

MENTAL HEALTH PARITY QUESTIONS

Q. Does the *Wall Street Journal* article accurately reflect the Administration's intent on its interpretation of the mental health parity law? Are you not concerned about the business community's reaction?

A. The Administration is of course committed to a fair and equitable regulatory implementation of the new mental health parity law. As a matter of law, because this is a rulemaking proceeding, we are not permitted to discuss the substance of a regulation prior to its release -- which probably won't occur before the end of this week.

While I cannot discuss any specifics with regard to any regulation, it is important to point out that the business community is not a monolithic group. As the article points out, there are respected representatives of business -- who publicly state that they would not object to coming into compliance with the new law before being able to exempt themselves from the requirements, (using the so-called 1 percent exemption). It is also important to underscore the fact that, recognizing the concerns of small business, the law explicitly exempts firms with less than 50 employees from the new requirements.

BACKGROUND: The law's exemption allows a business or a plan to exempt itself from the requirements under the mental health parity law if it determined that the new law's provisions would increase costs by more than 1 percent. Most businesses wanted to be able to exempt themselves out prospectively; that is to say, they wanted to be able to get an actuary to provide an estimate before the new law affected them through benefit changes. Needless to say, the mental health advocates don't trust many actuaries or businesses, and felt that the law needed to be in place before allowing any exemptions.

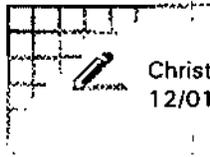
Q. Do you think it is appropriate for Tipper Gore to play such an apparent visible and influential role in the regulatory interpretation of a particular law?

A. First, Tipper Gore is known throughout this city and country as a long-time advocate for the mentally ill and their families. She played an important role in encouraging the Congress to pass the mental health parity law in the first place. Her interest in these issues is well known and widely respected; as such, her views are solicited by many in and outside the Administration.

Although Mrs. Gore is of course interested in how we would implement the mental health parity law, this regulation went through the normal review process of three Departments (HHS, Labor and Treasury) and then onto the OMB's Office of Information and Regulatory Affairs (OIRA) review process. From that point on, OMB took charge of the regulation, consulting with those offices within the White House who had jurisdiction over and interest in it. In so doing, it has been consulting with the Domestic Policy Council and Mrs. Gore's office. This is not at all an unusual or improper process.

BACKGROUND: Although Mrs. Gore's office was consulted, Tipper Gore participated in no meetings whatsoever. Moreover, in the final and most important meeting with Erskine Bowles on this subject, neither Mrs. Gore nor her staff participated.

Reed



Christopher C. Jennings
12/01/97 01:44:48 AM

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To: See the distribution list at the bottom of this message

cc:

Subject: Health Q&As for December 1st

On Sunday, Robert Pear and the NY Times ran a front page story on the Administration's children's labeling regulation. Since we released this regulation in August and it received so much attention, the idea that this story is news seems -- to say the least -- questionable. FDA informs me that there is nothing new on this front. Having said this, since it received such prominent play, attached you will find a couple of Q&As on this subject. (Needless to say, we believe we are on very strong ground on this one and it is my impression that many drug companies wanted this type of coverage.)

Also attached, you will find my first cut answer to the question why we are NOT announcing our appointments to the Medicare Commission. I think this is the answer John Hilley and Gene Sperling would generally approve, but I want to make certain. I will follow-up with a note should my guidance differ from the attached draft.



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Message Sent To:

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PEDIATRIC LABELING NEW YORK TIMES ARTICLE

Q. Are you concerned about the ethical and health care concerns raised by drug manufacturers regarding the unintended consequences of the Administration's regulation requiring companies to test their products in children before marketing them?

A. Absolutely not. It borders on the unethical not to ensure that physicians and other health care professionals have the information they need to most appropriately prescribe needed medications to our nation's children. Today, countless thousands of children are prescribed medications in the absence of this information. This fact helps explain why national representatives of pediatricians and children's hospitals are so supportive of this regulation.

Follow-up question: Granted their does seem to be a disagreement between the industry and health providers on this issue; however, aren't you concerned even if just one child is needlessly exposed to clinical trials that might be harmful?

A. What the *New York Times* article did not mention is that the Food and Drug Administration (FDA) Commissioner will have the authority to waive testing requirements if he or she determines they are ethically or medically unsound.

MEDICARE COMMISSION

Q. Why are you not announcing your appointments to the Medicare Commission today -- the date the Balanced Budget Agreement law explicitly calls on the Congress and the Administration to make its selections?*

A. After consulting with the Congress, we have decided that it would be preferable to announce the Commission appointees along with the Chair. We have not finalized our discussions on the Chair and, by mutual agreement, have decided to delay the final announcement of appointees until that time.

Follow-up question: When do you anticipate this process concluding? Why is this taking so long?

It is our hope and expectation that we will reach closure on the chair in the very near future. We are committed to getting the work of the Commission underway as soon as possible.

* This Q&A needs to be cleared by John Hilley and Gene Sperling.

HEALTH CARE Q's AND A's

Q: WHY ARE YOU INSISTING ON MICROMANAGING THE BENEFITS PACKAGE THAT YOU ARE ASKING THE GOVERNORS TO ADMINISTER FOR CHILDREN'S HEALTH BENEFITS? NO ONE KNOWS BETTER THAN YOU HOW IRRATIONAL TOP-DOWN DIRECTIVES -- EVEN IF WELL INTENTIONED -- CAN BE.

A: We have all had numerous practical, political, and philosophical discussions about the proper balance between flexibility and accountability. But for this unprecedented new investment, which remains a state option, I do not believe that it is unreasonable to ensure that States cover important benefits for kids. The Republican proposal would not guarantee that children receive such benefits as prescription drugs, mental health, dental, and screening for vision and hearing.

