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PRIORITY QUESTIONS AND ANSWERS

WELFARE

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LEGAL IMMIGRANTS AND THE ADMINISTRATION'S WELFARE REFORM PLAN

QUESTION:

Why doesn't the Administration favor cutting off welfare benefits to legal immigrants?

ANSWER:

- ▶ Our plan would affect some immigrants' eligibility for benefits, but by a much more targeted and reasonable approach. Our plan saves money by cutting benefits to immigrants who have other means of support, but it does not abandon truly needy immigrants who reside there legally, pay taxes, and fall on bad times.
- ▶ Our plan would strengthen the sponsorship relationship by tightening sponsor deeming rules and extending the deeming period.
- ▶ Our plan would also affect only new applicants; it would not take away the benefits of legal immigrants currently depending on SSI and Medicaid. The PRA would take away legal immigrants' benefits after a 1-year implementation period.
- ▶ By strengthening the sponsor deeming rules, our plan would not deny assistance to legal immigrants who suffer disabling conditions after entry into the U.S. The PRA would render all these immigrants ineligible for assistance. Also, by establishing uniform eligibility criteria for AFDC, Medicaid, and SSI, our plan would reduce program inconsistencies and administrative burdens on states.

BACKGROUND INFORMATION:

- ▶ Our plan would also establish a uniform definition of alien eligibility under SSI, Medicaid, and AFDC by listing the INS categories that would be eligible for benefits. Certain immigrants currently in various deportation or departure categories would no longer be eligible for benefits. This provision would affect much fewer recipients than the deeming provision.

- ▶ Our immigrant eligibility provisions would save much less than the Republican's due primarily to preserving current immigrant recipients' eligibility to SSI and Medicaid. Targeting sponsored immigrants also affects fewer individuals than a categorical restriction against all legal immigrants. CBO estimated that the Administration's immigrant eligibility provisions would have 5-year federal savings of about \$3.5 billion, compared to about \$22 billion under the PRA.

BLOCK-GRANTING FOOD PROGRAMS

QUESTION:

Does the President favor the concept of block-granting food programs to the states as the GOP proposes?

ANSWER:

- ▶ The food stamp program is a program that directly helps people in need, and it's been quite effective in serving those people. Simply getting rid of that program and telling states to try to serve hungry people in different areas could have serious drawbacks, for both hungry families and the states.
- ▶ As I have said, the food stamp program was founded on the federal government's commitment to ensuring that families do not go hungry in this, the richest nation in the world. This administration believes in preserving the founding principle behind the food stamp program and our concept of welfare reform must respect that principle.

PRESIDENT CLINTON'S WELFARE REFORM BILL

QUESTION:

President Clinton introduced his welfare reform bill last spring but hasn't said a word about it since then. Is he backing away from his own bill or does the administration plan to reintroduce the WRA?

ANSWER:

- ▶ We introduced a good, strong, centrist bill this year that was based on the President's fundamental principles and lifetime work on this subject -- work requirements, time limits, the toughest possible child support enforcement, teen pregnancy prevention, and elimination of fraud and abuse. We'll put our ideas before the new Congress, and so will others. The Clinton administration is committed to working across party lines and listening to leaders at all levels of government to produce real, lasting reform.

CHANGES IN ADMINISTRATION'S PROPOSAL

QUESTION:

With the administration making an obvious effort to compromise, is it likely that we will see changes in the President's prescription for welfare reform?

ANSWER:

- ▶ If there are changes made in what this administration proposes for welfare reform, they will reflect the many conversations we have had with state and local elected officials, the people who administer the welfare system and most importantly, the recipients themselves. But our principles haven't changed. We believe that there are solutions to teen pregnancy, welfare dependency, and child support enforcement to which both the political parties and the overwhelming majority of Americans can agree.

PRESIDENT'S WELFARE REFORM CONFERENCE

QUESTION:

When and where is the President's Welfare Reform Conference and who will attend?

ANSWER:

- ▶ The date and time for the bipartisan working session have not been set, but I expect the list of attendees to include members of Congress, governors, and local officials. I agree with the President that this session should be an important step in an honest dialogue about our country's broken welfare system and what we must do to fix it.

ACCOMPLISHMENTS OF PRESIDENT'S CONFERENCE

QUESTION:

What does the administration hope to accomplish at the conference President Clinton has called for next month? Is this a signal that the administration is prepared to compromise?

ANSWER:

- ▶ This meeting is the first step in bringing leaders together from around the country and across party lines to look for common ground on the problems and solutions to welfare reform. We don't expect to reach consensus on legislation at this session, but our hope is that the bipartisan atmosphere will lead to an honest debate about how to fix a welfare system that all Americans agree needs fundamental change.

BLOCK GRANTING CHILD CARE FUNDS

QUESTION:

What is the Administration's position on the possible block granting of all child care funds to the States?

ANSWER:

- ▶ Any child care block grant must provide sufficient funds to meet the child care demands of those currently in the workforce and those in training or education and moving into the workforce.
- ▶ At the same time it should be noted that one of the key child care programs in the Administration for Children and Families is already a block grant. States have flexibility to run the Child Care and Development Block Grant program to best meet the needs of their communities.
- ▶ We look forward to working with the Congress on this issue.

QUESTION:

Does the Administration support making AFDC a block grant?

ANSWER:

- ▶ Welfare programs have historically been funded and administered as a state/federal partnership. States administer the welfare programs, set AFDC benefit levels, and tailor job training and work programs to their different economic and social circumstances. Through the waiver process, states have been given even more flexibility to design innovative approaches to welfare. There remain important federal roles however.

One role is to ensure a uniform, national minimum safety net. The Food Stamp program, which is fully funded by the federal government and has uniform benefit levels and eligibility rules, provides this safety net.

- ▶ A second is to ensure that federal funding cushions states against economic and demographic fluctuations. States cannot fully control the number of families with children who need cash assistance in addition to food stamps; often the times and places of greatest need are those with fewest resources. Federal matching of AFDC expenditures helps states as well as citizens in times of economic distress.
- ▶ A third is to ensure that all state welfare programs embody national values. All states should require work after a period of transition, ensure parental responsibility through vigorous child support enforcement, and discourage young people from having children too soon. Federal requirements or performance standards are necessary to ensure these values.

The President's welfare reform plan would give states unprecedented flexibility to do ^{entirely} on their own things that under current law would require a special waiver from Washington. We are committed to giving states the kind of flexibility they need to innovate and succeed.

EDUCATION AND TRAINING

QUESTION:

How much education and training would the Personal Responsibility Act provide for welfare recipients? Is it necessary to offer education and training to all welfare recipients?

ANSWER:

- ▶ The Personal Responsibility Act effectively replaces the JOBS program with a new mandatory work program. While States are permitted to provide education and training services for up to two years, they are in no way required to do so--there are no participation standards with respect to the JOBS program. They are, however, mandated to enroll a steadily increasing percentage of the caseload in work activities (for an average of 35 hours per week). The growth of the work program would almost certainly crowd out virtually all education and training services, as well as job placement efforts (which would not count toward the work participation rate).
- ▶ Many recipients do not require education and training services in order to obtain a job. On the other hand, a significant number of recipients face obstacles to employment, including physical disabilities and low levels of basic skills.
- ▶ Education, training and job placement services can help recipients overcome these obstacles. Evaluations of the JOBS program and other welfare-to-work initiatives have found that these programs consistently enhance recipients' chances of finding and mainlining private sector employment.

SHOULD SSI BE AN ENTITLEMENT

QUESTION:

Should SSI be an entitlement?

ANSWER:

The aged and disabled are unable to work and surely should be entitled to support. If we cap SSI benefits or subject them to annual appropriations, then needy elderly or disabled adults may not be able to get help they need and deserve. Certainly help for those who are unable to work should not be given out on a first-come first-served basis, a lottery, or worse yet based on some bureaucratic process which determines when money is available and when it is not.

SHOULD WELFARE BE AN ENTITLEMENT

QUESTION:

Should AFDC remain an entitlement Program?

ANSWER:

- ▶ Welfare should be a second chance, not a way of life. If by the question you mean should employable adults be given welfare whether or not they are willing to work and whether or not they take responsibility for their lives, then my answer is an unambiguous no. Work and responsibility ought to be the goals and expectations. People who are not willing to meet those expectations should not be entitled to welfare.
- ▶ If by the question you mean should persons who are willing to train and work in exchange for getting help be given help if they are doing the right thing and meet the rules, then my answer is an equally strong yes. If people are working to help themselves and meeting their responsibilities, then help should not be given out on a first come first served basis, a lottery, or worse yet based on some bureaucratic process which determines when money is available and when it is not.
- ▶ Any other strategy not only hurts those who would help themselves, it will also hurt states who will be left to pick up the pieces. When the economy turns bad in a state or the population grows, the current system allows states to draw additional federal resources to meet the increased needs of their population. This cushions the states from the impact of recessions.

FOLLOWUP QUESTION:

Why not put a cap on welfare entitlements to keep them from growing out of control?

ANSWER:

- ▶ Welfare spending has not been growing out of control. Expenditures for AFDC were no higher in 1993 than they were 20 years ago adjusted for inflation. (Check). They have not even kept pace with the increase in the number of poor children. Food Stamp benefits have grown over this period, but virtually all of the increase can be traced to rises in the number of poor persons -- by law and by increased participation. The way to control expenditures in programs designed to help the needy is with legislated, responsible program changes where the pros and cons of program changes are carefully weighed, not with arbitrary limits where the impact cannot easily be seen or debated.

The way to reduce welfare costs over the long run is to move people from welfare to work and help them ~~to~~ make it in the workplace, and also to wage a natl. campaign against teen pregnancy that will help keep young ~~and~~ women from going on welfare in the first place.

UNWED TEEN MOTHERHOOD IS NOT THE WAY TO GET WELFARE

QUESTION:

You say you are concerned about teen pregnancy and out-of-wedlock childbearing, yet you do very little in your bill to reduce it... Isn't it time we simply made it clear that having a child as an unwed teenage mother is not the way to get welfare?

ANSWER:

► Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. The Administration agrees that we must send the strongest possible signal to teens that pregnancy and childbirth should be delayed until they are able to provide for a child both financially and emotionally. To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. We have already provided for grants to 1000 high risk schools, grant to get communities organized to prevent teen pregnancy. But the President will continue to take the lead in this effort.

► And we say to young people: if you do have a child both parents have clear obligations that will be enforced. We don't adopt the provision in the Contract of barring the children of unwed teens from receiving AFDC for their entire childhood. For we cannot abandon the children. Instead we say to mothers under 18 that you will not get welfare unless you remain at home with your parents, stay in school, and once your time limit is reached, go to work. And unlike the Republican bill we have a tough message for fathers too: you must do your part to support the child you fathered. We agree that we must provide strong deterrents to becoming a teen parent, but we must also provide a safety net for the innocent children born to teen parents, and a mechanism to encourage responsible behavior and increase employability for teen parents.

From now on, welfare will be a second chance, not a way of life. There can be no more something for nothing in America.

CHILDREN ON SSI - COST TO THE GOVERNMENT

QUESTION:

How many families receive SSI for their children as well as other welfare benefit? Isn't this a misuse of these funds? Shouldn't we change these programs to make sure families do not abuse the system in this way?

