. How much will it cost and how will you finance it?**

A. We believe that there have to be Medicare offsets that help pay for the Medicare drug benefit. It is not clear that, by themselves, these offsets will be enough to achieve this goal. We need to work with you closely on this issue.

**Q. Will you use the surplus to help offset the cost of the prescription drug benefit?**

A. As we've said, we believe that other offsets must contribute to the cost of this benefit. But before we even contemplate using the 15 percent of the surplus for anything other than extending the life of the program, we need to finalize the design of drug benefit, determine its costs, and assess whether the offsets are sufficient. We believe, however, that no one should rush into using the surplus for this or any other purpose.

**Q. Will your plan include an income-related premium?**

A. The President supported this policy in the past, including in his 1992 campaign, the 1993 Health Security Act, and again during the Balanced Budget Act discussions in 1997. It is certainly being discussed, but, again, we have made no final decisions whether it is necessary or advisable to include in the President's package.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 09:31:04.00

SUBJECT: Puerto Rico/Elementary&Secondary Ed Bill

TO: Jeffrey L. Farrow ( CN=Jeffrey L. Farrow/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

TEXT:

where is this heading?

----- Forwarded by Maria Echaveste/WHO/EOP on 03/23/99  
09:31 AM -----

Jeffrey L. Farrow  
03/22/99 10:59:54 AM  
Record Type: Record

To: Constance J. Bowers/OMB/EOP, Wei-Min C. Wang/OMB/EOP  
cc: See the distribution list at the bottom of this message  
Subject: Puerto Rico/Elementary&Secondary Ed Bill

Thanks for the info. I think we need further consideration before proposing unequal treatment of Puerto Ricans in Even Start, Safe & Drug-Free Schools, and migratory children's education. What is the policy reason for such discrimination? The 2nd ranking Dem. on the House committee, George Miller, is concerned about this. So, too, is Puerto Rico's Romero, who's on the committee. Hispanic Members of Congress just wrote the President asking him to propose phasing in equal treatment of Puerto Rico in the (few) programs where it is not now treated equally. Many of the Puerto Rican kids who would not receive equal aid will wind up in the States.

Message Copied

To: \_\_\_\_\_

Janet Murguia/WHO/EOP  
Fred DuVal/WHO/EOP  
Mickey Ibarra/WHO/EOP  
Maria Echaveste/WHO/EOP  
Barbara Chow/OMB/EOP  
Joseph J. Minarik/OMB/EOP  
Maritza Rivera/WHO/EOP  
Kris M Balderston/WHO/EOP  
Moe Vela/OVP @ OVP  
Cynthia M. Jasso-Rotunno/WHO/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 09:34:40.00

SUBJECT: Re: Flagging a few issues re: the draft Title I

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

----- Forwarded by Bruce N. Reed/OPD/EOP on 03/23/99  
09:36 AM -----

Bruce N. Reed

03/23/99 09:33:08 AM

Record Type: Record

To: Jonathan H. Schnur/OPD/EOP

cc:

bcc: Records Management

Subject: Re: Flagging a few issues re: the draft Title I

Thanks -- that's very helpful. I am worried about #1 (lousy districts) but not sure what to do about it other than give all the \$ to the states, which may not be feasible either. We should talk more about #2 -- if there's a way to accommodate Teach for America without opening the door for widespread emergency certification, I'd be for it. I'm not so worried about #3 or #5. I think #4 (teacher set-aside) is worth questioning, but it helps deal with criticisms on #6. I agree that we need more ideas to help find and recruit good teachers -- any proposals would be welcome.

Jonathan H. Schnur

03/22/99 09:21:18 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Tanya E. Martin/OPD/EOP

cc:

Subject: Flagging a few issues re: the draft Title I

I wanted to flag a few issues for you to consider as you read Education's Title I draft. I haven't yet thought through how to fix these problems, but I wanted to at least flag them tonight to see if you agreed with any of them. I also don't mean to be overly critical -- they have done a great job. But here are some of my initial concerns. Let me know if there are any that you think are in particular need of addressing.

1) Corrective action in failing schools. The legislation's strategy for

intervening in failing schools may focus too much on loosely defined school-level change strategies rather than pressuring failing school districts that may be causing some of the problem in the first place. The draft would direct funding to school districts with the highest concentrations of failing schools and then empower those failing districts to determine the appropriate corrective action needed in the school. Moreover, the corrective actions relate mostly to decisions or changes the school must make (some as vague as "redesigning" the school) -- rather than decisions the school district would need to take. Finally, the 5-year trigger for correction action in schools is somewhat slow, AND it wouldn't affect a perennially failing school district that has schools move in and out of school improvement. Overall, this policy on corrective actions wouldn't necessarily pressure a failing school district -- already tolerating widespread failure or mediocrity -- to make serious change. I'll give more thought to solutions if you agree this is a problem.

2) Teach for America and alternative certification. The requirements on teacher qualifications would require Title I-funded teachers to be fully certified or have a college degree and working to get certification within two years. This may well block Title I funding from being used for "Teach for America" teachers -- many of whom only plan to teach for two years and do not intend to get certified -- and other talented people who enter alternative certification programs that take longer than two years. While there are some legitimate disagreements about the value of certification, this policy might impede talented teachers from entering the classroom. Moreover, critics could highlight all of the talented, young Teach-for-America teachers -- and others getting alternative certification -- who couldn't be hired with federal funds, and criticize the Administration for a misplaced focus on certification over talent.

3) Absence of support for high-performing schools. The accountability fund no longer seems to include support for high-performing schools. Was there a decision to remove this focus? If there is any support for high-performing schools, we could develop some creative ways to reward those schools (e.g., not just bonuses, but increased flexibility, funding to expand their programs, start-up new schools or assist other schools in need).

4) Requiring 10% for professional development without (yet) a clear strategy for ensuring that these funds are well-spent. The Department may well address this with a thoughtful Title II, but I at least wanted to flag this as an issue needing attention.

5) A potential perception that we aren't being "tough" on bilingual education. I actually think the policy here is right, but I am worried about how people will perceive our dual proposal to A) require assessments to be given in spanish, and B) implement our three-year goal simply through a requirement that students in U.S. schools for three years take a reading assessment in English. Critics could say that we are actually encouraging more instruction in spanish through the spanish-language assessments, and merely requiring reading tests in English after 3 years is a long way from requiring schools to quickly teach students English.

Again, the policy may be right here, -- and in my VP capacity, I don't object to this at all ---

but I wanted to be sure that you had at least considered how this may be perceived and whether we can take any steps to define the message the way we want it to be defined.

