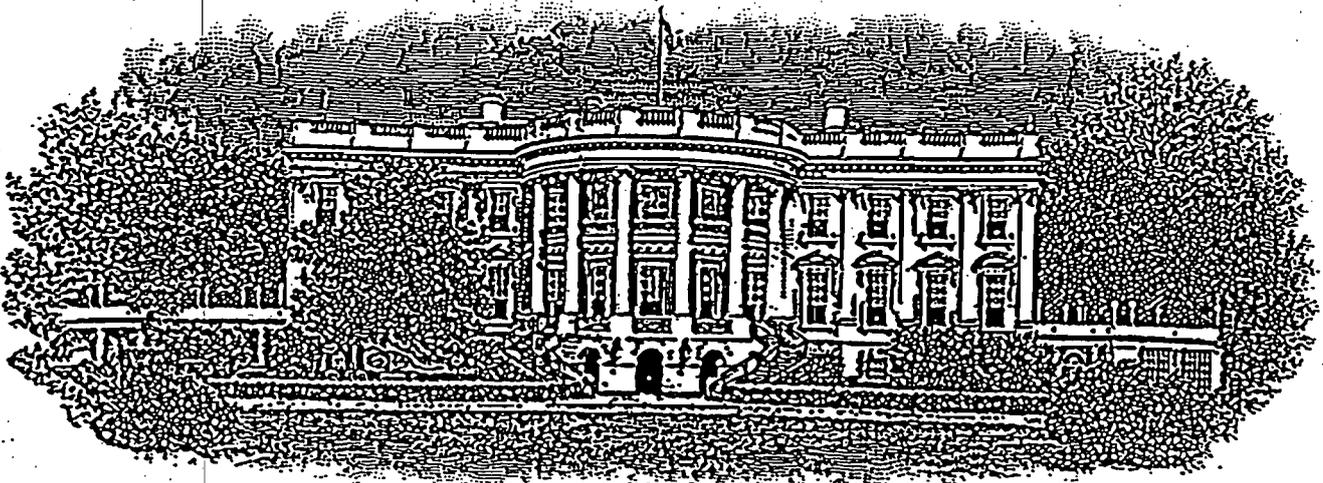


THE WHITE HOUSE



Christopher C. Jennings
Deputy Assistant to the President for Health Policy
216 Old Executive Office Building
Washington, DC 20502
phone: (202) 456-5560
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Facsimile Transmission Cover Sheet

To: John Hilley, Barbara Chow, Rich Tarplin

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Comments: interesting news from Specter
-Chris

United States Senate

WASHINGTON, DC 20510

June 19, 1997

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, DC 20510

Dear Trent:

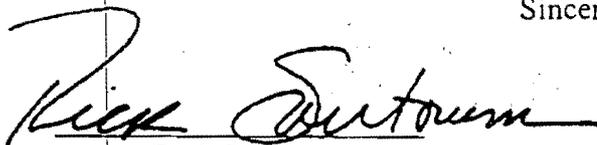
Now that the Finance Committee has completed its work on the Medicare and Medicaid provisions of the budget reconciliation bill, we are writing to express our strong concern that the legislation does not provide the \$1.5 billion/five years for assistance to low income elderly Americans who will face higher Medicare premiums under the balanced budget agreement.

We note that the Conference Report to the Fiscal Year 1998 Budget Resolution assumed in Function 550 that there would be \$1.5 billion available for this purpose, which reflected the identical provisions in the House and Senate budget resolutions implementing this historic bipartisan balanced budget plan.

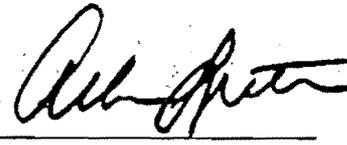
We are advised that there are about 8 million elderly Americans with incomes below 150 percent of the federal poverty line (up to \$11,835 annual income) who will face higher Medicare premiums if the reconciliation bill becomes law. Seniors with annual incomes from 100 percent to 125 percent of the poverty line are already spending 31 percent of their annual incomes on out-of-pocket expenses for health care. Within the group we are trying to help, two-thirds are women, one half are over the age of 75, and one-half live alone. Many of these people will be unable to handle the Medicare premium increases without assistance from our government.

As the Senate prepares to consider budget reconciliation legislation next week, we urge you to take steps to ensure that the \$1.5 billion is added to the bill in order to keep our commitments to America's senior citizens.

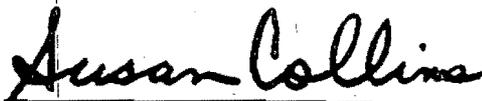
Sincerely,



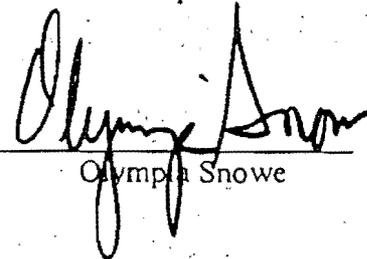
Rick Santorum



Arlen Specter



Susan Collins



Olympia Snowe

United States Senate

WASHINGTON, DC 20510
June 19, 1997

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, DC 20510

Dear Trent:

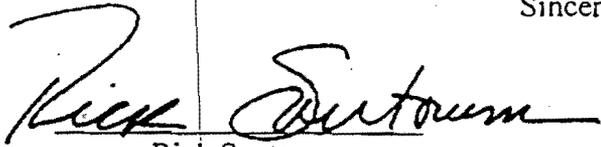
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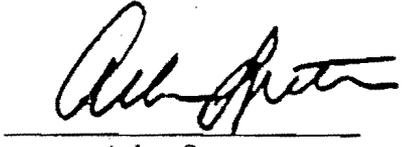
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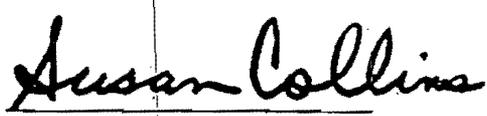
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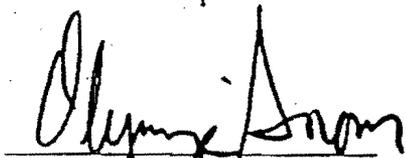
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Sincerely,