ANSWER:

- ▶ The administration is concerned about the growth in the number of children on SSI. We commend the Congress for recognizing this problem and asking the administration to create a bipartisan Commission on Childhood Disability to look into this problem and make recommendations.
- ▶ Last week [CONFIRM] I appointed this Commission. Our Department and the newly independent Social Security Administration look forward to the Commission's work and recommendations.
- ▶ It would be premature to take significant action on this complex issue before the Commission has a chance to complete its work in the coming year.

TIME LIMITS AND EXITS

QUESTION:

Why does the WRA not cut-off recipients after 5 years, as the PRA does? Does the administration believe that welfare recipients will have enough incentives to leave the rolls if they can remain in subsidized employment indefinitely?

ANSWER:

- ▶ The administration firmly believes that those who play by the rules should not be penalized. Families should not be punished for the lack of adequate economic opportunities, especially in areas that experience economic hardship.
- ▶ Under the WRA, there are sufficient incentives to encourage recipients to leave the rolls. The WRA has been designed to "make work pay" by adequately addressing the barriers to self-sufficiency. Many AFDC recipients already leave welfare for unsubsidized employment. Currently, 70 percent of recipients leave welfare within two years and 90 percent leave within five years. Women leave to enter work in half of these cases. But child care problems, health crises, or temporary unemployment now cause most women who leave welfare to eventually return. The child care and child support improvements in our plan, along with the Earned Income Tax Credit, will help individuals achieve and maintain self-sufficiency.

HEALTH CARE

- (15) HEALTH CARE REFORM - WHERE IS IT**
- (16) LONG TERM CARE - TAX CREDIT**
- (17) HEALTH CARE REFORM - EXPANDING COVERAGE**
- (18) ERISA - PREEMPTION**
- (19) WAIVERS - MEDICARE SELECT**
- (20) MANAGED CARE AND SENIORS**
- (21) WAIVERS - SAVING MEDICAID MONEY**
- (22) MANAGED CARE AND MEDICARE**
- (23) MEDICAID BLOCK GRANTS**
- (24) MEDISAVE PROPOSAL**

HEALTH CARE REFORM - WHERE IS IT?

QUESTION:

Where is the Administration's reform proposal? Will it be in the budget? How will you pay for it?

ANSWER:

- ▶ The President is committed to working in a bipartisan fashion to begin putting America on the road to health security. As he stated in his December 27 letter to Congressional leadership, he believes that we should work in a step-by-step manner to achieve these goals. He will work with Congress as Democrats and Republicans develop proposals.

- ▶ Everyone knows where the President stands on health care. If he feels that adequate steps are not being taken, legislation may be introduced. The President has made it very clear that he will NOT give up the fight for health security and affordable health care.

[On health care in the budget:] The budget is the President's and he will announce it at the appropriate time.

LONG TERM CARE - TAX CREDIT

QUESTION:

The President has said nothing lately about long-term care. Would you support the tax credit for caregivers we propose in the contract? [or--have you abandoned your so-called commitment to long-term care?]

ANSWER:

This Administration continues to support assistance to states to develop home-and-community-care systems that help people with substantial disabilities, regardless of age or condition; strengthen families' ability to care for disabled family members; and allow states the flexibility to tailor services to their particular needs.

We are delighted that the Contract too recognizes the importance of addressing our citizens' long-term care needs. We share the Contract's interest in extending preferred tax treatment to long-term care insurance. But we feel strongly that insurance should include information and be marketed in ways that help seniors understand the benefits and limitations of insurance policies.

[If Mrs. Johnson or another member should ask about specific requirements for insurance policy, answer should be: We'll be happy to work with you.]

We too share the Contract's concern about helping caregivers. But the proposed tax credits reach too few people with too few dollars. We can better help caregivers and people with disabilities with grants to states for services tailored to community needs.

HEALTH CARE REFORM - EXPANDING COVERAGE

QUESTION:

You say you want to expand coverage. How will you pay for it? Would you support Medicare cuts to pay for coverage expansions? particularly for children?

ANSWER:

- ▶ The Administration remains committed to expanding coverage for all Americans, including children. As you may remember, when we sent up our bill last year we provided funding to pay for it -- as we work with you this year to continue to search for solutions we will also want to share in the responsibility of being sure that anything we do is paid for.
- ▶ As far as Medicare cuts are concerned, let me reiterate what the President has said -- he will not support any new reductions in the growth of Medicare except in the context of health care reform.
- ▶ Once we all have a better sense of what kind of coverage expansions we are discussing and what other options might be there for funding then we all can discuss which options may be the most suitable.

ERISA - PREEMPTION

QUESTION:

As you know, states are limited in their ability to pursue health reform because of ERISA preemption. What is your position on giving states greater flexibility over employers?

ANSWER:

- ▶ States have taken a leading role in health care reform. They should be encouraged to continue their efforts to increase coverage and contain health care costs. At the same time, ERISA has permitted large employers to develop innovative health programs, free from state mandated benefits and anti-managed care laws.

- ▶ In general, I do not think that ERISA needs to be changed to give states greater control over multi-state employers. However, I do think that ERISA preemption should be waived for those states that have enacted programs that would cover all or nearly all of their citizens. The federal government should learn from -- not stand in the way of -- states that enact comprehensive reform and universal coverage.

WAIVERS - MEDICARE SELECT

QUESTION:

Medicare Select has been successful in many States. It's about to expire. Would you support not only its extension but its expansion to all 50 States on a permanent, rather than a demonstration basis?

ANSWER:

- ▶ While we believe that the SELECT demonstration has been successful on a number of fronts, we believe that before the program is made permanent and expanded to all 50 states that we should learn from our experience under the demonstration and make a number of program changes.
 - We should be assured that SELECT plans are actively managing care and that beneficiaries have the same level of assurance as to the quality of care and access to care that they receive under the other Medicare managed care options.
- ▶ We look forward to working with the Congress to learn the lesson from the SELECT demonstration and to make an improved SELECT option available on a permanent basis in all states.

BACKGROUND INFORMATION:

- ▶ Medicare SELECT was enacted in 1990 as a 3-year demonstration in 15 states. The demonstration would have expired in December 1994, but it was extended for 6 months in the Social Security Act Amendments of 1994, signed into law on October 31, 1994.
- ▶ Many members of Congress support making it a permanent, nationwide program; such a provision was included in several health care reform proposals. However, Congressman Stark opposed it. The 6-month extension was a compromise to buy additional time to decide what to do about a program with strong supporters and detractors.

MANAGED CARE AND SENIORS

QUESTION:

Would you support moving seniors into managed care programs? Isn't that the best way to promote efficiency in the Medicare program?

[CONVERSELY, you could be asked: How do we protect seniors and other consumers from being forced into managed care, which may not be in their best interests?]

ANSWER:

- ▶ This Administration has always supported choice. There is no question that managed care is working to keep costs down while keeping consumers happy and healthy. But while I support managed care, I also strongly believe that consumers, including seniors, need to have the choice as to whether or not to join a managed care program.
- ▶ As effective as managed care can be, it is not for everyone. As Chairman Archer said to me in October 1993 when I testified before this Committee, the freedom to choose one's health care providers is a "very, very special treasure to Americans today." I could not agree more, and giving Americans of all ages the ability to choose their health plan guarantees that choice.

WAIVERS - SAVING MEDICAID MONEY?

QUESTION:

What are you doing to save money in Medicaid?

Answer:

- ▶ To date, nearly 8 million Medicaid beneficiaries are enrolled in managed care plans, which is approximately a 40 percent increase in enrollment over the past year. Since January 1993, HCFA has approved 80 state applications to establish Medicaid managed care programs and 18 more applications are under review. Through the expansion of managed care, savings will be achieved through efficient program management, focus on primary and preventive care and effective case management of Medicaid beneficiaries.

- ▶ As more states apply and are approved for waivers, HCFA has set a budget neutrality cap for the five-year life of the project. This means that states must stick to their projected budget and the federal budget is protected from any unanticipated increases over the life of the waiver. The end result is savings for the state and the federal government if the waiver is managed efficiently.

MANAGED CARE AND MEDICARE

QUESTION:

What is the current status of managed care programs under Medicare? What specific things can we do to promote managed care in the Medicare program?

ANSWER:

- ▶ As of September 1994, nine percent of our Medicare beneficiaries were enrolled in managed care, which is an increase of 12 percent over the previous year. More importantly, the number of plans with Medicare contracts increased by 25 percent. So clearly, this is a growing aspect of the Medicare program.
- ▶ There are many ways we can expand and improve Medicare managed care programs, including:
 - Our present payment methodology needs to be improved and updated; the Department is currently examining the possibility of using a competitive bidding process to establish payment rates.
 - We believe that Medicare SELECT is a promising new option, and would like to work with you to find ways to expand that program.
 - We need to do a better job educating Medicare beneficiaries about managed care. Current choices between managed care options and Medigap can be confusing, and we'd like to move to an annual open enrollment process to make these choices more understandable.

MEDICAID BLOCK GRANTS?

QUESTION:

We are concerned about rising costs in Medicaid and states' desire for more flexibility. What do you think about making Medicaid a block grant?

ANSWER:

- ▶ We are committed to protecting the population served by Medicaid, while working with states to promote cost containment and flexibility within Medicaid's current entitlement approach. That approach assures
 - states that federal matching funds will be available to pay for the health care needs of their vulnerable citizens, so that they do not bear these costs on their own;
 - providers that they will be paid for care to vulnerable populations, so that they do not have to shift these costs to other payers; and
 - low income children, people with disabilities and other vulnerable populations access to health care, so that they do not have to go without needed service.

[On financing:] We were clear on ways to pay for our proposals last year and will work with the Congress this year to assure health reform proposals are fully financed.

MEDISAVE PROPOSAL

QUESTION:

What is the administration's position on the Medisave proposal introduced by Chairman Archer?

ANSWER:

- ▶ We support many of the goals that underlie MSAs -- we want to encourage families to save more and we want to make the health insurance market more competitive.
- ▶ However, we have looked at a number of MSA proposals, and we are concerned that they could cause serious problems in the insurance market because they move away from the concepts of pooling of risk and shared responsibility. Unless we are careful, we could undercut many of the insurance market reforms that states have enacted.
- ▶ These proposals could cause premiums to increase for many Americans. The combination of an MSA and a high-deductible insurance plans will be much more attractive to younger and healthier families than it is to older or less healthy ones. This would lead to adverse selection -- premiums for young and healthy people that are willing to enroll in high deductible plans will fall, while premiums for everyone else will rise. Risk adjustment can help some, but they are imprecise and would not eliminate effects of selection.
- ▶ I know that these proposals also raise serious questions related to administrative complexity, budget neutrality and tax equity. These issues are better addresses by the Treasury Department.

