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Sept. 26, 98 - DPC Weekly Report

THE PRESIDENT HAS SEEN

9-29-98

THE WHITE HOUSE

WASHINGTON

'98 SEP 27 PM 7:28

September 26, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

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**1. Tobacco -- State Settlements and Federal Recoupment:** Rumors about a state settlement with the tobacco companies continue to run rampant. We heard in the middle of last week that the states were only days away from wrapping up an agreement that would give them about \$200 billion and a limited set of advertising restrictions. We heard on Friday, however, that new disputes had emerged and that there is not likely to be a settlement this week.

In preparation for a settlement, the NGA and NAAG are asking Congress to pass legislation extinguishing the federal government's claim to any share of the money that the companies will pay the states. (As you know, the federal government is entitled to an average of 57 percent of any state recovery of Medicaid expenditures; although the states will try to argue that the tobacco settlement is not -- or at least is not primarily-- a Medicaid recovery, the Justice Department will disagree strongly.) Governor Bush, who already has a settlement in hand, is pressing especially hard for this legislation.

During a meeting with Erskine last week, Governor Chiles urged the Administration to support compromise legislation on this subject, predicated on the agreement we reached with the NGA in the context of the McCain legislation. Under this approach, the federal government would relinquish its claim to a state recovery if but only if the state agrees to use half its money on a menu of seven items: child care, child welfare, the maternal and child health block grant, the substance abuse block grant, the safe and drug free schools program, Eisenhower education grants, and the state match for the children's health insurance program. Erskine, Secretary Shalala, Jack Lew, Bruce Lindsey, and we believe that this solution is a good one, and Erskine responded fairly positively to the proposal. Such legislation, however, would involve a serious budget issue, because the Congressional Budget Office currently scores the federal share of state tobacco recoveries as worth \$1.2 billion over five years. Chiles apparently has a plan for the states to reimburse the federal government this amount, thereby making the legislation budget-neutral, but neither we nor OMB has yet seen his proposal.

**2. Health -- Medicare Managed Care Program:** A number of major HMOs currently participating in the Medicare program are likely to pull out of select markets prior

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to the October 1st plan enrollment deadline. As of this writing, we expect these defections to affect between 100,000 and 500,000 Medicare beneficiaries -- about five to seven percent of the five to six million beneficiaries participating in Medicare HMOs; these individuals will have to find a new HMO (if one is available) or return to traditional fee-for-service coverage. The HMOs will blame excessive regulation and inadequate payment rates for their actions. Many health economists, however, note that (1) most of these plans comply with similar regulations in the private sector, and (2) the plans are "cherry picking" among regions for those with the most generous payment rates and/or the largest HMO market shares.

The industry is now urging HHS to stop the anticipated exodus of plans from the Medicare program by allowing them to increase premiums or reduce benefits, particularly drug coverage. HHS is currently evaluating the effects of such action on HMO participation in the program, and will brief Erskine on Monday. In the meantime, we are consulting with key members of Congress and aging advocates (like AARP). Although some Republican members may use this development to impugn our patients' bill of rights proposal (arguing that increased regulation leads to decreased health care choices), so far we have found little sympathy among the Republicans most knowledgeable about health care issues for the HMOs' position.

**3. Health -- Number of Uninsured:** The Census Bureau will release on Tuesday new statistics showing that the number of uninsured Americans has increased by about 1.7 million, from 41.7 million in 1996 to 43.4 million in 1997. According to the Bureau, the number of uninsured children remained constant at 10.7 million, and the number of uninsured poor stayed at about 11.2 million. The increase in uninsured appears to consist mostly of Americans who are working and earning income above the poverty level, but whose firms do not provide affordable coverage. Although some of these individuals may have come off the welfare rolls (becoming ineligible for Medicaid because they now make too much money), the total increase far exceeds the size of this welfare-to-work population. Most of the increase probably reflects general trends in employer-based coverage, particularly among small to mid-sized firms. We will continue looking into this matter, and provide you with whatever further information we can discover.

How much has # of uninsured increased since 1993?

**4. Health -- FDA Commissioner Update:** The Senate Labor and Human Resources Committee last week reported out by voice vote the nomination of Jane Henney as FDA Commissioner. Although the vote was very encouraging, we remain concerned that one or more conservative Republicans (perhaps Senator Nickles) will object to bringing the nomination to the floor for a vote. We will work closely with Senator Domenici, Henney's homestate Senator, to try to prevent this from happening.

**5. Health/Crime -- Event on Elder Abuse and Fraud:** We have prepared an event for you on elder abuse and fraud, scheduled for either this week or next. At the event, you would announce a new HHS study finding that more than 500,000 Americans aged 60 and

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over were the victims of abuse or neglect in their own homes during 1996. You also would note the extent to which fraudulent telemarketers target older Americans as their primary victims. To combat these problems, you would: (1) announce the creation of a new national center on elder abuse, which will train officials to detect and respond to elder abuse; (2) call on Congress to reauthorize the Older Americans' Act, which helps states to prevent and redress elder abuse; (3) launch a new partnership between the Justice Department and AARP to create Elder Fraud Prevention Teams; and (4) release a small amount of grant money to prosecute telemarketing scams and other forms of fraud against the elderly.