Rick Santorum


Arlen Specter


Susan Collins


Olympia Snowe



NATIONAL RURAL HEALTH ASSOCIATION

OFFICERS

Tim Size
President

Bruce Amundson
President-Elect

Susan Wilson
Treasurer

Janet Ivory
Secretary

Keith J. Mueller
Past President

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Telephone: (202) 232-6200

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E-mail: dc@nrharural.org

Date: 11 July

To: Chris Jennings

Fax Number: 456-7431

From:

- Darin Johnson, Government Affairs Director
- Doretha Osley-Harris, Senior Administrative Assistant
- Other _____

Subject: NRHA's Budget Letter to President Clinton

Give me a call if you have any questions

Thank

D

Pages (Including Cover Page): 10

Donna M. Williams
Executive
Vice President

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NATIONAL RURAL HEALTH ASSOCIATION

July 11, 1997

OFFICERS

Tim Size
President

Bruce Amundson
President-Elect

Susan Wilson
Treasurer

Janet Ivory
Secretary

Keith J. Mueller
Past President

The Honorable William Jefferson Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Clinton:

As you and your Administration work with Senate and House conferees in reconciling differences in the Senate and House-passed Fiscal Year 1998 Budget Reconciliation bills, the National Rural Health Association (NRHA) would like to convey its strong support for inclusion of provisions in the conference agreement that would strengthen the health care delivery system for families and seniors living in rural and frontier America.

Both the Senate and House recognized the importance of guaranteeing rural Americans continued access to health care by including a number of rural health care initiatives supported by the NRHA in both their respective budget measures. The NRHA encourages you to support these provisions we believe will advance rural health care into the 21st century, and oppose those that will result in future barriers to quality and affordable health care services for rural Americans.

The NRHA urges you to support:

- 50/50 national/local blending of the AAPCC; a payment floor of 85 percent of the national average; and carve out of GME and DSH payments from the AAPCC (*Senate language*)
- Report language allowing the Secretary of HHS to put in place mechanisms to ensure enhanced funding received by HMOs as a result of changes in the AAPCC remain in the payment areas in the form of increased health benefits, investments in rural health care infrastructure, and payment equity (*NRHA supported language*)
- Medicare reimbursement for rural telemedicine services (*Senate language*)
- Sole Community Hospitals rebasing using FY 1994 and 1995 costs (*Senate language*)
- Allowing hospitals to request geographic reclassification for the purposes of receiving additional DSH payments (*House language*)

Donna M. Williams
Executive
Vice President

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NRHA Budget Letter – Page Two

- Language to ensure primary care services are accessible within 30 minutes or miles under Medicare Choices plans (*Senate language*)
- Reinstatement of the Medicare Dependent Hospital program (*Senate and House language*)
- Establishment of a Limited-Service Hospital program that provides flexibility to reflect different state circumstances and allows for appropriate Federal oversight (*House language*)
- 4-year transition period for implementing practice expense with a 10% down payment for primary care in 1998 (*Senate language*)
- Expanded direct reimbursement for Nurse Practitioners and Physicians Assistants (*Senate and House language*)
- Allow GME payments to non-hospital providers including Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs), with special consideration being given to rural underserved needs (*Senate language*)
- RHC reforms including exception for small, rural hospitals with less than 50 beds to reimbursement cap being established for provider-based RHCs (*Senate and House language*)
- Reclassification for purposes of a wage index adjustment and grandfathering of Rural Referral Centers (*Senate and House language*)
- Establishment of National Commission on the Future of Medicare (*Senate and House language*)
- Language directing rural representation on a new Medicare Payment Advisory Commission (*Senate and House language*)

The NRHA urges you to oppose:

- Across-the-board freeze and/or reductions in PPS updates to small, rural hospitals (*Senate and House language*)
- Language to phase-out Medicaid cost-based reimbursement for FQHCs and RHCs over five years (*House language*)
- Expansion of hospital transfers to include home health and skilled nursing. Oppose efforts to include swing beds as a transfer (*Senate and House language*)
- Exempting urban hospitals with more than 100 beds from Medicare Capital Payment Rule that result in significant reductions in payments to rural hospitals (*Senate and House language*)
- Reimbursement to for-profit hospitals for capital related taxes outside of the PPS which will result in dollars being taken from rural, community not-for-profit hospitals (*Senate language*)

NRHA Budget Letter - Page Three

Enclosed for your consideration is a side-by-side analysis of budget provisions of interest to the NRHA and its members. If the NRHA can be of further assistance to you or your Administration as you work through conference, please feel free to contact Darin E. Johnson, Government Affairs Director, at (202) 232-6200.

Sincerely,

Tim Size

Tim Size
President

Enclosure

Rural Health Provisions in FY 1998 Budget Reconciliation Bills

Provided by the National Rural Health Association

	Senate Finance	House Ways and Means	House Commerce
AAPCC	<ul style="list-style-type: none"> • 50/50 national/local blend implemented over 5 years • Floor set at 85% of the national average • Hold harmless set at a minimum of 100% • 100% GME/DSH carve out over 4 years • Analysis of payment variation by Secretary of HHS required by December 2002 	<ul style="list-style-type: none"> • 50/50 national/local blend implemented over 5 years • Floor set at \$350 • Hold harmless set at 102% • No GME/DSH carve out 	<ul style="list-style-type: none"> • 30/70 national/local blend • Floor set at \$350 • Hold harmless set at 100% in 1998; 101% in 1999-2000; and 102% in 2001 and beyond • 100% GME/DSH carve out over 5 years
PPS Hospital Freeze	<p>Establishes a calendar year cycle for annual PPS hospital updates beginning January 1, 1998.</p> <p>1998 Market basket - 2.5 1999 Market basket - 1.3 2000 Market basket - 1.0 2001 Market basket - 1.0 2002 Market basket - 1.0</p>	<p>Annual PPS hospital update continues to occur on the fiscal year calendar – October 1st of each year.</p> <p>1998 No update 1999 Market basket - 1.0 2000 Market basket - 1.0 2001 Market basket - 1.0 2002 Market basket - 1.0</p>	No Provision
Hospital Transfers	Expands definition of a Medicare transfer to include patients discharged from hospitals to skilled nursing facilities, rehab, and psychiatric services. Skilled nursing does not include swing beds.	Expands definition of a Medicare transfer to include patients discharged from hospitals to <i>home health</i> , skilled nursing facilities, rehab, and psychiatric services. Skilled nursing does not include swing beds.	No Provision
Telemedicine Reimbursement	Provides Medicare reimbursement for telemedicine services provided in Health Professional Shortage Areas and rural counties non-adjacent to Metropolitan Statistical Areas.	No Provision.	No Provision

