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001. draft	Draft- Health Coverage Ideas for Budget (7 pages)	12/10/99	P5

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DRAFT: 11/21/99: HEALTH CARE MANDATORY NEW IDEAS

OVERVIEW. The last year of the Clinton Administration poses unique challenges and opportunities in health care. The unprecedented drop in Medicare and Medicaid spending, the rising cost of and need for prescription drug coverage, the carry-over from the 1999 agenda, and the focus on health insurance expansions in the 2000 election will ensure that health care will continue to be front and center of the national domestic and economic debate.

The uninsured may be back on the agenda next year, in part thanks to efforts by the Vice President. His and Senator Bradley's policies and focus on the issue has resulted in a growing acknowledgement in academia and elite press that much of the surplus comes from – and should be reinvested in – health care. While we previously had thought that this would remain an election issue, the Republicans seem intent on including flawed policies like tax deductions and association health plans in the Patients' Bill of Rights debate. With this in mind, we will need to consider how aggressively we will pursue administrative and legislative coverage expansion policies, such as the Vice President's initiatives, in 2000. Several are listed below.

On Medicare, a number of factors may necessitate a change in our current policy. First, the end of the year give-back bill coupled with the decline in Medicare spending limit our ability to draw savings from the program for the budget. Traditional Medicare savings, such as provider payment reduction extenders are virtually impossible to contemplate as a savings source. With this in mind, the only realistic options are the competitive defined benefit and fee-for-service modernization proposals, which amount to less than half of our savings package from this year, and possibly additional fraud and abuse and excessive managed care payments. We also expect that recent reports of drug inflation will raise the cost of our current prescription drug benefit. Countering these challenges is the unprecedented reduction in spending in Medicare, that will likely extend of the life of the Medicare trust fund well beyond 2020, lessening the appetite for controversial reforms (although this will not be public until April). Therefore, a smaller proportion of the one-third of the surplus that we have publicly dedicated to Medicare may be needed to extend solvency, although a greater proportion will likely be needed to offset the cost of the drug benefit and the reduction in available savings. Other health care priorities such as coverage and long-term care may also be candidates for excess surplus. Recognizing that resources aren't limitless, it may be desirable to contemplate the use of a tobacco tax to help offset the cost of the prescription drug benefit (see description below).

MEDICARE REFORM

Plan to Strengthen and Modernize Medicare. The President should include his reform plan in the budget. We could include the June proposal unchanged, a modified version of it, or we could see if we could work with key Congressional members to develop a bipartisan plan for introduction in January. Below are the elements of the proposal that could and/or should be revisited.

Nature of drug benefit. At the end of 1999, it appears that we have made significant headway in gaining public support for a universal rather than a low-income benefit. However, this may have created a problem. Given the cost of the universal benefit – and the likely higher cost in the new baseline – we may be faced with a choice of paying more for the same benefit or reducing the benefit. Indeed, the Breaux-Frist proposal includes a higher premium for beneficiaries for coverage that is about the same value as the President's (it allows managed care and private plans to design their own benefit within a certain dollar value, which we think is not viable). We fear that we may be headed down the path of the 1989 Catastrophic Act debacle, resulting in a universal benefit that will be too expensive or too modest to be supported by beneficiaries. As such, we may need to shift the discourse from a choice between low-income and universal coverage to decent versus substandard coverage. We may also want to consider modifying the design of the drug benefit to include some level of catastrophic coverage. This could be done by reducing the benefit cap to allow for adding some type of out-of-pocket limit. Some catastrophic coverage would make it more palatable to both liberal Democrats and some Republicans who are concerned about the insurance nature of the benefit. However, such a policy remains subject to the same criticisms that led us to reject it last spring: it has a higher growth rate over time, and is more complicated.

Inclusion of Balanced Budget Act (BBA) extenders. It is unlikely that we could credibly include the extension of BBA policies in our plan, in light of the recent Balanced Budget Restoration Act (BBRA). However, they comprised the majority of the savings in our plan. Thus, if we do not include them in our budget, then we would need to consider alternative financing sources for the prescription drug benefit, such as a tobacco tax or additional surplus funding. While using a tobacco tax for the budget may be a non-starter, there appears to be support in the Senate for it as a financing source for a prescription drug benefit (the Snowe-Wyden drug benefit funded by a tobacco tax gained 54 votes in the budget resolution). In addition, the recent report about the decline in Medicare spending may lower the need for surplus for solvency and could justify the additional dedication of the surplus for prescription drug coverage.

Managed care and competition. Although most of the unwarranted managed care spending in the BBRA cannot be changed (the 2001 risk adjustment change gets implemented in April and most of the $4.8 billion results from the indirect effect of the fee-for-service changes on managed care payment rates), we could add a repeal of the change in the 2002 risk adjustment and rescission of the rate increase for 2002 to the competition proposal. (Savings: probably $0.5 to 1 billion over 5 years).

Medicare board. To the extent that we want to try to pass legislation next year, we will need to be more aggressive on the Medicare Board issue. Like the IRS, HCFA has developed a reputation as an immovable and archaic bureaucracy. While this is in large part untrue, it seems clear that no reform package will pass without changes to Medicare management. Thus, we should consider whether it is advisable to move out ahead of this issue, or simply be prepared to respond to Congressional proposals.

Policies to reduce fraud, abuse and overpayments. Medicare policies to reduce overpayments, fraud and abuse include: Medicare secondary payer enforcement, tightening up the partial hospitalization benefit, reducing overpayment for epogen, single fee for surgery, expand the DRG payment window, enteral nutrients payment change, and durable medical equipment payment changes. (Savings: about $4 billion over 5 years). In addition, Medicaid policies to reduce the windfall for administrative costs (cost allocation) and overpayments for generic drugs could save about $1.5 billion over 5 years. All of these policies were included in the President's FY 2000 budget.

Cancer clinical trials. A three-year demonstration would cover the patient care costs associated with certain clinical trials. This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $750 million over 3 year)

QUALITY

Patients' Bill of Rights. The President will continue to encourage Congress to pass the bipartisan, Norwood-Dingell legislation. We did not include the revenue loss associated with this bill in our budget last year and it would probably be advisable to do the same this year. However, we have explicitly supported the House Democrats position that its cost should be offset. As you may recall, they took this position to undermine the Republicans' lack of financing of their so-called "access" provisions in the House-passed patient bill of rights.