ADDITIONAL WELFARE QUESTIONS AND ANSWERS

- (1) AFDC MEDICAID CHANGES IN THE PRA**
- (2) INVESTMENT IN EDUCATION AND TRAINING**
- (3) WORK PROGRAM**
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- (5) SAVINGS UNDER THE PERSONAL RESPONSIBILITY ACT**
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- (12) ADMINISTRATION'S POSITION - CONSOLIDATION OF CHILD WELFARE PROGRAMS**
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- (20) CHILD WELFARE LEAGUE ESTIMATES -- CHILDREN AFFECTED BY REPUBLICAN PLAN**
- (21) MANDATORY FAMILY CAP**
- (22) FEDERAL ROLE IN CHILD CARE**
- (23) CHILD CARE**
- (24) CHILD CARE/PRA**
- (25) WHY OPPOSITION TO ORPHANAGES**
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- (30) PRA - NUTRITION PROGRAMS/AFFECT**
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- (50) EFFECT OF NUTRITION BLOCK GRANT FORMULA ON STATES**

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BALANCED BUDGET AMENDMENT QUESTIONS AND ANSWERS

(52) BALANCED BUDGET AMENDMENT AFFECT THE ELDERLY

(53) HOW WOULD A BALANCED BUDGET AMENDMENT AFFECT STATES?

AFDC/MEDICAID CHANGES IN THE PRA

QUESTION: Under the PRA, individuals and families can lose AFDC cash benefits for a variety of reasons. What happens to their Medicaid coverage?

ANSWER:

The PRA (as of 1/4/95) provides that Medicaid coverage would continue in most cases after a family lost AFDC cash benefits (as long as they continue to meet other Medicaid eligibility requirements). I should note that this is a significant change from an earlier draft of the bill which could have resulted in many more families losing their Medicaid coverage.

There appear to be two exceptions to the new Medicaid continuation policy, although the bill is not entirely clear on these points.

(1) Work Requirement

If a family does not comply with work requirements, the bill permits the State to apply various kinds of sanctions. The effect on Medicaid is not specified in the bill. Under current law, certain kinds of sanctions involving temporary suspensions of AFDC benefits still would allow the family to continue receiving Medicaid, while other more serious sanctions could lead to terminating their Medicaid benefits.

However, it is important to remember that, under current law, persons ineligible for AFDC cash benefits may still qualify for Medicaid if they meet the requirements of other Medicaid provisions (e.g., poverty-level children, or adults who are pregnant or disabled). This would keep most children and a few adults in such cases from losing Medicaid benefits.

(2) Paternity Establishment

If a relative claiming aid for a dependent child does not cooperate in establishing paternity, then the family would be ineligible for both AFDC cash benefits as well as Medicaid. This is consistent in concept with current Medicaid law, although the specific requirements for cooperation differ.

INVESTMENT IN EDUCATION AND TRAINING

QUESTION:

Will it be necessary to create an expensive training and subsidized job program to end welfare dependency? The Republican plan seems to assume that this investment will not be necessary.

ANSWER:

- ▶ The Personal Responsibility Act sets very ambitious participation standards for the new work program but no standards whatever for the JOBS program, ensuring that States will be unable to provide education and training to more than a nominal number of recipients. Many recipients, however, face substantial barriers to employment, including physical disabilities and low levels of education and basic skills, and will require education, training and job placement services in order to find and retain employment.
- ▶ Evaluations of welfare-to-work programs such as the SWIM and GAIN programs have found that a substantial investment in education, training, job search and job placement services can lead to significant welfare savings.
- ▶ While the Personal Responsibility Act does not require States to provide education and training services to recipients, it does establish a very expensive work program. The work program participation standards mandated by the Act are much higher than those previously achieved in welfare-to-work programs, even saturation programs that had the explicit goal of involving as high a proportion of the caseload as possible. Studies of community work experience ("workfare") programs operated under the welfare-to-work demonstrations of the 1980s, however, found little or no evidence that participation in such activities increased employment rates or earnings or reduced welfare payments.
- ▶ Unlike the Work and Responsibility Act of 1994, the Personal Responsibility Act requires States to terminate AFDC benefits after 5 years, even if no jobs are available in the area and the recipient is willing to work in exchange for support. The evidence suggests, however, that participation in workfare programs will do little to enable recipients to find employment once they reach the five-year limit.

WORK PROGRAM

QUESTION:

How would the Personal Responsibility Act's work provisions affect the States?

ANSWER:

- ▶ The Personal Responsibility Act replaces the JOBS program with a new mandatory work program. The bill requires States to enroll a steadily increasing percentage of the caseload in work activities for at least 35 hours per week. The legislation, however, establishes no participation standards for the JOBS program.
- ▶ Under current law, some recipients are exempted from JOBS participation, including those with a disability and those who are caring for a very young child. In addition, households in which there is no adult recipient are not subject to the participation requirement. Under the Personal Responsibility Act, all exemptions from participation would be eliminated. Recipients who were, for example, caring for a disabled child would be subject to the work requirement.
- ▶ Meeting the rates set by the bill for FY 2002 and subsequent years might require enrolling virtually all able-bodied recipients in work activities, which would leave States unable to provide education and training services to any recipients, regardless of employability or literacy level. States might even be left with no option but to require some recipients with a disability or some of those caring for a disabled child or relative to participate in work activities in order to meet the rate. To achieve the 50 percent participation rate that the PRA sets for FYs 2003 and beyond, a state would have to enroll in the work program a number of participants greater than the entire JOBS-mandatory caseload under current law.

ALTERNATIVE PHASE-IN STRATEGY

QUESTION:

Will the Clinton Administration support targeting a larger group of welfare recipients than those the WRA focused on? Will it be necessary to phase-in reform?

ANSWER:

- ▶ In order for welfare reform to succeed, the abilities of States to effectively implement the desired policies must be taken into account. An effective phase-in strategy, therefore, is one that successfully balances the desire to overhaul the system with the States' ability to do so.
- ▶ We would support a more flexible approach than the original WRA states could have flexibility to develop alternative phase-in strategies as long as certain participation standards and reporting requirements were met. States must demonstrate that the resulting rate of recipients subject to the time-limit and mandatory JOBS participation is equal to (or exceeds) the rate required under the original phase-in policy.

SAVINGS UNDER THE PERSONAL RESPONSIBILITY ACT

QUESTION:

Since the costs of AFDC are split about 50/50 with the states, won't state governments reap substantial savings under the PRA? And won't those savings be available to fund orphanages or foster care placements?

ANSWER:

- ▶ The issue here is the withdrawal of Federal resources. Federal money for the support of the children who will be withdrawn. States can spend their resources however they see fit. But they will have to serve those children without the federal money which paid for over half the aid.
- ▶ The point here is that each governor is going to face a tough choice between abandoning thousands of poor children or raising the necessary revenue to pay for continuing aid or alternatives such as orphanages or foster care.

SAVING MONEY BY REFORMING WELFARE

QUESTION:

Isn't it true that we can save a lot of money by reforming welfare? Some analysts argue that welfare spending by the federal and state government totals \$325 billion.

ANSWER:

- ▶ Those who claim that \$325 billion is spent on welfare present a very misleading picture of what is typically considered welfare spending. The only way to get such a large estimate is to define welfare spending to include all means-tested programs -- regardless of who they serve and whether they reach well into the middle class. This estimate ignores the fact that many recipients of means-tested programs are not individuals generally considered "welfare recipients."
- ▶ Roughly one-third of this so-called welfare spending provides a safety net to those who are not expected to work -- the needy aged, blind, and disabled. 69 percent of Medicaid expenditures and the entire SSI program provide benefits to these individuals. The public does not consider elderly people in nursing homes are "welfare recipients."
- ▶ Many of the programs erroneously categorized as welfare spending serve the working poor -- again, a group not typically considered to be recipients of welfare spending. Some expenditures for the working poor -- such as the earned income tax credit -- help to make work more attractive than welfare and thereby prevent welfare dependency. Some programs included in the estimate -- such as Pell Grants and JTPA -- provide employment, education, and training services to low-income and even some middle class families. Others are prevention and compensatory programs for children and youth -- such as Headstart and Title 1 Educational Grants for Deprived Children.

- ▶ The AFDC program provides cash assistance to support nonworking or very low-income families with dependent children. This is the group most commonly regarded as recipients of welfare spending. While AFDC recipients also receive benefits from other programs -- such as food stamps, medicaid, housing, school lunch, and WIC -- not all expenditures from these programs go towards welfare recipients. These programs also provide benefits to the elderly, disabled, or working poor. When expenditures for welfare recipients from all these programs are included, federal and state welfare spending totals only about one-quarter of the exaggerated claims -- or \$72 billion. Federal expenditures on welfare spending amount to roughly \$49 billion -- or about 3 percent of the federal budget.

- ▶ The Administration strongly believes that welfare reform should be budget neutral. However, it is also clear that given the relatively low levels of welfare spending, significant budget reductions cannot occur through welfare reform.

FAVOR A PLAN THAT SPENDS OVER A PLAN THAT SAVES

QUESTION:

The PRA would save \$40B over five years while the President's plan spends about \$10B. Do you think taxpayers and members of Congress will favor a plan that spends over a plan that saves?

ANSWER:

- ▶ All of the welfare reform proposals save money in some places and cost money in others, and we remain committed to a welfare reform bill that is budget-neutral. The legislation we introduced last year, for example, was fully paid for -- primarily with cuts in entitlement programs. Most of the savings achieved in the PRA would merely shift costs to states and localities. This is not the solution to the problems of our welfare system.

CHANGING FINANCING PROVISION OF ORIGINAL PLAN

QUESTION:

Leon Panetta has said that any welfare reform proposal "worth its salt" must save money. In light of this statement, will you be changing the financing provisions of your original legislative plan?

ANSWER:

- ▶ The Clinton Administration remains committed to reforming the welfare system in a manner that is both far-reaching and fiscally sound. We are committed to working with Congress to create a plan that is budget-neutral, and I think you'll see a financing plan that primarily relies on entitlement reforms.

COST ESTIMATES OF THE WORK AND RESPONSIBILITY ACT

QUESTION:

The CBO recently reported that the Work and Responsibility Act of 1994 would spend more and save less money than the Clinton Administration estimated in its own calculations. How do you respond to this analysis?

ANSWER:

- ▶ Our welfare reform legislation proposed unprecedented changes in the welfare system, including a two-year time limit on cash benefits, and some disagreement about cost estimates is to be expected. Traditionally, CBO has been very conservative about predicting the savings that will come from changing behavior with new incentives to reward work and responsibility, and their assumptions will also be used to score other welfare reform plans. We remain committed to passing welfare reform legislation that is meaningful, bold and budget-neutral.

FEDERAL SHARE - AFDC

QUESTION:

How did you arrive at the figure of \$1000 for the average federal share of AFDC per child?

ANSWER:

- ▶ We divided the total federal expenditures on AFDC per year by the number of recipients. That leads to an average of slightly less than \$1000 per recipient.

WELFARE RECIPIENTS RECEIVE \$18,000 PER YEAR IN GOVERNMENT BENEFITS

QUESTION:

Isn't it true that most families on welfare receive about \$18,000 per year in government benefits? I think we need to cut welfare if families are receiving that much -- why would anyone want to work when they could receive that much for staying at home?