Telemedicine Demonstration	Authorizes \$27 million for 5 year telemedicine demonstration project for high-capacity computing and advanced networks. Demonstration will take place in Vermont.	Authorizes \$30 million for 4 year telemedicine demonstration project for high-capacity computing and advanced networks. Demonstration will take place in New York state.	Same as House Ways and Means Provision
Medicare Choices (Senate) Medicare Plus (House)	If the plan restricts coverage to services provided by a network, primary care services in rural area must be available within 30 minutes or 30 miles from an enrollee's place of residence.	No Provision	No Provision
Provider Sponsored Organizations	<ul style="list-style-type: none"> • Medicare beneficiaries will be given the option of enrolling in a PSO • Beginning 1/1/98, the Secretary of HHS can waive for 36 months state licensure requirements if the state does not act on the application within 90 days or if the state denied such a licensing application • Federal preemption of state licensure for a maximum of 3 yrs • PSOs must meet all Federal standards and state standards which apply to entities bearing risk (except solvency) • 50/50 rule can be waived immediately by the Secretary; rule eliminated with quality standards on 6/1/98 • Federal solvency standards for PSOs will be developed through a negotiated rule-making process 	<ul style="list-style-type: none"> • Medicare beneficiaries will be given the option of enrolling in a PSO • Upon enactment, the Secretary of HHS can waive for 36 months state licensure requirements if the state does not act on the application within 90 days or if the state denied such a licensing application • Waiver process only a backup to state licensure • PSOs must meet all Federal standards • 50/50 rule can be waived immediately by the Secretary; rule eliminated with quality standards on 6/1/98 • Federal solvency standards for PSOs will be developed through a negotiated rule-making process 	<ul style="list-style-type: none"> • Medicare beneficiaries will be given the option of enrolling in a PSO • Upon enactment, the Secretary of HHS can waive for 36 months state licensure requirements if the state does not act on the application within 90 days or if the state denied such a licensing application. Waivers could be renewed more than once • PSOs must meet all Federal standards and state consumer protections • 50/50 rule can be waived by the Secretary; repealed by 1/1/99 • Federal solvency standards for PSOs will be developed through a negotiated rule-making process

Medicare Fee Schedule	<p>4-year transition period for implementing practice expense with a 10% down payment for primary care in 1998.</p> <p>If methodology and data is proven to be flawed by a selected group of experts, language is included which would allow the Secretary of HHS to reconduct the study on practice expense.</p>	<p>One year delay of original 1998 effective date for new practice expense method followed by a 4-year transition period.</p>	<p>One year delay of original 1998 effective date for new practice expense method followed by a 4-year transition period.</p> <p>Language included which would allow HCFA to reconduct the study on practice expense.</p>
Sole Community Hospital Rebasing	<p>Rebase Sole Community Hospitals allowing them to use alternative target amount based on costs in FY 1994 or 1995.</p>	<p>No Provision</p>	<p>No Provision</p>
Limited-Service Hospital	<p>Establishes Critical Access Hospital:</p> <ul style="list-style-type: none"> • Must be state certified • More than 35 miles from another hospital • Make available 24 hour emergency care services • Have up to 15 acute care beds (swing beds are permitted) • 96 hour care limitation (unless inclement weather or other emergency conditions) • Grandfather facilities under current demonstration programs 	<p>Establishes Rural Primary Care Hospital</p> <ul style="list-style-type: none"> • Must be a not-for-profit or a community hospital • More than 30 minutes from another hospital • Make available 24 hour emergency care services • Have up to 15 acute care beds • 96 hour care limitation (except under certain conditions) • Would not have to meet staffing requirements that apply to hospitals under Medicare • Grandfather facilities under current demonstration programs 	<p>No Provision</p>
Medicare Dependent Hospital Program	<p>MDH program will be reinstated effective for cost reporting periods on or after Oct. 1, 1997. Eligible hospitals must have 100 beds or less and 60 % of discharges or patient days will be used to identify eligible hospitals.</p>	<p>Same as Senate Provision</p>	<p>No Provision</p>

<p>Rural Referral Centers</p>	<p>RRCs can apply to the Medicare Geographic Classification Review Board to be reclassified for purposes of a wage index adjustment – would not have to meet the wage threshold requiring that the hospital's average hourly wage (AHW) is at least 108% of the statewide rural AHW. Provision must be budget neutral.</p> <p>Any hospital designated as a RRC since fiscal year 1991 is permanently grandfathered.</p>	<p>Same as Senate Provision</p>	<p>No Provision</p>
<p>Disproportionate Share Hospital Program</p>	<p>From October 1, 1997 to January 1, 1999, apply current formula with a 4% reduction in the DSH adjustment. For calendar year 1999-2002, the Secretary will continue to apply an additional 4% reduction, each year, in the DSH payment adjustment.</p> <p>Beginning January 1, 1999, the Secretary must establish a new formula that not only continues to take into account Medicaid and Medicare SSI expenditures, but also uncompensated/charity care expenses. The new formula will have a single payment threshold for all hospitals, eliminating the current disparity between urban and rural DSH payments.</p>	<p>Freezes DSH payments for discharges occurring on or after October 1, 1997, and provides a 0% update for FY 1998 and FY 1999.</p> <p>Permits hospitals to request geographic reclassification for the purposes of receiving additional DSH payment amounts.</p> <p>The Secretary would be required to develop a proposal to modify current definitions for DSH payments and transmit the proposal to House Ways and Means and Senate Finance Committees by April 1999.</p>	<p>No Provision</p>