We are looking for ways to assure that the children's health benefits package is meaningful while still leaving plenty of room for flexibility. We have made some suggestions and are open to others as long as they achieve this balance.

Lastly, I must underscore the flexibility this State option provides no matter how this issue will be finally resolved. First, States who choose to participate in the children's health plan will contribute 30 percent less for their State-match than they do now under Medicaid. Second, States can design their benefits package without Medicaid's EPSDT benefit requirement. Third, States can negotiate payment rates unencumbered by Federal reimbursement rules. Fourth, States can use one managed care plan without being required to provide a host of other plans. Fifth, there will be no state-wideness requirements, allowing States to target populations within the State. And this does not even include all the new Medicaid flexibility provisions already included in our balanced budget discussions.

We have worked through issues many times in the past, and I am convinced we can do so again. But let's all remember how far we have come on the State flexibility issue since the days I sat with you. Let's not allow this opportunity to balance the budget and invest in our kids go by.

Q. WHILE YOU SAY YOU WANT TO GIVE US ADEQUATE FLEXIBILITY, WE HEAR YOU ARE MAKING A PROPOSAL THAT WOULD IN ESSENCE REQUIRE THE SAME TYPE OF BENEFIT PACKAGE FOR OUR KIDS THAT WE HAVE DESIGNED FOR OUR ADULTS. HOW CAN YOU DEFEND THIS?

A. I recognize and accept the concerns you raise. We were trying to respond to the objections that Republicans' raised about adding to the list of four benefits they included in their package. We suggested, instead, using the benefit packages that States had already approved. There are certainly other ways to achieve the same end.

Q. WHAT IS THE OVERALL STATUS OF THE NEGOTIATIONS ON CHILDREN'S HEALTH AND MEDICAID?

A. We are trying to agree to an increase in funding for the children's health investment through the use of the same type of tobacco tax that was passed by the Senate. In addition, we are working on finalizing an agreement on benefits package design. While there are other minor outstanding questions, we believe we will be able to work those through quite easily.

We have worked through almost all of the Medicaid provisions. We are finalizing an agreement on how the savings are achieved, but we anticipate we will resolve this issue in short order as well.

Q. WHY DO YOU AND YOUR ADMINISTRATION KEEP PUSHING TO REWARD THE VERY STATES THAT RIPPED OFF THE MEDICAID PROGRAM THROUGH THEIR DISPROPORTIONATE SHARE (DSH) SCHEMES?

A. We agree that so-called high-DSH states should be targeted for higher levels of cuts than low-DSH states. Any plan that we have advocated -- or will advocate -- ensures that this is the case. However, the question will always remain how deep the high-DSH states should be cut and whether they can sustain such reductions without excessive pain to the programs and people they serve. We are working with the Congress to determine what the appropriate balance should be.

Health Care - Q&A

MEMORANDUM

April 23, 1997

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Backup Information on High Profile Health Issues
cc: Melanne Verveer, Bruce Reed, Jen Klein

Attached is our latest summaries and Q&As on high profile health issues in the President's budget and on the President's new Quality Commission. It includes:

- (1) Q&As on children's health care, Medicare, Medicaid, and the Quality Commission;
- (2) A preliminary document comparing health care proposals in the President's 1998 budget with the 1995 Republican Balanced Budget Act;
- (3) A summary document on how the President's Medicare proposal addresses important structural reforms;
- (4) A one-pager on the President's children's health care proposals;
- (5) Highlights of the President's investments in health care priorities for women; and
- (6) A one-page summary of the Quality Commission.

I hope this information is helpful. Please feel free to call me with any questions.

CHILDREN'S HEALTH CARE Q&As

Question: Does the President support the new children's health bill being introduced by a bipartisan group of Senators led by Senators Chafee and Rockefeller?

Answer: The President is extremely encouraged by the emergence of yet another bipartisan children's health care proposal. Making a significant Federal investment in children's health care continues to be a top priority for this Administration.

We are currently reviewing the details of the Chafee-Rockefeller bill. The President is extremely supportive of expanding health coverage to more children by building on the Medicaid program. The Chafee-Rockefeller bill offers matching rates for states which expand Medicaid coverage to children above the mandatory level.

Cosponsors are discussing this bill as a complement to the Hatch-Kennedy block grant proposal to address the pockets of uninsured children in the middle class. The President too, believes that a multi-tiered approach to expanding coverage may be the best way to more uninsured children.

We look forward to working with Chafee, Rockefeller and a host of other Democrats and Republicans on the Hill interested in this issue to ensure that any balanced budget deal includes a significant investment in children's health coverage.

Background: On Thursday, April 22, Senators Chafee and Rockefeller are introducing a bipartisan children's health coverage bill which offers states higher Medicaid matching rates if they expand coverage to children above the mandatory levels. This expansion is contingent on states' choosing to extend 12 month continuous coverage to all children.

Cosponsors of this bill -- including Hatch, Kennedy, Chafee, Breaux, and Rockefeller -- believe that this bill could complement the Hatch-Kennedy bill which provides block grants to states to cover uninsured children. This potentially increases the investment in children's health to \$25-\$35 billion.

Some Republicans like the Chafee-Rockefeller option because it builds on the current Medicaid program, rather than starting a new program.

Question: Does the President support the Hatch-Kennedy children's health care bill which finances children's health care expansions by increasing the tobacco tax?

Answer: First of all, the President is delighted that there is so much bipartisan interest in expanding health coverage to children, and he will continue to work with Senators Hatch and Kennedy and others in Congress to pass a balanced budget this year that extends health care coverage to more uninsured children.

