

*Bruce Reed*

**WELFARE REFORM AND HEALTH CARE REFORM  
Issues before the 104th Congress**



**SECRETARY'S BRIEFING MATERIALS**

**Testimony before**

**House Committee on Ways and Means  
1100 Longworth House Office Building**

**10:00 a.m.**

**Tuesday, January 10, 1995**



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

**WELFARE REFORM AND HEALTH CARE REFORM**  
*Issues before the 104th Congress*

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-6348

December 30, 1994

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The Honorable Donna E. Shalala  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Madame Secretary:

As your office has been advised, the Committee on Ways and Means will hold public hearings on issues within the jurisdiction of the Committee relating to the *Contract with America*. The hearings will be held on January 10, 11 and 12, 1995. A copy of the Committee's press release announcing the hearings is enclosed for your information.

I would like to formally invite you, or your designated representative, to appear before the Committee on January 10. The hearing begins at 10:00 a.m., in the Committee's main hearing room, 1100 Longworth House Office Building.

If you have any questions concerning this matter, please feel free to contact the Committee's incoming Chief of Staff, Phillip D. Moseley, at 225-3625.

Sincerely,

  
Bill Archer  
Chairman-Designate

EA:dk  
Enclosure

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# NEWS

## FROM THE COMMITTEE ON WAYS AND MEANS REPUBLICANS

CONGRESSMAN BILL ARCHER - CHAIRMAN DESIGNATE

FOR IMMEDIATE RELEASE  
December 21, 1994

CONTACT: Ari Fleischer  
(202) 225-8933

### ARCHER OUTLINES WAYS AND MEANS HEARING SCHEDULE

WASHINGTON - Congressman Bill Archer (R-TX), the Chairman-designate of the House Committee on Ways and Means, today announced a broad outline of the committee's upcoming hearing schedule.

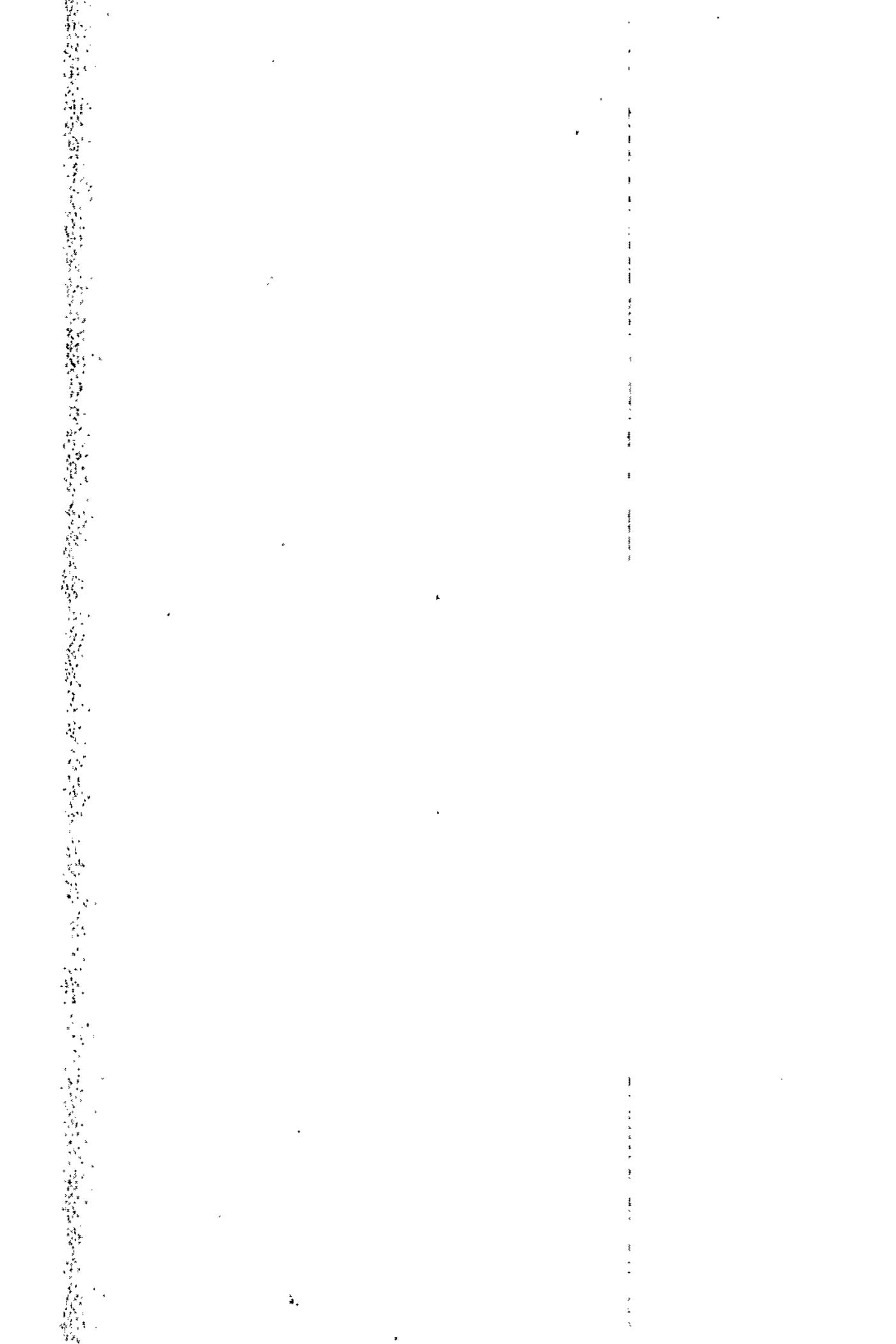
"As soon as the new Congress is sworn in," Archer said, "the Ways and Means Committee will begin hearings to cut spending, cut taxes, revolutionize welfare, and get America back on track. Taken together, the elements under our committee's jurisdiction represent an agenda for the next century - an agenda that will renew the American people's faith in Congress, their government, and the direction of our country. We signed a contract with the public last fall in which we promised to do things better and differently in Washington. We will honor that promise."

The committee's first hearing will take place on Thursday, January 5th. [Time will be announced later] At this hearing and during the week of January 9th, the committee will conduct an overview of the items under its jurisdiction contained in the *Contract with America*.

Archer said that beginning the week of January 9th, the full committee or its subcommittees will meet each weekday, with the full committee meeting each Tuesday, Wednesday, and Thursday and the subcommittees meeting every Monday and Friday. Hearings will continue into February, and the first mark-ups of legislation are expected to begin in mid to late February and will continue in March. [Announcements will be made shortly concerning the exact dates on which specific subcommittees will meet. No further details are available at this time.]

"It's going to be an action-packed period marked by a change in direction in Washington. Our hearings will focus on how we can limit government's size and role, while doing a better job for the American people," Archer said.

During the week of January 16th, the committee will examine the *Contract's* tax-related provisions to strengthen the American family. During the week of January 23rd, the committee will hold hearings on the *Contract* items that allow the American people to increase savings and investment. Throughout this period, the subcommittees will hold hearings on reforming welfare, expanding opportunities for senior citizens, providing better long term care, and on oversight and trade issues.



TO: The Secretary  
Through: DS \_\_\_\_  
COS \_\_\_\_  
ES \_\_\_\_

FROM: Jerry D. Klepner  
Assistant Secretary for Legislation

SUBJECT: **WAYS AND MEANS COMMITTEE TESTIMONY ON THE CONTRACT  
WITH AMERICA** on Tuesday, January 10, 1995 at 9 AM; 1100 Longworth

#### TIMING AND LOGISTICS

As you know, you will be presenting testimony to the full Ways and Means Committee on Tuesday, January 10th at 9 AM on the health and human services components of the Contract with America. The first cabinet secretary to appear before the Committee in the 104th Congress, you will testify immediately after Minority Leader Gephardt. Then other members of Congress will testify, followed by Les Samuels, Assistant Secretary for Tax Policy at the Department of the Treasury.

Speaker Gingrich opened the Committee's hearings on the Contract with America January 5th with an overview of his vision and agenda for the 104th Congress. He reiterated his commitment to move the Contract quickly through the House (and clear Ways and Means within "60 days or so"), briefly reviewed its major components, and indicated that nothing was etched in stone. He used the EITC as an example of bad tax policy because it punishes married couples, and vowed to revise the EITC. In general, the January 5th hearing was good natured and "bipartisan", and while welfare reform was discussed, taxes, spending, Social Security and Medicare received greater attention.

As you know, Social Security Commissioner Chater will testify on the earnings test before the Ways and Means Social Security Subcommittee on Monday, January 9, and Mary Jo Bane is scheduled to testify on welfare, entitlements and block grants before the Human Resources Subcommittee on January 13. Numerous additional full committee and subcommittee hearings on the Contract are scheduled throughout the month, and the Subcommittee on Human Resources hopes to mark-up a welfare reform bill in early February.

BACKGROUND ON COMMITTEE

The Ways and Means Committee is composed of 21 Republicans and 15 Democrats. Ten of the Republicans are new to the Committee, including three freshmen members. We expect that welfare reform will be the major focus of questioning during your hearing, with Chairman Archer (R-TX) and Human Resources Subcommittee Chairman Clay Shaw (R-FL) taking the lead. Chairman Archer will undoubtedly be a strong advocate for the Personal Responsibility Act, and may reiterate his attack on the numbers of children we claim will be denied benefits under the PRA (He is quoted as calling them "scare numbers" in a "defense of the welfare status quo"). As you know, the arguments on both sides will change substantially given the changes made to the PRA. While Subcommittee Chairman Shaw is moderate and courteous and has expressed reservations about the PRA, he may use the opportunity to stake out the Republican claim to welfare reform and affirm his commitment to the Speaker's agenda.