<p>Medicare Reimbursement for Capital Related Taxes and Capital Payment Rule</p>	<p>Provides for reimbursement to for-profit hospitals for capital related taxes outside of the Perspective Payment System by shifting dollars from small, community not-for-profit hospitals.</p> <p>Extends exemption to Capitol Payment Rule to all urban hospitals with more than 100 beds. Results in shifting dollars away from small, rural hospitals.</p>	<p>Extends exemption to Capitol Payment Rule to all urban hospitals with more than 100 beds. Results in shifting dollars away from small, rural hospitals.</p>	<p>No Provision</p>
<p>Medicare Reimbursement for Nurse Practitioners and Physicians Assistants</p>	<p>Provides expanded direct reimbursement for NPs and PAs if no facility or other provider charges are made in connection with the service. Removes the restriction on settings and reimburses NPs and PAs at 80 percent of the lesser of either the actual charge or 85 percent of the fee schedule amount for the same service if administered by a physician.</p>	<p>Same as Senate Provision</p>	<p>Same as Senate Provision</p>
<p>Graduate Medical Education</p>	<p>Allow GME payments to RHCs and FQHCs.</p> <p>Special consideration will be given to facilities that meet rural underserved needs.</p>	<p>Requires the Secretary to submit to Congress within 18 months of enactment a proposal for providing payments to non-hospital providers, including RHCs and FQHCs, for direct costs of medical education. There is a 6 month delay in implementation of any proposal.</p>	<p>Same as House Ways and Means Provision</p>
<p>National Commission on the Future of Medicare</p>	<p>Establishes a 15 member commission to make recommendations to Congress on actions necessary to ensure the long-term solvency of the Medicare program.</p>	<p>Same as Senate Provision</p>	<p>Same as Senate Provision</p>
<p>Medicare Payment Advisory Commission</p>	<p>Establishes a new commission to review and make recommendations to the Congress concerning payment policies under Medicare. Replaces ProPac and PPRC. Legislation specifies rural representation on the new commission.</p>	<p>Same as Senate Provision</p>	<p>Same as Senate Provision</p>

Medicaid Reimbursement for RHCs and FQHCs	No Provision	No Provision	<p>Phases out cost-based reimbursement under Medicaid for RHCs and FQHCs.</p> <p>1998 100% of Cost-based 1999 100% of Cost-based 2000 95% of Cost-based 2001 90% of Cost-based 2002 85% of Cost-based</p>
Rural Health Clinics	<ul style="list-style-type: none"> • Extends independent-based RHC per-visit payment limit to provider-based clinics, except for small, rural hospitals with less than 50 beds • Require triennial recertification of RHC – Secretary of HHS must certify that there are insufficient numbers of needed health care practitioners in a RHC's area – clinics that no longer meet the shortage area requirement will be permitted to retain their designation only if the Secretary determines they are essential to the delivery of primary care services in the area • Limit the NP/PA waiver to clinics already certified, new clinics will have to meet the NP/PA staffing requirement • Require clinics to meet performance standards <p>Provides contracting protections for RHCs under Medicaid managed care.</p>	Same as Senate Provision	<p>Same as Senate Provision</p> <p>Provides contracting protections for RHCs under Medicaid managed care including a supplemental payment by states if RHCs receive less than cost under Medicaid managed care.</p>

Revised 7/8/97

DRAFT

MAJOR POLICY ISSUES TO BE RESOLVED IN RECONCILIATION CONFERENCE

Prepared by the Majority Staffs, House and Senate Committees on the Budget
1 July 1997

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
MEDICARE			
<p>- MedicarePlus/Medicare Choice</p>	<p>Payments to Medicareplus Health Plans — Carve out of amounts attributable to disproportionate share hospitals [DSH], indirect medical education [IME] costs, and direct medical education [DME] costs. - COMMERCE — Phases out amounts over 5 years. - WAYS AND MEANS — Maintains amounts in MedicarePlus payments.</p> <p>Capitation Payment Rate — Derive from a blend of local and <u>input price-adjusted</u> national costs. - COMMERCE — 70% local, 30% national. - WAYS AND MEANS — 50-50 blend, <u>updates links to growth in FFS Medicare.</u></p> <p>Minimum Monthly Payment/Minimum Update — - COMMERCE — Floor of \$350 in 1998. Sets payment at 100 percent of 1997 rate for 1998, 101 percent for 1999-2000, 102 percent for 2001 and beyond. - WAYS AND MEANS — Floor of \$350 for 1998. Sets minimum payments increase of 102 percent of the prior year's rate.</p>	<p>Carves out DSH, IME, and DME from the Medicare Choice payment <u>over 4 years.</u></p> <p>Uses a 50-50 blended payment of <u>local and national costs that are not input price-adjusted. Growth in payments tied to GDP growth.</u></p> <p><u>Sets floor at \$4,200 a year and maintains payment at 100 percent of the prior year. Initially sets \$350 payment floor and minimum increase, but provides for adjustment to increase floor to 85% of national average (over \$400). financed by reducing minimum increase to zero.</u></p>	<p>Supports Senate and House Commerce provisions on carve-out.</p> <p>Supports Commerce 70/30 blend, which mitigates the geographic variation in payments without major disruption; the House link to fee-for- service payments; the Commerce floor; and the House approach to risk adjustment.</p>

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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MEDICARE (continued)