While the Hatch-Kennedy bill pays for new expansions by increasing the tobacco tax, the President has a proposal which would expand coverage to millions of additional children and that is paid for in the context of his balanced budget plan. Regardless of the source of financing, assuring a significant commitment for children's health care will continue to be a top priority for the President.

Question: Didn't the President propose to increase tobacco taxes in his own health care reform bill?

Answer: Yes. However, the President's current proposal illustrates how children's health coverage can be financed without this mechanism. Again, regardless of the source of financing, children's health coverage is a top priority for the President. We can no longer tolerate a nation that has 10 million uninsured children. As we develop bipartisan legislation to address this unacceptable problem, we must assume a certain financing source that helps pay for children's health insurance.

Question: Many Congressional Republicans say they are opposed to new entitlements. How are you going to convince them to expand health care coverage?

Answer: The President's children's health proposal is not a new entitlement. Rather, it is a capped program which gives states the flexibility to design innovative ways to extend health care coverage to uninsured children. This carefully targeted investment has been fully paid for in the President's balanced budget. Moreover, we have seen enormous interest from both Republicans and Democrats in expanding health care for children, and we are optimistic that we will be able to pass a children's health bill this year.

Question: **Couldn't you reach these children more effectively through an existing mechanism such as the Medicaid program, the tax code, or an existing discretionary program?**

Answer: The President wants to pass bipartisan legislation that will extend health care coverage to up to five million uninsured children. He is willing to consider any ideas that will enable us to reach this goal.

Question: **The Hatch-Kennedy children's health coverage bill seems to be losing support even by some of its cosponsors because of the tobacco tax financing. Are you concerned about these recent developments?**

Answer: No piece of legislation in this town experiences smooth sailing through the legislative process. The President continues to be very encouraged by the strong bipartisan support for an investment in children's health coverage. In addition to the Hatch-Kennedy bill, a number of others in Congress are coming forward with proposals to expand children's health insurance. For example, Nancy Johnson joined the list of Republicans who have put forth proposals to expand children's health care coverage. And we expect there will be many more. This should be a major priority for this Congress, and it is a top priority for the President.

MEDICARE O&As

Question: **Democrats are saying that the Administration has gone far enough with Medicare savings. Are you concerned that your base Democrats will withdraw their support?**

Answer: The President has put forth a strong Medicare proposal that extends the life of the Trust Fund to 2007 while modernizing and strengthening the program. The President has always been and always will be opposed to excessive Medicare cuts. He is working with the Democratic Leadership to ensure that any Medicare proposal is based on strong policy rationale and does not excessively or unfairly burden Medicare beneficiaries or the providers who serve them. Democrats have always been reasonable stewards of the Medicare trust fund, and the President is confident that there will be broad Democratic support for any necessary reforms of the program.

Question: **Do you plan to eliminate any of the new benefit improvements in your Medicare plan?**

Answer: While everything will clearly be "on the table" in our budget discussions, we are extremely sensitive about making any changes to the important beneficiary improvements in our Medicare plan. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Improving benefits and fixing flaws in the program which place undue costs on this vulnerable population is a high priority for this Administration. For example, the President's budget expands coverage for mammographies and colorectal screening, improves self-management of diseases like diabetes, and extends respite benefits that are increasingly important to our older Americans. We look forward to continuing to work with both Republicans and Democrats in Congress on passing a balanced budget which will strengthen and improve the Medicare program.

Question: **Your proposal to lower out-of-pocket costs for outpatient department (OPD) services costs almost \$50 billion over ten years. How do you justify the costs of this proposal?**

Answer: **Our OPD policy simply returns the benefit to the original intent of the program.** This policy is in no way a new entitlement. Under current law, Medicare asks beneficiaries to pay 20 percent copayments for Medicare services. An anomaly in outpatient payment methodologies has allowed hospitals to indirectly cost shift to beneficiaries. As a result, beneficiary copayments are now averaging almost 50 percent. The President's proposal simply restores the copayment to 20 percent -- similar to all other Part B services.

The current 50 percent coinsurance costs are significant for Medicare beneficiaries. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Those without Medigap insurance or other secondary insurance simply cannot afford the huge unexpected bills they receive for OPD services. Those with Medigap coverage have seen their premiums increase as a result of this anomaly. It is only fair that this benefit, like all other Part B services, have a 20 percent coinsurance.

Question: **Why are the costs in your OPD proposal backended. Aren't you just playing political games to balance the budget in 2002?**

Answer: We believe that it is important to address this unfair cost burden on beneficiaries. However, we are more than willing to discuss alternative ways to fix this problem.

Question: **The President's Medicare proposal contains mostly cuts on providers and managed care. Don't we need real structural Medicare reform?**

Answer: Absolutely. The President's budget takes important steps to modernize Medicare and bring it into the 21st century through a number of structural reforms including

- **Establishing new private plans** including Preferred Provider Organizations and Provider Sponsored Organizations -- available to seniors and people with disabilities.
- **Establishing market-oriented purchasing for Medicare** including the new prospective payment systems for home health care, nursing home care, and outpatient hospital services, as well as competitive bidding authority and the use of centers of excellence to improve quality and cut back on costs.
- **Adding new Medigap protections** making it possible for beneficiaries to switch back from a managed care plan to traditional Medicare without being underwritten by insurers for private supplemental insurance coverage. This should encourage more beneficiaries to opt for managed care because it addresses the fear that such a choice would lock them in forever.

Question: Does the President support the Medicare Commission proposed by Senators Roth and Moynihan?