A number of other Republican members will focus on welfare reform. Newly appointed to the Committee, Gingrich lieutenants Jim Nussle (R-IA) and Jennifer Dunn (R-WA) serve on the Human Resources Subcommittee and can be expected to undertake spirited questioning from a conservative perspective. Two freshmen members, Representatives Philip English (R-PA) and John Ensign (R-NV) have been added to the Subcommittee, and the hearing offers them their first opportunity to speak out on welfare reform.

Particular attention should be paid to a number of Republican members who may ultimately play a moderating role on welfare reform. These include Representatives Nancy Johnson (R-CT), Amo Houghton (R-NY), Jim Ramstad (R-MN), and Subcommittee members Dave Camp (R-MI) and Jim McCrery (R-LA). You are also aware that in the past, Subcommittee Chairman Shaw has expressed concerns about the more punitive aspects of the original PRA.

By and large, we expect the Democratic members to be much more supportive on welfare reform, although we understand that Representative Pete Stark (D-CA) (who is now on the Human Resources Subcommittee) may take issue with your recent letter responding to his concerns about the California family cap waiver request.

Health care reform is not a major focus of the Contract (the balanced budget and long term care provisions have greatest affect on health care), and it is unclear how much time Committee members will want to devote to this issue at the hearing. The Republican members most likely to raise the issue will be Representative Bill Thomas (R-CA), the new chairman of the Health Subcommittee, or Representative Johnson, a member of the Health Subcommittee. As you know, both were very active and vocal during last year's health care reform mark-ups. Representative Thomas has been quoted as saying that he is interested in developing a health care reform proposal, but is not interested in working with the Democrats since they had their opportunity last year and were unsuccessful. The Democratic members of the Ways and Means Health

Subcommittee (Representatives Stark, Cardin (D-MD), Klezcka (D-WI), McDermott (D-WA), and Lewis (D-GA)) remain very committed to health care reform, and may press you about the Administration's plans.

## MEMBER'S CONCERNS

### REPUBLICANS

CHAIRMAN BILL ARCHER (R-TX) -- Will attend. Part of the new conservative Republican leadership, Chairman Archer will be spearheading efforts to move the Contract provisions expeditiously through the Ways and Means Committee. While taxes are likely to remain his major focus, he used his opening remarks at the January 5 hearing to emphasize his commitment to cut spending, cut taxes and "revolutionize" welfare within 100 days.

Chairman Archer co-sponsored the House Republican Welfare Task Force bill (Michel, H.R. 3500) in the 103rd Congress, and signed the Contract with America. Recent press statements indicate that he favors a block grant approach to AFDC (a PRA option), and ending all AFDC cash payments after five years (while allowing continued eligibility for Medicaid, Food Stamps, child nutrition payments, and housing assistance). He also has expressed the desire to "clamp down on welfare payments to aliens."

As indicated above, Chairman Archer also responded to our recent press conference. Attacking "scare numbers in defense of the welfare status quo", he continued, "Why does Secretary Shalala assume that any children will go into orphanages as a result of the Republican policy? She apparently assumes that if families lose part of their government benefits, they will immediately run to the nearest orphanage and surrender their children...adults on welfare will protect their children by working or getting married." Nevertheless, Chairman Archer took the lead last week in making changes to the PRA that addressed some of your points.

REPRESENTATIVE PHIL CRANE (R-IL) -- Will attend. In the last Congress, Representative Crane co-sponsored both the Charles Murray-inspired welfare reform bill (H.R. 4473) and the Republican leadership welfare reform bill (H.R. 3500). While he also signed the Contract with America, his staff has indicated that he will not co-sponsor the Personal Responsibility Act at this time. According to staff, Representative Crane believes the PRA is too weak and too proscriptive, and prefers the "swap" approach proposed by Sen. Kassebaum (R-KS).

Representative Crane also is concerned about fraud and abuse in the SSI program. His staff mentioned that he was very disturbed by the October 1994 Primetime Live report critical of SSI for children with disabilities.

**REPRESENTATIVE BILL THOMAS (R-CA)** -- Will attend. Representative Thomas is the Chairman of the Health Subcommittee, and was very actively involved in the health reform debate as the ranking minority member last year. He was the primary House sponsor of the Chafee bill (H.R. 3704), which included an individual mandate. He is strongly opposed to employer mandates, private sector cost containment, and a basic benefits packages. He is a supporter of managed care. Late last year, he was quoted as saying that he is interested in pursuing health care reform, but would likely not include Democrats as they had their chance and were unsuccessful. It is unclear what questions he will ask on health care, as his staff said that he considers this hearing to be on welfare reform.

**REPRESENTATIVE E. CLAY SHAW (R-FL)** -- Will attend. Representative E. Clay Shaw, the fair and thoughtful new Chairman of the Subcommittee on Human Resources, will be one of the key players on welfare reform, SSI, and related human services issues in the 104th Congress. Last year, he was one of the lead sponsors of the Republican leadership welfare reform bill (H.R. 3500), and participated in the Oxford style debate on welfare reform. He believes the current welfare system encourages people to stay home by providing a young mother with \$12,000 to \$16,000 a year if she doesn't work; that welfare contributes to illegitimacy and that it is important to break the cycle of poverty. Representative Shaw also has expressed concerns about deadbeat dads, the collection of child support, and immigrants receiving welfare benefits.

While clearly committed to the Republican agenda, Representative Shaw has on numerous occasions publicly expressed reservations about some parts of the PRA. He has cautioned against being unduly harsh or overly cruel, and is said to be particularly concerned about provisions to deny welfare to children born to unwed teen mothers. In the Congressional Quarterly's December 13, 1994 Washington Alert, Shaw said "I think the party that prides itself on family values will not support warehousing kids in orphanages. He has also said that funding for child care will have to be "beefed up" (USA Today, 12/13/94).

During the January 5 hearing, Representative Shaw said that President Clinton has correctly enunciated the basic principles of welfare reform, and that while there may be arguments over some details, he expressed the hope that both sides will come together on the legislation.

**REPRESENTATIVE NANCY L. JOHNSON (R-CT)** -- Will attend. A long-time moderate Republican, Representative Johnson is the new chair of the Oversight Subcommittee, a member of the Health Subcommittee, and a former member of the Human Resources Subcommittee. As such, she will be a critical player on health and human services issues in the 104th Congress. As you know, she was actively involved in the health care reform debate last year, and can be expected to maintain her interest in health issues -- especially Medicare SELECT.

Representative Johnson also has been active on welfare issues over the years. In the last Congress, she co-sponsored the Republican leadership welfare reform bill (H.R. 3500), as well as legislation to provide time-limited benefits along with the education, training, job search, and work experience necessary to prepare recipients for work (H.R. 741). She also initiated a letter last year from 13 House Republican members expressing their interest in working with the Administration to develop a welfare reform proposal.

Child support is clearly key to Representative Johnson, and she sees welfare reform and child support enforcement as inextricably linked. Along with most members of the women's caucus, she co-sponsored the "Child Support Responsibility Act of 1994" (H.R. 4570) last year, and has been outspoken on the need to move forward in this area. In addition, Representative Johnson is very concerned about substance abuse and its link to welfare, and may ask you about this at the hearing.

Representative Johnson is also very interested in child welfare issues, and was active in the initial stages of developing the family preservation legislation. She is likely to take the lead on the child welfare reforms currently being developed by House Republicans.

REPRESENTATIVE JIM BUNNING (R-KY) -- ?? attend. The new chair of the Social Security Subcommittee, Representative Bunning will play a major role in shaping Social Security legislation in the 104th Congress. While he has not expressed much interest in welfare reform, he was a co-sponsor of the Republican leadership welfare reform bill (H.R. 3500) in the last Congress, and signed the Contract.

REPRESENTATIVE AMO HOUGHTON (R-NY) -- Will attend. A moderate Republican, Representative Houghton has focused much of his Committee attention on tax issues. He did co-sponsor the Republican leadership welfare reform bill (H.R. 3500) last year, and also signed the Johnson letter expressing interest in working with the Administration to develop a welfare reform proposal. During the welfare reform hearing at which you testified last July, Representative Houghton expressed concerns about who will create jobs for recipients and asked about the inclusion of microenterprises. He also wants government to work directly with the private sector. His staff believes that this year he would be most interested in proposals to increase state flexibility.

While Representative Houghton was not particularly active in the health care reform debate last year, he has been a strong supporter of private-sector-based reforms, and sees little role for the federal government in health care.

REPRESENTATIVE WALLY HERGER (R-CA) -- Will attend. A signator of the Contract with America, Representative Herger also was a co-sponsor of the Republican leadership welfare reform bill (H.R. 3500). In addition, he joined with the other Republican members of the California delegation in urging your approval of the California welfare waiver.

**REPRESENTATIVE JIM MCCRERY (R-LA)** -- Will attend. A member of the Health Subcommittee, Representative McCrery has also been named to the Human Resources Subcommittee for the 104th Congress. He has taken an active interest in the SSI program, and advocates replacing cash payments for SSI children with vouchers. During the January 5 hearing on the Contract, he also suggested that SSI reform be coupled with welfare reform, and that the current welfare system be scrapped entirely and replaced with a new system that helps those who work, or who are disabled.

Last year, he played an active role in health care reform, and is more conservative than his Republican colleagues on the Health Subcommittee -- supporting only the most incremental changes.