Privacy protections. In the context of the Administration's overall commitment to privacy protections in health care, financial and other areas, we will likely want to initiate and/or endorse legislation to expand the scope of our authority to regulate in this area to include paper claims (not just electronic claims), to provide for greater enforcement authority to ensure the protections promised are real, and to contemplate the possibility of an earlier implementation of these protections (the HIPAA legislation constrains our ability to implement the privacy protections until two years after the final regulation is issued, which is planned for next spring). We would likely work with Congressional staff on this rather than initiate such legislation ourselves.

Genetic discrimination. We will continue on our efforts to promote legislation to prohibit use the use genetic information in health insurance and employment situations. Again, this is a Congressional initiative that we will support rather than an explicit budget proposal.

Promoting outcomes-oriented health care. Last year, the Vice President appointed a commission to examine ways to promote and disseminate results of studies on effective health care practices. This proposal would give HHS a greater leadership role in accelerating this activity [note: may have discretionary costs].

COVERAGE

General

Encouraging small businesses to offer health insurance. This initiative would encourage small businesses to offer health insurance to their employees through: a new tax credit for small businesses who decide to offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management. This proposal was in the President's FY 2000 budget. (Cost: $100 million over 5 years) Note: could broaden

Coverage of parents of children in Medicaid and CHIP). This Administration could issue guidance on the CHIP 1115 option, allowing states that cover parents of children on Medicaid to access CHIP allotment funds for parents of children in CHIP. This option would only be available to states that have expanded coverage for children to at least 200 percent of poverty and have successful outreach programs in place. It could also provide state with the same, enhanced matching rate that is available for CHIP for the parents of children enrolled in Medicaid as an incentive to expand coverage. (Cost: na)

Extending transitional Medicaid. Under current law, families covered by Medicaid (under section 1931) can continue Medicaid coverage for up to one year after they become ineligible because of increased earnings or child support. This requirement expires in at the end of FY 2002. This proposal would lift this sunset. (Cost: not yet known, but likely several billion over 5 years)

Restoring state options to cover legal immigrants. Welfare reform prohibited states from providing Federally-subsidized health insurance for certain legal immigrants. This proposal would restore this option for pregnant women and children in Medicaid and the Children's Health Insurance Program (CHIP). This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $300 million over 5 years)

Tax credit for individual insurance. This policy would give people without access to employer-based insurance a tax credit, equal to 25 percent of the cost of coverage, for purchasing individual insurance. While it is not expected to have a significant impact on coverage, it would removes an inequity in the tax treatment of health insurance. (Cost: ?)

Accelerating the tax deduction for the self-insured. This policy, included in the Republican "access" bill, would allow for 100 percent deduction of health insurance for self-employed to be implemented in 2001 rather than the scheduled 2004. (Cost: about $3 billion over 5 years)

Near Elderly

Medicare buy-in for certain 55 to 65 year olds. This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare, by paying a full premium; providing vulnerable displaced workers ages 55 and older access to Medicare by offering those who have involuntarily lost their jobs and their health care coverage a similar Medicare buy-in option; providing Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits a new health option, by extending "COBRA" continuation coverage until age 65. This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $1.8 billion over 5 years)

Children

Option for using school lunch information for children's health insurance outreach. Currently, school lunch programs are allowed to share enrollment information with other social programs, but not health insurance programs. The proposal would allow schools to elect to share school meal applications with Medicaid and CHIP staff unless parents opt not to have such information disclosed. When shared, application information may be used only for the purpose of child health insurance outreach and enrollment. (Cost: $50 million over 5 years)

Broadening presumptive eligibility for children for Medicaid. This proposal builds on the 1997 option to allow workers in programs that provide services to children, like school lunch programs and child care subsidy programs, to provide families with immediate, temporary Medicaid coverage while their full application is being provided. This proposal was in the President's FY 1999 budget. (Cost: about $600 million over 5 years)

Option for deemed eligibility in Medicaid for children. Currently, people enrolled in the supplemental security income (SSI) program automatically get Medicaid without filling out a separate application. This proposal would give states the same option for Medicaid-eligible children (note: states can use this option in CHIP under current law). Specifically, it would allow states whose income standards exceed the income eligibility for the Federal free- and reduced-price, WIC, Head Start, or Food Stamps to enroll children in Medicaid without a separate application. States would have to assure that they have safeguards against fraud and that they check immigration status. (Cost: na)

Aligning Medicaid and CHIP. States would be required to use the same application for children eligible for Medicaid and CHIP, to simplify enrollment. States also must use the same redetermination process for Medicaid and CHIP. (Cost: na)

LONG-TERM CARE

Long-term care tax credit. This new tax credit compensates for a wide range of formal or informal long-term care for people of all ages with three or more limitations in activities of daily living (ADLs) or a comparable cognitive impairment. This proposal would benefit about 2 million Americans. This proposal was in the President's FY 2000 budget. (Cost: $5.5 billion over five years)

National Family Caregivers Program. The program is designed to assist approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. It will support a caregiver support system in all states that provides information, education, counseling, and respite services directly to care-giving families. This proposal was in the President's FY 2000 budget. (Cost: $625 million over 5 years)

Offering quality private long-term care insurance to Federal employees. Proposal allows OPM to offer non-subsidized, private long-term care insurance to all federal employees, retirees, and their families at group rates. Roughly 300,000 Federal employees are expected to participate in this program. This proposal was in the President's FY 2000 budget. (Cost: negligible)

National campaign to educate Medicare beneficiaries about long-term care options. This campaign would provide Medicare beneficiaries with information about State administered home and community based care options including: what long-term care Medicare does and does not cover; Medicaid and Older Americans Act programs; and what to look for in a quality private long-term care policy. This proposal was in the President's FY 2000 budget. (Cost: $10 million for 2001)

Extending Medicaid home and community-based care options. This proposal would remove the institutional bias in Medicaid by allowing states to cover people with income up to 300 percent of the SSI limit both within and outside of nursing homes. This proposal was in the President's FY 2000 budget. (Cost: $110 million over 5 years)

Promoting assisted living for people on Medicaid. This proposal would provide HUD grants to convert elderly housing to assisted living facilities if those facilities worked with Medicaid to ensure that Medicaid beneficiaries can live there. This proposal was in the President's FY 2000 budget. (Cost: $100 million over 5 years)