- First, the President want to praise Chairman Roth and Ranking Member Moynihan for working together -- on a bipartisan basis -- to propose the creation of a commission to address the long-term financing issues that face Medicare. Their efforts reflect a bipartisan spirit which we believe is critical to ensure the success of any process designed to address this important issue.
- No one is more committed than the President is to seeking a bipartisan process to find long term solutions to Medicare. But my more immediate focus is reaching a bipartisan agreement on a balanced budget that extends the life of the Medicare Trust Fund in the near term. We have an historic opportunity to balance the budget. We should not let it pass.
- As the President has repeatedly said, we will need a bipartisan process to address the long-term financing issues facing Medicare, and he looks forward to working with both parties to develop the best possible process.

MEDICAID Q&As

Question: **The Governors are joining advocates and providers in strongly opposing your per capita cap and significant savings in the Medicaid program. Aren't you concerned that support for your proposal seems to be waning?**

Answer: Both sides are taking consistent and expected positions in an important discussion about balancing the budget.

The Governors are not surprisingly taking the position that they would like maximum flexibility in administering their programs and would prefer not to have Federal budget constraints on the program if we are going to maintain the Medicaid's guarantee of coverage.

The President, for the third year in a row, is proposing significant flexibility provisions for the States. In return, he is also proposing that the Federal Treasury be protected against excessive cost increases in the future. This is not new.

The only thing that has changed is that the President's budget recognizes that growth in the Medicaid program has declined and as such will include much more modest savings than previous balanced budget initiatives.

The President will continue to work with the Governors to craft appropriate and much overdue flexibility provisions to enable us to not only constrain costs but hopefully to expand health insurance coverage.

Question: **The President is cutting \$15 billion from disproportionate share hospitals. Isn't that excessive?**

Answer: According to the American Public Hospitals Association, \$15 billion may be possible provided that our targeting policy ensures that DSH money is going to the hospitals that were intended to be served under the statute. Moreover, the President's budget makes important health investments so that the people who are showing up at these hospitals already have health care coverage. The Administration is working closely with governors, hospitals, and others to ensure that our policies target funding appropriately to serve low-income and uninsured Americans.

Question: Is it really worth cutting \$22 billion from Medicaid and implementing a per capita cap just to expand coverage to a few more children?

Answer: First of all, the President has proposed \$7 billion in net savings in Medicaid, which represents a reduction of about 1% off of the current Medicaid baseline over the next five years. By definition then, the President's \$19 billion health care coverage investment could not be financed only through Medicaid savings.

Moreover, because a per capita cap assures states more dollars when they cover additional children and because children are relatively inexpensive to cover, we believe that this policy will provide States with positive incentives to extend health care coverage to more children. In fact, the Congressional Budget Office estimates that the assistance of a per capita cap would actually produce greater numbers of children covered under Medicaid than it otherwise would.

QUALITY COMMISSION O&As

Question: What will this commission hope to accomplish?

Answer: The President is calling on the commission to develop a "consumer bill of rights." He wants it to particularly focus on consumer appeals and grievance rights. He has also asked the Commission to address other issues including assuring:

First, that health care professionals are free to provide the best medical advice possible;

Second, that their providers are not subject to inappropriate financial incentives to limit care;

Third, that our sickest and most vulnerable patients (frequently the elderly and people with disabilities) are receiving the best medical care for their unique needs;

Fourth, that consumers have access to simple and fair procedures for resolving health care coverage dispute plans;

And fifth, and perhaps the most important, that consumers have basic information on their rights and responsibilities, on the benefits plans offer, on how to access the care they need, and on the quality of their providers and their health plan.

Question: Will the patient bill of rights be mandated on states and private health plans?

Answer: No. The Commission will develop a model Bill of Rights that states, health care plans, health care providers, associations, and others can use to guide their own efforts. States have already been quite active in this area and the model should help them in future efforts. Many health plans and health care professionals have adopted a form of a bill of rights and this should assist them as well.

Question: Is this an "anti-managed care" commission?

Answer: Absolutely not. Quality and consumer rights are issues that transcend all models of care. We need to address those issues in a comprehensive manner so that no matter what kind of insurance plan Americans join, they will know that the care they receive is of the highest quality and that their rights as consumers are protected.

Question: Won't the commission serve to delay quality legislative initiatives including those that even the President has advocated? Isn't the commission going to compete with these initiatives?

Answer: This commission will complement, not compete with, legislation in the Congress that has broad-based support. The President will continue to support legislation in this area that has already received bipartisan support (e.g., barring gag rules, requiring 48-hour stays for women who have mastectomies). But this is just a start. We must go beyond these reforms to take a comprehensive look at the quality of care and how we can assure it. The Commission will work on building the consensus for more far-reaching reforms.

Question: Doesn't this Commission just serve as a mechanism to implement more government regulation in our health care system?

Answer: Not at all. The Commission has been given the charge of examining whether our rapidly changing health care system is still providing high quality care for all Americans and to ensure that consumers themselves have adequate grievances and appeals processes. Its focus is to help create consensus among the private and public sectors in how best to proceed. As such, its recommendations may or may not suggest additional Federal oversight activities, and it is just as likely as not that it will recommend no new major Federal role.

Question: Doesn't this commission just a reward for campaign contributors and Washington-insiders who know little about what Americans in our health care system experience?

Answer: Absolutely not. By any measure, these commission members are extremely well respected experts who have broad and different experiences in the health care system. They have expertise on a range of health care issues including the unique challenges facing rural and urban communities, children, women, older Americans, minorities, people with disabilities, mental illness and AIDS, as well as issues regarding privacy rights and ethics. They come from all parts of the country and reflect the diverse population in this country.

Question: How much will this cost and who's paying for it?

Answer: The Commission will cost an estimated \$1.8 million over the next year and be paid for by the Department of Health and Human Services. The members of the Commission will not be paid.