- Private fee-for service	No provision.	Private fee-for-service option. No protection against balance billing.	Strongly opposes any provision to allow balance billing.
- Home Health Spending Transfer	Transfers certain home health spending (following 100 visits or not following a hospitalization) from Part A to Part B. - COMMERCE - Makes entire transfer immediately. - WAYS AND MEANS - Phases-in transfer over 6 years.	Phases in transfer over 7 years.	Supports House Commerce Committee provision because it is explicitly consistent with the Agreement and extends the life of the Trust Fund by 2 additional years.
- MSA's	Provides for medical savings account demonstration, allowing 500,000 individuals to enroll.	Allows 100,000 enrollees, Limits cost-sharing to amounts allowed under HIPAA.	Supports Senate with current law balance billing limitations. Demo should be as small as possible and limited geographically for a trial period (e.g., 2 States for 3 years).
- Eligibility Age	No provision.	Conforms Medicare eligibility age to Social Security's normal retirement age, saving \$10.2 billion from 2003 through 2007 and reducing Medicare's long-term deficit by 0.2 percent of payroll.	Strongly opposes. Would increase number of uninsured Americans.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
MEDICARE (continued)			
- Income-Related Premium	No provision.	Phases up premium from current 25 percent of program costs to 100 percent, saving \$3.9 billion over 5 years, \$19.6 billion over 10 years. Phase-in would be over income ranges: for single persons with incomes of \$50,000 to \$100,000; for couples with incomes of \$75,000 to \$125,000,	Supportive in concept but oppose how policy is structured in the Senate. Policy would create incentives for beneficiaries to leave medicare and would lose significant revenue due to administrative inefficiency. Prefer 75% phase out, indexing income thresholds to account for inflation. Administration by IRS is the only feasible option in the near-term.
- Home Health Copayment	No provision.	\$5 dollar copayment applying only to home health visits paid from Part B; capped at annual hospital deductible; saves \$4.7 billion over 5 years.	Strongly opposes. Ineffective at lowering use, since 85% of beneficiaries have Medigap or Medicaid. Conferees should drop this provision.
- Medical Malpractice	- COMMERCE - Limits noneconomic damages to \$250,000 and implements other reforms. - WAYS AND MEANS - Limits noneconomic damages to \$250,000 and implements other reforms.	No provision.	Strongly opposes House provisions.
- 10-Year Savings	WAYS AND MEANS — \$386 billion. (The Commerce Committee does not have jurisdiction over the full amount.)	Saves \$447 billion over 10 years.	Agreement calls for \$434.0 billion in net Medicare savings over ten years. It also calls for extending the list of the Trust Fund by at least 10 years -- the Senate bill falls 1 year short of the Agreement according to CBO.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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MEDICAID

- Total Savings	Saves \$12.9 billion \$11.8 billion , after adjusting the CBO-reported savings for Medicaid-related changes because of the child health insurance initiatives.	Saves net of \$13.5 billion \$14.7 billion over 5 years.	The Agreement calls for \$13.6 billion in savings over five years, net of spending on new initiatives described in the Agreement.
- DSH Reductions	Reduces disproportionate share hospital [DSH] payments by \$15.3 billion gross over 5 years by establishing additional caps on State DSH allotments for fiscal years 1998-2002. The State DSH allotments for States in which 1995 DSH payments were less than 1 percent of total medical assistance spending would be frozen at the level of payments for DSH adjustments in those States in 1995. For States classified as "high" DSH States for fiscal year 1997, DSH allotments would be reduced from the higher of 1995 or 1996 payment levels. The reduction percentage for "high" DSH States would be equal to 2 percent in 1998, 5 percent in 1999, 20 percent in 2000, 30 percent in 2001, and 40 percent in 2002. All other States' DSH payments would be equal to the higher of 1995 or 1996 DSH payments levels reduced by one half of the reduction percentages for "high" DSH States.	Reduces disproportionate share hospital [DSH] payments by \$16.0 billion gross over 5 years by establishing additional caps on State DSH allotments for fiscal years 1998-2002. Freezes very low DSH States for 5 years (below 3 percent DSH); low-DSH (above 3 percent but below 12 percent) get phased-in 15-percent reduction from their allotments; high DSH (above 12 percent) get a phased-in 20-percent reduction and a phase-out of any spending for mental health facilities from their base DSH allotments . Also applies new restrictions on using DSH for mental health facilities and requires States to prioritize payments to hospitals based on their low-income utilization rate .	As in OBRA 93, DSH policy should be designed to avoid undue hardship on any State: <ul style="list-style-type: none"> • Supports President's 1998 budget proposal, which takes an equal percentage reduction from a State's total DSH spending, up to an "upper limit." • DSH savings should be linked to a Federal standard for targeting remaining DSH funds to needy hospitals. • Supports House provision requiring States to make DSH payments directly to qualifying hospitals (rather than through managed care payments).

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
MEDICAID (continued)			
- DC and Puerto Rico	No provision.	Increases FMAP for DC to 60 percent for 1998 through 2000; increases payment for Puerto Rico by \$30 million in FY 1998 plus increases for other territories.	D.C. -- Opposes Senate sunset in 2000 and supports increasing match rate to 70% (as in President's 1998 budget). Puerto Rico -- Supports adjustments for PR and the territories in the President's 1998 budget.
- Medicare Part B Premium Protection	Spends \$1.5 billion over 5 years in Medicaid for premium assistance for seniors with incomes of 120 percent to 175 percent of poverty. Covers the full Medicare premium for those with incomes up to 135 percent of poverty. For seniors with incomes between 135 and 175 percent of poverty, the assistance covers that portion of the Medicare Part B premium increase attributable to the home health spending transfer.	Creates a new Medicare block grant, \$1.5 billion over 5 years, to States to provide premium assistance for beneficiaries between 120 percent and 150 percent of poverty.	Supports financing the cost of the full Medicare premium through Medicaid. Objects to Senate provision that uses a Medicare grant for this assistance that sunsets in 2002.
- Medicaid Cost Sharing	No provision.	Allows States to Requires limited cost sharing for optional benefits; prohibits cost sharing for children under 18 in families with incomes below 150% of poverty.	Strongly opposes Senate provision for optional benefits. The Administration is concerned that the Senate bill could compromise beneficiary access to quality care. Low-income elderly and disabled Medicaid beneficiaries may forgo needed services if they cannot afford the copay. Strongly supports Senate provision prohibiting cost-sharing for children.
- 1115 Waivers and Provider Tax Waivers	Extends expiring 1115 Medicaid waivers.	Extends expiring 1115 Medicaid waivers without regard to budget neutrality. Also deems provider taxes as approved for one State.	Supports continuing policy of budget neutrality.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
MEDICAID (continued)			
- Return-to-Work	No provision.	Allows States to allow workers with disabilities whose earnings are below 250% of poverty to buy into Medicaid.	Supports President's 1998 budget proposal, which would not limit eligibility to people whose earnings are below 250% of poverty.
- Criminal Penalties for Asset Divestiture	Amend Section 215 of HIPAA to provide sanctions only against those who help people to dispose of assets in order to qualify for Medicaid.	Amend Section 215 217 of HIPAA to provide sanctions only against those who help people to dispose of assets in order to qualify for Medicaid.	Supports repeal of this section.
- Medicaid Management Information	Requires States to show that their State-designed Medicaid management systems meet outcome-based performance standards and would permit the collection and analysis of person-based data	No provision.	Supports House provision.
- Alaska Medicaid Match Rate	No provision.	Increases federal Medicaid matching rate for Alaska.	Opposes change to single-State FMAP in the absence of efforts to examine broader alternatives.
- Payment Rates for QMB's and Dual Eligibles	No provision.	Allows States to use Medicaid payment rates when determining whether any cost-sharing is owed for QMB's and dual eligibles, for net savings of \$2.1 billion over 5 years (\$5 billion in Medicaid savings, \$2.9 billion in Medicare costs.)	No position.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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WELFARE-TO-WORK