DISABILITY

Extending Medicare for people with disabilities. In the compromise on the Work Incentives Improvement Act, its Medicare benefit was limited to an additional 4 and a half years. The policy in our budget last year was unlimited. This proposal would remove the time limit. (Cost: $0 for 2001-05, about $200 million for 2006-10)

$1,000 tax credit for workers with disabilities. Under this proposal, workers with significant disabilities would receive an annual $1,000 tax credit to help cover the formal and informal costs that are associated with and even prerequisites for employment, such as special transportation and technology needs. This tax credit would help 200,000 to 300,000 Americans. This proposal was in the President's FY 2000 budget. (Costs: $700 million over 5 years)

Expanding assistive technology. This proposal would double the budget for assistive technologies that enable people with disabilities to work. (Cost: $35 million for 2001)

ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS CONTAINED IN THE PRESIDENT'S FISCAL YEAR 2000 BUDGET PROPOSAL

Fiscal Years 1999 - 2009

[Millions of Dollars]

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
I. PROVISIONS REDUCING REVENUES														
A. *Health Care Tax Provisions*														
1. Long-term care tax credit [1]	tyba 12/31/99	—	-59	-1,256	-1,451	-1,551	-1,654	-1,748	-1,829	-1,812	-1,791	-1,788	-5,971	-14,939
2. Disabled workers tax credit	tyba 12/31/99	—	-18	-122	-141	-160	-171	-180	-183	-187	-189	-194	-611	-1,544
3. Provide tax relief to encourage small business health plans	[2]	—	-2	-6	-12	-16	-11	-2	—	—	—	—	-47	-49
B. *Education Tax Provisions*														
1. Tax credits for holders of qualified school modernization bonds and qualified zone academy bonds	bio/a 1/1/00	—	-85	-352	-684	-929	-1,044	-1,067	-1,067	-1,067	-1,067	-1,067	-3,094	-8,431
2. Exclusion for employer-provided educational assistance, including graduate level courses	[3]	-57	-285	-510	-201	—	—	—	—	—	—	—	-1,053	-1,053
3. Tax credit for employer-provided workplace literacy and basic education programs	tyba 12/31/99	—	-3	-19	-26	-38	-56	-70	-70	-71	-71	-71	-142	-496
4. Tax credit for contributions to qualified zone academies	cspma 12/31/99	—	-14	-41	-37	-29	-20	-5	—	—	—	—	-141	-147
5. Eliminate 60-month limit on student loan interest deduction	ipoqela 12/31/99	—	-16	-64	-69	-71	-74	-77	-78	-79	-87	-94	-295	-709
6. Eliminate tax on forgiveness of direct student loans subject to certain income contingent repayment	lca 12/31/99	No Revenue Effect												
7. Tax treatment of education awards under certain Federal programs:														
a. Eliminate tax on awards under National Health Corps Scholarship Program and F. Edward Hebert Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program	eara 12/31/99	—	-1	-1	-1	-1	[4]	[4]	-1	-1	-1	-1	-4	-7
b. Eliminate tax on repayment or cancellation of student loans under NHSC Scholarship Program, Americorps Education Award Program, and Armed Forces Health Professions Loan Repayment Program	rocoslra 12/31/99	—	-3	-6	-6	-6	-6	-6	-6	-6	-7	-7	-27	-59
C. *Child Care Provisions*														
1. Expand the dependent care credit	tyba 12/31/99	—	-244	-1,228	-1,272	-1,314	-1,356	-1,372	-1,406	-1,417	-1,408	-1,429	-5,414	-12,447
2. Tax credit for employer-provided child care facilities	tyba 12/31/99	—	-45	-90	-106	-125	-144	-159	-172	-185	-199	-214	-509	-1,437
D. *Tax Incentives to Revitalize Communities*														
1. Increase low-income housing tax credit per capita cap to $1.75	cyba 1999	—	-16	-81	-195	-330	-469	-610	-753	-897	-1,042	-1,189	-1,091	-5,583
2. Tax credits for holders of Better America Bonds	bio/a 1/1/00	—	-6	-31	-82	-149	-220	-285	-331	-350	-353	-353	-487	-2,159
3. New markets tax credit	qima 12/31/99	—	—	-9	-68	-154	-234	-304	-325	-264	-161	-75	-465	-1,593
4. Specialized small business investment companies	sa & tybo/a DOE	—	[4]	[4]	[4]	[4]	-1	-1	-1	-2	-2	-2	-1	-9