THE PRESIDENT IS FIGHTING TO EXPAND COVERAGE FOR CHILDREN

**TEN MILLION AMERICAN CHILDREN TODAY LACK HEALTH CARE
COVERAGE. THE 1995 REPUBLICAN BUDGET WOULD HAVE MADE THE
PROBLEM WORSE. IT WOULD HAVE:**

- **Increased the number of uninsured children.** The 1995 Republican budget even failed the "do no harm" test in the area of children's health. That budget eliminated the guarantee of a meaningful Medicaid package for poor children and attempted to replace Medicaid with an insufficiently funded block grant program:
 - Would have forced states to decrease the number of insured children by as many as 3.8 million due to a lack of sufficient funds, according to a study by the Department of Health and Human Services.
 - Eliminated the Medicaid phase-in for children between the ages of 13 and 18.

THE PRESIDENT'S CHILDREN'S HEALTH INITIATIVE PROPOSES TO EXPAND HEALTH CARE COVERAGE FOR MILLIONS OF CHILDREN.

The President is fighting to ensure that any balanced budget agreement expands children's health coverage. His Children's Health Initiative would provide health coverage for as many as 5 million additional children by:

- **Covering Children Whose Parents Are In-between Jobs.** Nearly half of all children who lose health insurance do so because their parents lose or change jobs. The President's budget provides up to six months of premium assistance to families that would otherwise lose their coverage and will insure about 700,000 kids.
- **Creating State Partnerships to Cover Children.** When job-related insurance loss is put aside, the most important reason why children lose coverage is that it is too expensive for their family. The President's budget provides \$750 million annually to states to help families who earn too much to qualify for Medicaid but too little to afford private coverage.
- **Expanding Access Through Medicaid Improvements.** The President's proposal would give states the option to guarantee Medicaid coverage for up to one year for all children who are eligible. This will increase access of kids to their doctors and reduce paperwork. Currently many children receive Medicaid coverage for only part of the year. The Administration will also work with governors and communities to reach out to the three million children who are eligible for Medicaid but are not currently enrolled.

THE PRESIDENT IS FIGHTING TO PROTECT AND IMPROVE THE MEDICAID PROGRAM

THE 1995 REPUBLICAN BUDGET PROPOSED A BLOCK GRANT WHICH WOULD HAVE DEVASTATED THE MEDICAID PROGRAM, HURTING MILLIONS OF CHILDREN, PREGNANT WOMEN, PEOPLE WITH DISABILITIES AND OLDER AMERICANS. IT WOULD HAVE:

- **Cut more than \$163 billion from the Medicaid program.** More than ten times over anything ever enacted by *any* Republican or Democratic President. The \$163 billion only reflected federal cuts. If states had only decided to contribute the amounts the federal government would have matched, the total reduction in federal and state Medicaid funding would have exceeded \$400 billion over seven years compared to current law.
- **Repealed the Medicaid program and replaced it with a block grant.** The plan would have eliminated the Federal guarantee Medicaid provides to poor families. In 2002 alone, nearly 8 million people could have lost their Medicaid coverage, because of inadequate funding, including 3.8 million children, 1.3 million people with disabilities, and 850,000 elderly.
- **Denied as many as 330,000 people nursing home coverage in 2002.** The Republican budget would have repealed the guarantee of nursing home coverage for the approximately two-thirds of nursing home residents who rely on Medicaid.

THE PRESIDENT'S BUDGET PRESERVES THE MEDICAID GUARANTEE AND GIVES STATES INCREASED FLEXIBILITY TO MANAGE THEIR PROGRAMS.

- **Protects the Medicaid guarantee.** The President's proposal preserves Medicaid for the 37 million children, pregnant women, elderly, and people with disabilities who depend on it.
- **Controls Medicaid spending growth through a per capita cap policy.** In the early 1990s, Medicaid spending per beneficiary rose rapidly. While Medicaid spending is low today, it may rise again in the future. The President's per capita cap policy gives states an incentive to reduce cost growth without reducing coverage.
- **Offers unprecedented state flexibility.** The President's budget contains unprecedented flexibility in Medicaid so that states, not the Federal government, can determine how to best meet the needs of their populations. The proposal would repeal the Boren amendment; enable states to reform their program without the need for a waiver; and administer their programs with fewer and simpler requirements.
- **Improves Medicaid coverage of children.** The President is proposing to give states the option to guarantee Medicaid coverage for up to one year for all children who are eligible. He is also proposing to work with states and local communities to reach out to the three million children who are eligible for Medicaid but are not currently enrolled.

THE PRESIDENT IS WORKING TO IMPROVE THE MEDICARE PROGRAM FOR THE 21st CENTURY

THE 1995 REPUBLICAN BUDGET CONTAINED DANGEROUS MEDICARE STRUCTURAL REFORMS THAT WOULD HAVE UNDERMINED PROGRAM AND IMPOSED PREMIUMS AND BURDENS THAT WOULD HAVE HURT OLDER AND DISABLED AMERICANS. IT WOULD HAVE:

