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THE WHITE HOUSE  
WASHINGTON

September 4, 1998

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THE PRESIDENT HAS SEEN  
9-8-98

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

RE: DPC Weekly Report

**1. Health Care -- FDA Commissioner Update:** Jane Henney's confirmation hearing before the Senate Labor Committee this week went well. The two major remaining roadblocks are: an unpopular regulation on the dissemination of information about off label uses of prescription drugs; and a likely hold by Senator Nickles and others who may attempt to trade her nomination for a nomination they care about or to make hay over FDA's approval of RU-486. We are pushing to have Dr. Henney voted out of committee within the next two weeks and are developing a strategy to get her confirmed in this session.

**2. Health Care -- Medicare Commission:** The Medicare Commission is scheduled to meet again September 8th and 9th. Senator Breaux says he is most interested in reforms that include: some type of prescription drug benefit; changes in the cost sharing structure to reduce the need for inefficient Medigap policies; and having health plans compete for Medicare business through regional bids. This last idea is similar to an approach advocated by Bob Reischauer that assumes Medicare pays the median bid and Medicare beneficiaries pay for the additional costs of more expensive plans. While we believe this concept has some promise, it is unlikely to achieve significant savings at least for the foreseeable future.

**3. Health Care -- FEHBP Premium Increases:** After Labor Day, OPM will announce that FEHBP plans will have a 10 percent increase in premiums. This follows an 8 1/2 percent increase from last year. OPM believes that these hikes will closely reflect the premium increases expected in other private sector health plans. We are reviewing all available data to determine if FEHBP growth rates are significantly exceeding other private health plans and, if so, why. The increase also somewhat undermines the arguments of those who advocate using an FEHBP type system for Medicare. It may well be, however, that one important constraint on OPM to be more efficient is its statutory obligation to include all health plans who wish to participate in its health care system, which limits its ability to use market leverage to get better prices from a fewer numbers of plans.

**4. Consumer Product Safety -- Advanced Air Bags:** You will announce on Thursday a new proposed rule that will require *advanced* air bags in American cars and light trucks. The new air bags will be safer than the air bags that are now in many cars while preserving the significant

benefits of air bags. Air bags have saved almost 3,500 lives, and they are projected to save 3,000 lives each year once they are in all cars. But we also now know air bags have killed 113, mostly young children and small-sized adults. The proposal you will announce should help prevent virtually all of these deaths. It will also make air bags more effective than the 20-35 percent depowered bags now being installed in most new vehicles. The rule will expand the crash dummy family by adding 1-, 3-, and 6-year-old child dummies, and a 5-foot female dummy, to the standard 170-pound male dummy that is now the only dummy used to test air bags. The rule also will add a 30-mph crash test with belted and unbelted male and female dummies to test the entire safety system. This test will replace the less effective, but industry-favored sled test now in use. The proposal will require companies to phase in advanced air bags into their fleets beginning in model year 2003. The Department of Transportation estimates that advanced air bags could save 640 additional lives each year. The new air bags will add \$4-126 to the cost of each vehicle depending on the technology that is used. The rule will be supported by consumer and safety groups. Car companies have already publicly announced their opposition to replacing the sled test. There is significant media and Congressional interest in the rule.

**5. Welfare Reform -- Food Stamp Fraud:** We are preparing three anti-Food Stamp fraud announcements for you to make as part of a radio address on the 12th or the 19th. We have prepared directives that will: 1) Ensure that Food Stamp recipients who die are immediately removed from the rolls, by requiring the Social Security Administration to share its death records with Food Stamp program; 2) Require USDA to develop a plan to create an interstate matching system to ensure Food Stamp recipients are not receiving benefits in multiple states; and 3) Require Treasury to collect (through offset of federal payments and other means) unpaid fines owed by retailers that have violated Food Stamp rules, such as exchanging Food Stamps for cash.

**6. Welfare Reform -- Wisconsin:** September 1st marked the one-year anniversary of implementing Wisconsin Works (W2). Caseloads are down 68% in the past year alone, and there are only 11,000 families left on welfare in Wisconsin. Five counties have no one left on cash assistance, and over half of the counties have fewer than 10 cases. The state reports that the average starting wage for people leaving welfare is \$6.77 an hour, which puts a typical family 25 percent above the poverty line even after paying a child care co-payment (the state pays a share of child care costs for low income working families whether or not they receive welfare).

A recent study of people leaving the welfare rolls in Wisconsin shows encouraging results. The study found that 70% of those who left the rolls did not return; the 30% who did return did so within four months of exiting. Leavers were more likely to: have more education; be white, or to a lesser extent Hispanic, and U.S. citizens; have fewer children and other adults in the household; not be receiving SSI for the mother or children; and have more work experience and higher earnings in the two years before they left the rolls. Families were generally better off when they left welfare, though small families did better than large families. Over half of all families saw their income rise when they left welfare, though slightly less than half of families with more than three children experienced income gains. Leavers had earnings well above their income on

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welfare, and these increased over time. All leavers earned about \$1,000 more during the quarters they were not receiving AFDC than they did while they were on AFDC.