**REPRESENTATIVE MEL HANCOCK (R-MO)** -- Will attend. During the 103rd Congress, Representative Hancock was a co-sponsor of the Republican leadership welfare reform bill (H.R. 3500). During your hearing on welfare reform last year, Representative Hancock expressed his belief that the Administration's plan will not reduce the welfare rolls, but will increase the welfare bureaucracy.

**REPRESENTATIVE DAVE CAMP (R-MI)** -- Will attend. A member of the Human Resources Subcommittee, Representative Camp is a moderate Republican who has repeatedly expressed interest in working in a bipartisan way on welfare reform legislation. He is well versed on Michigan's welfare activities, and views them as a model for national reform. While relatively quiet during last year's debate, Representative Camp has signed the Contract, and is expected to play a more active role in welfare reform in the 104th Congress.

**REPRESENTATIVE JIM RAMSTAD (R-MN)** -- Will attend. A third term Congressman, Representative Ramstad is new to the Ways and Means Committee this year. While he has not outlined his views on welfare reform, Representative Ramstad co-sponsored the Republican leadership welfare reform bill (H.R. 3500) last year.

**REPRESENTATIVE DICK ZIMMER (R-NJ)** -- Will attend. A new member of the Ways and Means Committee in the 104th Congress, Representative Zimmer previously served on the Government Operations Committee in the 103rd Congress. Last year, Representative Zimmer co-sponsored both the House Republican leadership welfare reform bill (H.R. 3500) and the Murray-inspired Talent bill (H.R. 4473). In response to a study last year showing "double-dipping" by some welfare recipients in the New York/New Jersey area, Representative Zimmer introduced legislation to create stiff penalties for receiving AFDC payments penalties in two states simultaneously.

Although he is a signatory to the Contract with America, Representative Zimmer is taking a "listen and learn" posture at the hearing and will not be co-sponsoring the Personal Responsibility Act at this time. Staff also indicated that he supports most of the provisions in the PRA, but has some concerns with the provisions referring to

orphanages and the insertion of the "gag rule" issue into the welfare reform debate. Staff indicated that Representative Zimmer would be interested in amending the bill after further review. Staff also indicated that although Representative Zimmer is uncomfortable with the concept of a wholesale turnover of AFDC to the states, he wants to examine the bill in light of the general sentiment of the Republican Governors for more local control.

**REPRESENTATIVE JIM NUSSLE (R-IA)** -- Will attend. Representative Nussle is closely aligned with Speaker Gingrich, and played a major role in the recent House transition activities. Newly appointed to the Ways and Means Committee, he has been assigned to the Human Resources Subcommittee and can be expected to be a strong conservative voice in the welfare reform debate and to ensure that the Speaker's agenda is fulfilled. Last year, he co-sponsored the Republican leadership welfare reform bill (H.R. 3500). He also has strongly supported Iowa's efforts to reform its welfare system, including its waiver request to HHS. Representative Nussle signed the Contract, and has focused much of his attention to date on taxes, the balanced budget amendment, and the line item veto.

**REPRESENTATIVE SAM JOHNSON (R-TX)** -- Will attend. Another new member of the Ways and Means Committee, Representative Johnson co-sponsored both the Republican leadership welfare reform bill (H.R. 3500) and the Murray-inspired welfare reform bill (H.R. 4473) in the 103rd Congress. A signatory to the Contract with America, Representative Johnson's staff has indicated that he supports most of the provisions in the Personal Responsibility Act. Representative Johnson seriously questioned the behavioral assumptions and caseload impact estimates referenced in your December 29 press conference on orphanages and state costs.

Although Representative Johnson introduced a malpractice reform bill last year (H.R. 4840), his staff did not anticipate any health care related questions during the hearing on January 10.

**REPRESENTATIVE JENNIFER DUNN (R-WA)** -- ??? attend. Newly appointed to the Ways and Means Committee, and assigned to the Human Resources Subcommittee, Representative Dunn also is expected to be an active voice on welfare reform. During the last Congress, she co-sponsored the Republican leadership welfare reform bill (H.R. 3500), as well as the welfare reform bill sponsored by Rep. Jan Meyers (R-KS). She signed the Contract and is a Gingrich ally.

**REPRESENTATIVE MICHAEL "MAC" COLLINS (R-GA)** -- Will attend. Also new to the Ways and Means Committee and its Human Resources Subcommittee, Representative Collins was active on welfare issues during his tenure in the Georgia statehouse, where he initiated measures to require teen mothers to attend high school in order to receive AFDC benefits. According to staff, he believes there is a strong link between welfare and the lack of educational achievement. In the last Congress,

Representative Collins co-sponsored the Republican leadership welfare reform bill (H.R. 3500), the Murray-inspired Talent welfare reform bill (H.R. 4473), and the Meyers welfare reform bill (H.R. 1293).

REPRESENTATIVE BOB PORTMAN (R-OH) -- Will attend. A new member of the Ways and Means Committee in the 104th Congress, Representative Portman previously served on the Government Operations Committee in the 103rd Congress. Last year, Representative Portman was an early co-sponsor of the House Republican leadership welfare reform bill (H.R. 3500). Although he is a signatory to the Contract with America, Representative Portman will not be co-sponsoring the Personal Responsibility Act at this time.

REPRESENTATIVE PHIL ENGLISH (R-PA) -- Will attend. One of the freshmen selected to serve on the Ways and Means Committee, Representative English was appointed to the Human Resources and Social Security Subcommittees. He is a former policy analyst for the Pennsylvania state legislature, specializing in tax and social welfare issues. Relying heavily on welfare reform in his recent campaign, Representative English supported requiring welfare recipients to work for their benefits, endorsed experimental programs to steer recipients into full-time jobs, and favored limiting welfare payments to two years. Representative English signed the Contract with America.

REPRESENTATIVE JOHN ENSIGN (R-NV) -- Will attend. Although freshman Representative Ensign is a new member of the Human Resources Subcommittee, he is more interested in health care than welfare issues. A signer of the Contract with America, he supports a free market approach to reforming health care, tax credits and a medical savings plan.

REPRESENTATIVE ION CHRISTENSEN (R-NE) -- Will attend. Another of the freshmen appointed to the Ways and Means Committee, Representative Christensen was linked closely with Christian conservatives during his recent campaign. He represents the Nebraska Congressional district that includes the city of Omaha, well known for insurance companies and Boys Town. As a former insurance agent, he is very supportive of private sector/free-market health care reform.

As a public supporter and fundraiser for Boys Town, Representative Christensen was upset by the Department's recent press conference on orphanages. He feels there is a role for orphanages and group homes in welfare reform. Like Speaker Gingrich, Representative Christensen is a strong believer in the book on poverty in America recently authored by Marvin Olasky, "The Tragedy of American Compassion." He signed the Contract with America.

## DEMOCRATS

**REPRESENTATIVE SAM M. GIBBONS (D-FL)** -- Will attend. Representative Gibbons was the lead sponsor of the Administration's Work and Responsibility Act of 1994, and can be expected to strongly support our welfare reform efforts in the 104th Congress. His top priority is child support enforcement, an issue of special importance to him.

**REPRESENTATIVE CHARLES B. RANGEL (D-NY)** -- Will attend. Because of his strong interest in tackling welfare reform, Representative Rangel selected membership on the Human Resources Subcommittee for the 104th Congress. During hearings last year, he stressed that welfare recipients need to be trained so that they can enter the workforce. He hears from businesses that they have jobs available and that they need skilled workers, and wants to make sure that welfare recipients receive the training they need to take these jobs. Representative Rangel shares the view that welfare should be time limited but is not sure that a strict 2 year cut-off is appropriate. He is also leery of block-granting existing entitlement programs.

**REPRESENTATIVE PETE STARK (D-CA)** -- Will attend. Representative Stark is returning to the Human Resources Subcommittee after a long absence, and his staff reports that he still is formulating his position on welfare reform. In the last Congress, he co-sponsored Representative Mink's (D-HI) welfare reform bill (H.R. 4498). We understand that he is also unhappy with your recent response on the California family cap waiver request, and is likely to bring this up at the hearing. As the ranking member of the Health Subcommittee, he is likely to have questions on health care, particularly Medicare SELECT, as well as the Administration's plans for health care reform.

**REPRESENTATIVE ANDREW JACOBS (D-IN)** -- ??? attend. Primarily interested in Social Security issues, Representative Jacobs may ask about aspects of the Contract that affect SSI, particularly the provisions restricting SSI benefits to various populations. He may also be interested in developments on the SSI Childhood Disability Commission.

**REPRESENTATIVE HAROLD E. FORD (D-TN)** -- ?? attend. The ranking member of the Human Resources Subcommittee and a lead sponsor of the Work and Responsibility Act of 1994, Representative Ford will obviously be in a key position on welfare reform in the 104th Congress. In the past, his major focus has been the education, training and job placement aspects of welfare reform. He generally favors a CETA-like program, and has repeatedly insisted that welfare recipients be prepared to move into high quality, well-paying jobs (i.e. \$9 per hour or more). Representative Ford did not attend Speaker Gingrich's opening hearing on the Contract.

**REPRESENTATIVE ROBERT T. MATSUI (D-CA)** -- Will attend. Although Representative Matsui is no longer a member of the Human Resources Subcommittee, he remains very interested in welfare reform. He has many concerns about the PRA and may use his questions to highlight his opposition to converting AFDC into a block grant,

the lack of funding for child care, and the inattention to child support enforcement. As you know, he is also strongly opposed to cutting benefits to legal immigrants.

