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THE WHITE HOUSE

WASHINGTON

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January 16, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Welfare -- New Caseload Numbers: You will be able to announce next week new welfare caseload numbers showing that the number of Americans on welfare has fallen below 10 million people for the first time since 1970 -- a drop of 30 percent, or 4.3 million, since you took office. The new numbers, from September 1997, show 9.8 million people on welfare, down from 14.1 million when you took office and 12.2 million when you signed the welfare law. With these numbers, you have met -- two years ahead of schedule -- the goal you set in last year's State of the Union address to move two million more Americans off welfare by the year 2000.

2. Welfare -- Why People Leave the Welfare Rolls: You recently asked why, as The New York Times reported, only half the people leaving the welfare rolls go to work, and whether that means time limits are too strict. The Times article relies on about seven state-specific studies. All of these studies were conducted before time limits went into effect, so time limits cannot provide the explanation. The studies are instead consistent with historical trends showing that of those leaving the welfare rolls, about 50 percent go to work, about 15 percent marry, and the rest move to another state, join the SSI rolls, or become ineligible because their youngest child turns 18. It is worth noting that while the percentage of people leaving welfare for work does not appear much higher than in the past, the absolute number of people leaving welfare for work is a great deal higher since the total number of people leaving welfare has increased dramatically.

3. Health -- Medicare Fraud and Abuse: The first HHS/Justice report on anti-fraud activities, mandated by the Kennedy-Kassebaum law, will come out next week. The report will document the success of the enforcement agencies in identifying and prosecuting Medicare fraud, which has led to the collection of $1 billion in fines and penalties for deposit into the Medicare Trust Fund. The timing of the report is fortuitous because the Senate Governmental Affairs Subcommittee on Investigation is planning to hold a hearing on January 29 to show that fraud continues to pervade the Medicare program. The hearing will focus on cases in which providers or suppliers billed Medicare for services or medical devices never provided to a Medicare beneficiary. The Justice/HHS report, especially if combined with the announcement of new anti-fraud measures that we are pressing HHS to expedite, should help to counter this negative message.

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4. Health -- Norwood Consumer Protection Legislation: You recently asked whether we should work closely with Rep. Norwood to pass consumer protection legislation. Although Norwood's legislation has over 200 co-sponsors in the House (including 95 Republicans), we do not recommend endorsing it. First, the bill would protect providers at least as much as consumers -- for example, by effectively preventing the exclusion of even low-quality, high-cost providers from health plans. Second, the bill has an enforcement mechanism that could lead to excessive litigation. These provisions are likely to involve substantial cost (perhaps leading to decreased insurance coverage) and, as a consequence, are controversial among both business and labor. Rather than associate ourselves with the Norwood bill, we recommend keeping up the pressure for federal legislation while encouraging a coalition of moderates to develop an alternative bill that imposes fewer costs and can attract greater business and labor support.

5. Health -- Children's Health/Medicaid Outreach: HHS should approve the Children's Health Insurance Program (CHIP) plans of Colorado, Alabama, South Carolina, and Missouri within the next few weeks, making these states the first four to provide coverage for uninsured children under the law you signed last summer. Some other states are seeking waivers from the new law's standards on benefits and cost-sharing; we will send you a memo early next week on the policy issues involved in these waiver requests, which pit the states against children's advocates. Finally, we are looking for an opportunity to announce the set of administrative actions and budget proposals you have approved to help states identify the three million children eligible for, but not enrolled in Medicaid. These initiatives will be very well received by both the states and the children's advocates.

6. Health -- Genetic Discrimination: The Vice President will release a HHS/Labor Department report on preventing genetic discrimination in the workplace in an event with the Genome Action Coalition on Tuesday. This report, which is similar to the one on genetic discrimination in health insurance that you highlighted in July, outlines the Administration's principles for legislation on this issue. Under these principles, employers generally could not obtain genetic information or use this information as a condition of employment or a way to classify employees. Several members of Congress, including Senator Daschle, have introduced bills on this issue.

7. Education -- National Testing: Chairman Goodling has scheduled a Jan. 28 mark-up of a bill that would prohibit any development or implementation of national reading and math tests after FY98 without specific statutory authorization. If this bill were voted on today, Goodling could carry all Republicans on his committee, as well as all Democrats in the Black and Hispanic Caucuses. DPC and Education Department staff are working hard to get the mark-up postponed -- or at least to hold Democrats together. Secretary Riley will send a letter to Goodling on Tuesday reminding him of our implicit agreement last fall to postpone further Congressional action on the national tests until the National Academy of Sciences completes several studies this spring. In addition, we will try to gain the support of Caucus members by making them fully aware of the investments your budget makes in expanding learning opportunities for low-income and minority students.

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8. Education -- National Testing: The National Assessment Governing Board (NAGB) will meet next week to determine what changes, if any, are needed in the contract to develop the national tests. The NAGB committee spearheading this work has recommended, on technical grounds, that the contract be modified to make 2001 the target year for the first administration of the tests -- two years later than you originally proposed, and one year later than the target we set following our appropriations battle. We do not believe this delay is necessary for sound test development, and we are working behind the scenes with our supporters on NAGB (including the Chair, who agrees with us) to retain the faster timetable.

NO! Mix up on timetable

9. Crime -- Prisons and Jails: The Justice Department will release a study on Sunday showing that as of June 1997, the nation's prisons and jails held over 1.7 million inmates. The total of 1.7 million included: 99,175 federal prisoners; 1.05 million state prisoners; and 567,000 local jail inmates. Between July 1996 and June 1997, the number of federal and state inmates grew by 4.7 percent (55,198), less than the average annual increase of 7.7 percent since 1990. Hawaii had the largest percentage increase in prison population since midyear 1996 (21 percent), followed by North Dakota (15.5 percent), and Wisconsin (15.4 percent). The number of local jail inmates rose by 9.4 percent (48,587), nearly double the average annual growth of 4.9 percent for this population since 1990. The local jail inmate population shows notable increases of women and juveniles. Since 1985, the number of females in local jails has grown by 9.9 percent annually, and the number of juveniles has increased nearly six-fold (from 1,629 to 9,105).