6) The proposal would create additional pressure for recruiting

high-quality teachers, but the proposal doesn't include a strong strategy to recruit new people into teaching. This proposal is (appropriately) raising the bar for entering and staying in the teaching profession, just as we are reducing class size, facing growing student enrollments, an aging teaching force, and a good economy that may be luring good teachers into other professions. Together, these steps could exacerbate teacher shortages, AND foster the public perception that we need to take steps to address these shortages. Even if you don't think there's much we could do substantively, I am worried that the absence of any specific teacher recruitment initiatives creates a vacuum that could be filled by Republicans looking to broaden their appeal in education. Apparently, Kennedy has been considering something in this area, and I also think an aggressive teacher recruitment strategy could be a good VP issue. If you are open to proposals on this point, I'll write something up.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 09:53:28.00

SUBJECT: Education followup

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

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

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

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

CC: Jacob J. Lew ( CN=Jacob J. Lew/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

TEXT:

Where are we on following up on Charlie Rangel's idea of coordinators in some key areas to help access and coordinate the various education and other resources that could help improve schools--like the educational opportunity zones of last year? Also--how are we monitoring how the dept of education is implementing the Hispanic Education monies of last year; I understand that Janet and Barbara Chow met today to try to get their arms around this since Hispanic Caucus and NCLR have been asking about this? Bruce, have you hired someone to take Mike's spot and will that person be able to follow up on this stuff?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sean P. Maloney ( CN=Sean P. Maloney/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:23-MAR-1999 09:55:20.00

SUBJECT: Hate Crime Event

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

TO: Stephanie S. Streett ( CN=Stephanie S. Streett/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

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

TEXT:

Spoke with Judy Shepard this morning; she'd be available to participate in a Good Friday radio address taping (or some other event) on hate crime, but would have trouble doing it after that because the first murder trial of one of her son's attackers begins in Wyoming three days later on Monday, April 5.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mona G. Mohib ( CN=Mona G. Mohib/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:23-MAR-1999 09:55:25.00

SUBJECT: Need Clearance: Draft Supplemental SAP for House Rules Committee

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

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

TO: Miles M. Lackey ( CN=Miles M. Lackey/OU=NSC/O=EOP @ EOP [ NSC ] )  
READ:UNKNOWN

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

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

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

TO: Wesley P. Warren ( CN=Wesley P. Warren/OU=CEQ/O=EOP @ EOP [ CEQ ] )  
READ:UNKNOWN

TO: Ron Klain ( CN=Ron Klain/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

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

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

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

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

TO: George T. Frampton ( CN=George T. Frampton/OU=CEQ/O=EOP @ EOP [ CEQ ] )  
READ:UNKNOWN

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

TO: G. E. DeSeve ( CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

TO: Jeffrey M. Smith ( CN=Jeffrey M. Smith/OU=OSTP/O=EOP @ EOP [ OSTP ] )  
READ:UNKNOWN

TO: Joshua Gotbaum ( CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TO: Martha Foley ( CN=Martha Foley/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TO: Sally Katzen ( CN=Sally Katzen/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TO: John Podesta ( CN=John Podesta/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

CC: David A. Bernell ( CN=David A. Bernell/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Lisa M. Kountoupes ( CN=Lisa M. Kountoupes/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

CC: Mark J. Tavlarides ( CN=Mark J. Tavlarides/OU=NSC/O=EOP @ EOP [ NSC ] )

READ:UNKNOWN

CC: Ingrid M. Schroeder ( CN=Ingrid M. Schroeder/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Victoria A. Wachino ( CN=Victoria A. Wachino/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

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

READ:UNKNOWN

CC: Judy Jablow ( CN=Judy Jablow/OU=CEQ/O=EOP @ EOP [ CEQ ] )

READ:UNKNOWN

CC: Lisa Zweig ( CN=Lisa Zweig/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Charles Konigsberg ( CN=Charles Konigsberg/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

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

READ:UNKNOWN

CC: Jessica L. Gibson ( CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

CC: Sandra Yamin ( CN=Sandra Yamin/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Linda Ricci ( CN=Linda Ricci/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Rebecca L. Walldorff ( CN=Rebecca L. Walldorff/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

CC: Rosemary Evans ( CN=Rosemary Evans/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Robert L. Nabors ( CN=Robert L. Nabors/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

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

READ:UNKNOWN

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

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

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

CC: Melissa G. Green ( CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Kevin S. Moran ( CN=Kevin S. Moran/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TEXT:

From Lynn: there needs to be a statement on Enzi. If there isn't one - we feel face tremendous difficulty from Indian Country. While Enzi was originally recinded, it was put back in on the Senate side at the last minute. Secretary Babbit has paper on this which Elgie has seen.

----- Forwarded by Mona G. Mohib/WHO/EOP on 03/23/99  
09:52 AM -----

Lynn G. Cutler  
03/23/99 09:49:00 AM  
Record Type: Record

To: Mona G. Mohib/WHO/EOP  
cc:  
Subject: Need Clearance: Draft Supplemental SAP for House Rules Committee

----- Forwarded by Lynn G. Cutler/WHO/EOP on 03/23/99  
09:50 AM -----

Kate P. Donovan  
03/22/99 07:57:31 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: Need Clearance: Draft Supplemental SAP for House Rules Committee

The House Rules Committee is scheduled to take up the Supplemental bill tomorrow, Tuesday (3/23) at 1:00pm. The draft Rules SAP below is nearly identical to the letter that we sent to the House Appropriations Committee on March 11, 1999. The new sentences are in bold. Please provide comments/clearance by 10:30am Tuesday. Thank you.

Message Sent

To: \_\_\_\_\_  
 John Podesta/WHO/EOP  
 Gene B. Sperling/OPD/EOP  
 Sally Katzen/OPD/EOP  
 Elena Kagan/OPD/EOP  
 Martha Foley/WHO/EOP  
 Ron Klain/OVP @ OVP  
 Joshua Gotbaum/OMB/EOP  
 Wesley P. Warren/CEQ/EOP  
 Jeffrey M. Smith/OSTP/EOP  
 Todd Stern/WHO/EOP  
 G. E. DeSeve/OMB/EOP  
 Michelle Peterson/WHO/EOP  
 Maria Echaveste/WHO/EOP  
 Bruce N. Reed/OPD/EOP  
 George T. Frampton/CEQ/EOP  
 Miles M. Lackey/NSC/EOP  
 Steve Ricchetti/WHO/EOP  
 Ann F. Lewis/WHO/EOP  
 Karen Tramontano/WHO/EOP  
 Lynn G. Cutler/WHO/EOP

Message Copied

To: \_\_\_\_\_  
 Kevin S. Moran/WHO/EOP  
 Jessica L. Gibson/WHO/EOP  
 Melissa G. Green/OPD/EOP  
 Laura Emmett/WHO/EOP  
 Shannon Mason/OPD/EOP  
 Charles Konigsberg/OMB/EOP  
 Elizabeth Gore/OMB/EOP  
 Lisa Zweig/OMB/EOP  
 Charles R. Marr/OPD/EOP  
 Judy Jablow/CEQ/EOP  
 Paul J. Weinstein Jr./OPD/EOP  
 Peter A. Weissman/OPD/EOP  
 Robert L. Nabors/OMB/EOP  
 Victoria A. Wachino/OMB/EOP  
 Rosemary Evans/OMB/EOP  
 Ingrid M. Schroeder/OMB/EOP  
 Rebecca L. Walldorff/WHO/EOP  
 Mark J. Tavlarides/NSC/EOP  
 Linda Ricci/OMB/EOP  
 Lisa M. Kountoupes/WHO/EOP  
 Sandra Yamin/OMB/EOP