**REPRESENTATIVE BARBARA B. KENNELLY (D-CT)** -- Will attend. Representative Kennelly is returning to the Human Resources Subcommittee after a long absence, and is very interested in welfare reform. Her primary concern is child support enforcement, and on January 4th, she introduced her "Interstate Child Support Act" (comprehensive legislation that is similar to, but not as broad as, the Administration bill). She is concerned that the Contract is not aggressive on child support enforcement. She also is concerned about the implications of block grants for both her state of Connecticut, as well as for those states with poor track records of managing their AFDC and/or Medicaid programs. She also is very interested in teen pregnancy prevention.

**REPRESENTATIVE WILLIAM J. COYNE (D-PA)** -- Will attend. Representative Coyne is still developing his position, but wants to be supportive of President Clinton. He is concerned about what he perceives to be overly punitive components of the PRA, such as denying benefits to unwed teenage mothers, and denying benefits to legal immigrants. He also remains interested in health care reform.

**REPRESENTATIVE SANDER M. LEVIN (D-MI)** -- ??? attend. Representative Levin remains a member of the Human Resources Subcommittee, and will play an active role on welfare reform. Last year, he consistently questioned the Administration's approach, particularly the phase-in with young recipients, and favored a demonstration approach that allowed states to proceed at their own pace. Child support enforcement is especially important to him, and he sponsored legislation last year to require child support enforcement agencies to report the status of payments to credit bureaus.

**REPRESENTATIVE BENJAMIN L. CARDIN (D-MD)** -- ??? attend. While still a member of the Health Subcommittee, Representative Cardin is no longer on the Human Resources Subcommittee. Last year, he was extremely helpful to the Administration on welfare reform, and is primarily interested in state implementation issues. He also is very interested in teen pregnancy prevention. An active player on health care reform, Representative Cardin remains keenly interested in the issue, and may ask questions about health care at the hearing.

**REPRESENTATIVE JIM MCDERMOTT (D-WA)** -- ??? attend. No longer a member of the Human Resources Subcommittee, Representative McDermott continues to serve on the Health Subcommittee and is likely to maintain his primary interest in health care issues.

**REPRESENTATIVE GERALD D. KLECZKA (D-WI)** -- Will attend. Representative Kleczka continues to maintain his interest in SSI issues, and led last year's efforts to restrict SSI benefits for drug addicts and alcoholics. He may ask about this or other SSI problems. Returning to the Health Subcommittee, he remains interested in health care

reform, but his staff did not know if he would ask any questions on either welfare or health care.

**REPRESENTATIVE JOHN LEWIS (D-GA)** -- Will attend. Representative Lewis opposes family caps and time limits, and is opposed to eliminating benefits for both legal and illegal aliens. He is supportive of efforts to establish paternity, but does not believe the lack of a paternity determination should be used to deny benefits. Last year, he joined with others in writing to the President opposing caps on entitlement programs, and co-sponsored the Mink welfare reform bill (H.R. 4498). A member of the Health Subcommittee, Representative Lewis also remains very interested in health care reform, is very supportive of universal coverage, and may ask what the Administration's plans are in that regard.

**REPRESENTATIVE LEWIS F. PAYNE (D-VA)** -- Will attend. Last year, Representative Payne co-sponsored the Mainstream Forum welfare reform proposal. He favors a two-year limit on benefits, and supports increased efforts to determine paternity. He is unsure about denying benefits to unmarried teenage mothers. In general, his staff believes that he will not be as involved with welfare reform as he was with health care reform.

**REPRESENTATIVE RICHARD E. NEAL (D-MA)** -- ??? attend. While not active on welfare reform, Representative Neal has been generally supportive of the Administration's approach, and favors time limits and work-for-wages. Last year, he co-sponsored the Mainstream Forum welfare reform bill.





THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

Testimony

Donna E. Shalala

U.S. Secretary of Health and Human Services

at

Committee on Ways and Means

U.S. House of Representatives

January 10, 1995

## Introduction

Thank you Mr. Chairman and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you to talk about the Contract with America and to begin what I believe is an important dialogue with each other and the American people.

In the last two major elections -- the presidential election of 1992 and the congressional elections of 1994 -- the American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

That is why we are here today.

To write a new chapter in bipartisan government.

One that begins with a conclusion -- And that is to make sure that at the end of the day we have taken action to improve the lives and prospects of every American.

I am here to pledge the commitment of the Clinton Administration to this approach.

We have already picked up the mantle of change and for the past two years we have been about the business of carrying out the will of the people.

We passed the largest deficit reduction plan in history -- nearly \$500 billion dollars over five years.

We created over 5 million jobs.

We worked with many of you on this committee to pass NAFTA and GATT -- historic legislation that will open up foreign markets for our products and open up lucrative job opportunities for millions of Americans.

We expanded the Earned Income Tax Credit -- which reduces taxes for 15 million working families and creates a powerful incentive to work and stay off welfare.

And as a next step, we have proposed the Middle Class Bill of Rights to reduce taxes for hard-pressed working families who are struggling to save money, send their children to college, and prepare for a better economic future.

We did one more thing that should not be overlooked or forgotten. We worked long and hard to put the American people first by addressing two of the great domestic policy challenges of the century -- health care reform and welfare reform.

I want to begin today by talking about our vision for welfare reform and our view of the Personal Responsibility Act found in the Contract with America.

#### Welfare Reform

After consulting with members of Congress, people on welfare, business leaders, welfare experts, and governors all across the country, President Clinton honored his promise to the American people by submitting the Work and Responsibility Act to the Congress last year.

This legislation would fundamentally change this country's approach to helping young parents move from dependence to independence, and it grew out of the President's long-standing commitment to welfare reform.

As governor of Arkansas, he worked closely with national and state officials from both parties to pass the Family Support Act of 1988.

That legislation served as the impetus for states to begin a major effort at changing the welfare system to one that encourages work, not dependency.

When he ran for President, he called for "an end to welfare as we know it."

In the last two years, we have worked with governors and elected officials to give 24 states the flexibility to design welfare reform strategies that meet their specific needs.

This is more waivers than all other previous Administrations combined.

Rooted in the bedrock American values of work and responsibility, the central focus of our approach to welfare reform is a few simple goals:

The first is to move parents off welfare and into jobs as quickly as possible so that they can support themselves and their families.

The second is to require absent parents to meet their responsibilities and pay child support.

And the third is to reduce teen pregnancy.

Mr. Chairman, I believe we all share these goals.

The President's approach to welfare reform emphasizes three important values: Work, responsibility, and reaching the next generation.

I think these are widely-shared values -- American values -- values that built this country in the past and are critical to our future.

Today, welfare has the values wrong: We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Yet, from our perspective, there are elements of the Contract with America that seem inconsistent with these values.

Let's talk about work first.

We strongly believe that welfare as we know it will not have ended until we fundamentally change the system: Welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement will be provided to help people who are willing to work to make the move to independence.

But time limits will ensure that welfare is seen as a hand up, not a handout.

We are committed first and foremost to ensuring that everybody who can work does work. The American people want a government that honors their values and rewards people who play by the rules.

If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives -- and help them get ahead when they do.

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That's still the case: People who can work ought to go to work and earn a paycheck, not a welfare check.

That is what this great national debate on welfare reform must be about. More "something for nothing" is not the answer. More orphanages are not the answer. Work is the answer.

Our approach to welfare reform puts work first, and in so doing, it differs from the Personal Responsibility Act in some important ways.

First, our plan sends a critical message to people from the very first day they go on welfare: You must work; we expect you to work; and we will help you prepare for work so you can stay off welfare for good.

To prepare people to work and support their families, we would require those who are employable and who would benefit from having more skills to move into work as quickly as possible by engaging in upfront job search, education, and training -- and we would expect states to hold up their end of the bargain.

Indeed, we believe that people on welfare ought to sign a personal responsibility agreement and develop an employability plan.

Most of them will welcome the opportunity to move rapidly to work. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences are clear: Cash assistance will first be reduced, then eliminated.

We also believe that people who can work should be treated differently from those who can't. And here is where I draw a sharp distinction between our approach and the Personal Responsibility Act.

In 1988, Congress passed and Ronald Reagan signed the Family Support Act, which established the important principle that welfare should be a transitional system leading to work. Education and job training were to be required for most job-ready applicants.

Unfortunately, over one-half of the caseload was exempted, and, among those who were not, only twenty percent were required to participate. For example, broad exemptions were made for women with any child under age three, young mothers under age sixteen, and women in the second trimester of pregnancy.

We believe that these exemptions should be significantly narrowed, but we have suggested exemptions for people with disabilities or for those who need to care for disabled children. Temporary deferrals also would be narrowed: Twelve months for the birth of a first child, and twelve weeks for the birth of a second.

In addition, under our approach, once people reach their time limits, if they are able to work but can't find jobs, we require them to work for their benefits in temporary subsidized jobs.

This also sends an important message -- it says to people on welfare and to their children that work is an expected and necessary part of life and one of our society's greatest values.

In contrast, in the Personal Responsibility Act, all adults simply are cut off from assistance after two to five years, even if they are willing to work but can't find jobs, are providing full-time care for disabled children, or are unable to work because of disabilities.

Moreover, this is a lifetime limit: Once adults reach their limits, even if they go to work for many years and then lose their jobs during a recession or due to illness, they cannot get aid.

The second key value in our approach is responsibility.

We believe that because every child has two parents, both of them should be required to support their children.

That's why we have proposed the toughest child support system ever. Both parents must live up to their responsibilities -- and child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just \$8 dollars a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who have been financially abandoned.

