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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
2-7-99

February 6, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Medicare: Your speech to the AARP last week effectively highlighted the Medicare issue, and the four principles you released there comforted the Democratic base without alienating Senator Breaux. Although most Democrats remain very skeptical of Breaux's ideas, Breaux asserts that the Commission's recommendations -- due on March 1 -- will meet your principles. Meantime, the Republicans are keeping very quiet about the Medicare issue. They are fearful of a debate that directly pits Medicare against tax cuts for use of the surplus. This, of course, is precisely the debate we want to have, and your advisors agree that we should frame the issue in this way at every possible opportunity.

2. Health Care -- Jeffords-Kennedy Bill: The Senate Finance Committee held a hearing Thursday on the Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act, which you included in your budget. The bill now has 40 co-sponsors in the Senate, including about a dozen Republicans. At the hearing, Senator Kennedy expressed appreciation for your support of the legislation and for your other disability initiatives (particularly, the employment tax credit, assistive technology funding, and long-term care initiative). Former Senator Dole, who also testified, made a strong appeal to Republicans, urging them to reject characterizations of the bill as an entitlement expansion and to view it instead as "good government." Governor Thompson's Secretary of Health supported Dole's remarks. The bill is now slated for mark-up in the Finance Committee in the early spring. In the House, work on the bill is far less advanced, but we think that Representatives Nancy Johnson and Ben Cardin may soon introduce it.

3. Health Care -- Shalala v. Grijalva: We are sending you a separate memo this weekend on whether to ask the Supreme Court to review the Ninth Circuit's decision in Shalala v. Grijalva that Medicare HMOs are state actors and therefore subject to constitutional due process requirements.

4. Tobacco -- Medicaid Recoupment: Senators Hutchison and Graham introduced a bill last week to prevent the federal government from recouping any state tobacco settlement funds. Twenty-seven other Senators co-sponsored the bill, including five other Democrats (Senators Leahy, Torricelli, Murray, Lincoln and Bayh). A similar bill introduced by Congressman Bilirakis a few weeks ago now has 31 co-sponsors, including a number of

Democrats from the tobacco states. We have expressed strong opposition to these bills because they give up the federal share of the states' tobacco settlement without any commitment by the states to use the funds to prevent youth smoking, protect tobacco farmers, improve public health, or assist children. We are working with allies on the Hill and in the public health community to stem support for the bills, principally by promoting an alternative approach that would waive the federal claim to settlement funds in exchange for the states' agreeing to use the federal portion of these funds on a list of shared priorities. Senators Harkin and Chafee are working together on a bill of this kind, and Senator Kennedy is working on another.

5. Education -- New NAEP Reading Scores: The Vice President and Secretary Riley will announce next week new results from the National Assessment of Educational Progress, showing small but statistically significant gains in reading in the 4th, 8th, and 12th grades since 1994. (We will also put out a statement from you on the day of the announcement.) Scores are up for African-American students in the 4th and 8th grades and for Hispanic students in the 12th grade. The report also shows that 8th and 12th grade students are reading more pages per day and that fewer students at each grade level are watching six hours or more of television per day.

6. Service -- AmeriCorps Event: You are scheduled to participate in an event on Wednesday to (1) mark the milestone of AmeriCorps' 100,000th member; (2) announce a \$133 million increase in your FY 2000 budget to support 69,000 AmeriCorps members next year and to put the program on a path to reach 100,000 members each year by 2002; and (3) launch AmeriCorps' Call To Service Campaign -- its first-ever national campaign to recruit new members. The event, involving over 100 current and past AmeriCorps members, will take place at the University of Maryland in College Park. The University has a long history of service and involvement with the AmeriCorps program, and the State requires high school students to perform community service as a requirement of graduation.