- **Created Medical Savings Accounts which would have encouraged "Cherry Picking" that would have harmed beneficiaries and damaged the Medicare program.** The Republican Medical Savings Accounts proposal would have established plans that only the healthy and wealthy could afford -- leaving the sickest and most costly beneficiaries in a weakened fee-for-service program.
- **Eliminated balanced billing protections,** allowing doctors in the new private fee-for-service plan options to overcharge above Medicare's approved amount leaving the elderly vulnerable to higher costs and giving doctors in the fee-for-service program an incentive to switch to private health care plans, reducing access for beneficiaries in the traditional plan.
- **Increased premiums from 25% of Part B program costs to 31.5%.** These higher costs would have placed a large financial burden on Medicare beneficiaries -- three-quarters of whom have incomes below \$25,000. In 1996, this would have increased costs per elderly couple by \$264.
- **Eliminated the guarantee of Medicaid coverage of Medicare deductibles, copayments, and premiums** for older Americans and people with disabilities near or below the poverty line known as "Qualified Medicare Beneficiaries (QMBs)". They set aside less than half the money needed to cover premiums for QMBs and set aside no funding for deductibles or copayments. More than 5 million elderly and disabled poor Americans would have lost their guarantee that Medicaid covers Medicare cost-sharing.
- **Permitted Medicare beneficiaries to enroll in risky "association" plans** that limit enrollment to beneficiaries affiliated with a union, association, or organization. These limited enrollment plans would only participate if they knew that their affiliated group was healthier than average, leading to risk selection and thereby increasing the costs of what would be a sicker and weaker traditional Medicare program.
- **Imposed an arbitrary hard budget cap on Medicare spending** regardless of changes in the economy. Under this proposal, if costs increase faster than projected, and spending could no longer keep up, beneficiaries, doctors, hospitals, and other providers would have to absorb these losses.

TO MODERNIZE THE MEDICARE PROGRAM AND BRING IT INTO THE 21ST CENTURY, THE PRESIDENT'S BUDGET:

- **Extends the life of the Medicare Trust Fund until at least 2006.**
- **Makes positive structural reforms.** The President's budget contains a series of structural reforms which modernize the program, bringing in line with the private sector and preparing it for the baby boom generation. It:
 - *Increases the number of private health plan options* -- including Preferred Provider Organizations and Provider Sponsored Organizations -- available to seniors and people with disabilities.
 - *Improves Medicare managed care payment methodology and informed beneficiary choice.* The President's budget addresses geographic disparities in payments; removes graduate medical education and disproportionate share hospital payments from managed care rates; and adjusts managed care rates for overpayments due to favorable selection.
 - *Guarantees that beneficiaries can enroll in Medigap plans annually without being subject to preexisting condition exclusions,* enabling beneficiaries to enroll in Medicare without fearing that they would not be able to re-enroll in traditional Medicare.
 - *Builds on the successful hospital prospective payment system model,* implementing prospective payment systems for skilled nursing home facilities, home health, and hospital outpatient departments.
 - *Adopts successful approaches to purchasing other types of services,* including: competitive pricing for durable medical equipment, laboratories, other items and supplies; expanded "centers of excellence"; and increased flexibility from program rules in negotiating rates.
- **Imposes no new out-of-pocket expenses on middle-class Medicare beneficiaries.** The President's budget rejects any new premiums for middle-class beneficiaries and imposes no new copayment requirements.
- **Expands preventive benefits.** The President's budget:
 - Waives cost-sharing for mammography services and provides annual screening mammograms for beneficiaries age 40 and older to help detect breast cancer;
 - Establishes a diabetes self-management benefit;
 - Covers colorectal screening (early detection of cancer can result in less costly treatment, enhanced quality of life, and, in some cases, greater likelihood of cure);

-- Increases reimbursement rates for certain immunizations to protect seniors from pneumonia, influenza, and hepatitis.

• **Improves long-term care options.**

-- Creates a Medicare respite benefit for families with Alzheimers disease or other irreversible dementia, covering up to 32 hours per beneficiary per year, taking the first steps to providing long-term care services.

THE PRESIDENT'S MEDICARE STRUCTURAL REFORMS

The President's budget contains important structural changes necessary to modernize Medicare for the 21st century. It adopts the best innovations in the private sector, which has developed new techniques to control health care costs and improve quality. It also restructures Medicare, offering more choices for managed care, shifting to competitive pricing, enhancing preventive coverage, and offering consumers more information. The following are just some of the more significant reforms in the President's plan.

Restructures the Payment System for Medicare's Fastest-Growing Services.

- **Problem:** Medicare costs are skyrocketing for home health care, skilled nursing facilities, and hospital out-patient services. These services, which account for most of the excessive growth in Medicare spending, are rising so quickly because Medicare pays for these services after the fact, creating incentives that lack cost-consciousness.
- **The President's budget:** builds on the success Medicare has had in controlling hospital costs, restructuring the entire payment system so that we set rates in advance. This prospective payment system will prevent health care providers in these areas from charging too much.

Offers Consumers More Choices for Managed Care

- **Problem:** Current law only enables Medicare to contract with a narrow range of managed care plans. Also, under today's rules, many older Americans are reluctant to try managed care for fear that, if they don't like it, they will be unable to return to their previous Medigap plan.
- **The President's budget:** By allowing Medicare to work with Preferred Provider Organizations (PPOs) and Provider Sponsored Organizations (PSOs), the President's budget opens up new options that have proved popular and cost-effective in the private sector. It also removes impediments that exist today by providing annual Medigap enrollment that gives older Americans a choice that is meaningful.

Broadens Availability of Managed Care and Ensures that Medicare Trust Fund Shares in the Savings

- **Problem:** Today, the Medicare Trust Fund actually loses money on the average beneficiary that enrolls in a managed care plan rather than fee-for-service because Medicare pays too much money to insure the relatively healthier Medicare beneficiaries in managed care plans.

- **The President's budget:** takes steps to remedy this well-documented overpayment through a one-time reduction of about 5 percent in HMO payments in the year 2000. It also fixes the flawed payment methodology that has led most rural HMOs to be underpaid, which has limited most of rural America's access to managed care.

Introduces Successful Competitive-Bidding Strategies to Lower Costs.