These are shocking statistics.

Overall, the potential for child support collections is estimated at \$48 billion per year. Yet only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

We must close that gap -- and we will.

We have proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It includes a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would impose tough new penalties for those who refuse to pay: Wage withholding, suspension of drivers' and professional licenses, and even property seizure.

In stark contrast, the Personal Responsibility Act includes few child support enforcement provisions and could actually reduce resources for enforcement by capping funding for child support enforcement and other low-income programs.

The Family Reinforcement Act does include some minor changes in the rules governing interstate enforcement processes, but, by themselves, these changes would do little to increase collections.

We must do much more. That is why child support enforcement is a central part of the President's approach. Governments don't raise children, parents do.

Moreover, attempting to implement welfare reform without strengthening child support enforcement sends the wrong message: It says that the non-custodial parent who is one-half responsible for the birth of a child does not have any responsibility for supporting that child.

In addition, our approach would deny AFDC benefits to the mother only after the state has determined that she will not identify the father.

Once the state determines that the mother has identified the father, then the responsibility properly rests with the state to establish paternity. We give the state one year to establish paternity or face penalties.

The Personal Responsibility Act denies benefits to any child for whom paternity has not been established -- whether or not the mother has identified the father, whether or not the state has made a serious effort to locate the father, and regardless of how long ago the child was born.

One of the most basic ways to reinforce responsibility is to hold the right person accountable: What sense does it make to hold children accountable when, in fact, their mother has cooperated and the state has not done its part to establish paternity?

I hope we can work together to address this issue.

In our approach to welfare reform, we expect individual responsibility, but we also demand responsibility and accountability from government. That's why our approach requires states to work with the federal government in implementing new, state-of-the-art anti-fraud measures.

These new systems are designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits.

These new systems also will help to locate absent parents who are not paying their child support.

The Personal Responsibility Act does not create any of these systems; in fact, it reduces funding for anti-fraud efforts.

The final bedrock value in our approach to welfare reform is the importance of reaching the next generation.

By that, we mean putting into place preventive measures to break the cycle of dependency and ensure that future generations don't pick up where their parents left off.

A key to doing that is taking a strong stand against teen pregnancy.

We recognize that welfare dependency could be reduced significantly if young people delayed childbearing until both parents were ready and able to assume the responsibility of supporting and raising children.

That's why our approach requires that a minor parent live at home, identify her child's father, and stay in school to get benefits.

Our plan of time limits and work requirements sends a strong message to young people that welfare will never be the same. From now on, welfare will be a second chance, not a way of life.

But we strongly disagree with the approach taken in the Personal Responsibility Act, which would be to deny benefits to children born to mothers under age 18 -- whether or not their parents are able to work, and whether or not they're properly caring for their young children.

Ironically, under the Personal Responsibility Act, those mothers can receive aid for themselves and additional children if the children are born after the mothers turn 18 (or 21 at state option).

The question we have to ask ourselves is what would happen to the hundreds of thousands of children who would be denied aid by this provision -- and the millions more who could ultimately be denied assistance because of other sections of the Personal Responsibility Act.

The Personal Responsibility Act suggests sending them to orphanages. We are convinced that this proposal is both wrong and unworkable.

It will divide families when we should be strengthening them. It will let teen fathers off the hook when we ought to be holding them accountable. And it could lead to more poverty, more spending, and more bureaucracy at a time when we desperately need less.

According to the Child Welfare League of America, the average annual cost per recipient of orphanage care is \$36,500 per child. We estimate that the federal AFDC savings from the Personal Responsibility Act returned to the states could fund fewer than 9,000 orphanage slots for the entire country -- all fifty states!

Even if we add in all state and federal dollars for AFDC recipients on AFDC, Food Stamps, WIC, the school lunch program, and housing aid, the average benefit per recipient amounts to

only about \$3,300 per year. The Personal Responsibility Act returns far less than that.

So, what will happen to the other children?

Of course, we're not suggesting that all of them will wind up in orphanages.

In fact, some parents will move on to lives in the mainstream.

But, for those who cannot do so, there are several things that could happen.

First, states could pick up the bill for orphanages at \$36,500 per child -- potentially a huge cost shift to states.

States could try to expand the already strapped foster care system -- but foster care costs \$10,950 per child per year and is four times the cost of caring for a child in the AFDC program.

Or, governors and citizens could hope and pray that private charities or the children's other relatives rise to meet the demand.

We don't believe that's right or realistic.

The solution to welfare is not to make children go to orphanages; it's to make their parents go to work.

We must take bold steps to tackle the problem of teenage pregnancy -- but that does not mean that we should give up on teenage parents.

To be eligible for support, we must insist that they stay in school, live at home, and prepare for work.

We know that there are abstinence-based programs that are working in communities all over this country.

We must give more of those programs a chance to succeed.

All of us must be part of a national effort against teen pregnancy, and make it clear that young people should not become parents if they are not prepared to take responsibility for their children's futures.

Teenagers must be discouraged from having children, but if they do, they must also get the help they need to become good providers and role models.

That is to say, welfare reform must strengthen families, not weaken them.

It should help young mothers and their children escape welfare, not support long-term dependency.

That is why the President's approach would require work, not encourage orphanages; put a two-year time limit on welfare benefits and then insist that recipients go to work; devote more resources to child support enforcement -- not less; and mount a new effort to fight welfare fraud.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I am hopeful that as these issues are debated we remain committed to seeking bipartisan solutions through an open dialogue that will benefit all Americans.

Mr. Chairman, as we join forces to move people from welfare to work, we will need to address the bureaucratic absurdity and human tragedy of "welfare lock," which occurs when people who want to work go on welfare or stay on welfare because they do not have health insurance and therefore need the services provided by our Medicaid program.

families and children, assures that the populations served by Medicare and Medicaid are protected, reduces the long-term Federal deficit, and strengthens tools available to combat health care fraud, waste, and abuse.

We stand ready to work with the 104th Congress in confronting these challenges on a bipartisan basis.

#### Long-Term Care

Another health challenge we must face is long-term care.

On long-term care, we continue to endorse assistance to states to develop home and community-based care systems that support people with disabilities, regardless of age, condition, or income;

that strengthen families' abilities to care for their disabled family members;

and that allow flexibility so that states and communities can tailor services to their specific needs.

Such support is an essential component to assuring the availability of services for people with disabilities throughout our country.

Alongside promotion of home- and community-based care, we support changes in the tax code that would give long-term care insurance (and services) the same preferred tax status as standard health insurance, provided that insurance policies meet certain consumer protection standards.

While we agree with the notion of extending preferred tax treatment to long-term care insurance, we feel strongly that insurance should include information and be marketed in ways that help seniors understand the benefits and limitations of insurance policies.

We also agree with the notion of helping caregivers, but the tax credits proposed in the Contract may not be the best way to target limited resources to caregivers and families in need. We may be better able to help caregivers and people with disabilities with grants to states for services tailored to community needs. We look forward to working with you on this.

#### Balanced Budget Amendment

All of the policy issues I have discussed today would be profoundly affected by the provision in the Contract with America that would require all federal budgets to be balanced in the year 2002 and afterwards.

Let me be clear: While we support the goal of a balanced budget, the proposal that is included in the Contract would require an unprecedented level of reductions in our programs -- including Medicare, Medicaid, SSI, Head Start, and NIH research.

This is because all of the savings likely would have to come from the domestic spending side of the federal budget.

If Social Security is protected as some have promised, and defense reductions and tax increases are not on the table, all other domestic spending programs, including those at HHS, would have to be reduced by 28 percent. Such reductions would drive millions more families into poverty.

Analyses conducted for my Department by the Urban Institute suggest that even a 20 percent cut in our programs would reduce incomes for over seventeen million individuals and families and result in 3.7 million additional people being on the poverty rolls.

We should not forget that our Department also has responsibility to ensure the safety and health of all Americans through the work of critical HHS agencies charged with protecting the public health. The cuts that could be required under the Contract proposal for a balanced budget could seriously jeopardize our capability to meet these obligations.

Conclusion

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues in the new Congress.