ANSWER:

- ▶ Claiming that a typical welfare family receives a benefit package of close to \$20,000 is a serious misrepresentation the facts. A typical recipient receives less than half this amount -- an amount that is barely sufficient to provide the basic level of support to poor families and children.
- ▶ To understand the difference in the figures, it is critical to note that while a number of different programs are available to welfare recipients, not all recipients utilize all programs. Most welfare recipients rely solely on AFDC and Food Stamps for support -- support that provides about \$7,600 annually for a family of three and constitutes only two-thirds of the poverty threshold across all states.
- ▶ Only a small number of welfare recipients receive benefits from other programs. For example, less than one-third receive housing assistance and one-fifth participate in the WIC program. Averaging the benefits of the less frequently used programs across all recipients provides a more accurate picture of the typical benefit package. This shows that when all programs are counted a typical single-parent family of three receives--less than \$10,000 annually.
- ▶ We do not include Medicaid benefits in the total package received by welfare recipients because they do not contribute to the financial resources of the household. In the same way, when you ask how much an employee earns, she/he reports his/her wages and not the sum of wages and the value of employer-provided health insurance.

ADMINISTRATION'S POSITION - CONSOLIDATION OF CHILD WELFARE PROGRAMS

QUESTION:

What is the Administration's position on the consolidation of child welfare programs?

ANSWER:

- ▶ We believe that it is extremely important to make child welfare programs consistent and coherent. States and communities must be free to respond flexibly to children's needs rather than being hamstrung by narrow categorical programs. We must ensure that child welfare programs provide essential protections for children's safety and wellbeing, are simple for states and Tribes to administer, and are responsive to the varying needs of children, families, and communities.
- ▶ In this Administration, we have taken a variety of steps to increase consistency and coordination across programs and to bring down barriers that make it more difficult for states and communities to serve families well.
- ▶ We look forward to working with Congress on this issue.

CONSOLIDATION/BLOCK GRANTS

QUESTION:

How would you propose to do consolidation/block-grants?

ANSWER:

Any child welfare consolidation should be structured around the following basic principles:

- ▶ Child welfare services must assure children's safety, support families, and provide a continuum of services from prevention through adoption or reunification.
- ▶ States must have flexibility in spending and be held accountable based on outcomes.
- ▶ Communities are the first line of support for families, and child welfare funding and service delivery mechanisms should reflect that role.
- ▶ Planning for all child welfare services must include community input, cut across agency lines, and build on the successful lessons of Federal-state joint planning.
- ▶ The program must be administratively simple.
- ▶ There must be adequate resources, equitably distributed among the states.
- ▶ The eligibility of poor children for the program must be protected.
- ▶ Essential protections for children in the care of the state must be maintained.

CONSOLIDATION OF CHILD CARE PROGRAMS

QUESTION:

What is the Administration's position on the possible consolidation of the federal child care programs?

ANSWER:

- ▶ We recognize the importance of consistency and coordination among programs that serve families and children. We believe it is important for our programs to be easy to administer for the States, Tribes and Territories. Any consolidation proposal must address the need for affordable, accessible, quality child care choices. Parents must be guaranteed child care as they strive towards self-sufficiency.
- ▶ One of this Administration's primary goals has been better coordination of the existing child care programs:
 - ▶ In the FY 95 budget we proposed consolidation of three programs into the Child Care and Development Block Grant: the State Dependent Care Grants, CDA Scholarship Program, and Temporary Child Care and Crisis Nurseries. (These programs were finally reauthorized separately by Congress in FY 95.)
 - ▶ We have created the Child Care Bureau, bringing together under one roof the four child care subsidy programs administered by ACF.
 - ▶ We have proposed regulatory changes across the ACF child care programs to give states greater flexibility, to ease program administration, and to improve the services available to children and families.
 - ▶ We have been working on the development of uniform reporting and data requirements.

QUESTION:

Originally, you claimed that 5 million children would be eliminated from the AFDC as a result of the implementation of the Personal Responsibility Act? How many children are affected immediately under the bill that was just introduced?

ANSWER:

- ▶ Our original analysis of 5 million children losing AFDC eligibility was based on the original Personal Responsibility Act that was presented to the public when the Contract with America was unveiled in September.
- ▶ We are very pleased that the Personal Responsibility Act has become less punitive in its phase-in of the provisions that would deny benefits to children.
- ▶ Our analysis of the revised PRA shows that almost _____ million children would lose eligibility for a AFDC during the first year of implementation if states adopted the least restrictive option available to them.
- ▶ This least restrictive option would include: denying benefits to children born to mothers under 18; denying benefits to the children of AFDC applicants who do not establish paternity for those children; and denying benefits to children conceived or born while their parents received AFDC.
- ▶ At the end of five years after the implementation date, approximately _____ million children would be denied benefits.
- ▶ If the PRA were fully implemented in FY 1993, we believe that _____ children would lose eligibility for AFDC. This number is less than the 5 million figure because of changes made to the bill.

QUESTION:

Does the Personal Responsibility Act cut off children from AFDC immediately upon enactment?

ANSWER:

- ▶ As originally drafted, the PRA eliminates eligibility for many children currently on the AFDC caseload upon enactment of the bill. The current PRA has a much less punitive phase-in.
- ▶ As originally drafted, all children of applicants and current recipients who do not have paternity established are denied AFDC eligibility -- about 30% of current AFDC children do not have paternity established although in most cases the mother has fully cooperated with the state agency. The current PRA affect only new applicants or reapplicants.
- ▶ As originally drafted, all children of applicants who were born to an unmarried mother who was under 18 years old are denied AFDC eligibility even if their mother is currently 18 or older. The current PRA only affect births after October 1995 to unmarried minors.
- ▶ As originally drafted, AFDC benefits are denied to all children who were born or conceived while their parents received AFDC. This remains unchanged.
- ▶ As originally drafted, the time limits affected the entire family. Under the PRA, the mandatory five year limit applies to adults only but the bill allows states to cut the entire family at two years.

CHILDREN AFFECTED IN FIRST FIVE YEARS

QUESTION:

Your public figures have assumed full implementation of the Personal Responsibility Act in FY 1993. How many children will be affected by the Personal Responsibility Act in the first five years of implementation?

ANSWER:

- ▶ As originally drafted, and assuming that FY 1993 was the first year of implementation, almost 3.5 million children would lose eligibility for AFDC during the first year of implementation. The largest single provision during the first year is the denial of benefits to children who do not have paternity established.
- ▶ At the end of five years after the implementation date, approximately 4 million children would be denied AFDC benefits. While the paternity establishment provision still results in many being denied benefits the impacts of the five year time limit will begin to be felt.

**EXTENDED FAMILIES OF CHILDREN CUT OFF FROM AFDC
WILL TAKE THEM IN**

QUESTION:

It's our view that the extended families of children cut off from AFDC will take them in. Do you think this is likely?

ANSWER:

- ▶ I think it's impossible to predict what a poor mother or her family would do, particularly if faced with the knowledge that a child will be ineligible for assistance for his entire childhood. Many of these young mothers may not have families to turn to, or their relatives may be just as needy as they are. Many young mothers may also not have family who are able to provide the special care a young child needs. But with a ban on federal assistance, each governor is going to have to face a tough choice between abandoning thousands of poor children or raising state taxes to pay for care.

WILL THE PERSONAL RESPONSIBILITY ACT RESULT IN ADDITIONAL CHILDREN ENTERING THE WELFARE SYSTEM

QUESTION:

There are now large numbers of children in foster care who need to be adopted. Many of these children are minority and are being kept in foster care because agencies are unwilling to place them with adoptive parents of a different race or ethnicity. Isn't the child's best interest the only factor that should be relevant in making adoptive placements and racial matching should not be permissible?

ANSWER:

- ▶ The Administration is strongly committed to finding adoptive homes for all children who need them. As you know, just last session Congress passed the Multiethnic Placement Act, a law designed to ensure that children are placed in adoptive homes as quickly and appropriately as possible. That Act bars any discrimination in placement decisions and forbids states from denying or delaying an appropriate placement solely on the basis of the race of the child or prospective parents. My department has already notified all states of the Act and will be issuing guidelines for its enforcement shortly. Our Office of Civil Rights is prepared to vigorously enforce the provisions of that Act.
- ▶ That Act does allow states to take a child's ethnicity or race into account in making a placement, as one of a number of factors relevant to an individual child's needs, provided that adoptions are not delayed or denied on this basis. We believe that the MEPA adopted the right approach to this issue, an approach which is consistent with the policies being followed in the great majority of states. Discrimination in placements is clearly wrong and harmful to children. However, state agencies need to have the flexibility to make individualized decisions about how best to meet the needs of each child, including a child's need to have her or his ethnic, racial or, as many state laws provide, religious identity, considered when determining whether a particular placement meets that child's needs.

**CHILD WELFARE LEAGUE ESTIMATES--CHILDREN AFFECTED
BY REPUBLICAN PLAN**

QUESTION:

The Child Welfare League estimates that 25 percent of poor children affected by the Republican plan would end up in orphanages. Do you agree with that figure?

ANSWER:

- ▶ I wouldn't want to speculate on what the right number is. However, our analysis clearly shows that the federal funding available would only fund residential care for less than one percent of the children. That's a huge gap between resources and potential need -- and state taxpayers are going to pay the price one way or the other.

It's worth noting that fewer than 100,000 children in the whole country are now in institutional care in the child welfare system - compared to the five or six million children who would be denied benefits under the Republican plan. Even with the numbers of children we see today, our capacity to provide quality institutional care is stretched to the limit.

QUESTION:

Preliminary data from New Jersey indicates that birth rates have gone down since the implementation of the family cap. Would the Administration support a mandatory family cap instead of leaving it as a State option?

ANSWER:

- ▶ The Administration views the family cap option as one policy that might potentially deter welfare mothers from conceiving additional children. In keeping with our commitment to provide State's more flexibility and given the lack of hard evidence on the impact of a family cap, we believe the decision of whether or not to adopt this policy is best left to the states.

- ▶ A number of States (4), including New Jersey, have received waivers to implement a family cap proposal and many others have requested waivers to limit waivers to limit welfare benefits for additional children. We want these States to be able to implement the most effective set of policies for the people in their State. Evaluations of these waivers are currently underway but it is simply too early to draw any conclusions about the impact of the family cap on birth rates. (Previous studies of whether welfare benefits, and AFDC in particular, have an effect on fertility rates yield mixed results, but generally show no effect or relatively small positive effects.)

FEDERAL ROLE IN CHILD CARE

QUESTION:

What is the current Federal Role in child care?

ANSWER:

- ▶ The Administration for Children and Families funds the states through four main child care subsidy programs:
- ▶ Child Care for AFDC recipients helps AFDC families with child care to the extent that it is necessary for employment or state-approved education and training.
- ▶ Transitional Child Care provides up to 12 months of child care to working AFDC recipients upon loss of eligibility for AFDC due to increase in hours of or earnings from employment.
- ▶ At-Risk Child Care provides child care to low-income working families that do not receive AFDC but need child care to keep jobs.
- ▶ The Child Care and Development Block Grant funds state efforts to provide quality child care services for low-income family members who work, train for work, or attend school.

(For more information on these programs, Child Care Fact Sheet is attached.)

CHILD CARE

QUESTION:

For whom does the federal government provide child care?