<p>- Fair Labor Standards Act</p>	<p>Applies language from the 1987 1988 law creating AFDC JOBS to indicate that participants in public sector or non-profit workfare activities are not employees under the Fair Labor Standards Act and other employment laws.</p> <p>Specifies maximum number of hours states can require beneficiaries to work by counting TANF and Food Stamp benefits as wages for purpose of the minimum wage.</p> <p>Provides limited nondiscrimination and grievance procedure guidelines and other worker protections to TANF work activities for workfare</p>	<p><u>No provision.</u></p> <p><u>No provision.</u></p> <p><u>Provides grievance procedures and other worker protections to WTW grant funds.</u></p>	<p>Supports Senate position and strongly opposes minimum wage and welfare work requirement proposals in House bill, which were not in the Agreement.</p> <p>Supports Senate position (no provision).</p> <p>Supports extending Senate provisions on grievance procedures and worker protections to all working welfare recipients under TANF.</p>
<p>- Grant Distribution Formula</p>	<p>WAYS AND MEANS — Provides 50 % of funding through formula grants and 50 % through competitive grants awarded by Labor.</p> <p>EDUCATION AND THE WORKFORCE — Provides 95% of funding through formula grants and 5% through competitive grants awarded by Labor.</p>	<p><u>75% of funding by formula. 25% through competitive grants.</u></p>	<p>Supports Ways and Means provision in House bill, which best accomplishes goal in the Agreement that funds be allocated and targeted to areas with high poverty and unemployment.</p>

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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WELFARE-TO-WORK, CONT'D

<u>- WTW Federal Administering Agency</u>	<u>Department of Labor</u>	<u>HHS</u>	<u>Department of Labor</u>
<u>- Welfare to work non-displacement</u>	<u>Provides non-displacement protections to all welfare to work grant funds.</u>	<u>Limits non-displacement protections to recipients under welfare-to-work funds (and not TANF)</u>	<u>Support extending Senate provisions on non-displacement to all working welfare recipients under TANF.</u>
<u>- WTW Local Program Administration</u>	<u>Private Industry Councils (PICs)</u>	<u>Local TANF agency</u>	<u>Supports House position (PICs) that cities and other local areas should manage a substantial amount of all WTW funds.</u>
<u>- Performance Fund</u>	<u>No provision.</u>	<u>Provides a performance bonus to States that are successful at moving welfare recipients into work by augmenting the existing TANF performance bonus fund in FY 2003. Provides funding over a 3-year period between FY 1998 and FY 2001, thus generating outlays in FY 2002.</u>	<u>Supports mechanism to provide incentives and rewards for placing the hard-to-serve. One approach would require Governors to use a share of their discretionary funds and the Sec'y of Labor to use a share of competitive funds to reward high-achieving welfare-to-work programs.</u>

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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WELFARE-TO-WORK

- SSI State Supplements	Eliminates the maintenance of effort requirement that prevents States from lowering or eliminating State supplemental SSI payments.	No provision.	Strongly opposes repeal of the MOE provision, which was not in the Agreement.
- Vocational Education Counted as Work Under TANF Work Requirements	<p>- WAYS AND MEANS - Limits the number of TANF beneficiaries who can be counted toward meeting the work participation requirements to 30% of the total number of people meeting the requirement rather than 20% of the total TANF caseload. Teen parents attending high school are not required to be counted within the 30%.</p> <p>- EDUCATION AND WORKFORCE - Limits number of TANF beneficiaries a state can count who are in vocational education to 20% of the total number of persons meeting the work requirement rather than 20% of the total TANF caseload. Teen mothers attending high school do not fail within continue to be counted under the 20% cap.</p>	Continues to permit States to calculate up to 20% of their TANF caseloads participating in vocational education as meeting the work requirement, but eliminates current requirement that teen mothers attending high school be counted as part of that 20% cap.	The Agreement did not address making changes in the TANF work requirements regarding vocational education and educational services for teen parents, and the Administration urges the Conferees to drop these provisions.
- TANF Transfers to Title XX	Removes the requirement that States transfer \$2 to child care activities for every \$1 in TANF block grant funds that they transfer to the Title XX Social Services Block Grant.	No provision.	Opposes House provisions, which were not in the Agreement and would allow States to channel funds away from low-income families and reduce their effective TANF contribution.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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WELFARE-TO-WORK IMMIGRANTS

<p>- Alien Eligibility for SSI and Medicaid</p>	<p>Restores eligibility for SSI and Medicaid for <u>legal qualified</u> aliens who were in the country and on the benefit rolls receiving SSI as of August 22, 1996. Legal aliens who were in the U.S. but not receiving SSI benefits are ineligible for benefits if they become disabled in the future. Total cost is \$9 billion over 5 years.</p>	<p>Restores eligibility for SSI and Medicaid for <u>legal qualified</u> aliens who were in the country and on the benefit rolls receiving SSI benefits as of August 22, 1996. Provides eligibility for SSI benefits to legal aliens in the U.S. on August 22, 1996 but who were not on the benefit rolls then at any time in the future if they become disabled. <u>who entered the U.S. prior to August 23, 1996 and who are or who become disabled in the future.</u></p> <p>Gives States the option to exempt immigrant children from the 5 year ban on Medicaid. Exempts immigrants from SSI ban who are so severely disabled they are unable to naturalize. Total cost is \$11.4 \$11.6 billion over 5 years.</p>	<p>Supports Senate provision, which implements the Agreement. House bill fails to fully restore SSI and Medicaid benefits for all legal immigrants who are or become disabled in the future who entered the U.S. prior to August 23, 1996. (The President stated in a June 20 letter that he will not sign legislation that does not include the policy that protects immigrants who are or become disabled.)</p> <p>Supports Senate provisions.</p>
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	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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FOOD STAMPS