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

TEXT:  
 Unable to convert ARMS\_EXT:[ATTACH.D32]MAIL453963294.036 to ASCII,  
 The following is a HEX DUMP:

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1D345D6CB9331C0406433DDB90ADB9F14B4C0DD91865BB92D9A0D1EB317EB2323FE6FCE2E148C4

**H. R. 1141 – EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, FY 1999**  
(Sponsor: Young (R), Florida)

This Statement of Administration Policy provides the Administration's views on H.R.1141, the bill making emergency supplemental appropriations to assist in Central America's recovery from recent natural disasters, to provide urgent funding related to the situation in Jordan, and to provide vital loans and other assistance to our farmers and ranchers. **The Administration appreciates the Committee's consideration of the President's supplemental requests and looks forward to working with the Congress on a bi-partisan basis to complete action on this important legislation soon. However, we have significant concerns with the approach being taken in the House Committee bill and we ask that you consider the Administration's views.**

Providing essential assistance to victims of natural disasters and helping our farmers at home with vital financing clearly fall in the category of needs that are urgent, unanticipated, and essential -- that is, emergency requirements. Therefore, they clearly deserve to be funded quickly, fully, and without requiring offsets that could force unacceptable reductions in important programs. We support the Committee's action of providing defense-related emergency funding in response to Hurricane Mitch without offsets and believe that consistent treatment should be applied to non-defense agencies performing similar emergency activities. **The Administration would strongly oppose an amendment that may be offered that would require offsets for this defense-related emergency funding.**

The Committee bill would rescind \$875 million from international affairs accounts, with the largest portion being a rescission of \$648 million in appropriations of callable capital from U.S. payments to the Asian Development Bank (ASDB), the World Bank and the InterAmerican Development Bank. Such rescissions would be extremely ill-advised. Rescinding the callable capital funding would send a dangerous signal to financial markets and could require the ASDB and other multilateral development banks (MDBs) to pay a higher premium on their borrowing, which could lead to the restriction of capital flows necessary to strengthen the global economy and expand U.S. exports. At a time when some Asian and other developing economies are beginning to recover, this step would be highly unproductive.

In addition, this rescission of callable capital would call into question U.S. commitment

to all multilateral development banks. This could have a detrimental effect on capital flows and economic growth globally, including in Asia, Africa, and Latin America. This unintended consequence would even more broadly delay economic recovery in markets vital to the United States, thereby hurting our own economy.

The other rescissions in the international affairs area would undermine a host of important objectives in many programs. For example, the rescissions would cut support for U.S. exports, undermining our efforts to penetrate foreign markets and provide jobs for American workers. At a time when the United States needs to promote its exports, this is a particularly misguided step. The rescissions would also undercut free market reform and democracy promotion in the New Independent States and in Eastern Europe, areas where it is manifestly in America's interests to encourage reform. The rescission of development assistance would set back efforts in the poorest countries, including possibly in those hit hardest by Hurricane Mitch.

Other rescissions would undermine our efforts to provide peacekeeping operations in troubled areas of the world. The rescission of Global Environment Facility funding would be highly detrimental to the cause of improving global environmental protection. Still other cuts would reduce our contributions to international organizations, where America's reputation as a contributor in good standing is already tarnished.

In addition, we are concerned with the \$150 million cut in important nonproliferation programs to reduce stockpiles of excess weapons grade uranium and plutonium in Russia. Since the Department of Energy has already negotiated an agreement with Russia to purchase uranium for \$325 million, the entire cut would have to come from the \$200 million appropriated for plutonium. That would drastically undercut negotiations that are underway to dispose of 50 tons of weapons grade plutonium in Russia, enough for 15,000 nuclear weapons.

Taken together, these rescissions are so great that the supplemental as a whole would constitute a net reduction in U.S. foreign affairs spending -- a reduction that would seriously undermine America's capacity to pursue its foreign policy objectives and promote our economic security.

Were the bill to be presented to the President with the offsets discussed above, the President's senior advisers would recommend that he veto the bill. We urge the House not to take actions that could result in gridlock and delay, and that would be detrimental both to our allies abroad and our citizens at home in their time of need.

#### Emergency Relief for Central America

The bill provides \$962 million for Central America, \$6 million more than the President's request. On February 16<sup>th</sup>, the President transmitted to the Congress a request for \$956 million for International Assistance Programs, the Department of Defense, and the Department of Justice to provide assistance for emergency disaster and reconstruction assistance expenses arising from the consequences of the recent hurricanes in Central America and the Caribbean and the recent earthquake in Colombia. The Administration appreciates the full funding provided in the House

bill for this request, which will provide relief from the effects of Hurricanes Mitch and Georges and restore hope to this devastated region.

Hurricane Mitch, the worst natural disaster in the history of the Western Hemisphere, left more than 9,000 dead and drove millions from their homes. Even today, hundred of thousands of Central Americans still cannot return to their homes. Schools, hospitals, businesses, farms and roads were destroyed, resulting in serious economic dislocation. Hurricane Mitch caused \$8.5 billion in damages, and Hurricane Georges brings the total to \$10 billion. The President's Central America package is urgent, unanticipated, and essential and should be funded as an emergency request.

Funds must be provided swiftly to prevent the spread of disease and to buy seed and plant crops in the fast-approaching Spring planting season, thereby providing food and jobs to many communities, and to demonstrate to Central Americans that they can find jobs and security in their own recovering economies. Much of the rural road system farmers and small merchants depend on for their livelihoods was destroyed. Water and sanitation systems have been disrupted, which can result in disease. Economic destruction and dislocation threaten to undermine the region's achievements of the past decade, as these nations have made tremendous strides toward settling conflicts, strengthening democracy, promoting human rights, opening economies and alleviating poverty. Emergency assistance for reconstruction aid will ensure that their transformation continues and that Central Americans will have cause to view their own futures in the region with hope.

#### Jordan

The Administration appreciates the Committee's providing the full \$100 million for Jordan, fully funding the FY 1999 request. These funds will provide financial support to help promote stability in Jordan and the region during the period of transition subsequent to King Hussein's death. While the administration appreciates the full funding of the \$100 million FY request, we are disappointed that the \$200 million requested for advance appropriations for FYs 2000 and 2001 has not been provided. In the context of promoting peace in the Middle East, the Administration will continue to press for these advance appropriations.

#### Department of Agriculture

On February 26<sup>th</sup>, the President submitted a request for \$152 million for urgently needed emergency funds for the Department of Agriculture (USDA). The Administration appreciates the Committee's providing fully for this request. The Administration's request would provide an additional \$1.1 billion in farm ownership, operating, and emergency direct and guaranteed loans to help farmers through the Spring planting season. This additional loan authority would provide vitally needed financing for the Nation's farmers in light of the significant increase in demand for USDA loans, due to project continuing low commodity and livestock prices.