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
5. Extend wage credit for two new empowerment zones	1/1/00	—	—	—	—	—	—	-21	-42	-43	-43	-2 2	—	-170
E. Energy and Environmental Tax Provisions														
1. Tax credit for energy-efficient building equipment	[5]	—	-48	-75	-46	-33	-11	1	1	1	1	1	-211	-205
2. Tax credit for purchase of new energy-efficient homes	[6]	—	-16	-93	-156	-97	-36	-43	—	—	—	—	- 398	-442
3. Extend tax credit for electric vehicles and provide tax credit for certain fuel-efficient hybrid vehicles	[7]	—	—	—	-2	-137	-617	-1,244	-1,875	-1,540	-65	27	-756	-5,453
4. Tax credit for combined heat and power ("CHP") systems	[8]	—	-58	-88	-87	-26	6	6	6	6	6	6	-253	-220
5. Tax credit for rooftop solar equipment	[9]	---	-8	-15	-19	-23	-31	-34	-44	-17	[4]	[4]	-97	-193
6. Extend wind and biomass tax credit and expand eligible biomass sources (through 6/30/04)	DOE; fpisb 7/1/04	-4	-21	-39	-63	-81	-94	-100	-102	-105	-108	-102	-303	-819
F. Retirement Savings Provisions														
1. IRA contributions through payroll deduction for retirement savings	tyba 12/31/99	—	-7	-10	-1	-1	-1	-1	-1	-1	-1	-1	-21	-27
2. Small business tax credit for retirement plan start-up expenses	[10]	—	-27	-33	-35	-21	-11	-3	-1	—	—	—	-127	-131
3. Simplified pension plan for small business ("SMART")	cyba 1999	—	-18	-74	-156	-214	-226	-229	-235	-24 2	-250	-257	-688	-1,901
4. Faster vesting of employer matching contributions	pyba 12/31/99							*Negligible Revenue Effect*						
5. Count FMLA leave for retirement eligibility and vesting purposes	pyba 12/31/99							*Negligible Revenue Effect*						
6. Require joint and 75% survivor annuity option for pension plans	pyba 12/31/99							*Negligible Revenue Effect*						
7. Pension disclosure	pyba 12/31/99							*No Revenue Effect*						
8. Benefits of nonhighly compensated employees under section 401(k) safe harbor plans	pyba 12/31/99	—	-10	-16	-16	-17	-17	-18	-18	-19	-19	-20	-77	-172
9. Modify definition of highly compensated employee	pyba 12/31/99							*Negligible Revenue Effect*						
10. Modify benefit limits for multiemployer plans under section 415	yba 12/31/99	—	-3	-4	-4	-4	-4	-4	-4	-5	-5	-5	-18	- 41
11. Modify full funding limitation for multiemployer plans	tyba 12/31/99	—	-8	-9	-9	-8	-8	-6	-6	-6	-6	-6	-42	-73
12. Eliminate partial termination rules for multiemployer plans	ptba 12/31/99							*Negligible Revenue Effect*						
13. Allow rollovers between qualified retirement plans and section 403(b) tax-sheltered annuities	da 12/31/99							*Negligible Revenue Effect*						
14. Allow rollovers from deductible IRAs to qualified plans or section 403(b) tax-sheltered annuities	da 12/31/99							*Negligible Revenue Effect*						
15. Allow rollovers of after-tax contributions	da 12/31/99							*Negligible Revenue Effect*						
16. Allow rollovers of contributions from nonqualified deferred compensation plans of State and local governments	da 12/31/99	—	-6	-11	-11	-12	-12	-12	-13	-13	-13	-1 4	-52	-117
17. Purchase of service credits in governmental defined benefit plans	tma 12/31/99							*Negligible Revenue Effect*						
G. Extend Certain Expiring Tax Provisions														
1. Extend minimum tax relief for individuals (through 2000)	tyba 12/31/98	—	-979	-742	—	—	—	—	—	—	—	—	-1,721	-1,721
2. Extend the work opportunity tax credit (through 6/30/00)	wpoifibwa 6/30/99	—	-178	-133	-70	-27	-9	- 2	—	—	—	—	-417	-419

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
3. Extend the welfare-to-work tax credit (through 6/30/00)	wpoifibwa 6/30/99	---	-38	-34	-21	-9	-3	-1	[4]	—	—	—	-106	-107
4. Extend the R&E tax credit (through 6/30/00)	7/1/99	-216	-967	-531	-271	-193	-99	-21	—	—	—	—	-2,276	-2,296
5. Permanent extension of expensing of brownfields remediation costs	DOE	---	1	-20	-77	-111	-117	-119	-121	-119	-115	-113	-323	-911
6. Extend the tax credit for first-time D.C. homebuyers (through 12/31/01)	DOE	—	[11]	-5	-15	[4]	[4]	—	---	—	—	---	-20	-20
H. Simplification Provisions														
1. Optional Self-Employment Contributions Act ("SECA") computations	tyba 12/31/99	---	[11]	1	1	1	1	1	1	1	1	1	3	7
2. Statutory hedging and other rules to ensure business property is treated as ordinary property	DOE	[11]	1	1	1	1	1	1	1	1	1	1	5	10
3. Clarify rules relating to certain disclaimers	Dma DOE	---	—	-4	-4	-4	-4	-5	-5	-5	-5	-5	-16	-41
4. Simplify the foreign tax credit limitation for dividends from "10/50" companies	tyba 12/31/98	-53	-241	-249	-257	-215	-58	-32	-18	-11	-7	-4	-1,073	-1,145
5. Interest treatment for dividends paid by certain regulated investment companies to foreign persons	mf tyba DOE	-1	-32	-69	-73	-77	-80	-84	-89	-93	-98	-103	-332	-799
6. Expand declaratory judgment remedy for non-charitable organizations seeking determinations of tax-exempt status	afroefa 12/31/99	Negligible Revenue Effect												
7. Simplify the active trade or business requirement for tax-free spin-offs	da DOE	[4]	-3	-5	-5	-5	-5	-5	-5	-5	-5	-5	-23	-48
I. Miscellaneous Provisions														
1. Extend and modify Puerto Rico economic-activity tax credit	tyba 12/31/98	-20	-99	-118	-135	-149	-163	-196	-816	-1,643	-1,850	-1,202	-684	-6,391
2. Exempt first $2,000 of severance pay from income tax (through 12/31/02) [12]	spri tyba 12/31/99	—	-64	-163	-170	-105	—	—	—	—	—	—	-502	-502
3. Extend carryback period for NOLs of steel companies for 5 years	tyea DOE	—	-188	-98	-42	-31	-22	25	34	31	28	25	-381	-237
J. Electricity Restructuring														
1. Tax-exempt bonds for electric facilities of public power entities	[13]	Proposal Cannot Be Estimated At This Time [14]												
2. Modify treatment of contributions to nuclear decommissioning funds	tyba 12/31/99	[4]	-1	-3	-5	-7	-9	-11	-13	-15	-17	-19	-25	-100
SUBTOTAL: PROVISIONS REDUCING REVENUES		**-351**	**-3,815**	**-6,455**	**-6,099**	**-6,478**	**-7,089**	**-8,043**	**-9,587**	**-10,180**	**-8,948**	**-8,301**	**-30,286**	**-75,346**
II. PROVISIONS INCREASING REVENUES														
A. Corporate Tax Shelters														
1. Modify the substantial understatement penalty for corporate tax shelters; deny certain tax benefits to persons avoiding income tax as a result of tax avoidance transactions; deny deductions for certain tax advice and impose an excise tax on certain fees received; impose excise tax on certain rescission provisions and provisions guaranteeing tax benefits; preclude taxpayers from taking tax positions inconsistent with the form of their transactions; and tax income from corporate tax shelters involving tax-indifferent parties [15]	[16]	50	150	250	350	300	300	300	300	300	300	300	1,400	2,900
2. Require accrual of time value element on forward sale of corporate stock	fceio/a dofca	[11]	3	8	10	10	10	10	10	10	10	10	41	91