<p>- Work Slots</p>	<p>Provides States with \$680 million in new funding over 5 years for Education and Training activities within Food Stamps. At least 80 percent of the total Food Stamp E & T funding of \$1.1 billion would be earmarked to able-bodied adults subject to the work requirement. Job search <u>and job search training</u> would not be an allowable use of the funding <u>earmarked for able-bodied adults</u>. CBO assumes the policy will generate 205,000 work slots that keep able-bodied adults subject to the work requirement eligible for benefits over 5 years. <u>However, other activities that do not meet the work requirements would be permissible. Requires States to maintain 100% of 1996 levels in order to receive new 100% Federal funds.</u></p>	<p>Provides \$640 million in funding to create additional Education & Training positions within food stamps. Requires the Secretary of Agriculture to establish two different reimbursement rates for States accessing these funds. A higher rate will be paid to states drawing down funding for placing persons subject to the work requirement in work slots which keep those persons eligible for food stamps. A lower reimbursement rate will be paid to states that use funding on activities that do not keep persons subject to the work requirement eligible for benefits: CBO assumes this policy generates 250,000 work slots over 5 years that keep people eligible for benefits meet the work requirements, over 5 years. <u>Requires States to maintain 75% of 1996 levels in order to receive new or existing 100% Federal funds.</u></p>	<p>Agreement provides for additional and redirected E&T funds "to create additional work slots for individuals subject to the time limits" to maximize the number of new slots. Administration endorses Senate reimbursement structure and House provisions for maintenance of effort in order to ensure that the maximum number of slots are created.</p>
<p>- "Texas" Waiver Welfare Privatization</p>	<p>Permits any State to contract with a private sector entity to conduct income verification and eligibility determinations for Food Stamps and Medicaid.</p>	<p>Allows up to 10 States to conduct a demonstration program of contracting out income verification and eligibility determination activities to private sector companies. No provision.</p>	<p>Strongly opposes House provision and urges the Conferees to follow the approach taken by the Senate (i.e., no provision).</p>

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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CHILDREN'S HEALTH

- Total Spending	Spends \$15.9 billion over 5 years for children's health insurance or services.	Spends \$24 billion (preliminary scoring) for children's health insurance, including the \$8 billion added from the tax bill (see below).	Supports -- <ul style="list-style-type: none"> • Senate definition of benefits, limits on cost-sharing • State option in House bill to spend grant money on grants, Medicaid, or a combination of the two (Senate requires States to choose only one) • Strong maintenance of effort provision and the Senate bill prohibition on using provider taxes and donations to fund States' share • Using same match rate for Medicaid and grant programs, as in Senate bill Opposes -- <ul style="list-style-type: none"> • Provisions that allow States to pay for family coverage or pay the employee's share of employer-sponsored insurance in the House bill
- Extra \$8 billion	No provision.	Provides additional \$8 billion in the tax bill.	Supports using all of the revenue from the tobacco tax for initiatives that focus on the needs of children and health. Opposes sunset in this funding after 2002.
- Medicaid Benefits for Children Losing SSI Benefits	Allows, but does not require, States to restore Medicaid benefits for children losing SSI benefits because of new, tighter SSI standards for childhood eligibility.	No provision.	Agreement calls for the restoration of these benefits. The Administration supports FY 1998 President's budget provision, which guarantees Medicaid coverage for these children.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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CHILDREN'S HEALTH, CONT'D

- Direct Provision of Services	Allows States to use grant funds for the purchase of health insurance for the direct provision of health care services.	Does not allow States to use grant funds provide for the direct provision of health care services.	Strongly opposes House direct services option.
- Funding Structure	Allows States to spend grant funds on Medicaid, a grant program, or a combination of the two.	Requires States to choose between Medicaid and a grant option.	Supports House provision.
- Eligibility	Defines targeted low-income children as those whose family income exceeds the Medicaid applicable levels but does not exceed an income level 75 percentage points higher than the Medicaid applicable income level.	Includes a ceiling of 200% of poverty for eligibility.	Opposes Senate provision.
- Hyde Amendment	Extends to children's health initiative funding the Medicaid appropriations prohibitions on Medicaid payment for abortion services.	Same as House. Also includes in the Medicaid section a managed care sanction provision to change the definition of "medically necessary" to exclude abortion services except under certain circumstances.	Strongly opposes limiting access to medically necessary benefits, including abortion services.

HEALTH INSURANCE FOR SMALL BUSINESSES

- MEWA	Includes legislation allowing small businesses and organizations to offer health insurance, extending ERISA preemptions and State regulations, requiring solvency standards for association health plans, and other regulations.	No provision.	Strongly opposes House provision.
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	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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SPECTRUM AUCTIONS

- Analog Return	Authorizes the FCC to auction frequencies that are currently allocated for analog television broadcasting. Imposes a time limit on the television licenses that authorize analog television services. Allows the FCC to extend the time limit if more than 5 percent of the households in a market rely exclusively on analog television signals.	Comparable provision, except that the FCC is required to delay the return if the 5-percent test is not met.	Agreement includes hard cut off date with authority to extend for small and rural markets. Agreement assumed that this auction would take place in 2001 with a firm cut off date for analog broadcasting in 2006.
- Vanity Numbers	Does <i>not</i> authorize the FCC to auction the so-called vanity telephone numbers.	Does <i>not</i> authorize the FCC to auction the so-called vanity telephone numbers.	Agreement includes a proposal authorizing FCC to auction vanity telephone numbers (\$0.7B).
- Bankruptcy	No provision.	No provision.	Seeks authority to allow the FCC to revoke and reauction a license when a licensee declares bankruptcy.
- Federal Reimbursement	No provision.	Authorizes reimbursement of Federal agencies for the costs of relocating to new spectrum bands so that spectrum they are now using may be made available by the FCC for auction for commercial use.	Agreement assumed and the Administration supports reimbursement.
- Spectrum Penalty	Does not include a penalty fee that would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.	Does not include this penalty fee.	Agreement includes a fee to be levied against entities that received spectrum at no charge for digital broadcasting, but opted to utilize it for ancillary services (\$2.0B).