- **Problem:** While the Health Care Financing Administration is the largest purchaser of health care services in the United States, Medicare often lacks the legal authority to use clout to lower costs and too often overpays far more for medical supplies and durable medical equipment.
- **The President's budget:** institutes competitive bidding at HCFA to introduce market pressures to keep Medicare costs down by leveraging the government's enormous buying power in the health care sector. It also builds on innovative cost-cutting pilot programs like "Centers of Excellence," which use new payment incentives for hospitals or health centers that provide outstanding service while keeping costs down. These incentives have achieved real savings of 12 percent on coronary bypass graft procedures with a higher quality of service.

Encourages More Prevention and Prepares for the Retirement of the "Baby Boomers".

- **Problem:** Medicare does not cover many of the preventive measures that can cut costs and help people lead healthier lives.
- **The President's budget:** expands coverage for mammographies and colorectal screening, improves self-management of diseases like diabetes, and extends respite benefits that are increasingly important to our older Americans.

Gives Consumers the Information They Need.

- **Problem:** Many seniors today lack the basic information they need to make informed choices about their health care plans.
- **The President's budget:** empowers America's seniors to make educated choices about their health care by providing beneficiaries with comparative information on all managed care and Medigap plans in the area where they live. To help make those comparisons meaningful, the budget would create standardized packages for additional benefits.

THE PRESIDENT'S CHILDREN'S HEALTH INITIATIVE

Significant gaps remain in children's health coverage. In 1995, 10 million children in America lacked health insurance. The President's children's health initiative will extend coverage to up to 5 million uninsured children by 2000.

Strengthening Medicaid for Poor Children

- **12-Month Continuous Eligibility.** Currently, many children receive Medicaid protection for only part of the year. The President's budget gives States the option to provide one year of continuous Medicaid coverage to children. The budget invests \$4.9 billion over five years for this health insurance.
- **Outreach.** The President also proposes to work with the Nation's Governors, communities, advocacy groups, providers and businesses to develop new ways to reach out to the 3 million children eligible but not enrolled in Medicaid.

Building Innovative State Programs for Children in Working Families

- **State Partnership Grant Program.** The President's budget provides \$3.8 billion between 1998 to 2002 (\$750 million a year) in grants to States. States will use these grants to provide insurance for children, leveraging State and private investments in children's coverage through a matching system (as in Medicaid). States have flexibility in designing eligibility rules, benefits (subject to minimums set by the Secretary) and delivery systems.
- The Federal grants, in combination with State and private money, will cover children whose families earn too much to qualify for Medicaid but too little to afford private coverage. The grant program will also increase Medicaid enrollment since some families interested in the new program will learn that their children are in fact eligible for Medicaid.

Continuing Coverage for Children Whose Parents are Between Jobs

- **Workers Between Jobs Initiative.** Nearly half of all children who lose health insurance do so because their parents have lost or changed jobs. The President's budget will give States grants to cover workers between jobs, including their children, at a cost of \$9.8 billion over the budget window. The program, which is structured as a four-year demonstration, will offer temporary assistance (up to 6 months) to families. This assistance may be used to purchase coverage from the worker's former employer (through COBRA) or other private plans, at States' discretion.
- The President's budget also makes it easier for small businesses to establish voluntary purchasing cooperatives, increasing access to insurance for workers and their children.

PRESIDENT CLINTON'S HEALTH CARE PRIORITIES FOR WOMEN

- **Strengthens and Preserves Medicare.** The Medicare program primarily serves women, covering 22 million women, nearly 60 percent of all Medicare beneficiaries. It is especially important to older women. There are 13 million women on Medicare who are over the age of 75 and 2.8 million who are over the age of 85 (twice the number of men over 85). The President's budget preserves and improves the Medicare program. It extends the life of the Part A Hospital Insurance Trust Fund into 2007, gives beneficiaries more choices among private health plans, invests in new preventive health benefits.
- **Covers Annual Mammograms Screening for Medicare Beneficiaries.** In his balanced budget, President Clinton proposes to extend annual screening mammograms for Medicare beneficiaries over the age of 40. This proposal would make coverage consistent with the recommendations of most breast cancer experts.
- **Waives Cost-Sharing for Mammography Services.** The plan eliminates the copayment and deductible requirement for annual mammograms for beneficiaries over age 40, thereby increasing early detection and treatment of breast cancer. Although Medicare has covered screening mammography since 1991, only 14 percent of eligible beneficiaries without supplemental insurance receive mammograms.
- **Provides Alzheimer's Respite Benefit.** Since women make up two-thirds of informal caregivers for elderly in communities, they bear the financial and emotional strain of caring for people with Alzheimer's and other debilitating diseases. The President's budget takes the first step towards helping these families with a new Alzheimer's respite benefit to provide temporary help for families of Medicare beneficiaries with Alzheimer's and other dementia.
- **Prevents Women From Being Forced Out of the Hospital Only Hours After a Mastectomy.** In his State of the Union Address, President Clinton endorsed bipartisan legislation to ensure that women are not forced out of the hospital before they are ready because of pressure from their health plan. The Department of Health and Human Services also recently announced that it was sending a letter to all Medicare managed care plans making clear that they may not set ceilings for inpatient hospital treatment or set requirements for outpatient treatment, and that a woman and her doctor should make decisions about what is medically necessary.