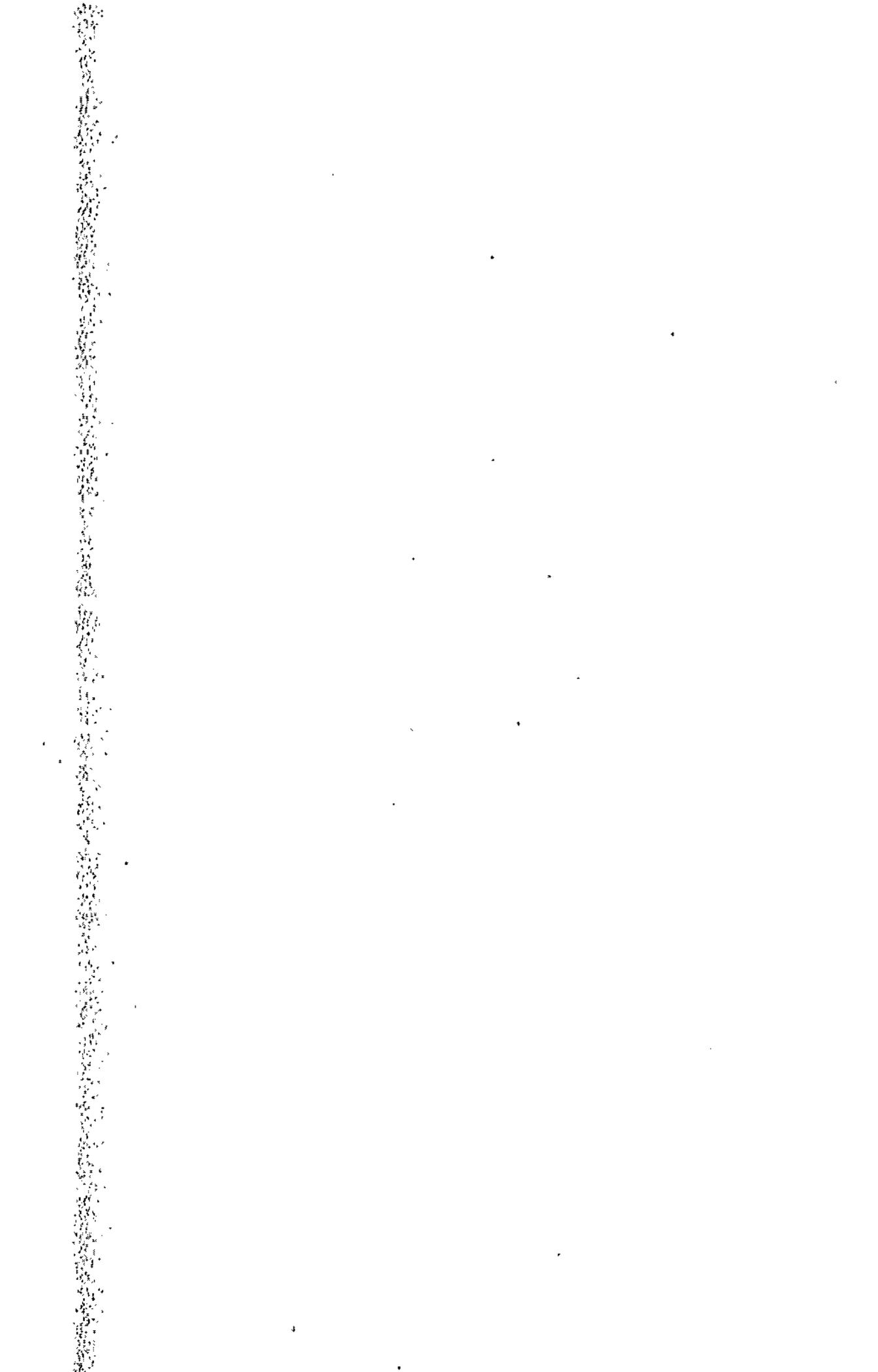
We still have a big job ahead of us as we work to improve health care for the American people by promoting health insurance security and containing costs.

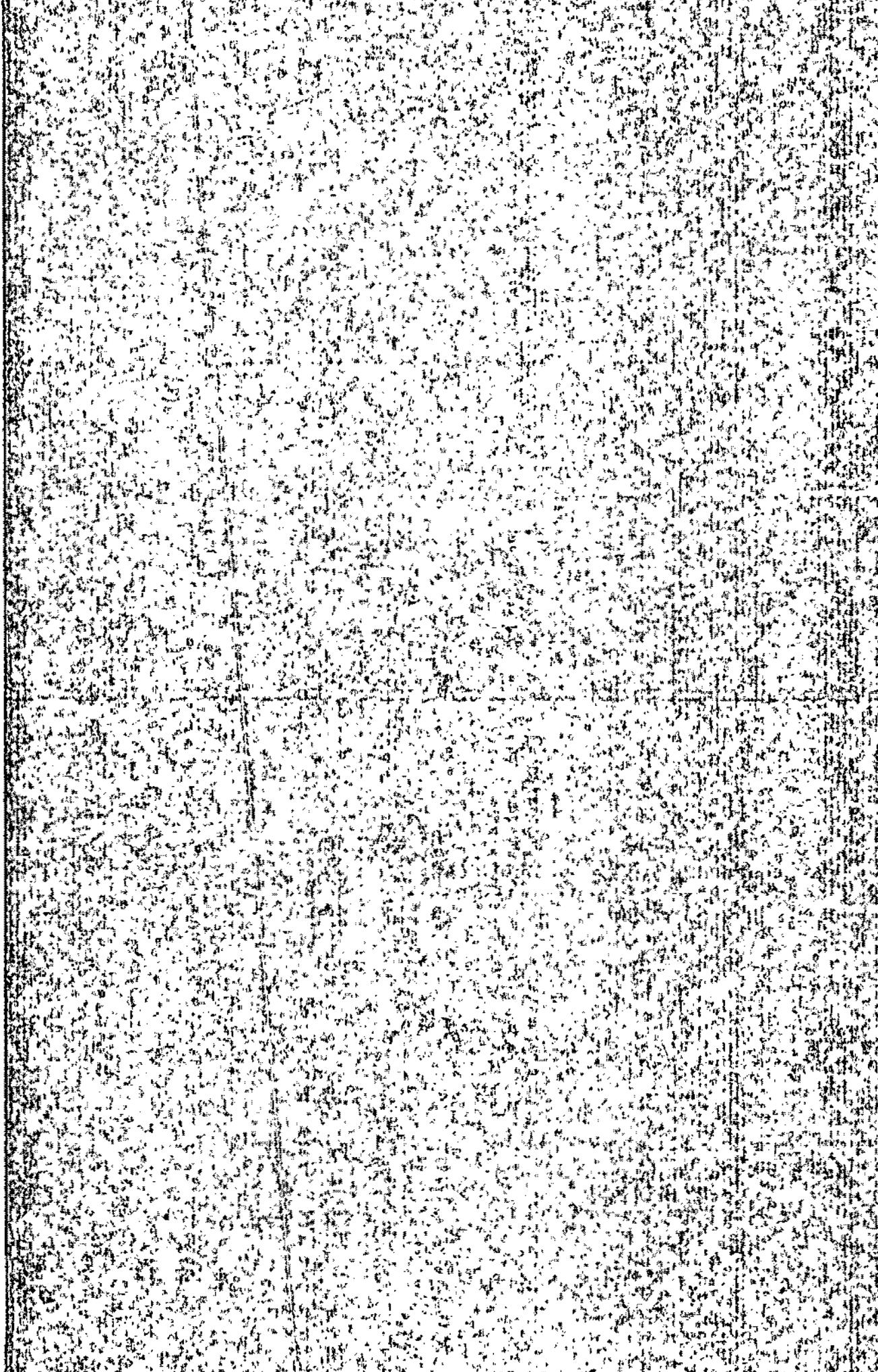
And, in welfare, we must work together to put in place a system that moves people from welfare to work, that protects children, that rewards people who work hard and play by the rules, and that holds parents accountable.

I believe that we have a rare opportunity -- on welfare and many other issues -- to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it's time to end welfare as we know it, we also must end politics as we know it.

We're ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.





January 6, 1995

PRIORITY QUESTIONS AND ANSWERS

WELFARE

- (1) LEGAL IMMIGRANTS AND THE ADMINISTRATION'S WELFARE REFORM PLAN
- (2) BLOCK-GRANTING FOOD PROGRAMS
- (3) PRESIDENT CLINTON'S WELFARE REFORM BILL
- (4) CHANGES IN ADMINISTRATION'S PROPOSAL
- (5) PRESIDENT'S WELFARE REFORM CONFERENCE
- (6) ACCOMPLISHMENTS OF PRESIDENT'S CONFERENCE
- (7) BLOCK GRANTING CHILD CARE FUNDS
- (8) ADMINISTRATION SUPPORT MAKING AFDC A BLOCK GRANT
- (9) EDUCATION AND TRAINING
- (10) SHOULD SSI BE AN ENTITLEMENT
- (11) SHOULD WELFARE BE AN ENTITLEMENT
- (12) UNWED TEEN MOTHERHOOD IS NOT THE WAY TO GET WELFARE
- (13) CHILDREN ON SSI - COST TO THE GOVERNMENT
- (14) TIME LIMITS AND EXITS

**HEALTH CARE**

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

## LEGAL IMMIGRANTS AND THE ADMINISTRATION'S WELFARE REFORM PLAN

### QUESTION:

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

### ANSWER:

- ▶ I'm glad you asked about legal immigrants. As you know, illegal immigrants are already ineligible for AFDC benefits. 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 here legally, pay taxes, and fall on bad times.
- ▶ Our plan would also strengthen the responsibility of sponsors for legal immigrants.
- ▶ 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:

No. Enactment and implementation of the Contract with America Welfare Reform Bill would have substantial consequences for the safety net of food assistance programs now in place, for the nutrition and health of low-income Americans who rely on those programs, on the level and distribution of Federal support to States, and for the food and agriculture communities.

- ▶ The proposed block grant would be treated as discretionary, rather than mandatory, spending for budget purposes. It would compete with other discretionary programs for limited funds, and there is no guarantee that Congress would appropriate the full amount authorized in any given year.
- ▶ The proposed block grant would end the entitlement to food. Under today's programs, food stamps and school lunches are automatically available to families if unemployment and poverty rise. The proposed bill would eliminate the mandatory entitlement of the Food Stamp and Child Nutrition programs.
- ▶ The proposed block grant would limit the ability of food assistance program to respond to changing economic conditions. Historically, the Food Stamp and Child Nutrition programs have automatically expanded to meet increased need when the economy is in recession and contracted when the economy is growing. As unemployment and poverty grow, so does program participation, thus cushioning some of the harsher consequences of economic recession. The indexing provisions in the proposal would not offer the same automatic adjustment. If Federal funding for food assistance no longer automatically increases as the economy falls into recession and unemployment and poverty rise, States would have to decide whether to cut benefits, tighten eligibility, or dedicate their revenues to anti-hunger programs. The demand for assistance to help the poor would be greatest at precisely the time when State economies are slumping and tax bases are shrinking.