ANSWER:

- ▶ The Administration for Children and Families provides funding to states to subsidize child care for specific groups of families. Eligible families are:
 - AFDC Families who are in the JOBS program, who are in approved education and training, or who are employed;
 - Families who have left welfare for work within the previous 12 months;
 - Low-income working families, or low-income families in education or training for work; and
 - Families with children in need of protective services.

QUESTION:

How do the child care provisions in the PRA differ from those in the WRA?

ANSWER:

- ▶ The PRA provides no specific new funding for child care. It is highly likely that the PRA would result in reduced funding for child care. Our bill provides significant new resources for child care for families on AFDC and for low-income families who cannot work without child care assistance.
- ▶ The PRA could require mothers to work even if they could not find or afford child care. The President's bill recognizes that child care is crucial and provides child care for all JOBS and WORK clients who need it.
- ▶ The GAO testified last year that child care subsidies can dramatically affect whether low-income women work. The Administration invested in this essential component of welfare reform. The PRA is deficient in its commitment to child care and the transition from welfare to work.

TO ORPHANAGES

QUESTION:

In our view, orphanages will only be used as a last resort for abused children and the children of drug-addicted mothers, for example. Why are you so opposed to orphanages?

ANSWER:

- ▶ As I said last week, I'm certainly opposed to orphanages as we have known them in the past: as big, impersonal, bureaucratic warehouses. But the real issue here is not whether Boys Town is an inspiring movie, or whether residential care is appropriate for some children for short periods of time. The issue is what actually happens to millions of real-life children who would be cut from the welfare rolls, with no money for states to pay for the very real costs of child rearing.

FOLLOW UP: Are you implying that Boys Town should not exist, or that it's not doing a good job?

Not at all, but you have to realize that Boys Town itself has changed dramatically since 1938, and is no longer an orphanage in the traditional sense. Social and economic conditions have changed dramatically since 1938.

Existing residential care facilities now focus on children with special needs such as those who are victims of abuse and neglect. Father Flanagan would not have advocated taking children away from parents simply because they're poor. Social and economic conditions have changed dramatically since 1938. Existing residential care facilities now focus on children with special needs such as those who are victims of abuse and neglect.

- ▶ And the existing residential care facilities wouldn't address the needs of the million of poor children who would be eliminated from the welfare rolls.

QUESTION:

Why do orphanages cost so much?

ANSWER:

- ▶ The Child Welfare League of America estimates that the yearly cost for residential group care averages \$36,500 per child. This cost is for food, shelter, and administrative staffing and does not account for therapy or other special services that children in these settings may require.

QUESTION:

Isn't the comparison between a \$36,500 cost for an orphanage slot and the \$1,000 federal cost of AFDC highly misleading since Food Stamps, housing, and other programs are omitted?

ANSWER:

- ▶ The point we are making is that the federal dollars provided to the states would nowhere near cover the cost of orphanages.
- ▶ Programs such as housing, the school lunch programs, and the program of food for pregnant women and infants go only to a subset of AFDC recipients. For example, less than 30 percent of AFDC recipients get subsidized housing benefits. If one averages combined AFDC, nutrition and housing assistance that is received across all families, the average state and federal cost is roughly \$3300 per person. This figure is still less than 10 percent of the cost of orphanage care.
- ▶ Note also that the bulk of these expenditures are federal and not necessarily available to the states for use in placing children in other settings. Only a tiny portion of the federal savings in AFDC would be returned to the states under the original language of the PRA.
- ▶ Nutrition programs are given as a block grant to the states, so money could be redirected from them, but they are cut by 12 percent under the Republican plan.
- ▶ Housing program money is not returned to the states under the current bill. There is no savings from the Federal housing programs -- just a shift of benefits from one group to another.
- ▶ Therefore, less than \$2000 in Federal and state AFDC savings would actually be available to states to help the children denied benefits under the Republican plan.

QUESTION:

Local charities can do a better job of helping the destitute than big federal government programs. There should be tax incentives to encourage individual and corporate donations to charities. Would you support letting private charities assume responsibility for the poor?

ANSWER:

- ▶ Private charities play a very important role in supplementing our public system of support for the poor. However, we no longer have the type of society we did at the turn of the century when private agencies were the primary agents for dealing with problems associated with poverty.
- ▶ Private charities do not have the resources to sufficiently meet the material needs of today's poor. They are only able to provide supplementary benefits, such as temporary shelter, food for a few days, help with utility bills, or aid to recover from a disaster. Aid from private agencies is a stopgap -- albeit a critical one. They cannot cover longer-term needs.
- ▶ Although nearly three quarters of all Americans give money to private charities, the average amount that households contribute each year declined by 25% between 1990 and 1993 and has not rebound despite the strengthening economy. Rates of corporate giving have been flat. While changes in tax incentives can increase individual and corporate giving, we cannot expect these incentives to provide the levels of funding that would be needed to replace major cuts in federal funding for the poor. Resources of private charities are volatile and sensitive to economic conditions. They cannot increase to meet the needs of a greater number of poor families during economic downturns the way that federal aid can.
- ▶ It is the role of the federal government to establish broad funding priorities for the nation and protect those who are most vulnerable. Studies of the private sector suggest that the relation between needs and resources are weak and affected by local interests. Moreover, it is not certain that increases in private giving would be directed to the needs of the poor. Most philanthropy today is devoted to support of educational and medical institutions, not direct assistance to the poor.

QUESTION:

Would the President go along with a 12% overall reduction of funding for food programs the GOP wants rolled into the block grants? Does the Administration believe that the food stamp program should be protected in welfare reform discussions?

ANSWER:

- ▶ As I have said, the food stamp program was founded on the federal government's commitment to ensuring that families do not go hungry in this the richest nation in the world. The Administration believes in preserving the founding principle behind the food stamp program and our concept of welfare reform must respect that principle.
- ▶ I think the President will take a good look at what is being proposed and evaluate each idea on its own merits. HHS has already proposed some streamlining and consolidations that will cut down on administrative paper-shuffling and increase efficiency in the programs. But again, we need to evaluate these proposals in terms of their real effects -- particularly on states.

QUESTION:

How would the proposed Personal Responsibility Act affect the nation's food assistance programs?

ANSWER:

The proposed Personal Responsibility Act would:

- ▶ Combine 15 USDA food assistance programs into a single discretionary block grant to States.
- ▶ Significantly reduce Federal support for food assistance. Federal funding for food assistance would fall by more than \$5 billion in fiscal year 1996 and nearly \$31 billion over five years. These funding reductions would force States to reduce the number of people served, the benefits provided, or some combination of both.
- ▶ End the current entitlement to food and limit the responsiveness of food assistance programs to changing individual and economic circumstances.
- ▶ Result in substantial gains and losses among States, based on the proposed allocation methodology for distributing grant funds.

PRA - NUTRITION PROGRAMS

QUESTION:

What impacts would these proposed changes have on the level and distribution of Federal support States for food assistance?

ANSWER:

- ▶ As originally proposed, the Personal Responsibility Act would allocate funding among the States (including the Commonwealth of Puerto Rico and the District of Columbia) based on their share of the nation's economically disadvantaged population. This group would be defined as individuals or families with income below the Lower Living Standard Income Level (LLSIL) published annually by the Department of Labor. There would be specific set-asides for grants to territories and Indian Tribal Organizations.
- ▶ The proposed formula for distributing grant funds to States would result in substantial individual gains and losses among the States. Most States (all but eight) would lose Federal funding in fiscal year 1996. In some cases, the gains and losses are substantial. For example, California could gain about \$650 million, and Texas could lose more than \$1 billion. The average state will lose approximately 13% of Federal food assistance funds.
- ▶ Using the share of the economically disadvantaged population as the basis for allocation of funds among States.
- ▶ Although initially some States gain funding, over time all States would lose Federal funding. The redistribution of funds to States results in some States gaining substantial amounts of Federal funds. However, over time, even these gains will erode if State economies go into recession, because the block grant eliminates the automatic funding adjustments built into the existing Food Stamp and Child Nutrition programs.

QUESTION:

It seems as though the PRA would give States increased flexibility in determining how they use funds for welfare recipients. Will consolidating all domestic food programs allow States to better serve their local welfare populations?

ANSWER:

- ▶ The proposed bill would give States broad discretion to design food assistance programs, provided only that no more than five percent of their grant support program administration, at least 12 percent support on food assistance and nutrition education for women, infants, and young children, and at least 20 percent support school-based and child-care meal programs. The 12 percent and 20 percent minimums could be lowered at State request with USDA approval. The bill would restrict food assistance to economically disadvantaged families and individuals. The definition of economically disadvantaged differs from eligibility requirements used by every existing food assistance program, and is higher than current food stamp eligibility limits and lower than current WIC and Child Nutrition program limits.
- ▶ The floors and ceilings on spending for administration, services for women, infants and young children, and for child nutrition would redistribute funds available for these program categories. After the set-asides, the funds remaining would be below the projected current service level for all other programs, including food stamps and food distribution.
- ▶ The ceiling on grant administration would effectively reduce Federal support for administrative costs by more than one-third. The Federal share of State administrative expenses for food assistance programs now averages about eight percent, with substantial variations among States. Under the Personal Responsibility Act, States could use no more than five percent of their grant on program administration.

CONSOLIDATING THE OAA NUTRITION PROGRAM

QUESTION:

What would the impact be of consolidating the Older Americans Act nutrition program with other food programs at USDA as proposed in Title V of the Personal Responsibility Act?

ANSWER:

- ▶ The inclusion of the nutrition services of the Older Americans Act in a Food Assistance Program limited to the economically disadvantaged would, in my judgment, would have a severe adverse effect on millions of senior citizens and their families who have depended on a very reliable, time-tested, successful program.
- ▶ The Older Americans Act and its nutrition program has for more than thirty years been the primary non-entitlement program serving older Americans in this country. It has served as the basis and springboard for the development of an infrastructure for the delivery of home and community based services, with the goal of providing low cost services to persons in their own homes and communities and preventing or delaying premature institutionalization and higher health care expenditures.
- ▶ The Older Americans Act has been favored with strong bipartisan support over the past 30 years. A national network on aging includes the Administration on Aging, 57 state and territorial agencies, some 670 area agencies on aging, more than 25,000 private sector providers and some 500,000 volunteers. Unlike most agencies with responsibility in a particular substantive area, such as health, housing, or transportation, this network focuses on issues affecting the total well-being of the elderly in these and other areas. Unlike most programs, the services provided by this network are not limited to the poor, but are available without regard to income. One of the strengths has been that while targeted to the low income, there are other seniors above the poverty line with tremendous needs which are met by this program. The federal appropriation--\$877 million in FY 95--is augmented not only by state and local match but by in excess of \$180 million of voluntary contributions by the recipients of services and the in-kind contributions of hundreds of thousands of volunteers, without whose efforts these services would not exist.

BACKGROUND INFORMATION:

- ▶ The nutrition services of the Older Americans Act, with an appropriation of \$470 million in FY 95, deliver 100 million meals to 800,000 older individuals who are homebound, some recently discharged from a hospital, some capable of remaining in their home in lieu of much more costly placement in a nursing home because of these meals and additional assistance. The congregate nutrition services of the Older Americans Act are provided by 2,300 private sector organizations as 125 million meals to 2.4 million older individuals at 15,000 sites in congregate settings, from church basements to multi-purpose senior centers. In addition to meals, older individuals may receive nutrition education, nutrition counseling and linkage to other services they need.