- **Continues HHS Commitment to Breast Cancer Research, Prevention and Training.** Since the Clinton Administration has taken office, funding for breast cancer research, prevention and treatment has nearly doubled, from about \$276 million in FY 1993 to over \$500 million in the President's FY 1998 budget. This includes money for breast cancer screening as well as **the NIH-funded discovery of two breast cancer genes -- BRCA-1 and BCRA-2 -- which holds great promise for the development of new prevention strategies.**
- **Combats Violence Against Women.** Millions of women throughout our nation are plagued by the terror of family violence. Approximately 20 percent of all emergency room visits by women result from domestic violence. The President's FY 1998 budget proposes \$381 million to combat gender-based crime -- an \$123 million increase. This money funds grants to facilitate coordination among law enforcement officials, prosecutors, and victims assistance programs and to encourage mandatory arrest policies. Studies have shown that mandatory arrest policies often break the cycle of violence and reduce subsequent incidences of violence.
- **Funds Full Participation in Women, Infants, and Children (WIC).** WIC provides nutritional assistance, nutrition education and counseling, health and immunization referrals, and prenatal care to those who would otherwise not get it. WIC participation has grown by 25% over the last four years and will serve 7.5 million by 1998, fulfilling the President's goal of full participation.
- **Prevents and Treats AIDS Through the Ryan White CARE Act.** The incidence of AIDS has increased far more rapidly among women than men. For example, the incidence of AIDS among women in 1994 was 14.4 times that of 1985, while the incidence among men in 1994 was only 5.5 times that of 1985. The President's budget proposes just over \$1 billion for activities under the Ryan White CARE Act which funds grants to cities and States to help finance medical and support services for individuals with HIV; to community-based clinics for early HIV intervention services; to pediatric AIDS; and to HIV education and training programs. The budget also includes \$167 million dedicated to AIDS drug assistance programs to improve access to protease inhibitors and other life-extending AIDS medications.

THE ADVISORY COMMISSION ON CONSUMER PROTECTION AND QUALITY IN THE HEALTH CARE INDUSTRY

REPRESENTING BROAD-BASED INTERESTS AND EXPERTISE

Co-chaired by the Secretaries of Health and Human Services and Labor, the Advisory Commission has broad-based representation from consumers, businesses, labor, health care providers, insurers, and quality and financing experts. The Advisory Commission members have vast expertise on a wide range of health issues including the unique challenges facing rural and urban communities, children, women, older Americans, minorities, people with disabilities, mental illness and AIDS. There are also members with extensive backgrounds in privacy rights and ethics. Advisory Commission members come from all parts of the country and reflect America's diverse population.

FOCUSING ON CONSUMER RIGHTS AND QUALITY

The President charged the Commission with developing a "Consumer Bill of Rights" to ensure that patients have adequate appeals and grievance processes. In developing the "Consumer Bill of Rights," the Commission will study and make recommendations on consumer protections, quality, and the availability and treatment of services. Using the best research to measure real outcomes and consumer satisfaction across all providers of health care, the Commission will work to give Americans the tools they need to measure and compare health care quality. It will submit a final report by March 30, 1998. The Vice President will review the final report before it is submitted to the President. In addition, the Advisory Commission will play a consultative role should relevant legislative initiatives move through the Congress prior to the due date of the final report.

BUILDING ON THE ADMINISTRATION'S COMMITMENT TO HEALTH CARE QUALITY

The Clinton Administration has a long history of strong support for consumer protection in health plans, including executive actions and legislative initiatives barring gag rules; limiting physician incentive arrangements; increasing choice and consumer information; and requiring health plans to allow women to stay in the hospital for 48 hours after a mastectomy or after the delivery of a child. The President has called for this Commission to develop a broader understanding of the numerous issues facing a rapidly evolving health care delivery system and to help build consensus on ways to assure and improve quality health care.

"New Entitlement" Q.s. and As

Q. Doesn't the fact that the President is adding new health entitlement programs undermine the credibility of his balanced budget plan?

A. No new open-ended entitlements. None of the health initiatives aimed at reducing the number of uninsured Americans are open ended entitlement. They are designed to increase coverage within legislatively constrained Federal funding.

Workers in between jobs program is capped. The program for workers between jobs is structured as a grants program to States. States get a portion of a fixed amount of Federal funding. While there are provisions to help States that have unanticipated increases in unemployment, there is an overall Federal cap on spending which cannot be breached. In the unlikely event that there are insufficient funds, States have the flexibility to reduce the amount of the assistance provided to workers and their families. Moreover, this program is proposed as a nationwide demonstration. This allows us to restructure the total amount and distribution of funds to States to better target this population if needed.

No new entitlements in children's health initiative as well. The children's health initiative also contains no new individual entitlement. It provides States with grants that, by law, will not exceed \$750 million in each year. And, it adds options for States to use Medicaid to cover more children for longer. Medicaid spending itself, under the President's plan, will be capped for the first time in its history. The Federal funding limits are set based on the number of people covered so that States — not the Federal government — make the decisions about coverage.

Q. Isn't your new Alzheimer's respite benefit a new entitlement to Medicare?

A. New Alzheimer's benefits is modest and targeted. We are improving the Medicare program, but we are doing so in a responsible, targeted way. The total cost of this benefit over the five years is less than \$2 billion dollars. It is explicitly designed to help families pay for the care of people with this disease which has the indirect effect of preventing much more costly institutionalization. If it succeeds, we believe that it will actually achieve net savings for Medicare — and Medicaid.

New preventive benefits are also modest and have broad, bipartisan support. The President's plan invests in preventive benefits which not only improve the health of beneficiaries but are cost effective. These benefits — annual mammograms without cost sharing; colorectal screening, diabetes self-management, and improved immunizations — will likely diagnose and treat illness before they become serious, reducing expensive inpatient care. Because of this potential, both Republicans and Democrats have introduced proposals to expand prevention (such as the bill most introduced by Ways and Means Health Subcommittee Chairman Bill Thomas).

Outpatient policy simply returns the benefit to the original intent of the program. The President' proposal cannot be considered a "new" policy. Under current law, Medicare asks beneficiaries to pay 20% copayments for Medicare services. An anomaly in outpatient payment methodologies has allowed hospitals to indirectly cost shift to beneficiaries, resulting in beneficiary copayments as high as 50%. The President's policy reforms the hospital payment methodology to ensure that such cost shifting can no longer occur.