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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STUDENT LOANS

- Administrative Cost Allowance	Requires payment to guaranty agencies of 0.85 percent of the principal of all new loans. Capped at \$170 million for 1998 and 1999 and \$150 million for 2000-2002.	Same provision.	Opposes this provision, which provides a new entitlement to guaranty agencies.
- Smith-Hughes Act	Eliminates the Smith-Hughes Act, the original vocational education program.	No provision.	Supports House provision, which is consistent with the Agreement.
- Section 458 funds	Permits section 458 funds for Federal administrative of student loans, to be spent on FFEL (HEA Part B) administration as well as direct loans (Part D).	Limits expenditure of section 458 funds to administration of direct loan program (Part D).	Supports House position. Senate would prevent the Secretary from effectively administering FFEL.
- Retention Allowance	Allows guaranty agencies to retain 18.5 percent on payments received when a defaulted loan is consolidated. <u>The Committee claims that this will have a retroactive effect allowing guaranty agencies to retain 27% between 1992 and 1997 if legislative intent is considered. CBO and OMB do not score the amendment as a cost item because they do not interpret the amendment to allow agencies to retain 27% retrospectively.</u>	No provision.	Opposes this provision, which would provide funding to guaranty agencies without regard to expenses incurred. Interprets amendment to have only prospective, not retrospective, application.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
VETERANS' BENEFITS			
- Medical Care Cost Recovery	Replaces the existing Medical Care Cost Recovery Fund with a new fund into which monies recovered or collected for medical care would be deposited and would be available, <i>subject to appropriations</i> , to pay for the expenses associated with veterans' medical care. If spending from the collections is not subject to appropriations, budget targets will not be met. Also includes a "failsafe" provision authorizing additional funds in the event there is a shortfall in anticipated collections in excess of \$25 million.	Replaces the existing Medical Care Cost Recovery Fund with a new fund into which monies recovered or collected for medical care would be deposited and would be available, <i>subject to appropriations</i> , to pay for the expenses associated with veterans' medical care. No "failsafe" mechanism.	Concurs with Senate position.
- VA and DoD Medicare Subvention Demonstrations	No provision.	Requires managed care and fee-for-service demonstrations of Medicare reimbursement to the Departments of Veterans Affairs and Defense.	Supports inclusion of VA and DoD subvention demonstrations, but wants changes to address concerns with fee for service and payment rate components of the DoD demonstration.

	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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HOUSING

<p>- Mark to Market</p>	<p>No Provision. (Representative Lazio has introduced, by request, the administration's bill and there is at least one other house version introduced so far.)</p>	<p>FHA Multifamily Mortgage Restructuring: Net savings would be \$240 million between 1997 and 2002. The reform would reduce the rents on Section 8 Housing contracts and use a new capital grant program out of the FHA in order to avert large defaults on federally insured mortgages. There are several different versions of this legislation. Without these provisions, the Banking Committee would still exceed its target reconciliation savings of \$1.5 billion over 5 years.</p>	<p>Supports the following changes to Senate bill:</p> <ul style="list-style-type: none"> • Allow for the conversion of subsidies to portable tenant-based assistance, allowing tenants to seek out the best available housing and permitting projects to develop a more diverse mix of income levels. (Senate maintains low-income rental assistance as project-based, tied to specific properties.) • Give HUD more flexibility to design the most effective partnerships. (Senate establishes a preference for delegating restructuring tasks to housing finance agencies.) • Amend tax code to allow for tax amortization in exchange for long-term affordability restrictions. (Senate attempts to address tax issues through the use of "soft" second mortgages which, as interpreted by IRS, may not have the desired effect of deferring tax consequences.) <p>(CBO scores \$326 million in savings over 1997-2002 from the Administration's bill.)</p>
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	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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OTHER ISSUES

- SSI User Fee	Authorizes an increase to the fee States pay when they enter into agreements to have SSA administer State supplemental payments (i.e., State payments that are supplemental to the Federal SSI payment) and makes the funds from the increase available to SSA for administrative expenses, subject to appropriations action.	No provision.	Supports the House language. Agreement calls for a proposal to increase the existing fees to offset SSA-related spending.
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	HOUSE-PASSED BILL	SENATE-PASSED BILL	BUDGET AGREEMENT/WHITE HOUSE POSITION
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OTHER ISSUES

<p>- 4.3 cents motor fuel tax transfer</p>	<p>No provision.</p>	<p>Transfers 4.3 cents motor fuel taxes from the General Fund to the Trust Fund.</p> <p>Creates an Intercity Passenger Rail Fund (IPRF) to fund AMTRAK. This \$2.3 billion fund is capitalized by a smaller tax cut in the Senate and is subject to appropriation.</p>	<p>Objects to Senate proposal to transfer 4.3 cents to the HTF. The Agreement assumes that these taxes will continue to go to the General Fund for deficit reduction. The growth in HTF balances will generate significant pressure to increase spending above the levels assumed in the Agreement. Shifting the 4.3 cents to the HTF will increase the FY 2002 balance from \$34 billion to over \$72 billion, assuming the Agreement spending levels.</p> <p>Objects to this proposal, which provides funds to AMTRAK above those in the Agreement. Expenditure from the IPRF should be limited to capital only and contingent upon AMTRAK reform legislation.</p>
<p>- UI Integrity</p>	<p>Ways and Means - Includes authorization of UI program integrity activities.</p>	<p>No provision.</p>	<p>Supports House provision, along with budget process reforms in order to achieve savings assumed in the Agreement.</p>