Department of the Interior

The Administration is pleased that the Committee provided a total of \$21.8 million in supplemental funding for Interior's Indian trust fund management reforms. Of this amount, \$6.8 million was included in the President's FY 2000 Budget and \$15 million was transmitted by the President with offsets on March 10, 1999. Together these funds will allow the Department to carry out critical activities, including court-ordered requirements in the Cobell v. Babbitt lawsuit alleging past mismanagement of individual Indian money accounts, and continued progress on trust fund management improvements.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Tracy Pakulniewicz ( CN=Tracy Pakulniewicz/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:23-MAR-1999 10:10:31.00

SUBJECT: PBOR

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

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

TO: Kris M Balderston ( CN=Kris M Balderston/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

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

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

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

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

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

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

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

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

CC: Chandler G. Spaulding ( CN=Chandler G. Spaulding/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

CC: Carolyn T. Wu ( CN=Carolyn T. Wu/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

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

CC: Lisa J. Levin ( CN=Lisa J. Levin/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Melissa G. Green ( CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Mindy E. Myers ( CN=Mindy E. Myers/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Jocelyn A. Bucaro ( CN=Jocelyn A. Bucaro/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

CC: George G. Caudill ( CN=George G. Caudill/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Todd A. Bledsoe ( CN=Todd A. Bledsoe/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Dominique L. Cano ( CN=Dominique L. Cano/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Dawn V. Woollen ( CN=Dawn V. Woollen/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

CC: Peter A. Weissman ( CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Alejandro G. Cabrera ( CN=Alejandro G. Cabrera/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

CC: Heather M. Riley ( CN=Heather M. Riley/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

CC: Joseph D. Ratner ( CN=Joseph D. Ratner/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

TEXT:

Loretta would like to hold a meeting on PBOR's event on April 9, and possible ramp-up events, today, 3/23, at 5 pm in her office (gf/ww).

Please let me know if you are unable to attend.

Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Devorah R. Adler ( CN=Devorah R. Adler/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:23-MAR-1999 10:41:33.00

SUBJECT: q&a for today

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Q: What is your response to the story in today's New York Times criticizing HCFA for lax oversight of state nursing home complaint investigations and insufficient penalties for facilities that are out of compliance?

A: One report of shortcomings in nursing home quality enforcement is one too many. Protecting patients in these facilities has been and will continue to be a priority of this Administration. Last July, the President initiated a new nursing home quality initiative that ensures swift and strong penalties for nursing homes failing to comply with standards, strengthened oversight of state enforcement mechanisms, and implemented unprecedented efforts to improve nutrition and prevent bed sores. He also invested over \$73.7 million -- an unprecedented increase of 31.6 percent over last year's funding level -- in his FY 2000 budget to support these new efforts.

Nonetheless, we are concerned about the GAO findings that suggest that states and in some cases, HCFA, have not adequately pursued their nursing home quality mandate. In response, just last week, we required States to expedite the investigation of any complaint that alleges harm to a nursing home resident, report all of these complaints to HHS's national database, create a \$1,000 minimum fine for facilities violating quality standards, and make it easier for states to impose fines of up to \$10,000 for quality violations. To facilitate these actions, we directed HCFA to immediately reprogram \$4 million to ensure the adequate financing of these nursing home quality enforcement activities.

Q: Why didn't the Administration testify at yesterday's hearing?

A: That was a decision made by the Department of Health and Human Services. We understand that under both Republican and Democratic administrations, it has been Department procedures for senior Administration officials to testify at the beginning of any hearing. We have been informed that this protocol was established during the Reagan Administration, and HHS believes it is an appropriate practice.

Any additional questions on this matter should be referred to the Department.

Q: Today, the Washington Post reported that the fast track review of Rezulin has led to 28 deaths and liver transplants in 7 others. What is your response? Are you going to insist that this drug be pulled from the market?

A: Each time FDA received confirmed reports about liver damage or other

adverse side effects associated with Rezulin, the agency moved swiftly to change the labeling on the drug to recommend more extensive testing of patient liver function. After the labeling changes were implemented, the number of reported adverse side effects has dropped -- however, FDA is still concerned the drug's effect on patient liver function and will be considering this week whether we should further restrict its regulation.

Any further questions on Rezulin should be referred to HHS.

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A: Each time FDA received confirmed reports about liver damage or other adverse side effects associated with Rezulin, the agency moved swiftly to change the labeling on the drug to recommend more extensive testing of patient liver function. After the labeling changes were implemented, the number of reported adverse side effects has dropped -- however, FDA is still concerned the drug's effect on patient liver function and will be considering this week whether we should further restrict its regulation.

Any further questions on Rezulin should be referred to HHS.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Richard Socarides ( CN=Richard Socarides/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME:23-MAR-1999 10:49:15.00

SUBJECT: Bush Opposes Gay Adoption and Hate Crimes Bill inclusion

TO: james.e.castello ( james.e.castello @ usdoj.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Karen.L.Stevens ( Karen.L.Stevens @ usdoj.gov [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: william.r.yeomans ( william.r.yeomans @ usdoj.gov [ UNKNOWN ] )  
READ:UNKNOWN

TO: Carole\_Grunberg ( Carole\_Grunberg @ Wyden.Senate.Gov [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Caroline R. Fredrickson ( CN=Caroline R. Fredrickson/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

TO: Rajiv Y. Mody ( CN=Rajiv Y. Mody/OU=WHO/O=EOP @ EOP [ WHO ] )  
READ:UNKNOWN

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

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

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

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

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

READ:UNKNOWN

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

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

TO: jtrammel@hillandknowlton.com ( jtrammel@hillandknowlton.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Philip G Dufour ( CN=Philip G Dufour/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

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

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

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

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

TO: tom.perez ( tom.perez @ usdoj.gov [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Angela Williams ( Angela\_Williams @ Judiciary.Senate.Gov [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Charles W. Burson ( CN=Charles W. Burson/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Kay Casstevens ( CN=Kay Casstevens/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Mark Childress ( CN=Mark Childress/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

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

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

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

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

TO: ATobias ( ATobias @ aol.com [ UNKNOWN ] )  
READ:UNKNOWN

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

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

TO: Ron Klain ( CN=Ron Klain/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:

----- Forwarded by Richard Socarides/WHO/EOP on 03/23/99  
10:46 AM -----

Grantham71 @ aol.com  
03/23/99 09:59:50 AM

Record Type: Record

To: Richard Socarides/WHO/EOP  
cc:  
Subject: 3-23 Bush Opposes Gay Adoption

DALLAS MORNING NEWS, March 23, 1999  
Box 655237,Dallas,TX,75265  
(Fax 972-263-0456 ) (E-Mail: letterstoeditor@dallasnews.com )  
( http://www.dallasnews.com )

Bush opposes adoptions by gays  
He's against hate law covering orientation  
By Wayne Slater / The Dallas Morning News

AUSTIN - Gov. George W. Bush said Monday that he opposes adoptions by  
gays  
or lesbians, saying the proper parents for a child are a married man and  
woman.

"I'm against gay adoptions," Mr. Bush said, responding to questions  
about  
bills that would bar the state from designating gays and lesbians as foster  
parents or permitting them to adopt children.

"I believe children ought to be adopted in families with a woman and a  
man  
who are married," said Mr. Bush, who has launched a exploratory committee

to  
consider a race for the White House.