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
3. Modify treatment of built-in losses and other attribute trafficking	teio/a DOE	[11]	70	94	106	114	122	132	144	158	174	192	506	1,306
4. Modify treatment of ESOP as S corporation shareholder	tybo/a dofca	---	24	47	57	67	78	87	95	100	104	108	272	766
5. Limit tax-free liquidations of U.S. subsidiaries of foreign corporations	latoo/a DOE	[11]	5	8	10	10	10	10	10	10	10	10	43	93
6. Prevent capital gains avoidance through basis shift transactions involving foreign shareholders	do/a dofca	[11]	75	50	45	40	35	30	33	37	40	43	245	428
7. Limit inappropriate tax benefits for lessors of tax-exempt use property	teio/a DOE	—	26	48	72	94	113	129	141	148	151	149	353	1,071
8. Prevent mismatching of deductions and income inclusions in transactions with related foreign persons	pao/a dofca	[11]	35	50	70	25	29	35	40	44	48	52	209	428
9. Restrict basis creation through section 357(c)	to/a 10/19/98	7	12	14	16	18	20	22	24	26	28	30	87	217
10. Modify anti-abuse rules related to assumption of liabilities	aolo/a dofca	[11]	2	4	5	5	5	5	5	5	5	5	21	46
11. Modify corporate-owned life insurance ("COLI") rules	tyba DOE	---	230	352	381	407	433	458	485	512	540	566	1,803	4,365
B. Financial Products														
1. Require banks to accrue interest on short-term obligations	oao/a DOE	---	65	2	2	3	3	4	4	5	5	6	75	99
2. Require current accrual of market discount by accrual method taxpayers	diao/a DOE	---	15	12	10	8	7	5	5	6	6	6	52	80
3. Limit conversion of character of income from constructive ownership transactions with respect to partnership interests	gro/a dofca	2	34	35	39	40	41	43	44	46	48	50	191	422
4. Modify rules for debt-financed portfolio stock	psao/a DOE	[11]	1	2	3	5	8	12	16	22	28	35	19	132
5. Modify and clarify certain rules relating to debt-for-debt exchanges	eoo/a DOE	—	12	22	26	30	33	34	35	36	37	38	123	303
6. Modify and clarify straddle rules	seio/a DOE	—	5	21	22	23	24	25	26	27	28	29	95	230
7. Defer interest deduction and original issue discount ("OID") on certain convertible debt	cdio/a dofca	1	13	25	38	51	64	72	80	89	99	110	192	642
C. Corporate Provisions														
1. Conform control test for tax-free incorporations, distributions, and reorganizations	to/a DOE	—	16	16	17	17	18	18	19	19	20	20	84	180
2. Tax issuance of tracking stock	tsio/a DOE	---	66	98	108	119	131	144	159	174	192	211	522	1,402
3. Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions	to/a DOE	---	25	26	28	29	30	32	34	35	37	39	138	314
4. Modify tax treatment of downstream mergers	to/a DOE	---	35	72	76	79	83	88	92	97	101	106	346	830
5. Deny dividends-received deduction for certain preferred stock	sio/a DOE	---	13	24	27	30	32	34	36	38	40	42	126	316
D. Provisions Affecting Pass-Through Entities														
1. Require partnership basis adjustments upon distributions of property and modify basis allocation rules	pdmo/a DOE	---	29	65	100	120	136	143	147	149	152	157	449	1,198
2. Modify structure of businesses indirectly conducted by REITs	DOE	—	2	7	8	8	8	9	9	9	10	10	33	80
3. Modify treatment of closely held REITs	tybo/a dofca	—	3	10	10	11	11	12	12	13	13	14	45	109
4. Repeal tax-free conversions of large C corporations to S corporations [17]	sefe tyba 1/1/00	—	6	36	46	52	58	67	77	88	101	117	198	648

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
E. Tax Accounting Provisions														
1. Require IRS permission to change accounting methods	ta DOE	[11]	5	10	11	12	13	14	15	16	17	18	51	131
2. Repeal installment method for most accrual basis taxpayers	iseio/a DOE	[11]	562	713	427	211	76	8	22	37	51	65	1,989	2,172
3. Deny deduction for punitive damages	dpoio/a DOE	[11]	33	50	50	50	50	50	50	50	50	50	233	483
4. Apply uniform capitalization rules to certain contract manufacturers	tyba DOE	—	24	38	39	40	30	8	9	10	11	12	171	221
5. Repeal lower-of-cost-or-market inventory accounting method	tyba DOE	[18]	162	365	354	350	284	111	64	68	72	78	1,515	1,908
6. Repeal the non-accrual experience method	tyea DOE	27	116	92	87	42	15	18	21	24	27	30	379	499
7. Disallow interest on debt allocable to tax-exempt obligations	[19]	—	9	14	17	20	24	27	29	32	34	37	84	243
F. Cost Recovery Provisions														
1. Modify treatment of start-up and organizational expenditures	[20]	—	-71	-68	78	224	371	430	403	376	349	322	534	2,414
2. Establish specific class lives for utility grading costs	cia DOE	—	37	52	70	81	91	101	110	112	110	107	332	871
G. Insurance Provisions														
1. Require recapture of policyholder surplus accounts	tyba DOE	—	124	177	177	177	176	176	176	176	176	176	831	1,711
2. Modify rules for capitalizing policy acquisition costs of insurance companies	tyba DOE	—	294	962	895	826	753	929	1,422	1,281	1,135	982	3,730	9,480
3. Increase the proration percentage for property and casualty insurance companies	[21]	—	16	36	53	72	91	111	132	154	177	201	269	1,044
H. Exempt Organization Provision														
1. Subject investment income of section 501(c)(6) organizations to tax	tybo/a DOE	—	84	143	150	157	164	171	179	187	195	204	698	1,634
I. Estate and Gift Tax Provisions														
1. Restore phase-out of unified credit for large estates	dda DOE	—	37	74	75	83	87	118	144	170	178	187	356	1,153
2. Require consistent valuation for estate and income tax purposes	[22]	—	2	6	11	14	17	20	24	27	30	34	50	185
3. Require basis allocation for part-sale, part-gift transactions	teia DOE	—	1	1	1	1	1	1	1	1	1	1	5	10
4. Eliminate the stepped-up basis in community property owned by surviving spouse	dda DOE	—	15	31	46	61	76	84	92	102	112	123	229	742
5. Require that qualified terminable interest property for which a marital deduction is allowed be includable in the surviving spouse's estate	dda DOE	Negligible Revenue Effect												
6. Eliminate non-business valuation discounts	tma DOE	—	246	498	513	545	563	611	658	717	753	797	2,365	5,901
7. Eliminate gift tax exemption for personal residence trusts	tita DOE	—	—	—	—	4	24	31	39	48	65	88	28	299
J. International Provisions														
1. Treat certain foreign-source interest equivalents and dividend equivalents as U.S.-effectively connected income	tyba DOE	—	2	4	5	7	8	9	10	10	10	10	26	75
2. Recapture overall foreign losses when controlled foreign corporation stock is disposed	DOE	—	1	2	3	5	7	8	9	10	10	11	18	66
3. Amend "80/20" company rules	iodpoa 30da DOE	—	15	35	37	39	41	43	45	47	49	51	167	402
4. Modify foreign office material participation exception applicable to certain inventory sales	too/a DOE	—	1	3	6	7	8	9	10	11	12	13	25	80
5. Modify controlled foreign corporation exemption from U.S. tax on transportation income	tyba DOE	—	3	5	5	5	5	5	5	5	5	5	23	48