## 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 last 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.

## ADMINISTRATION SUPPORT MAKING AFDC A BLOCK GRANT

### QUESTION:

Does the Administration support making AFDC a block grant?

### ANSWER:

- ▶ We are all in agreement that welfare needs to be changed. And we favor bold solutions. States must have flexibility and the responsibility to design program that make sense for them. That is why we have granted so many waivers.
- ▶ We need to reinforce that welfare reciprocity is a transitional period of preparation for self-sufficiency, not a way of life. We need to move away from a system that is focused on writing checks and punishes those who go to work, and move toward a system that is based on work and responsibility designed to help people help themselves.
- ▶ As we learned throughout the process of developing the Work and Responsibility Act last year, there are many ways to change welfare, and we have to carefully consider the consequences of all the options. Certainly a block grant is one alternative, but we need to examine the impacts on States and on the low income population.
- ▶ I believe there are some appropriate Federal roles in welfare. States should not be disadvantaged. Federal funding cushions States against economic and demographic fluctuations. Often the times and places of greatest need are those with the fewest resources. Federal matching of AFDC expenditures has helped States, as well as low-income Americans, in times of economic distress.
- ▶ State welfare programs should embody some basic values, such as requiring work after a period of transition, ensuring parental responsibility through vigorous child support enforcement, and discouraging young people from having children too soon. But, while State flexibility to design and implement innovative approaches must be ensured, the Federal government must also ensure that the resources are available to carry them out.

## 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:

- ▶ While many recipients do not require education and training services in order to obtain a job, 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.
- ▶ Education and training services help recipients become job ready; they are better prepared for the labor force and better able to stay employed and off welfare. Evaluations of the JOBS program and welfare-to-work initiatives have found that these programs consistently enhance recipient's chances of finding and maintaining employment.
- ▶ The Contract with America Welfare Reform Bill does not require that recipients participate in education or training activities, though it allows states the option if they chose to do so.
- ▶ In contrast, the Administration's proposal would ensure that all employable recipients are immediately required to participate in job search, education, or training, and States would be expected to hold up their end of the bargain. We think this sends a very important message to people from the very first day they go on welfare: You must work; we expect that, and we will help you prepare for it.

**BACKGROUND:** Under the PRA, at State option, the entire family could be removed from the rolls after 24 months as long as the adult had participated in a work position for 12 months.

States 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).

## SHOULD SSI BE AN ENTITLEMENT

### QUESTION:

The PRA puts funding for SSI under the aggregate welfare program cap and converts SSI from an entitlement into a discretionary program. Should SSI remain an entitlement?

### ANSWER:

- ▶ Converting a program that supports elderly and seriously disabled Americans to a discretionary program cap could have serious implications. The SSI program serves individuals that are unable to work and not expected to work. We are talking about persons who, in addition to being poor, are also elderly or blind, or have other serious disabilities.
- ▶ The SSI program ensures that there is a national standard of eligibility and of assistance for poor elderly and disabled Americans. The practical effect of making SSI a discretionary program would be that if the appropriation is exceeded before the fiscal year ends, the U.S. Treasury would not be able to issue any more checks for SSI recipients unless a supplementary appropriation is passed. New applicants would be turned away.

## 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.

### FOLLOW-UP 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 in 1975 adjusted for inflation. They have not even kept pace with the increase in the number of poor children.
  
- ▶ The way to control expenditures in programs designed to help the needy is with legislated, responsible program changes that support the important values of work and responsibility. We need to ensure that program dollars help people to achieve independence so that they can get off and stay off of welfare. We believe that this is the way to control expenditures, not with arbitrary limits where the impact cannot easily be seen or debated.

## 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 form. The numbers are shocking. In 1992, over 400,000 children lived with teenage mothers. About two-fifths (42 percent) of all single women receiving AFDC were or had been teenage mothers. Four out of five children of teenaged mothers who drop out of school live in poverty. This is a national tragedy.
- ▶ The most important thing we can do to prevent teenage pregnancy is motivate young people to abstain from sex. This is no simply a matter of passing out information. It means taking bold steps to instill healthy attitudes, high self-esteem and credible expectations. both young men and women need to be held responsible for their behavior. We need to address the reasons teens get pregnant. Some teens have insufficient education. some have limited access to health care professionals. Teen pregnancy is often related to a dangerous pattern of abuse against girls.
- ▶ Teen pregnancy is a problem of gigantic proportions. To solve it, we need consistent and sensitive leadership from our families, our communities and our civic and religious leaders.

We have proposed the following:

- A multi-pronged approach is needed to reduce the out-of-wedlock birth rate.

Teen Pregnancy Prevention Grants and Comprehensive  
Demonstrations to middle and high schools in  
disadvantaged areas.

- A national clearinghouse on teen pregnancy prevention to provide communities and schools with curricula, models, materials, training and technical assistance.
- ▶ In addition, our plan changes the rules for those teen mothers who do go on welfare. In order to receive benefits, they will have to identify their child's father and live with a responsible adult who will provide them with the supervision, guidance and support they need. They will also be required to go to school and states will be allowed to use monetary incentives to keep teen parents in schools. They will receive case management services to ensure that these new rules are followed. These measures will greatly increase their chances for achieving and sustaining self-sufficiency.

## 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.

NOTE: You may be able to make announcement regarding Commission Chair.

**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.

## 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. However, we believe the proposed tax credits may not be the best way to target limited resources to caregivers and their chronically ill family members. We think a better approach to helping these Americans would be through grants to States for services tailored to community needs.

[Summary of long term care proposals within the Contract With America is attached]

## LONG TERM CARE PROPOSALS IN THE CONTRACT WITH AMERICA

### Overview:

There are two proposals for addressing long term care needs:

- A \$500 a year refundable tax credit for taxpayers who have a parent or grandparent with a disability living with them in their home; and
- A modification of the tax code to permit favorable tax treatment for private long term care insurance premiums and expenditures.

### Issues and comments:

The refundable tax credit is problematic:

- The credit is limited to the taxpayers who have a parent or grandparent living with them. It provides no assistance to older people living alone, to the millions of spouses who now care for a disabled wife or husband, or to the caregivers of disabled children and young adults.
- The benefit is too small to provide meaningful assistance to the families of older people with significant disabilities who are struggling to care for their loved ones without any help.

The Administration continues to advocate for a new long term care program of grants to states which is guided by the following principles:

- People with significant disabilities and their families should receive long term care assistance based on their needs not on their age or condition.
- To complement and strengthen the informal care giving system we must find ways to make home and community long term care services available in every state and community in this country. To make this happen we must work in partnership with government at all levels and with the private sector and voluntary groups.
- Public funding for long term care should be highly flexible so that states and communities can tailor the design of their service delivery systems to their unique needs and circumstances.

Private long term care insurance proposal needs improvement:

- This proposal is very similar to the administration's proposal. We support the need for tax clarifications so that private long term care insurance and private long term care expenditures can be deducted under the tax code in the same way that medical expenses can be deducted.
- However, we believe that the quid pro quo of granting private long term care insurance favorable tax treatment is the establishment of some minimum consumer protections.

## 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.
- ▶ We are currently evaluating options on the best way to proceed in this area. We look forward to working with you on this important issue.

## 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.
  - For example while Medicare SELECT plans are required to have procedures for evaluating quality and taking corrective actions, there is no after the fact determination through site visits that the plan has followed them or that they are effective. While we require that other Medicare managed care plans have active quality improvement committees that collect, analyses and act on data there is no such requirement for Medicare SELECT plans.
- ▶ 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:

- ▶ In OBRA 90, Congress authorized a 3-year demonstration in 15 states for the sale of a hybrid managed care/Medicare product call Medicare SELECT. Unlike other Medigap policies which pay benefits without regard to where services are provided, Medicare SELECT policies may limit benefits to services provided through the plans' preferred provider networks.
- ▶ 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.

## 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 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.
- ▶ Seniors are increasingly choosing managed care at a rate of 1% per month.

## 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, either through legislation or regulation, which 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 ENTITLEMENT/BLOCK GRANTS?

### QUESTION:

Why should Medicaid be an entitlement? 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.

## 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.

### Medical Savings Accounts

#### NEC Conclusions:

- Medical Savings Accounts (MSAs) are politically appealing.
- MSAs may have an adverse effect on the health insurance market. As a result, premiums of the less healthy would rise, while premiums of the healthy would fall.
- MSAs would probably not produce much cost containment.

#### Background:

- Health reform proposals by Dole, Chafee, Michel, Santorum, and Gephardt include variants of Medical Savings Accounts (MSAs). The Bush Administration worked with several members of Congress towards developing an MSA proposal. Many Republicans and some Democrats favor MSAs. The Health Security Act did not include MSAs, but the proposal approved by the Ways and Means Committee did.
- MSA proposals allow taxpayers to place funds in a special tax-preferred account. Funds from MSAs that are used for specified medical purposes are not taxed, while funds used for other purposes may or may not be taxed depending upon the proposal.
- The intent of an MSA is to encourage employers and employees to switch from "comprehensive" health insurance to "catastrophic" packages that have higher co-payments and deductibles, thereby giving employees an incentive to reduce unnecessary medical care.
- In general, MSAs could provide a mechanism for tax-preferred saving for healthy individuals while causing premiums for less healthy individuals to rise. Adverse selection may result in healthy and upper income individuals joining MSAs, leaving less healthy and lower income individuals in the more comprehensive Fee-For-Service plans and HMO plans. As a result, premiums of the less healthy would rise, while premiums of the healthy would fall. This kind of reform would undermine community-rating. Risk-adjusters and taxes could be devised to reduce these effects. However, risk adjusters are imprecise; would be difficult to do correctly; and would be viewed as administratively burdensome.