The Republican governor also said he opposes including sexual orientation in a bill to clarify the state's hate-crimes law, which increases penalties in cases in which a victim is targeted for a specific reason such as race or gender.

Mr. Bush said he doesn't think there is a need for such a bill clarifying the law.

"I've always said all crime is hate crime," he said. "People, when they commit a crime, have hate in their heart. And it's hard to distinguish between one degree of hate and another."

The bills to block gay people from adopting children in the custody of Child Protective Services were sponsored by Rep. Warren Chisum, R-Pampa. The agency takes custody of abused or neglected children.

Mr. Chisum said gays and lesbians provide an inappropriate environment for raising children and should be barred from adopting them.

Dianne Hardy-Garcia of the Austin-based Lesbian and Gay Rights Lobby of Texas was out of town Monday and unavailable for comment.

On Sunday, more than 6,000 people marched in Austin to protest the proposed legislation. Among those attending the rally were Chastity Bono, daughter of the late U.S. Rep. Sonny Bono and entertainer Cher.

Ms. Bono publicly declared she was gay in 1995.

"The tools they use against us are hate, fear and the false mythology that somehow gay and lesbian people are a threat to family values and a threat to the American way," she told the Austin crowd.

At a news conference Monday, Mr. Bush was asked whether children already in the custody of gays or lesbians should be removed.

"I have no idea whether the children ought to be removed or not removed," he said. "The question is whether I'm for gay adoption. And the answer is, I'm not."

Democratic presidential candidate Bill Bradley said earlier this month during a visit to Texas that he would use Mr. Bush's opposition to the hate-crimes bill against him should the two be their respective parties' presidential nominees.

The New Jersey senator said people who commit crimes based on race, gender, sexual orientation or ethnicity should be punished. He referred to the murder of James Byrd Jr., the Jasper, Texas, man dragged to death last year.

Mr. Bush noted that one of the men charged in the murder has been convicted and sentenced to death. He said the laws already in place permit stiff sentences.

"The guy's going to be put to death," he said. "I can't think of a more harsh penalty."





RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan H. Schnur ( CN=Jonathan H. Schnur/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:23-MAR-1999 10:58:40.00

SUBJECT: additional sentence in Q&A --you could put this at the beginning of the Q&

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Last month, the Education Department announced that for the first time in nearly 30 years of testing, average reading scores had improved in each of three grades tested -- 4th, 8th, and 12th grades. Vice President Gore and Secretary Riley participated in an event that day to comment on the scores --both of them appropriately characterizing the scores as modest improvements and a significant reversal of previous downward trends.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Irene Bueno ( CN=Irene Bueno/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:23-MAR-1999 10:59:54.00

SUBJECT: WSJ response to article on charter schools/Bill Lan Lee

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

CC: Jonathan H. Schnur ( CN=Jonathan H. Schnur/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

Enclosed is the latest draft of the letter to the editor that is signed by Jim Kennedy. I still recommend that we take out the section on the South Carolina schools. Let me know if you have any other comments. Thanks.

----- Forwarded by Irene Bueno/OPD/EOP on 03/23/99 10:58 AM -----

James E. Kennedy  
03/23/99 09:29:19 AM  
Record Type: Record

To: See the distribution list at the bottom of this message  
cc:  
Subject: Draft

As we discuss whether to do a letter, here is the latest draft of one, attached. I think it effectively rebuts Bolick's arguments while simultaneously presenting a positive portrait of both Bill Lann Lee and the Administration's commitment to charter schools.

Message Sent

To: \_\_\_\_\_  
Amy Weiss/WHO/EOP  
Jonathan H. Schnur/OPD/EOP  
Irene Bueno/OPD/EOP  
Tracey E. Thornton/WHO/EOP  
Peter Rundlet/WHO/EOP  
Caroline R. Fredrickson/WHO/EOP

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



To the Editor:

Clint Bolick's article about Bill Lann Lee and charter schools argues that Mr. Lee has "launched a campaign to stop charter schools in their tracks." Some campaign. Under President Clinton, the number of charter schools in America has gone from just one in 1993 to more than 1,100 today.

There is no "campaign" or "battle" against charter schools being waged by Bill Lann Lee or anyone else in the Clinton Administration. Thanks to the leadership of President Clinton, school districts across the country are embracing charter schools as an innovative way to improve the quality of education in America, particularly in distressed areas where the need is so great. Bill Lann Lee, Acting Assistant Attorney General for Civil Rights in the Department of Justice, shares the President's vision and supports Administration policy and the law completely.

**Fundamental civil rights goals of breaking down segregation and ensuring equal educational opportunities for all Americans can be achieved simultaneously with the development of charter schools. The rapid growth of charter schools during the last six years is proof.** For example, in the East Baton Rouge case, the Department of Justice did not oppose the opening of a new charter school. It simply asked the new charter school to take steps to avoid further segregating the community. In the South Carolina case, the government moved to enforce an existing consent decree which closed certain schools to alleviate the isolation of African American students and equalize resources, and the state court agreed. **The closed schools are to be replaced by new facilities.** In no case has the government acted against any charter school simply because it is a charter school. In every case the government has acted to protect the public interest in desegregation.

Mr. Bolick imagines a "war" against charter schools that simply does not exist. The only battle being waged is by Mr. Bolick and his allies against the nomination of Bill Lann Lee. But their complaint is not really with Mr. Lee. It is with the civil rights laws themselves, which Mr. Lee has been acting to enforce for the past year. His track record of success -- and the Clinton Administration's success in promoting charter schools -- speak for themselves.

Sincerely,

James E. Kennedy  
Special Advisor To The White House Counsel

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 11:43:13.00

SUBJECT: microbrewery

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

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

TEXT:

Tuesday, March 23,

1999

Gore Scolded on Test Score Meeting  
Politics: Effort to turn agency announcements into upbeat  
events prompts criticism. Official says part of reading results were  
downplayed.  
By RICARDO ALONSO-ZALDIVAR, Times Staff Writer

- MAIN POLITICS PAGE
- NAT'L COVERAGE
  - Today's Times
  - Ron Brownstein:
  - Washington Outlook
  - Jim Mann:
  - International Outlook
  - Special Report:
  - Clinton Under Fire
  - Nat'l Politics Discussion
- STATE COVERAGE
- LOCAL COVERAGE
- POLITICAL MULTIMEDIA
- NEWS WIRES
- COLUMNISTS
- AUDIO ANALYSIS
- SPECIAL REPORTS
- EDITORIALS & OPINION
- TIMES POLL
- POLITICAL DISCUSSION
- YOUR COMMENTS

- POLITICAL NEWS
- UPDATES
  - Reuters Politics
  - News Summary

Court Expands

Expert Witness Use

Hillary Clinton  
Urges Religious  
Tolerance

efforts to  
from the  
prompted complaints

ASHINGTON--Vice President Al Gore's recent  
turn routine agency announcements into upbeat,  
campaign-style events are provoking amusement  
politically savvy. Now, at least one incident has  
that Gore is bringing politics to the bureaucracy.