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
6. Replace sales-source rules with activity-based rules	tyba DOE	15	908	1,837	1,901	2,002	2,123	2,249	2,383	2,525	2,674	2,831	8,786	21,448
7. Modify rules relating to foreign oil and gas extraction income	ftpoai tyba DOE; tyba DOE	5	188	194	200	206	213	220	227	234	241	249	1,006	2,177
K. *Pension Provisions*														
1. Increase elective withholding rate for nonperiodic distributions from deferred compensation plans	dma 1999	—	51	1	1	1	1	1	1	1	1	1	54	58
2. Increase section 4973 excise tax for excess IRA contributions	tyba 12/31/99	—	[11]	5	5	5	5	6	6	6	7	7	20	52
3. Impose limitation on pre-funding of welfare benefits	cpa DOE	—	69	141	147	149	140	129	118	105	90	74	647	1,163
4. Subject signing bonuses to employment taxes	sbpa DOE	—	9	6	6	6	6	7	7	7	7	7	33	68
L. *Compliance Provisions*														
1. Expand reporting of cancellation of indebtedness income	co/a DOE	—	2	7	7	7	7	7	7	7	7	7	30	65
2. Modify the substantial understatement penalty for large corporations	tyba DOE	—	—	—	—	—	20	20	20	20	20	20	20	120
3. Repeal exemption for withholding on certain gambling winnings	[23]	—	25	2	2	3	3	3	3	3	3	3	35	50
4. Increase penalties for failure to file correct information returns	[24]	—	1	4	10	14	18	18	17	15	14	12	47	123
M. *Miscellaneous Revenue-Increase Provisions*														
1. Modify deposit requirement for Federal unemployment ("FUTA") taxes [25]	mba 12/31/04	—	—	—	—	—	—	1,306	-815	-419	-106	157	—	123
2. Reinstate Oil Spill Liability Trust Fund excise tax and increase trust fund ceiling to $5 billion (through 9/30/09)	DOE	9	247	249	252	254	255	257	260	263	265	268	1,267	2,581
3. Simplify foster child definition under earned income credit	tyba 12/31/99	—	2	36	38	38	39	40	41	42	43	43	153	362
4. Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands	tyba DOE	3	66	67	69	71	73	74	76	78	80	82	349	740
5. Impose excise tax on purchase of structured settlements	poa DOE	—	3	4	3	1	-1	-2	-3	-3	-3	-4	11	-5
6. Require taxpayers to include rental income of residence in income without regard to period of rental	tyba 12/31/99	—	5	16	17	17	18	18	19	20	20	21	72	171
SUBTOTAL: PROVISIONS INCREASING REVENUES		**119**	**4,266**	**7,210**	**7,450**	**7,522**	**7,737**	**9,406**	**8,118**	**8,778**	**9,319**	**9,835**	**34,306**	**79,764**
III. OTHER PROVISIONS THAT AFFECT RECEIPTS														
A. *Hazardous Substance Superfund Taxes*														
1. Reinstate environmental tax imposed on corporate taxable income and deposited in the Hazardous Substance Superfund	[26]	—	938	559	571	584	602	631	663	690	716	739	3,255	6,694
2. Reinstate excise taxes deposited in the Hazardous Substance Superfund	[27]	28	703	709	716	721	724	731	739	749	754	762	3,601	7,336
B. *Convert a Portion of the Excise Taxes Deposited in the Airport and Airway Trust Fund to Cost-Based User Fees Assessed For Federal Aviation Administration ("FAA") Services (Administration's estimate) [28]*	10/1/00	—	1,122	1,184	1,091	1,007	910	804	685	550	410	246	5,314	8,009
C. *Increase Excise Taxes on Tobacco Products With Section 5061(d)(4) and 5703(b)(2)(D) Adjustment*	10/1/99	-114	8,352	7,447	7,012	6,830	6,808	6,767	6,735	6,695	6,651	6,592	36,334	69,774

Provision	Effective	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-04	1999-09
D. *Change Harbor Maintenance Excise Tax to Cost-Based User Fee [29]*	DOE	—	-436	-488	-525	-564	-607	-652	-701	-754	-810	-871	-2,620	-6,408
E. *Additional Provisions Requiring Amendment of the Internal Revenue Code:*														
1. Puerto Rico rum excise tax cover over [25]	[30]	—	-49	-65	-65	-65	-65	-16	—	—	—	—	-309	-325
2. Allow members of the clergy to revoke exemption from Social Security and Medicare coverage [25]	1/1/00	—	3	9	11	11	12	12	12	13	13	13	46	110
3. Restore Premiums for United Mine Workers of American Combined Benefit Fund [25]	ppo/a 3/1/99	8	13	12	12	11	11	11	10	10	10	9	67	117
4. Extension of VA authority to access section 6103 information [25]	9/30/02	—	—	—	—	3	6	8	10	12	13	15	9	67
F. *Allow Immediate Participation in the Thrift Savings Plan by Federal Government Employees*	1/1/00	—	-4	-8	-9	-9	-9	-9	-10	-10	-10	-11	-38	-89
SUBTOTAL: OTHER PROVISIONS THAT AFFECT RECEIPTS		**-78**	**10,642**	**9,359**	**8,814**	**8,529**	**8,392**	**8,287**	**8,143**	**7,955**	**7,747**	**7,494**	**45,659**	**85,285**
NET TOTAL		**-310**	**11,093**	**10,114**	**10,165**	**9,573**	**9,040**	**9,650**	**6,674**	**6,553**	**8,118**	**9,028**	**49,679**	**89,703**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. Enactment date is assumed to be September 15, 1999.