- ▶ The Congregate Nutrition Program serves a vulnerable, nutritionally at risk and food insecure population. The average participant is about 78 years old; most have several chronic health concerns; many are frail and disabled; approximately half are low-income; approximately half are rural residents; and about seventeen percent are minority. Recent studies have found that many congregate participants are at moderate to high nutritional risk and have high levels of food insecurity.

- ▶ For many older participants, the Congregate Nutrition Program is the life-line that keeps the individual functioning in the community and decreases the use of more expensive in-home and institutional services.

- ▶ A summary listing of the impact includes:
 - reduction in program income through voluntary contributions;
 - reduction in the number of volunteers providing freely of their time as caring neighbors;
 - reduction in employment of private sector provider agencies;
 - reduction in the number of senior centers that serve as focal points in the local community;
 - reduction of nutrition services with linkages to a food assistance program;
 - reduction in benefits for individuals who are at risk of institutionalization;
 - reduction of critical support to caregivers; and
 - reduction of participation of private organizations and businesses.

DENIED ASSISTANCE TO TEENAGED MOTHERS

QUESTION:

House Republicans say that their plan, by denying aid to unmarried teenagers, will reduce out-of-wedlock births. Why didn't you make that assumption in the calculations you announced last week? Isn't it time we simply made it clear that having a child as an unwed teenage mother is not the way to get welfare?

ANSWER:

- ▶ First, preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. The Administration agrees that we must send the strongest possible signal to teens that pregnancy and childbirth should be delayed until they are able to provide for a child both financially and emotionally. To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. The WRA provides grants to 1000 high risk schools, grant to get communities organized to prevent teen pregnancy. But the President will continue to take the lead in this effort.

- ▶ Second, it's difficult to predict what would happen to the rate of out-of-wedlock births if young girls were denied assistance. Most social scientists would tell you that teenagers have babies for reasons unrelated to AFDC benefits, so the effect is likely to be negligible.

ASSISTANCE FOR TEENAGED MOTHERS

QUESTION:

Under the Republican bill, though, a teenage girl and her child could receive assistance if she married the child's father. Don't you think this is a worthy goal?

ANSWER:

- ▶ It's certainly a worthy goal, and I agree that children are better off with two parents. However, I believe we need a more comprehensive approach designed to promote parental responsibility and support working families -- including stronger efforts to establish paternity, better child support collections, family-friendly tax provisions, requirements that teenagers live at home and stay in school and abstinence-based programs to prevent teen pregnancy in the first place.

WOULD PRESIDENT VETO GOP BILL - FOR CUTTING OF AID TO YOUNG MOTHERS

QUESTION:

Would President Clinton veto a GOP bill that calls for cutting off aid to young mothers who may be forced to put their babies in orphanages?

ANSWER:

- ▶ I don't think it will come to that. There is no substitute for the family and there are many good alternatives to orphanages. For example, we have proposed requiring teen mothers to live with a responsible adult and finish school in order to be eligible for benefits and to cooperate in identifying the father before receiving assistance. We say to mothers under 18 that you will not get welfare unless you remain at home with your parents, stay in school, and once your time limit is reached, go to work. And unlike the Republican bill we have a tough message for fathers too: you must do your part to support the child you fathered. We agree that we must provide strong deterrents to becoming a teen parent, but we must also provide a safety net for the innocent children born to teen parents, and a mechanism to encourage responsible behavior and increase employability for teen parents. We would hope that the Republicans would move towards this approach rather than denying eligibility to children.

CHILD SUPPORT PROVISIONS IN CONTRACT WITH AMERICA VS. WORK AND REPOSIBILITY ACT

QUESTION:

How do the Child support provisions in the contract with America compare to the WRA in terms of child support enforcement? Do both plans include strict provisions against "deadbeat dads" ?

ANSWER:

- ▶ **The Work and Responsibility Act has a comprehensive plan to improve child support enforcement, the Contract with America does not.**

The Work and Responsibility Act includes a comprehensive proposal to improve the child support enforcement system by establishing paternities, ensuring fair child support award levels, and collecting support that is owed. The Contract with America does not include a comprehensive plan to improve child support enforcement. In fact the Contract with America would cap funding for child support enforcement activities at a time when caseloads are rising rapidly and states cannot deliver services to many of the families already in the CSE caseload. The child support provisions in the Contract with America are directed towards increased paternity establishment for children receiving welfare and requiring parents (of AFDC children) who don't pay their child support to work off the child support debt. While we agree that efforts in these areas must be strengthened and have done so in the WRA, establishing paternity and requiring non-custodial parents to work off child support without improving the processes for establishing and enforcing support orders will not substantially improve child support collections.

- ▶ **The Work and Responsibility Act includes a comprehensive child support plan, based upon proven and widely accepted reform initiatives.**

The Work and Responsibility Act takes an entirely different approach to child support enforcement. It is a comprehensive proposal that reflects a growing consensus among child support professional on how to constructively reform the system and dramatically increase both paternity establishment and collections. It is based heavily on the recommendations of the U.S. Commission on Interstate Child Support Enforcement and best state practices that have already proven to be successful.

The Work and Responsibility Act includes tough paternity establishment requirements, building on the in-hospital paternity establishment programs already enacted as part of OBRA 1993, and further streamlining the paternity establishment process. Economic incentives will encourage states to establish paternities for all births regardless of welfare status. Mothers must cooperate in establishing paternity under new strict requirements prior to receiving welfare benefits. However, unlike the Republican proposal, a child whose mother has fully cooperated would get benefits as soon as she has provided full information and then requirements are imposed on the state to establish paternity quickly. This is a much more balanced and fair approach.

The Work and Responsibility Act ensures that child support awards are fair and reflect the current ability of the noncustodial parent to pay support. Child support distribution rules will support families who move from welfare to work and promote family reunification.

The Work and Responsibility Act modernizes the child support system, requiring states to have central child support registries and tracking systems so that enforcement action can be taken immediately when payments are missed. It includes a National Clearinghouse to help track parents across state lines and immediately impose wage withholding orders when someone goes to work. It provides for simpler administrative enforcement remedies and tough enforcement tools such as license revocations for those parents who have the ability to pay but refuse to do so. Finally, it provides sufficient funding for the program through a new funding formula that uses performance-based incentives to encourage states to improve their programs.

The Work and Responsibility Act also focuses on efforts to get non-custodial parents to work by providing funds for education and training programs through the JOBS program, at state option. Non-custodial parents can be required to work off the support they owe, but unlike the Republican plan which requires all 1.3 million non-custodial parents with AFDC arrearages to be placed in a state-funded work program, states are given flexibility in designing programs to meet these goals.

In short, the Personal Responsibility Act does almost nothing to improve child support collections for welfare or non-welfare families. It would undoubtedly result in reduced funding for state programs, detrimentally affecting the ability of programs to collect child support. The Work and Responsibility Act is vastly more comprehensive and reflects a consensus that child support enforcement can be dramatically improved if the states have the tools and resources to do the job.

PRA EFFECT FOR CHILDREN WHOM PATERNITY HAS NOT BEEN ESTABLISHED

QUESTION:

How would the PRA affect children for whom paternity has not been established? How many children would lose benefits under this provision?

ANSWER:

- ▶ The Personal Responsibility Act contains a provision which would deny AFDC benefits to children for whom paternity is not legally established. Paternity establishment is a legal process, often through the courts, that can take as long as one or two years for the child support agency to complete. Thus, under the PRA, even if the mother fully cooperated and gave the name and address of the father, the child could be denied benefits for the period of time it took to establish paternity. And if the father could not be located, the child would never receive benefits. In a single year 26% of new applicant children would be denied AFDC benefits because paternity was not established at the time of application. The proposal as originally drafted would have applied to all children currently receiving AFDC; this would have eliminated benefits to more than three million poor children.

- ▶ State child support agencies could be overwhelmed with the responsibility of establishing paternities for these children and might have to cut services to other custodial parents and shift resources to cover paternity establishment. This could result in fewer child support collections that prevent other families from becoming welfare dependent.

WELFARE USE BY IMMIGRANTS

QUESTION:

What's wrong with restricting benefits to non-citizens? If immigrants want to become eligible for benefits, why not require them to naturalize?

ANSWER:

- ▶ I don't think anyone here would deny the vital role that legal immigrants have played in strengthening this great nation of ours.
- ▶ By definition, legal immigrants are people we have welcomed to this country to further the national interest, with the expectation that they will reside permanently in the United States as productive individuals and be accorded virtually the same rights and responsibilities as citizens.
- ▶ Legal immigrants work, travel, and pay taxes on the same basis as citizens.
- ▶ To single out legal immigrants and deny them the safety net available to citizens not only runs contrary to our history and tradition as a nation, but makes no fiscal or policy sense either.
- ▶ For example, under the PRA legal immigrants who become disabled within 5 years of entry into the United States, or lose their job through no fault of their own, would be ineligible for any kind of federal assistance whatsoever.
- ▶ While some of these immigrants may have sponsors who can assume some financial responsibility for them, there are a number of immigrants who have never had sponsors or whose sponsors have died or themselves become disabled. It is estimated that at least one-fifth of all legal immigrants are admitted to this country without sponsors.
- ▶ Denying federal assistance to all legal immigrants--as proposed in the PRA--will merely shift the legitimate and necessary costs of certain assistance (e.g., medical care under Medicaid) to state and local governments--or other entities such as hospitals--already reeling from tight fiscal pressures.

Background:

- ▶ Current immigration law requires immigrants to reside in the U.S. for at least 5 years before becoming eligible to naturalize. Legal immigrant children under 18 years can not naturalize unless their parents are citizens. Many INS district offices currently have large backlogs causing delay in naturalizations (e.g., from 6 months to a year or more). The current discretionary nature of the citizenship tests can pose greater or lesser roadblocks to legal immigrants, depending on their place of residence and the examiner implementing the test.

RECOMMENDATIONS OF THE BIPARTISAN COMMISSION ON IMMIGRATION REFORM (CIR)

QUESTION:

What did the Commission on Immigration Reform recommend doing about legal immigrants receiving welfare? And what about the other recommendations of the Commission on Immigration Reform, such as tightening employer verification by testing pilot programs of a new identity card? What is the Administration's position on those recommendations?

ANSWER:

- ▶ The bipartisan Commission on Immigration Reform chaired by the Honorable Barbara Jordan recommended specifically against the approach taken by the PRA.
- ▶ It recommended "against any broad, categorical denial of public benefits to legal immigrants," believing that "the safety net provided by needs-tested programs should be available to those whom we have affirmatively accepted as legal immigrants into our communities."
- ▶ At the same time it reaffirmed that "sponsors should be held financially responsible for the immigrants that they bring to this country."
- ▶ We are pleased that the Administration policy of tightening rules related to sponsored immigrants has been independently affirmed by the work of the bipartisan Commission charged by Congress with looking into the issue of immigrant eligibility for benefits.
- ▶ As for the other recommendations of the Commission, we recognize the importance of accurately verifying the immigration status of individuals, and the Administration agrees that illegal immigration is a very serious problem.
- ▶ Border patrol, employer verification, and verification of immigration status for benefit eligibility are all vital to deter illegal immigration and enforce our laws.
- ▶ The President has recently made significant progress in these areas but is committed to doing more, and the Administration is currently reviewing a number of options to improve our policies in all of these areas.