In recent weeks, as he begins his  
campaign for president, Gore has billed  
himself as the defender of harried air  
travelers and the promoter of a new  
commuter benefit: a three-digit telephone  
number for the latest news on traffic jams.  
The Transportation Department, in a  
release that does not quite rival Gore's  
claim to helping create the Internet,  
credited him for inspiring a research  
program to improve concrete pavement.

in to announce  
scolding from the  
educational testing.

But when the Education Department brought Gore  
new reading test scores, the response was a  
nonpartisan board that sets policy for national

Assessment Governing  
essentially had  
rally, which featured  
and

In a letter to the department, National  
Board Chairman Mark Musick objected that Gore  
turned the Feb. 10 announcement into a political  
a friendly crowd primed to applaud a punchy message  
downplayed worrisome parts of the test results.

confidence people  
Education Statistics  
who complained

An Awkward Shift to Mini-Government  
Campaign-style government "can cloud the  
might have in the independence of the data," said  
Commissioner Pascal Forgione, agreeing with critics  
to him that "this should not happen again."

awkward shift for  
tackling issues like  
of his claims, but  
replaced that of big

Gore's focus on mini-government represents an  
the vice president, who built a political career by  
global warming and technological literacy.

Republicans have zinged Gore because of some  
experts said that the era of small initiatives has

policy," said Paul followed Gore's streamlining and better administration to claim has already been for something, it's

an open question. former New traditional liberal riven by divisions hitting hard on foreign is vulnerable.

or particularly political president has been spokesman Chris on a daily basis, with."

an Internet site clearer labels for sure the year ment benefit

organized effort to is routine, they said, the White House, president and vice announcements that heads--or even

government.

"The presidency has become a microbrewery of Light, a Brookings Institution scholar who has campaign to "reinvent" government through communication. "There isn't much in this credit for and, on most of the big issues, credit claimed by others. If Gore is going to claim credit going to be small beer."

How Gore's approach will play with voters is His early opponent for the Democratic nomination, Jersey Sen. Bill Bradley, is campaigning on more themes, such as concern for the poor. Republicans, among economic and social conservatives, are policy, where they think the Clinton administration

Gore's office said that there is nothing new about his announcements. "For six years, the vice working on all sorts of different policy issues," Lehane said. "These are the types of things he does because these are the kinds of issues he's involved

But lately, he seems to be doing more of them. One day recently, the vice president announced for senior citizens. Another day he endorsed over-the-counter drugs. He backed grants to make 2000 computer bug does not bedevil state unemployment programs.

Agency spokespersons insisted that there is no engage in overt politicking on behalf of Gore. It for Cabinet departments to give credit to people in even for things not directly involving the president--like improving concrete pavement.

But some see Gore's office as siphoning off belong in the sphere of Cabinet secretaries, agency mayors. Transportation Secretary Rodney Slater, for

example, was

information line at a safety set to unveil the proposed national traffic conference in early March. The day of the expected announcement,

aides said the White House had laid claim to it. The incident involving the Education

Department's release of reading scores was anything but routine. It provides a glimpse at how agencies and Gore's office work to generate publicity.

and economic Like the release of unemployment statistics indicators, the announcement of national student scores is supposed to be insulated from politics.

improved from 1994 The latest results showed that reading scores to 1998 among students in grades 4, 8 and 12. However, for 4th and 12th graders, the improvement was essentially a recovery to previous levels in 1992.

the original plan for According to interviews and internal memos, releasing the results did not involve Gore. On previous occasions, the highest official present had been the Education secretary. But statistics commissioner Forgione said that the department's top managers were excited about the scores and wanted to bring in the White House.

employees and The day of the release, about 300 department education lobbyists were packed into an auditorium. The vice president received a standing ovation as he was introduced by a teacher. Education reporters were assigned to a roped area in back of the hall.

scores and he Gore's announcement stressed the gains in test linked them to administration policies, urging the Republican Congress to do more. In his eagerness to put a positive spin on the statistics, Gore glossed over the fact that long-term progress had been modest at best. The vice president left without taking media questions. Later, as department officials talked with reporters, the mixed message in the numbers became clear.

the tests, wrote the Musick, chairman of the board that oversees department: "The format, tone and substance of that

event was not consistent with the principle of an independent, nonpartisan release of [test scores], an important and long-standing policy."

But Gore's spokesman disagreed. "The administration has made investing in schools one of its top priorities," Lehane said. "It was completely appropriate for the vice president to make the announcement."

#### Gore Wins Another Top Endorsement

Meanwhile, Gore on Monday tightened his grip on the 2000 Democratic nomination by winning another high-level endorsement, that of Senate Minority Leader Tom Daschle of South Dakota.

Daschle, flanked by Gore in Sioux Falls, S.D., said: "I am proud to stand with you and support your bid to become the next president of the United States."

The backing came one week after Gore was endorsed by House Minority Leader Richard A. Gephardt of Missouri, once his top foe for the nomination.

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 12:01:18.00

SUBJECT: Wage Data Collection

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Eddie Correia is no longer talking about doing the wage gap as a race issue but now would like to resolve the 60-2 form issue at Labor.

----- Forwarded by Thomas L. Freedman/OPD/EOP on 03/23/99  
11:58 AM -----

Edward W. Correia

03/22/99 05:26:11 PM

Record Type: Record

To: Thomas L. Freedman/OPD/EOP

cc:

Subject: Wage Data Collection

Thanks for the update on the efforts to develop a legislative position on wage data collection. At one point I suggested to Elena that we concentrate on collecting wage data regarding race while you concentrate on wage data regarding gender. Upon reflection, that makes no sense. Instead, I think we should pursue the issue of collecting wage data from federal contractors. As we discussed, there are some concerns in DOL about whether and how this should be done, and there is considerable interest by outside groups in whatever we do. I have sent a suggestion to Chuck and Maria that we meet with DOL to hear the arguments. We would work closely with you and welcome your participation in any discussions.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 12:25:33.00

SUBJECT: Domenici/Kasich Reolutions on Tobacco

TO: Devorah R. Adler ( CN=Devorah R. Adler/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Sarah A. Bianchi ( CN=Sarah A. Bianchi/O=OVP @ OVP [ UNKNOWN ] )  
READ:UNKNOWN

TO: J. Eric Gould ( CN=J. Eric Gould/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

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

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

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

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

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

TEXT:

----- Forwarded by Cynthia A. Rice/OPD/EOP on 03/23/99  
12:26 PM -----

Daniel N. Mendelson

03/23/99 12:00:51 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, Joshua Gotbaum/OMB/EOP, Ingrid M. Schroeder/OMB/EOP, Frank J. Seidl III/OMB/EOP

cc:

Subject: Domenici/Kasich Reolutions on Tobacco

fyi.

----- Forwarded by Daniel N. Mendelson/OMB/EOP on  
03/23/99 12:00 PM -----

Frank J. Seidl III

03/22/99 05:04:57 PM

Record Type: Record

To: Daniel N. Mendelson/OMB/EOP@EOP

cc: Barry T. Clendenin/OMB/EOP@EOP, Richard J. Turman/OMB/EOP@EOP, Thomas Reilly/OMB/EOP@EOP

Subject: Domenici/Kasich Resolutions on Tobacco and Welfare

Cynthia Rice had asked whether we had any information on what, if anything, the House and Senate Resolutions might do in tobacco. Based on the materials we have seen, neither resolution appears to include the Budget's tobacco tax increase or recoupment policies, nor specifically addresses tobacco-related programs in the discretionary funding allocations.

