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Dec. 5, 1998 - DPC Weekly Report

THE PRESIDENT HAS SEEN

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THE WHITE HOUSE

WASHINGTON

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December 5, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

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1. Health Care -- Medicare Commission: The Medicare Commission met last week for its first serious discussion of policy options. Although the Commission continues to suffer from weak staffing, poor communication among members, and a general sense of disorganization, the staff did manage to produce an options memo that presented several proposals meriting further consideration. The memo listed a number of fee-for-service reforms, such as rationalizing the program's cost-sharing requirements. In addition, the memo presented a "premium support" program -- i.e., a program that both defines a set of benefits and sets the government's contribution. (Henry Aaron and Bob Reischauer have advocated a similar proposal.) Many of the Democrats believe that a premium support approach, if done correctly, could inject more market competition into the Medicare system while providing a vehicle for establishing a prescription drug benefit. In addition to discussing this options memo, the Commission members also considered a set of principles that Congressman Dingell devised (with our assistance) to guide future consideration of policy options. The Democrats on the Commission (including Senator Breaux) responded favorably to these principles, and they may serve their intended goal of ensuring that Breaux does not endorse an option wholly unacceptable to other Democrats.

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All this generated positive momentum at the meeting, but the challenges facing the Commission remain enormous, especially if it hopes to reach its tentative goal of making final decisions next month. The Commission members are finally coming to recognize the scope of the Medicare financing problem, and to realize that more than program savings will be necessary to significantly extend the life of the program. The Commission probably will respond either by scaling back its ambitions (for example, aiming to keep the program solvent for only another 10 or 12 years) or by proposing to inject new funds into the program. We will continue to monitor the progress of the Commission, as well as respond to Democratic members' requests for assistance, as the Commission continues its efforts.

2. Health Care -- Medicare Fraud and Abuse: HHS Inspector General June Gibbs Brown released a report last week finding that the program managers that HCFA hires to reimburse Medicare providers are generally ineffective in detecting fraud and abuse. The report is only the latest in a series of reports the IG has issued criticizing HCFA's efforts to eliminate fraud and/or calling on Congress to give HCFA additional statutory authority in this

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area. In an event now scheduled for Monday, you can counter these reports by unveiling a set of legislative proposals and administrative measures to make HCFA's anti-fraud efforts more effective. The legislative proposals are similar to those we introduced in Congress last year, and should result in savings of about \$2 billion. The new administrative measures include a plan to contract with a special set of fraud investigators, rather than use the normal program managers, to identify fraud in the program. Most of these initiatives respond directly to the IG's recommendations, and we expect her to give them strong validation. We also anticipate that aging advocates, such as AARP and the National Council of Senior Citizens, will receive the initiatives favorably.

3. Health Care -- National Toxicology Board Recommendation: The National Toxicology Board of Scientific Counselors recommended on Wednesday that the Secretary of HHS classify alcoholic beverages as a known human carcinogen. Although the scientists acknowledged that moderate consumption of alcohol may produce some health benefits, they concluded that cancers of the mouth, pharynx, larynx, and esophagus are sufficiently linked to alcohol consumption as to compel this classification. The Board's recommendation will come to Secretary Shalala for decision in the spring of 1999. As you know, she rarely overturns a recommendation made by a scientific body. A decision to classify alcohol as a carcinogen will not prompt any other regulatory action. The only effect of the decision will be to list alcohol in HHS's ninth Report on Carcinogens, a congressionally-mandated publication designed to inform the public and regulatory agencies about substances linked to increased rates of cancer. In the wine, beer, and liquor industry, however, even this action will provoke intense displeasure.

4. Health Care -- Stem Cell Research: The Senate Appropriations Subcommittee on Health held a hearing on Wednesday to explore the medical, ethical, and legal issues raised by recent developments in stem cell research. Participants in the hearing devoted considerable attention to the medical potential of this research, noting that it may reduce the need for transplantable donor organs and suggest new treatments for Parkinson's, Alzheimer's, spinal cord injury, stroke, burns, heart disease, diabetes, osteoarthritis, and rheumatoid arthritis. Participants in the hearing also discussed whether and how the current ban on federal funding of human embryo research applies to stem cell experiments. Senators on the panel appeared deeply divided on this question. The Administration took no position on the issue in its testimony; Harold Varmus simply testified that the HHS General Counsel's office had not yet completed its review of the question. We expect, however, that the General Counsel soon will conclude that federal funding for at least some (but probably not all) stem cell research techniques is legal. When we get a more complete sense of the scope of this legal ruling, we will work with OSTP and HHS to present you with appropriate options.

5. Consumer Protection -- Toxic Toys: The Consumer Product Safety Commission released on Tuesday the most comprehensive report to date on the potential health risks to children from teething rings, rattles, and toys containing chemicals called phthalates that are used to soften plastic. The report concludes on the basis of currently available data that children

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using these products are not exposed to phthalates at levels that might be harmful; the report, however, also identifies several areas where additional scientific research is necessary. In keeping with these findings, the CPSC decided not to ban these products, but it did successfully encourage a large number of manufacturers and retailers to discontinue their sale.

Chapman
We are working with CEQ on ways to support the CPSC's continuing research on phthalates.
We also have drafted a letter for your signature to about 20 Congressmen concerned about this issue; among other things, the letter assures the Congressmen that the Administration will not attempt to discourage other nations from banning these products.

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6. Political Reform -- Gore Commission: The Gore Commission is now on schedule to release its report on December 18. As we have discussed, the report will fall short of what you had hoped for: it will content itself with announcing a voluntary commitment by broadcasters to provide five minutes of free TV for political discourse between 5:00 p.m. and 11:35 p.m. in each of the last thirty days of a campaign. Although Norm Ornstein agrees with you that the report does not go as far as it should, he believes that he has pushed the Commission members as far as possible. Ornstein also told Paul Weinstein of our staff that the press and even the reform movement will treat the broadcasters' voluntary commitment of free TV time as a major victory; he said, for example, that Paul Taylor is pleased with the agreement. We believe you should issue a statement when the report is released, encouraging the broadcasters to implement their commitment in a timely manner and suggesting that we will take all available steps to enforce it (or another free TV time proposal) if they do not. We expect Senator McCain to hold hearings on the report early in the next Congress and to send much the same message.
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7. Abortion -- New CDC Report: The Centers for Disease Control reported on Thursday that the number of legally induced abortions increased by 0.9 percent between 1995 through 1996, to a total of 1,221,585. This change in the number of abortions may have resulted simply from variations in reporting by state health departments. Alternatively, it may indicate that the number of legal abortions in the United States is stabilizing after a pronounced decline in the first half of this decade. As you may recall, between 1990 (the year in which the number of reported abortions was highest) and 1995, the number of legally induced abortions decreased by a full 15 percent. Even with the slight increase in the number of abortions in 1996, the national abortion rate did not change; at 20 per 1,000 women of reproductive age, it continues to be at its lowest point since 1975.

8. Crime -- COPS Program: The COPS Office will announce on Thursday about \$77 million in grants to over 30 local law enforcement agencies through the COPS MORE (Making Officer Redeployment Effective) program. As you know, COPS MORE helps law enforcement agencies purchase equipment and hire support staff so that existing officers can be reassigned to community policing duty. These grants will assist in the redeployment of over 3,800 officers.