SIMILARITIES BETWEEN THE ADMINISTRATION AND THE PRA IMMIGRANT PROVISIONS

QUESTION:

The Administration's welfare reform bill also cut benefits to immigrants. What is the difference between the two bills and is there any common ground that can be reached by the Administration and congress regarding a policy of legal immigrant eligibility for benefits?

ANSWER:

- ▶ There are three major differences between the PRA and the Administration approach to determining the eligibility of immigrants for benefits.
 - (1) The PRA would affect virtually all legal immigrants, while the Administration's plan would target sponsored legal immigrants only.
 - (2) The PRA would take benefits away from current recipients, such as the elderly and disabled receiving SSI and Medicaid, while the Administration's policy would only affect new applicants.
 - (3) The PRA would deny eligibility to legal immigrants under 52 different programs, including child nutrition and immunization programs, while the Administration would target major entitlement programs only.
- ▶ Due to these differences, the PRA would affect about 1.5 million legal immigrants in the first year of implementation (i.e., after the 1-year phase in), while the Administration plan would affect about 85,000 legal immigrants.
- ▶ CBO has estimated that the PRA immigrant provision would have a 5-year federal savings of about \$22 billion, while the Administration provision would save about \$3.5 billion.
- ▶ About two-thirds of the PRA savings would come from taking away the SSI and Medicaid from current legal immigrant recipients, many of whom are disabled.
- ▶ We are committed to working with the Congress to develop the best policy governing the receipt of benefits by legal immigrants.

- ▶ However, we note that our policy is entirely consistent with recommendations made by the bipartisan Commission on Immigration Reform chaired by the Honorable Barbara Jordan, whereas the PRA goes in the opposite direction from the recommendations made by the bipartisan Commission.
- ▶ We believe that after further review and consideration, Congress will agree that a policy more targeted towards sponsored immigrants not only addresses the specific concerns and problems that have been identified, but also is more consistent with our traditions, our ethics, and our national interest.

GIVE STATES RESPONSIBILITY FOR WELFARE PROGRAMS

QUESTION:

Senator Nancy Kassebaum believes the federal government should turn over to the states all responsibility for welfare programs. Is that a position President Clinton could embrace as a former governor?

ANSWER:

- ▶ Some programs such as food stamps and Medicaid have been good federal-state partnerships. While there may be some merits to making states totally responsible for social service needs of their residents, it is an idea that cannot be embraced without fully exploring all the ramifications for the federal government, the states and the recipients. For example, maintaining federal involvement in welfare program ensures that a safety net for poor children and families is maintained, particularly during economic downturns.

WAIVER REQUESTS FROM CALIFORNIA

QUESTION:

What is the status of pending waiver requests from California?

ANSWER:

California currently has five requests for welfare reform demonstration pending. They include:

- ▶ Two requests that would amend the previously approved and operating California Work Pays Demonstration Project. The State has asked us to hold our review of the first of these proposals which would progressively reduce the level of AFDC benefits to families. The State legislature has not passed authorizing legislation for these provision.

Note: Application received 3/14/94

- ▶ We are currently reviewing the second request to amend the California Work Pays Demonstration Project which would allow the State not to increase benefits to families receiving AFDC due to the birth of a child conceived while receiving AFDC. We expect to soon send to the State an analysis paper listing issues and questions identified as a result of a Federal review of the application.

Note: Application received 11/9/94

- ▶ California has also submitted a request to amend the previously approved Assistance Payments Demonstration Project which was remanded to the Department for reconsideration by the Ninth Circuit Court of Appeals in its decision in Beno v. Shalala. We recently sent the State an analysis paper listing issues and questions identified as a result of a Federal review of the application.

Note: Application received 8/26/94

- ▶ We have made significant progress in discussions with the State concerning their application for the AFDC and Food Stamp Compatibility Demonstration Project) and expect to send them shortly draft terms and conditions for approval of the project.

Note: Application received 5/23/94

- ▶ The application for the School Attendance Demonstration Project was just received in December.

Note: Application received 12/5/94

STATUS OF WAIVER REQUEST FROM GEORGIA

QUESTION:

What is the status of pending waiver request from Georgia?

ANSWER:

In November, we sent the State an analysis paper listing issues and questions identified as a result of a Federal review of the application for the Work for Welfare Project. The State has indicated they hope to be schedule a conference call in the near future to proceed with discussions.

Note: Application received 6/30/94

STATUS OF WAIVER REQUEST FROM MARYLAND

QUESTION:

What is the status of pending waiver request from Maryland?

ANSWER:

The Maryland Legislature voted against certain components of the application for the Maryland Welfare Reform Project. Also, it is unclear if the incoming Governor desires to pursue the project.

Note: Application received 3/1/94

STATUS OF WAIVER REQUEST FROM MASSACHUSETTS

QUESTION:

What is the status of pending waiver request from Massachusetts?

ANSWER:

The State has asked us to hold review of their waiver request for the Employment Support Program after the State legislature failed to pass a welfare reform bill.

Note: Application received 3/22/94

SSI AND CHILDREN

QUESTION:

While we worry about changing the AFDC program, we also have to worry about the great growth in the number of children receiving other welfare benefits, such as the Supplemental Security Income (SSI) disability program. How many children are now on that program? Why is it expanding so rapidly?

ANSWER:

- ▶ From 1989 to 1993 the number of children receiving SSI disability benefits more than doubled, growing from almost 300,000 to more than 770,000.
- ▶ As the GAO noted in their report on this issue in September 1994, this growth comes from rising numbers of children in poverty, SSA outreach, the Zebley Supreme Court decision, and new SSA regulations revising and expanding medical standards for mental impairment.
- ▶ The administration is concerned about the growth in the number of children on SSI. We commend the Congress for recognizing this problem and asking the administration to create a bipartisan Commission on Childhood Disability to look into this problem and make recommendations.
- ▶ Last week [CONFIRM] I appointed this Commission. Our Department and the newly independent Social Security Administration look forward to the Commission's work and recommendations.
- ▶ It would be premature to take significant action on this complex issue before the Commission has a chance to complete its work in the coming year.

FAMILIES "COACHING" CHILDREN TO OBTAIN SSI PAYMENTS

QUESTION:

There have been stories circulating about families "coaching" problems with their children to obtain the SSI payment. Does the Administration have a plan to stop this practice?

ANSWER:

- ▶ In 1993, SSA reviewed a large sample of disability claims for children. The study found no evidence of widespread "coaching" of children. SSA also reported numerous actions it had taken to avert future errors.
- ▶ Again, we believe it would be premature to take significant action on SSI benefits for children before the new Commission has a chance to complete its work in the coming year.

FAMILIES RECEIVING SSI AND OTHER WELFARE BENEFITS

QUESTION:

How many families receive SSI for their children as well as other welfare benefit? Isn't this a misuse of these funds? Shouldn't we change these programs to make sure families do not abuse the system in this way?

ANSWER:

- ▶ A recent study showed that just of a quarter of children receiving SSI payments had income. The most frequent types of cash income were Social Security benefits (8 percent) and child support payments (8 percent). Only 3 percent were receiving assistance based on need (most commonly AFDC payments). If families qualify because of need, this is an appropriate use of the programs.
- ▶ Again, we believe it would be premature to take significant action on SSI benefits for children before the new Commission has a chance to complete its work in the coming year.

EFFECT OF NUTRITION BLOCK GRANT FORMULA ON STATES

QUESTION:

What is the effect of the formula for distributing food assistance block grant funds on States?

ANSWER:

- ▶ Under the Personal Responsibility Act most States would lose Federal funding in fiscal year 1996. Overall, there is a 13 percent reduction in total Federal funds available for food assistance. Absent any other change, all States would lose Federal funding.
- ▶ Using the proposed formula for distributing grant funds, California is the only big winner, gaining approximately \$650 million. Seven other States gain relatively little, totally approximately \$136 million.
- ▶ All other States would lose Federal funds. In some cases, the losses are substantial. Texas, for example, would lose more than \$1 billion, or 30 percent. In all, six States would lose 30 percent or more.

WHY ARE NUTRITION PROGRAM GAINS AND LOSSES SO BIG

QUESTION:

What is it about the distribution formula that causes the gains and losses to be so substantial?

ANSWER:

Several factors help explain the pattern of winners and losers.

- ▶ First, given the 13 percent reduction in total Federal funds available for food assistance, all States would lose Federal funding absent any distribution formula.
- ▶ Second, the Personal Responsibility Act would allocate funding among the States based on their share of the nation's economically disadvantaged population. This group would be defined as individuals or families with income below the Lower Living Standard Income Level (LLSIL) published annually by the Department of Labor. This definition differs from the eligibility requirements used by every existing program. It is higher than current food stamp eligibility limits and lower than current WIC and Child Nutrition program limits.
- ▶ The income limits defining the economically disadvantaged are also higher in some parts of the country than in others. Holding everything else constant, States in regions with higher income limits -- and, therefore, with larger numbers of people defined as economically disadvantaged -- should gain Federal funds using this formula. Conversely, States in regions with relatively low income limits should receive a smaller share of the block grant. In fact, more than half of the States in the West -- where the standard income level is relatively high -- gain Federal funding, while all States in the South region -- where the standard income level is relatively low -- lose.
- ▶ In addition, some States serve a higher portion of those eligible for food stamp benefits under the existing program. Because the block grant funds would be distributed among States based on a count of the number of economically disadvantaged people -- not the number of people actually served -- States with relatively high food stamp participation rates would be more likely to lose Federal funding than those which have been less successful in enrolling the eligible population.

- ▶ Finally, some States pay higher AFDC benefits than others. Food stamp benefits -- because they depend on household income, including AFDC -- tend to be smaller in States with large AFDC payments. Because the block grant funds would be distributed among States based on the number of economically disadvantaged people -- not the proportion of benefits currently going to those individuals -- States with the most generous AFDC payments would be more likely to gain Federal funding under the block grant, and States with the least generous payments would be most likely to lose.

BALANCED BUDGET AMENDMENT AFFECT THE ELDERLY

QUESTION:

Would senior citizens be adversely affected by a Constitutional Amendment requiring a balanced budget even if Social Security benefits are exempt from reductions.