Information on both resolutions is generally available for only broad functional categories, so it is difficult to be precise about effects on specific programs. However, since the Senate resolution could produce a 12.2 percent across-the-board reduction for non-defense discretionary (NDD) funding, the President's proposed increases for tobacco spending in CDC and FDA would be in jeopardy. Information available on the House resolution is very limited at this point and it is not possible to speculate what its effects might be.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-MAR-1999 13:13:06.00

SUBJECT: draft medicare briefing document

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

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

TEXT:  
Hello,

Here's that document -- still in review. I am sorry -- I forgot to send it this morning.

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

TEXT:  
Unable to convert ARMS\_EXT:[ATTACH.D41]MAIL45146629R.036 to ASCII,  
The following is a HEX DUMP:

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2A67B90D28BD85ADB9C2670E4C909A7A6B427E8D54062BB66E7DA69226B58725DBA39E18A9260D  
F43DB26D0600B3800AE67DA46E479E66FE746B778C775837B69D9F324C08642514E0C5A7DC01E2  
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Draft

# ADDRESSING MEDICARE'S CHALLENGES

MARCH, 1999

# ADDRESSING MEDICARE'S CHALLENGES

## I. Overview

- Importance of Medicare
- Challenges Facing Medicare
- Options for Addressing Medicare's Financial Crisis

## II. Medicare Commission

## III. President's Plan for Medicare Reform

# I. OVERVIEW

## IMPORTANCE OF MEDICARE

- **Medicare pays for health care for 39 million elderly and disabled Americans:** About 34 million elderly and 5 million people with disabilities receive Medicare.
- **Helps those who would otherwise be uninsured:** Before Medicare, almost half (44 percent) of the elderly were uninsured. Given the recent rapid rise of the uninsured ages 55 to 65, this problem would inevitably be worse today.
- **Improves life expectancy, access to care and reduce poverty:** Since 1965:
  - Life expectancy of the elderly has increased by 20 percent (79 to 82 years)
  - Access to care has increased by one-third (elderly seeing doctors: 68 to 90%)
  - Poverty has declined by nearly two-thirds (29.0 to 10.5%)

## FINANCIAL CHALLENGES FACING MEDICARE

- **More beneficiaries:** Enrollment in Medicare will climb when the baby boom generation retires: from 39 million to 47 million in 2010, to 80 million by 2035.
- **Fewer workers:** At the same time, the ratio of workers (who support Medicare) to beneficiaries is expected to decline by over 40 percent by 2030. (3.6 workers per beneficiary in 2010, declining to 2.3 in 2030)
- **Cost growth will rise:** Medicare has recently reined in cost growth. However, it is expected to rise again as the effects of recent policy changes wear off (from 3 percent per beneficiary for 98-02 to 6 percent for 2003-10).
- **Trust Fund crisis:** Medicare's Trust Fund (for institutional services) will become insolvent in 2008 according to the 1998 Trustees' Report. Even though the 1999 Report will likely show a better prognosis, Medicare will still run out of funds about 20 years before Social Security does. With no changes, Medicare's spending will outstrip its financing and produce a \$1 trillion shortfall by 2020.

## ADDITIONAL CHALLENGES FACING MEDICARE

**Inadequate benefits:** Medicare's benefits are not very generous. In particular:

- No prescription drug coverage: Even though drugs are an increasingly important part of health care, Medicare does not pay for them. As a result, America's elderly pay the highest price for drugs -- either by buying them without discounts or by paying for expensive Medigap insurance.
- High beneficiary payments for hospital care: Today, Medicare beneficiaries pay a \$768 deductible for hospital care, and \$192 per day after two months.
- Cost sharing for preventive care: Requiring beneficiary payments for preventive services (e.g., screening mammography) can discourage use.
- Medigap insurance: Because of Medicare's sub-standard benefits, about one-third of beneficiaries buy expensive and inefficient Medigap coverage.

· **Fewer private tools for reducing costs:** Current laws prohibit Medicare from adopting some of the most effective private sector tools to save Medicare money.

## OPTIONS FOR ADDRESSING MEDICARE'S FINANCING CRISIS

**Options to address Medicare's long-term solvency:** A wide range of ideas have been considered to help solve Medicare's fiscal imbalance. These can be categorized as:

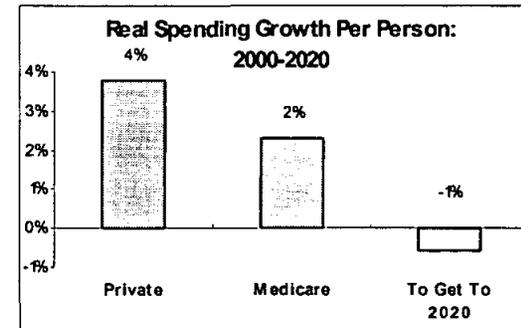
- Reducing provider payments and increasing efficiency
- Restricting or reducing benefits
- Increasing beneficiary contributions to Medicare, and/or
- Adding new revenue to Medicare

# 1. REDUCING PROVIDER PAYMENTS AND INCREASING EFFICIENCY

**Strong, fiscal discipline is always a goal for Medicare:** Since 1992, overpayments to health care providers have been reduced and payment systems have been modernized. In addition, there has been great successes in reducing fraud, waste and abuse. As a result, Medicare is now growing at a rate that is below the private sector health spending.

**However, impossibly low Medicare growth rates would be needed to extend Medicare's life through provider payment reductions and efficiency alone:** Spending growth per beneficiary would have to be constrained to 2.8 percent per year -- in every year -- to get to 2020. This rate is:

- Over 60 percent below projected private health insurance spending per person (7.3 percent) and about 1 percentage point below inflation



**Unsustainable provider cuts:** To ensure solvency through 2020, Part A

provider payments would have to be cut by 18 percent --almost \$150 billion over 5 years.

## 2. RESTRICTING OR REDUCING BENEFITS

**Restricting the benefits that Medicare covers is a second option:** However:

- Medicare's benefits are already less generous than 4 out of 5 employers' health insurance plans.
- All experts agree -- Medicare's benefits should be expanded to include prescription drugs and improved cost sharing, not reduced.

**Only removing major, critical services could keep Medicare solvent in the long-run:** Because Medicare already has a limited benefits package, limiting it even more would probably not solve its long-term problems. Even removing the following services would not be sufficient to get to 2020:

- All skilled nursing facility plus hospice spending
- All Part A home health spending

- Graduate medical education and disproportionate share hospital spending.

### 3. INCREASING BENEFICIARY PAYMENTS

- **Making beneficiaries pay more:** A third option for addressing Medicare's long-term financing crisis is to have beneficiaries pay for more of the cost of care.
  - Beneficiaries already pay for almost half of their health care costs: Because of its less generous benefits and higher cost sharing, Medicare only pays 52 percent of the total health care costs of its beneficiaries.
  - Although there are an increasing number of beneficiaries with higher income, nearly two-thirds of elderly households have income below \$20,000.