- MSAs would reduce insurance premiums for participants but expose them to larger out-of-pocket costs. Some individuals who unexpectedly become sick may find themselves short of funds to cover their medical expenses.
- A Rand study of health insurance, conducted in the 1970's, suggests that if an individual switches from a plan with a \$200 deductible to a plan with a \$2,000 deductible that individual would reduce total health expenditures by 10 percent. Ten percent is an upper bound. Because there would be no savings for nonparticipants and for those who switch from cost effective HMOs to MSAs, aggregate savings would probably be much lower than 10 percent, depending upon participation. (Some people outside the Administration may believe that cost savings are greater than 10 percent, but some participants in the NEC meeting believe savings are close to zero.)
- Greater participation in catastrophic plans would reduce costs somewhat. However there are better ways to encourage the use of catastrophic plans. These include: (1) tax caps on co-payments and deductibles; or (2) expanded deductibility of medical expenses. Other health insurance market reforms might also be designed to encourage catastrophic plans or cost containment. However, cost containment will still be difficult to obtain.
- If MSA proposals go forward, they should be carefully designed to reduce adverse effects. Different MSA designs lead to different magnitudes of effects. Design features to be considered include: (1) limits on contributions; (2) tax treatment of earnings in the funds; (3) limits on and tax treatment of withdrawals for nonmedical purposes; and (4) tightening the definition of medical withdrawals. The limits and other design features should depend to some extent on other MSA design features such as risk adjustors.



## ADDITIONAL WELFARE QUESTIONS AND ANSWERS

- (1) AFDC MEDICAID CHANGES IN THE PRA
- (2) INVESTMENT IN EDUCATION AND TRAINING
- (3) WORK PROGRAM
- (4) ALTERNATIVE PHASE-IN STRATEGY
- (5) SAVINGS UNDER THE PERSONAL RESPONSIBILITY ACT
- (6) SAVING MONEY BY REFORMING WELFARE
- (7) FAVOR A PLAN THAT SPENDS OVER A PLAN THAT SAVES
- (8) CHANGING FINANCING PROVISION OF ORIGINAL PLAN
- (9) COST ESTIMATES OF THE WORK AND RESPONSIBILITY ACT
- (10) FEDERAL SHARE - AFDC
- (11) WELFARE RECIPIENTS RECEIVE \$18,000 PER YEAR IN GOVERNMENT BENEFITS
- (12) ADMINISTRATION'S POSITION - CONSOLIDATION OF CHILD WELFARE PROGRAMS
- (13) CONSOLIDATION/BLOCK GRANTS
- (14) CONSOLIDATION OF CHILD CARE PROGRAMS
- (15) NUMBER OF CHILDREN ELIMINATED FROM ELIGIBILITY
- (16) COMPARISON OF OLD AND NEW PRA IMPACTS ON CHILDREN
- (17) CHILDREN AFFECTED IN FIRST FIVE YEARS

- (18) EXTENDED FAMILIES OF CHILDREN CUT OFF FROM AFDC WILL TAKE THEM IN**
- (19) WILL THE PERSONAL RESPONSIBILITY ACT RESULT IN ADDITIONAL CHILDREN ENTERING THE WELFARE SYSTEM**
- (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**
- (26) COST OF ORPHANAGES**
- (27) \$1,000 PER CHILD FIGURE**
- (28) PRIVATE CHARITIES**
- (29) REDUCTION OF FUNDING FOR FOOD PROGRAMS**
- (30) PRA - NUTRITION PROGRAMS/AFFECT**
- (31) PRA - NUTRITION PROGRAMS/IMPACT**
- (32) PRA - NUTRITION PROGRAMS/STATES**
- (33) CONSOLIDATING THE OAA NUTRITION PROGRAM**
- (34) OLDER AMERICANS ACT NUTRITION PROGRAM**
- (35) DENIED ASSISTANCE TO TEENAGED MOTHERS**

- (36) ASSISTANCE FOR TEENAGED MOTHERS**
- (37) WOULD PRESIDENT VETO GOP BILL - FOR CUTTING OF AID TO YOUNG MOTHERS**
- (38) CHILD SUPPORT PROVISIONS IN CONTRACT WITH AMERICA VS. WORK AND RESPONSIBILITY ACT**
- (39) PRA EFFECT FOR CHILDREN WHOM PATERNITY HAS NOT BEEN ESTABLISHED**
- (40) WELFARE USE BY IMMIGRANTS**
- (41) RECOMMENDATIONS OF THE BIPARTISAN COMMISSION ON IMMIGRATION REFORM (CIR)**
- (42) SIMILARITIES BETWEEN THE ADMINISTRATION AND THE PRA IMMIGRANT PROVISIONS**
- (43) GIVE STATES RESPONSIBILITY FOR WELFARE PROGRAMS**
- (44) WAIVER REQUESTS FROM CALIFORNIA**
- (45) STATUS OF WAIVER REQUEST FROM GEORGIA**
- (46) STATUS OF WAIVER REQUEST FROM MARYLAND**
- (47) STATUS OF WAIVER REQUEST FROM MASSACHUSETTS**
- (48) SSI AND CHILDREN**
- (49) FAMILIES "COACHING" CHILDREN TO OBTAIN SSI PAYMENTS**
- (50) FAMILIES RECEIVING SSI AND OTHER WELFARE BENEFITS**
- (51) EFFECT OF NUTRITION BLOCK GRANT FORMULA ON STATES**

**(52) WHY ARE NUTRITION PROGRAM GAINS AND LOSES SO BIG?**

**BALANCED BUDGET AMENDMENT QUESTIONS AND ANSWERS**

**(53) BALANCED BUDGET AMENDMENT AFFECT THE ELDERLY**

**(54) 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.

## PRA - NUTRITION PROGRAMS

### 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.

## PRA - 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.

▶ While States will be flexibility within the definition of economically disadvantaged to define the population eligible for food assistance, the funding reductions of this size would force them to reduce the number of people served, benefit levels or both. Unless States fill the gap between current service and block grant funding, they will be faced with the choice of cutting benefits across the board, restricting participation, or some combination of both. .

## 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.

## OLDER AMERICANS ACT NUTRITION PROGRAM

### QUESTION:

Should there be a consolidation of the Older Americans Act nutrition program with other food programs?

### ANSWER:

- ▶ We see no real benefit from the proposed consolidation. The Senior Nutrition Program, as currently implemented under Title III of the Older Americans Act, provides meals and other nutrition services to older people at congregate sites and to the homebound elderly.
- ▶ The Senior Nutrition Program is not a welfare program and should not be included in welfare reform proposals.
- ▶ The Senior Nutrition Program is a fundamental part of a comprehensive home and community-based service system aimed at keeping older people at home, supporting family caregivers, and avoiding unnecessary and costly institutionalization. This proposal will unravel the fabric of this system.
- ▶ The current program is not means-tested, but traditionally has served those with greatest economic need. It maintains the dignity of the nutritionally at-risk older persons by providing mechanisms for participants to contribute according to their ability to pay.
- ▶ Senior Nutrition Programs, long-established in the community, are supported through a vast network of volunteers of all ages and cash and in-kind support from the private sector.
- ▶ The goal of streamlining programs should be to increase their responsiveness to consumers. Separating the Senior Nutrition Program from other aging service programs will make it harder for communities to respond to older people who have complex and multiple needs.
- ▶ Senior Nutrition Programs are time-tested, successful examples of low cost, locally managed programs.
- ▶ The Senior Nutrition Program is consumer-focused and has broad community support due to its flexibility and its role as point of contact and link to the broader aging service system.

## 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.

## 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.

## NUMBER OF CHILDREN ELIMINATED FROM ELIGIBILITY

### 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.

## COMPARISON OF OLD AND NEW PRA IMPACTS ON CHILDREN

### 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.

## MANDATORY FAMILY CAP

### 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.

## CHILD CARE

### 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.

## WHY OPPOSITION 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.

## COST OF ORPHANAGES

### 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.

## \$1,000 PER CHILD FIGURE

### 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.

## PRIVATE CHARITIES

### 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.

## REDUCTION OF FUNDING FOR FOOD PROGRAMS

### 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.

## 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:

- ▶ Senator Kassebaum's proposal would give States full responsibility for welfare programs, and in return give the Federal government full responsibility for Medicaid. The trade is very attractive to most states, as their spending on welfare programs would be far less than their Medicaid spending. However, Federal Medicaid spending would increase by more than \$78 billion in 1996 alone. States would also benefit because welfare expenditures generally increase by only 2 to 3 percent annually, whereas Medicaid expenditures increase by 10 percent annually.
- ▶ While some programs are best handled by the States, there is a logic in the Federal/State partnership to ensure a safety net for poor children and families.
- ▶ Without Federal funds, States would become more vulnerable during economic downturns, as caseloads will rise and no additional resources will be available to meet the heightened need. Keeping social safety net programs jointly funded by the States and the Federal government will ensure that they remain a powerful countervailing force during recessionary periods.

## 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 Benov 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 between \$150 - \$200 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 out-of-pocket could be increased three-fold from \$60 monthly projected under current law to \$200 per month under a balanced budget requirement.

- 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.
  
- \$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.