ANSWER:

- ▶ The balanced budget amendment, together with the tax reductions proposed in the Republican Contract, would require seven year savings of more than \$1.2 trillion in order to achieve a balanced budget by 2002. This would mean a reduction of over \$300 billion in 2002.
- ▶ These reductions would be virtually assured to come from the domestic spending side of the budget because other Contract provisions would require a three-fifths majority vote to pass tax increases and would provide increased funding for defense programs.
- ▶ While the Contract does not exempt Social Security from the cuts that would be needed to balance the budget, Republicans have separately stated their intention to exempt the program from benefit reductions. If they do not keep their promise to protect Social Security, benefits to seniors under that program could be cut by as much as 20 percent. The average senior could lose \$ _____ in monthly benefits.
- ▶ Assuming that taxes, Social Security, and defense spending are exempt from reductions, all remaining Federal programs would have to be reduced 28 percent.
- ▶ Medicare could be cut by \$100 billion in just one year, 2002, if a 28 percent reduction were applied. What would such a cut mean for Medicare elderly and disabled beneficiaries?
 - If beneficiaries were required to pay directly for these savings, the Part B premiums that they pay directly could be increased by _____

- Some might say that these savings could be achieved by increasing premiums paid by higher income persons. However, the savings derived from proposals to income-relate Medicare premiums do not approach the \$100 billion that might be required to balance the budget. For example, CBO priced some options for increasing premiums for higher income persons. These options would save from \$5-6 billion over five years.

- \$100 billion in annual Medicare savings is much greater than any level previously proposed by Republicans or Democrats. The Health Security Act proposed to reduce Medicare by \$118 billion over five years; OBRA 1993 reduced Medicare by \$56 billion over five years. In announcing their Contract with America, Republicans released an exemplary list of program reductions that could be used to achieve a balanced budget; it included \$30 billion in Medicare cuts over five years.

HOW WOULD A BALANCED BUDGET AMENDMENT AFFECT STATES?

QUESTION:

Would a balanced budget amendment merely shift additional costs and responsibilities to State and local government?

ANSWER:

- ▶ Republicans would have the American people believe that capping programs and providing them as block grants to States would eliminate the deficit. Obviously the needs that these programs serve will not disappear just because of the caps. The responsibility to meet these needs, but without adequate funds, will be transferred to the States.
- ▶ In fact, our analyses indicate that the number of poor people will increase after a balanced budget amendment is enacted. These people will turn to State and local governments for assistance. An Urban Institute study conducted earlier this year for the Department of Health and Human Services showed that even a 20 percent cut in Federal programs would reduce the incomes of 17.4 million families \$500 or more per year. The average annual amount of income lost would be \$1,910. The poverty rolls would increase by 3.7 million people, including 300,000 elderly and 1.7 million children.
- ▶ It would also hinder States abilities to handle recessions or other unforeseen events.

ADDITIONAL HEALTH CARE QUESTIONS AND ANSWERS

- (54) HEALTH CARE REFORM - WORKING TOGETHER**
- (55) HEALTH CARE REFORM - GOVERNMENT**
- (56) HEALTH CARE REFORM - DASCHLE BILL**
- (57) HEALTH CARE REFORM - LESSONS LEARNED**
- (58) ADVOCATING HEALTH INSURANCE REFORM**
- (59) MANAGED CARE**
- (60) STATE FLEXIBILITY OR END MEDICARE**
- (61) MEDICAID WAIVERS - NEW APPLICATIONS**
- (62) MEDICAID WAIVERS - CONTINUING PROGRAMS**
- (63) PRODUCT LIABILITY REFORM**

HEALTH CARE REFORM - WORKING TOGETHER

QUESTION:

You and the President say that you want to work with us; however, you said the same thing last year and paid no attention to our suggestions. What is different now? What do you mean when you say you want to work with us?

ANSWER:

- ▶ I believe we all learned a number of difficult lessons in the last Congress. Our desire to work in a bipartisan manner was -- and is -- sincere. We ran into a problem because while many members from both parties agreed that our health care system was in need of repair, there was much less agreement as to how to go about fixing it, and it was difficult to find a middle ground.
- ▶ However, the bottom line is our health care system still needs to be reformed. We all share an obligation to the American people to find a solution, and this Administration is committed to working with the Democrats and the Republicans in Congress to do that. We both need to work together.

HEALTH CARE REFORM - GOVERNMENT

QUESTION:

It's clear that the private sector is aggressively pursuing health care reform on its own. Everyone gets that but the Administration. Do you really think we need government intervention to make the health system work better?

ANSWER:

- ▶ We are very pleased to see the things that the private sector is doing to reform the health care system. We applaud their efforts. But, every health care reform bill introduced during the last session of Congress included a role for the government to play.
- ▶ Government intervention in health care means protecting consumers from being redlined by an insurance company, from having claims denied, ensuring that everyone receives the benefits they are entitled to, and regulating the quality of our health care providers. I could go on, but these are all vital to a reformed health care system.

[Alternative formulation - Rep. Stark]

QUESTION:

While the private sector is pursuing health care reform it is moving forward slowly. Don't you think that we need government intervention to move this along and make the health system work better?

ANSWER:

- ▶ Clearly, there is a role for government and without some government involvement there is no way to ensure that the system is fair to all Americans.
- ▶ Government intervention in health care means protecting consumers from being redlined by an insurance company, from having claims denied, ensuring that everyone receives the benefits they are entitled to, and regulating the quality of our health care providers. I could go on, but these are all vital to a reformed health care system.

HEALTH CARE REFORM - DASCHLE BILL

QUESTION:

Last week Senator Daschle introduced the first of many health care reform bills to come. What do you think of his bill?

ANSWER:

- ▶ Senator Daschle's proposal is consistent with the vision laid out by the President in his December 27 letter to the Congressional leadership. Both the President and Senator Daschle want to work in a bipartisan fashion on health care reform. The nation's health care problems have not gone away and it is imperative that we move forward.
- ▶ I have not had the opportunity to review the bill in detail but I know it contains some key provisions that are very important namely - insurance market reforms, consumer protections, and administrative simplification.

HEALTH CARE REFORM - LESSONS LEARNED

QUESTION:

What lessons did you learn from last year's debacle? When are you going to fire Ira Magaziner? What is Hillary's new role?

ANSWER:

- ▶ The major lesson we all learned from our efforts last year on health care reform is one which we and the American people have known for many years -- there are still many Americans who are worried about the security of their health care coverage.
- ▶ The Administration, like many of you in Congress, attempted to put forward a solution to this problem -- none of us were successful, but we shouldn't let that deter us from continuing to try to solve these problems.
- ▶ This Administration remains firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses and Federal, State and local governments. In the upcoming session of Congress, we can and should work together to take the first steps toward achieving these goals.
- ▶ The First Lady also remains committed to the same goals which we all set out to achieve last year -- providing health care coverage for every American.

ADVOCATING HEALTH INSURANCE REFORM

QUESTION:

In your testimony, you expressed support for legislation to "address unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs and reduce the long-term Federal deficit." What exactly are you advocating?

ANSWER:

- ▶ As I'm sure you've heard at your town meetings, Americans know that they can't be sure that their health insurance will be there when they need it. We must work together to bring an end to discrimination based on pre-existing conditions or life-time limits, and to guarantee that insurance is available and renewable without regard to a person's health status. Action here would be a first step along the way toward guaranteeing all Americans health insurance coverage and affordable health care.

[Note: the insurance issues are strongest, so emphasize them. If pressed on the other issues:

- ▶ Insurance reforms alone cannot assure the affordability of health insurance. Additional help in the form of subsidies--to cover kids for example--is something we must explore.
- ▶ As Chairman Archer has noted, action directed only to Medicare or Medicaid, in the absence of broader reform, shifts costs more than it controls them. We continue to advocate Medicare and Medicaid improvements as part of broader reform strategies that will strengthen--not undermine--these programs' protections.

BACKGROUND INFORMATION:

- ▶ In a CBO hearing last year, Chairman Archer said:

"It has been very hard to reduce Medicare spending when the rest of the system is unconstrained. You run into problems of quality differentials and access differentials because doctors and providers have other alternatives. "

MANAGED CARE

QUESTION:

What additional authority do you need to promote managed care in Medicare?

ANSWER:

Many steps that could be taken to strengthen managed care options under Medicare require legislative change.

- o We need to address historic problems with our payment methodology for plans with risk contracts. Currently, due to favorable selection and inadequate health status adjustors, Medicare is paying 5.7 percent more for managed care enrollees than the same beneficiaries would cost in fee-for-service. We have research underway on new health status adjustors but we need legislation to demonstrate payment based on competitive bidding.
- o We believe that Medicare SELECT is a promising new option for beneficiaries. We want to learn from our demonstration experience to strengthen the program as it is expanded and made permanent.
- o Current choices between managed care options and Medigap are confusing for beneficiaries, we would like to move to an annual coordinated open enrollment process to make these choices more understandable. In addition, we believe that we should look to leveling the playing field on which managed care competes with Medigap to eliminate the current bias against managed care.
- o Finally, we believe that the basic Medicare program should be updated by developing Centers of Excellence for high cost/high volume surgical procedures and developing payment rates for items such as oxygen, labs and imaging based on competitive bidding.

We look forward to working with you on these issues in the new Congress.

STATE FLEXIBILITY OR END MEDICARE

QUESTION:

What about State flexibility on Medicare? Some States feel they can't reform their health care systems without the buying power of Medicare.

ANSWER:

- ▶ Medicare currently serves over 36 million beneficiaries; the program is overwhelmingly popular. We need, of course, to insure that the health care needs of Medicare beneficiaries are well served by any reform.
- ▶ We are happy to assist States in overcoming obstacles in pursuing universal coverage. We would be willing to consider involving Medicare in a State universal coverage plan as long as Medicare beneficiaries are properly protected.

MEDICAID WAIVERS - NEW APPLICATIONS

QUESTION:

Aren't you giving Medicaid waivers willy-nilly, without regard to effects on people or on the federal budget?

ANSWER:

- ▶ HCFA is working very closely with all states throughout the waiver process. There are very specific criteria that must be met before a waiver is approved. Each state must assure that all Medicaid recipients have access to quality health care. In order to protect against unanticipated spending for the life of the waiver, the Administration insists on provisions designed to assure budget neutrality requiring states to meet specific budget guidelines each year of the waiver. It is through careful evaluation, cooperation with the states and careful spending that positive results can be attained.

MEDICAID WAIVERS - CONTINUING PROGRAMS

QUESTION:

How are you helping States manage the Medicaid program more effectively? Can't you do a better job of granting waivers to States?

Answer:

- ▶ The Department is committed to a strong and positive relationship with the states.
- ▶ The approval process for all waivers has been streamlined -- in many cases resulting in faster turn around of waiver requests.
- ▶ Since January 1993:
 - HCFA has approved 80 State applications to establish mandatory managed care programs; an additional 18 waiver requests are currently under review.
 - HCFA has approved six statewide health reform demonstration programs under section 1115 authority. The states are Oregon, Tennessee, Hawaii, Rhode Island, Kentucky and Florida. We have also approved a project framework for South Carolina but final approval is dependent on meeting additional criteria to insure access to services.
 - HCFA is also reviewing additional waiver applications from seven states: Ohio, Massachusetts, Missouri, New Hampshire, Delaware, Minnesota and Illinois.

PRODUCT LIABILITY REFORM

QUESTION:

In the Contract, the Republicans have proposed product liability reform and efforts to decrease the costs of civil litigation. What does the Clinton Administration propose to do in these areas?

ANSWER:

- ▶ The President proposed malpractice reforms last year in his health care plan and continues to support efforts to improve fairness and lower the litigation costs of medical malpractice cases.
- ▶ While we do not have a specific proposal related to product liability reform, we would welcome the opportunity to work with you to develop legislation.