## 4. ADDING NEW FINANCING TO MEDICARE

- **Adding new financing to Medicare:** The fourth and final option is adding revenues to the program. In the past, this option has rarely been used by Congress and the Administration to bolster the program's financial status.
- **Different -- and larger-- financing crisis:** However, as virtually every independent analyst has concluded (e.g., Reischauer, Aaron, Tyson, Altman), the retirement of the baby boom generation makes this crisis different. The demographics make it impossible to address the financing challenge solely through provider payment cuts and efficiency gains.
- **Two choices: Raise taxes or dedicate part of the surplus to Medicare:** The amount of financing needed to pay for Medicare's shortfall -- even after significant restructuring -- can only come from the surplus or a new tax increase.

## II. MEDICARE COMMISSION SUMMARY OF THE BREAUX-THOMAS PROPOSAL

**Breaux-Thomas Proposal:** Its centerpiece is its "premium support" proposal. This would allow private plans to compete for Medicare beneficiaries on price and extra benefits. The plan also includes a number of other policies such as modernizing traditional Medicare, adding an unlimited 10 percent home health copay, and raising Medicare's eligibility age.

**Savings from the Proposal:** According to Commission staff, the proposal would increase Federal spending by \$8 billion over the next 5 years, and decrease it by \$66 billion over 10.

**Final Vote on the Breaux-Thomas Proposal:** The proposal received 10 rather than the required 11 votes to report it out as a Commission recommendation.

<b>BREAUX-THOMAS PROPOSAL</b>		
(Dollars in Billions, Commission estimates)		
	00-04	00-09
<b>Premium Support</b>	-9	-56
Rural Adjustment	+0	+3
<b>Modernizing Medicare</b>	-4	-39
Raising Age Eligibility	-1	-11
Cost Sharing Changes	-4	-24
Removing medical ed.*	-9	-36
Medicaid Drug Benefit, Increased Participation	+24	+61
<b>MEDICARE SAVINGS</b>	-3	-102
<b>BUDGET SAVINGS*</b>	+6	-66

\* Graduate medical education would still be funded but not by Medicare; thus, not budget savings.

## CONTRIBUTIONS OF THE MEDICARE COMMISSION

- **Focused attention on Medicare:** The year-long deliberations of the Medicare Commission has helped highlight the problems facing the Medicare program.
- **The Breaux-Thomas proposal has advanced the debate.** The plan has recommended a number of ideas worth serious consideration, including:
  - Making Medicare's traditional plan more competitive: It recommends that the program use the same effective, competitive management tools that are used in the private sector.
  - Simplifying Medicare's complicated, confusing and multiple deductible structure: It recommends creating a single, simple deductible. It also eliminates cost sharing for preventive services.
  - Recognizing the need for expanded coverage of prescription drugs: By expanding Medicaid drug coverage for beneficiaries with income below 135 percent of poverty, the Breaux-Thomas proposal takes a modest but positive

step towards providing drug coverage to Medicare beneficiaries.

## **SHORTCOMINGS OF THE BREAUX-THOMAS MEDICARE PROPOSAL**

- **Does not address Medicare's long-term solvency:** Because it includes no financing options, the Breaux-Thomas proposal does not address long-term solvency. The lack of financing makes the problem much larger to solve in the future and shifts more of the burden to our nation's children.
- **Raises the age eligibility for Medicare:** The most rapidly growing group of the uninsured are between the ages of 55-65. Raising the eligibility age of Medicare without a policy that assures that there will not be even more uninsured elderly is simply the wrong thing to do.
- **Includes flawed "premium support" proposal:** The Breaux-Thomas proposal would raise premiums for traditional Medicare by 10 to 20 percent for most beneficiaries, according to the independent Medicare actuary. Although the proposal attempts to address this problem for beneficiaries with no private plan options, those with limited or unattractive private options would be forced to

pay more to stay in the system.

### III. PRESIDENT'S PLAN TO STRENGTHEN MEDICARE

**President's commitment to develop a plan to strengthen Medicare:**

Neither the President nor his 4 appointees to the Commission could endorse all of aspects of the Breaux-Thomas proposal. However, the President is committed to working with Congress to develop and pass a plan this year to strengthen Medicare for the next century. To that end, he has instructed his advisors to develop a plan that conform to the principles that he outlined in January:

- Making Medicare more efficient and competitive;
- Maintaining and improving Medicare's guaranteed benefits; and
- Assuring adequate financing by dedicating 15 percent of the surplus to Medicare.

## MAKING MEDICARE MORE EFFICIENT AND COMPETITIVE

- **Providing private sector purchasing tools for traditional Medicare:** Medicare should be allowed to use the same, effective practices that private health insurers use to constrain costs, including:
  - Competitive pricing for services like medical supplies;
  - Selectively contracting with lower-cost, high-quality providers; and
  - Paying one price for a specific conditions (e.g., diabetes or heart attacks) rather than on a service-by-service basis.
- **Examining other policies to reduce overpayment and increase competition:** The Administration will also examine specific options to reduce fraud and overpayment, extend effective payment policies, and make managed care payments more competitive.

# MAINTAINING AND IMPROVING MEDICARE'S GUARANTEED BENEFITS

- **Ensuring that Medicare's guarantee is strong:** Medicare protects some of our most vulnerable citizens -- the elderly and people with disabilities -- from excessive health care costs. Proposal to strengthen Medicare must not do so at the expense of this guarantee.
  
- **Providing a long-overdue prescription drug benefit:**
  - Critical to modern medicine: Nearly all Medicare beneficiaries use prescription drugs, and their costs are over three times as high as that of other adults, and nearly 10 times that of children.
  
  - Essential component of legislation to strengthen Medicare: Any proposal should provide prescription drug coverage that is available and affordable, regardless of where they live or whether they are in a managed care plan.
  
- **Simplifying and improving Medicare's cost sharing**

## DEDICATING PART OF THE SURPLUS TO MEDICARE

- **Providing new financing by dedicating part of the surplus to Medicare:** The President's proposal would transfer 15 percent of the projected unified budget surplus to the Medicare Hospital Insurance (HI) Trust Fund for the next 15 years. This amount would equal \$686 billion over the period.
  - Investing now prevents larger problem later. Even though the Medicare shortfall is projected to accumulate to over \$1 trillion by 2020, the President's \$686 billion investment can fill this hole because it is done now -- allowing it to build interest and prevent borrowing with interest later.
  - One-time, fixed contribution: The plan does not create an unlimited tap on general revenue for Medicare. Instead, it invests a fixed proportion of the surplus -- in large part created by the baby boom generation -- in Medicare to pay for services for the temporary but overwhelming influx of retirees in the future.
  - Better option than raising taxes: Medicare's 2.9 percent payroll tax would have to be raised by 20 percent to get Medicare through 2020. It would be

borne by all workers -- including younger and low-income workers.

Βασεδ ον 1998 Τρωστεεσε Ρεπορτ

Automated Records Management System  
Hex-Dump Conversion