**6. Crime -- COPS Grants:** The Vice President will announce this week a total of \$370 million in grants to hire or redeploy about 11,000 more police officers. This total includes over \$100 million for Los Angeles and other communities in California to hire 800 new police officers, and \$200 million in COPS MORE grants for communities across the nation to redeploy almost 10,000 officers.

*What does this mean for the total?*

**7. Welfare Reform -- New Employment Statistics:** The Census Bureau's new statistics on income and poverty show that the rate of employment among former welfare recipients is at an all-time high. Thirty-four percent of the individuals who received welfare in 1997 were working in 1998 -- the highest percentage ever reported. This employment rate has risen by nearly 60 percent since you took office and by about 28 percent since you signed the welfare law (from 21 percent in March 1993 to 26 percent in March 1996 to 34 percent this year). These numbers indicate that the movement from welfare to work is proceeding apace even while the caseloads decline and the harder cases begin to predominate. We are continuing to analyze these trends; with an eye toward putting together another welfare event (perhaps also involving new caseload numbers and state work participation rates).

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**8. Welfare Reform -- National Child Support Case Registry:** HHS will initiate this week a new national database of child support cases, called the Federal Case Registry. This database will make it easier to locate deadbeat parents, especially if they have moved to a different state. HHS will check the Registry daily against an existing database of new employees; when it finds a match, it will report the information to the state, which then will arrange to garnish the wages of the delinquent parent. You proposed this mechanism for finding delinquent parents in 1994, and two years later Congress made it part of the welfare law. The new system has extensive privacy protections in place to guard against any unauthorized use of child support data. We expect USA Today to run an article on Monday about the new database, as well as the Administration's other efforts to increase child support collections.

**9. Education -- Congressional Agenda Event:** We are working with Senator Daschle's and Congressman Gephardt's offices on a rally event in which you and Congressional Democrats would call on the Republican Leadership to devote just one day before Congress leaves to voting on your education agenda. Though we are still discussing with Congressional staff the particular education programs to highlight, we probably will

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make class size the centerpiece of the event. As you know, Senator Murray has introduced legislation to enact your full class-size proposal, and has identified offsets to pay for it. In addition, she and Senator Harkin have prepared a scaled-down class-size initiative that would involve about \$500 million in additional Title 1 funding. Democrats on the Hill want to call attention to these efforts and to the Republicans' refusal to give them serious consideration.

**10. Education -- Charter School Legislation:** We are continuing to work with congressional staff to bring charter school legislation to the floor of the Senate. Senator Harkin promised Secretary Riley last week that he would refrain from offering his amendment to the bill so long as no other Senators offer amendments. We are currently not aware of any other amendments, and we are working with congressional staff on a consensus manager's package to bring to the floor within a week.

**11. Food Safety -- Salmonella Report:** USDA will release on Monday a report showing that your science-based food safety program -- called the Hazard Analysis Critical Control Point (HACCP) program -- has led to an almost 50 percent reduction in the frequency of salmonella in broiler chickens and an almost 40 percent reduction in the frequency of salmonella in swine. We leaked this report to the Washington Post, which ran an excellent story in Sunday's newspaper and may run a supportive editorial tomorrow. The new data comes just as the Agricultural Appropriations conference begins deliberations on funding for your food safety initiative.

**12. National Service -- AmeriCorps Recruitment:** You recently asked about the status of AmeriCorps recruiting and the feasibility of a proposal to locate AmeriCorps recruiters in military recruiting offices. AmeriCorps is currently recruiting very successfully, and it expects to pass the 100,000-member milestone this fall. ~~(By way of comparison, it took the Peace Corps two decades to reach the 100,000 member mark.)~~ AmeriCorps has identified a number of ways to improve recruiting further, but believes that it should steer clear of proposals involving closer links to the military. AmeriCorps already relies to a limited extent on the Selective Service: the acknowledgment sent to people who register for the draft asks if the person would like more information about joining the Armed Forces or AmeriCorps. Republican members of Congress have criticized this arrangement as interfering with military recruiting efforts, and Rep. Ron Paul has introduced legislation to prohibit the practice. Given this response to a much more limited kind of joint arrangement, AmeriCorps is reluctant to locate recruiting personnel in military offices.

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**13. Children and Families -- After-School Poll:** Secretary Riley participated in the release of a new national poll on Thursday finding that Americans overwhelmingly endorse the expansion of after-school programs. Ninety-three percent of those surveyed said they favor making safe, educational programs available to all children in the hours after school, with strong support across party lines and among parents and non-parents. In addition, 80

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percent said they would be willing to use additional federal or state tax dollars to fund after-school programs in their community at a cost of \$1,000 per child, even if doing so raised their individual tax bills by \$10 a year. The Secretary also announced a new partnership among the Administration, NBC, "People Magazine," the Ad Council, and the Entertainment Industry Foundation to create a new public service announcement campaign to support the expansion of high-quality after-school programs in public schools.