**7. Welfare Reform -- Rockefeller Institute Research:** Last week, we met with Dick Nathan, director of the Rockefeller Institute, about a nationwide study his group is doing on the effect of welfare reform on the culture of the welfare office. Already, the study has found a surprising degree of bureaucratic change. Nathan finds a strong and consistent change in signaling by all levels of government on the importance of work and time limits which has been matched by immense change in individual welfare recipient behavior, particularly in terms of increased work. Nathan believes the broad public support for time-limited welfare-linked to work has resulted in a "detoxification of welfare" that now makes it politically feasible to provide services to help people get and keep jobs. While sanctions have become more frequent, they tend to be selective and graduated. Based on extensive interviews with front-line staff, he finds most workers support the welfare reform changes and see them as an opportunity to help people improve their lives. He is also struck by the amount of devolution from states to localities. A major concern is the importance of good information systems for oversight, evaluation, and helping front-line workers do their job. We will explore what more can be done to help in this area.

**8. Drugs -- Youth Drug Use and Attitudes:** On Tuesday, the National Center on Addiction and Substance Abuse (CASA) at Columbia University released its 1998 Back to School Teen Survey. One thousand teens, age 12 to 17-years-old were surveyed, as well as over 800 teachers and 800 principals. The survey found the transition from age 12 to 13 as a critical turning point in use of, access to, and attitudes towards drugs. The survey found that at age 13, teens were about three times more likely than a 12-year-old to know other students who use and sell marijuana, acid, cocaine, or heroin; to learn where to buy drugs and from whom to buy them; and to report students who use and sell drugs.

For the third straight year, the number of high school teens reporting that drugs are used, sold, and kept at their school has risen: from 72% in 1996 to 78% in 1998. Meanwhile, only 18% of high school principals believe that their schools are not drug-free. Teens who attend religious services four times a month were significantly less likely to smoke cigarettes or marijuana, or drink alcohol than those who did not regularly attend services. Although nearly half of teens reported that their parents never discussed the dangers of drugs with them, the 43% of teens who never smoked marijuana cite their parents as having the most influence over their decision. On the other hand, 50% of those who do smoke marijuana cite their friends as most influential. Teens who used one substance were found to be much more likely to use another. For instance, 79% of teen smokers also smoke marijuana, compared with 14% of teens who have never smoked. And of teens who smoke marijuana, 45% also smoke cigarettes, as compared with only 3% of non-marijuana smokers.

**9. Crime -- Senate Democratic Crime Bill:** Senate Democrats will introduce an omnibus crime bill on Thursday. While we have not reviewed the legislative language, we understand the

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bill will be primarily comprised of Administration and legislative proposals already before the Congress -- and is intended to give Senate Democrats a consensus piece of legislation to rally around between now and the November elections. Provisions in the draft bill include: a patchwork of school safety and juvenile crime proposals that mirror the Administration's juvenile crime strategy; a prospective gun ban for violent juveniles; funding for high-intensity gang activity areas; an extension of the COPS program and the Violence Against Women Act; funds for drug treatment and testing; a reauthorization of the Drug Office; funds to improve state criminal history records, communications systems and forensic labs; money laundering improvements; new drug, gang, and gun penalties; and portions of the Administration's International Crime Bill.

**10. Education -- McKay Event:** On Wednesday, you will visit an elementary school in Orlando with Buddy McKay to announce the release of a report by the Department of Education on the gap in NAEP achievement levels of 4th graders in high- and low-poverty schools. While the gap in reading and math achievement is significant, there are recent signs of improvement, particularly in math. However, the continuing gap allows you to point to the need for the education investments you have proposed: smaller class sizes and well-prepared teachers; modernized schools; after school programs; America Reads; and extra support for disadvantaged children to enable them to master the basics through increases in Title I funding. You will also announce the release of over \$16 million in COPS school-based partnership grants to 155 law enforcement agencies across the country. The grants will be used by policing agencies to work with schools and community-based organizations to address crime at and around schools using principles of community policing.

**11. Political Reform -- Campaign Finance Reform Letter:** We have prepared a letter for you to send Lott and Daschle next week calling on the Senate to join the House and pass Shays-Meehan/McCain-Feingold this Fall. There is a good possibility McCain and Feingold will try to bring their legislation to the floor next week.

~~MR~~ PRESIDENT.

The campaign finance letter  
was sent on Friday at  
Rahm's urging. I had it  
autoopened on your behalf.

Phil Caplan  
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