Legend for "Effective" column:

afroefa = applications for recognition of exemption filed after
aolo/a = assumptions of liabilities on or after
bio/a = bonds issued on or after
cdio/a = convertible debt issued on or
cia = costs incurred after
co/a = cancellations on or after
cpa = contributions paid after
cspma = corporate sponsorship payments made after
cyba = calendar years beginning after
da = distributions after
dda = decedents dying after
diao/a = debt instruments acquired on or after
dma = distributions made after
Dma = disclaimers made after
do/a = distributions on or after
DOE = date of enactment
dofca = date of first committee action
dpoio/a = damages paid or incurred on or after
eara = education awards received after
eoo/a = exchanges occurring on or after
fceio/a = forward contracts entered into on or after
fpisb = facilities placed in service before
ftpoai = foreign taxes paid or accrued in
gro/a = gains recognized on or after
iodpoa = interest or dividends paid or accrued more than
ipoqela = interest paid on qualified education loans after
iseio/a = installment sales entered into on or after
latoo/a = liquidations and terminations occurring on or after
lca = loan cancellations after
mba = months beginning after
mf = mutual funds
oao/a = obligations acquired on or after
pao/a = payments accrued on or after
pdmo/a = partnership distributions made on or after
poa = purchases occurring after
ppo/a = premiums paid on or after
psao/a = portfolio stock acquired on or after
ptba = partial terminations beginning after
pyba = plan years beginning after
qima = qualified investments made after
rocoslra = repayments or cancellations of student loans received after
sbpa = signing bonuses paid after
sefe = subchapter S elections that are first effective
seio/a = straddles entered into on or after
sio/a = stock issued on or after
sa = sales after
spri = severance pay received in
ta = transfers after
teia = transactions entered into after
teio/a = transactions entered into on or after
tita = transfers in trust after
tma = transfers made after
to/a = transfers on or after
too/a = transactions occurring on or after
tsio/a = tracking stock issued on or after
tyba = taxable years beginning after
tybo/a = taxable years beginning on or after
tyea = taxable years ending after
wpoifibwa = wages paid or incurred for individuals beginning work after
yba = years beginning after
30da = 30 days after

[1] Estimate includes an increase in outlays of $597 million for fiscal years 1999-2004 and $1,494 million for fiscal years 1999-2009.

[2] The proposal would be effective for taxable years beginning after 12/31/99. The special foundation rule would apply to grants and loans made prior to 1/1/04 for initial operating expenses incurred prior to 1/1/06. The credit would be available only for health plans established before 1/1/04. No carrybacks of the credit would be allowed to taxable years beginning before 1/1/00.

[3] The present-law exclusion would be extended by 19 months to apply to undergraduate courses beginning before 1/1/02. In addition, the exclusion would be reinstated for graduate education, effective for courses beginning after 6/30/99, and before 1/1/02.

[Footnotes for JCX-9-99 continued on the following page]

Footnotes for JCX-9-99 continued:

[4] Loss of less than $500,000.
[5] 10-percent credit effective for purchases after 12/31/99, and before 1/1/02. 20-percent credit effective for purchases after 12/31/99, and before 1/1/04.
[6] $2,000 credit effective for homes purchased after 12/31/99 and before 1/1/05; $1,500 credit effective for homes purchased after 12/31/99 and before 1/1/03; $1,000 credit effective for homes purchased after 12/31/99 and before 1/1/02.
[7] $1,000 credit effective for vehicles that are one-third more fuel efficient and purchased after 12/31/02 and before 1/1/05. $2,000 credit effective for vehicles that are two-thirds more fuel efficient and purchased after 12/31/02 and before 1/1/07. $3,000 credit effective for vehicles that are twice as fuel efficient and purchased after 12/31/03 and before 1/1/07. $4,000 credit effective for vehicles that are three times more fuel efficient and purchased after 12/31/03 and before 1/1/07.
[8] Effective for investments placed in service after 12/31/99 and before 1/1/03.
[9] Effective for solar water heating equipment placed in service after 12/31/99 and before 1/1/05; effective for photovoltaic equipment placed in service after 12/31/99 and before 1/1/07.
[10] Effective for plans established after 12/31/97 and before 1/1/02. Credit available beginning in taxable year in which date of enactment occurs.
[11] Gain of less than $500,000.
[12] The estimate assumes clarifications of the proposal, e.g., a definition of severance pay.
[13] Effective the date of enactment of the President's Comprehensive Electricity Competition Plan.
[14] Tax provisions are contingent on the enactment of the Comprehensive Electricity Competition Plan, which has not been enacted and is not part of the President's Budget.
[15] These proposals contain significant interdependence and are, therefore, grouped together. Estimates are tentative and will be adjusted as the details of the proposals are further developed.
[16] Generally effective for transactions on or after the date of first committee action.
[17] Proposal also would apply to acquisitions made after 12/31/99.
[18] Gain of less than $5 million.
[19] Effective for taxable years beginning after the date of enactment with respect to obligations acquired on or after the date of first committee action.
[20] Generally effective for start-up and organizational expenditures incurred after the date of enactment .
[21] Effective taxable years beginning after the date of enactment with respect to investments acquired on or after the date of first committee action.
[22] Effective for transfers after the date of enactment in the case of lifetime gifts, and decedents dying after the date of enactment in the case of transfers at death.
[23] Effective for payments made after the beginning of the first month that begins at least 10 days after the date of enactment .
[24] Effective for returns the due date for which (without regard to extensions) is more than 90 days after the date of enactment of the proposal.
[25] Estimate provided by the Congressional Budget Office.
[26] The corporate environmental income tax would be reinstated for taxable years beginning after 12/31/98, and before 1/1/10.
[27] The three Superfund excise taxes would be reinstated for the period after the date of enactment and before10/1/09.
[28] Table shows the net effects of replacing a portion of the excise taxes with user fees. Estimate was provided by the Department of the Treasury. The President's budget proposal did not provide details regarding the proposed user fees.
[29] Table shows the effects of the proposal on Federal revenues. The President's budget proposal did not provide details regarding the proposed user fee.
[30] Effective for rum imported into the United States after 10/1/99, and before 10/1/04.

Budget – FY 2001 File

HEALTH THEMES FOR BUDGET CHAPTER

PREPARING FOR AGING OF AMERICAN IN THE 21ST CENTURY

- **Plan to strengthen and modernize Medicare; including a new drug benefit:** Possible changes include: altered drug benefit, distribution of savings and surplus for financing drug benefit and solvency, new trust fund for medical education, expanded prevention initiative.

- **Long-term care initiative**: Includes $1,000 tax credit for long-term care ($5.5 billion over 5); a new program for family caregivers ($625 million over 5); expanding Medicaid community-based options, offering private insurance to Federal employees, etc.

ASSURING AND IMPROVING QUALITY

- **Patients' Bill of Rights:** Encourage Congress to finish the job

- **Eliminating preventable medical errors and assuring safety:** New initiative

- **Privacy protections:** Announce final regulation this spring; challenge Congress to provide more authority for stronger enforcement and broader application

PROMOTING PROMISE OF RESEARCH AND GUARDING AGAINST PERILS

- **Investment in biomedical research:** NIH, etc.

- **Interventions to guard against technological and scientific abuses:** Challenge Congress to pass protections against genetic discrimination in workplace and individual insurance, and possibly announce new gene therapy reporting and patient protections

- **Preventing the sale of unsafe drug products over the internet:** New initiative

IMPROVING ACCESS TO AFFORDABLE HEALTH INSURANCE COVERAGE

Adults

- **Family health insurance initiative**: Expanding Medicaid and CHIP to parents

- **Tax credit for individual insurance:** More an equity than coverage proposal

- **Medicare buy-in for certain 55 to 65 year olds**

- **Other possibilities:** Small business purchasing coalition tax credit; COBRA tax credit; legal immigrants; improving Federal employees health coverage (covering temp workers)

Children (Could be integrated into broader children's initiative)

- **Encouraging school-based outreach:** Builds on new studies finding most uninsured kids are in school lunch and other public programs

- **Ensuring seamless health insurance coverage for children:** Conforming Medicaid to CHIP coverage for children / makes Medicaid less of a welfare program

STRENGTHENING THE PUBLIC HEALTH

- **Announcing a major increase in the war on emerging infectious diseases**
- **Determining the environmental causes of breast cancer**
- **Unveiling major new investment to combat HIV and AIDS**
- **Highlighting major new investment in food safety**
- **Increasing prevention and treatment services for mental illness and substance abuse**
- **Eradicating Polio worldwide**
- **Improving nursing home quality**
- **Increasing family planning efforts nationwide**
- **Improving health care services for Native Americans**

DRAFT: POTENTIAL BUDGET EVENTS OR LEAKS PRIOR TO THE SOTU

NEW HEALTH INSURANCE COVERAGE INITIATIVES: PARENTS AND TAREGETED TAX INCENTIVES

NEW FUNDS:	Non-tax proposals:	About $18 billion over 5
	Tax proposals:	About $35 to 40 billion over 5

SUMMARY: This initiative to expand access to affordable health insurance to working Americans represents the most significant investment in health coverage in recent years. It addresses the continued rise in the number of uninsured which is one of the few indicators that has not improved in this strong economy. Its centerpiece is a proposal to allow states to cover the parents of children eligible for Medicaid or the Children's Health Insurance Program (CHIP). Many of the parents of the children insured through Medicaid and CHIP are themselves uninsured. This proposal would give states financial incentives to cover these parents. The initiative also helps: (1) people without access to job-based insurance by offering a 15 percent tax credit towards individual health insurance; (2) people ages 55 to 65 buy into Medicare and offers them a new tax credit to make this option more affordable; (3) workers in small businesses by providing firms a 25 percent tax credit for small businesses that join purchasing coalitions; (4) workers between jobs by providing them and their former employers a tax credit towards COBRA coverage; and (5) legal immigrants by allowing states to cover them in Medicaid or CHIP at states' option. These policies to expand access to affordable insurance would be complemented by an investment of an additional $175 million in community-based efforts to strengthen the safety-net (e.g., community health centers, public hospitals). This announcement could be timed to coincide with the January 13 release of a HIAA / Families USA / RWJ study on this issue.

RELEASING A NEW STATE BY STATE STUDY ANNOUNCING THAT 2 MILLION KIDS ARE COVERED UNDER CHIP AND UNVEILING NEW OUTREACH PROPOSALS

NEW FUNDS: Total new investment about $1 to 1.5 billion over 5 years

SUMMARY: This initiative accelerates enrollment of uninsured children in Medicaid and CHIP by focusing on school-based efforts and eligibility simplification. Its roll-out could be combined with the release of a new report announcing that 2 million children have been enrolled in CHIP – a doubling in enrollment in the past year. One of the greatest health policy achievements of the President is the creation of CHIP. Now in its third year, the success of this program in reducing the number of uninsured children will likely be used as a measure of success of this Administration. This initiative promotes enrollment through schools by: (1) allowing school lunch application information to be shared with Medicaid and CHIP for outreach; (2) letting enrollment in the school lunch program serve as a proxy for Medicaid or CHIP eligibility while formal applications are being processed; and (3) allowing additional sites like child care referral centers and homeless programs to determine presumptive eligibility. The initiative would also simply the enrollment process by requiring states to make Medicaid applications no more complicated than their CHIP process. Finally, it creates a $10 million competitive state grant program in Medicaid to coordinate programs and increase enrollment of homeless children and families in Medicaid, CHIP, and other social service programs. This announcement could be timed to coincide with the January 4 release of a RWJ / Kaiser Family Foundation study on outreach and enrollment.

PREVENTING MEDICAL ERRORS AND IMPROVING HEALTH CARE QUALITY

NEW FUNDS: Total new investment $76 million
$20 million for AHRQ errors (FY 2000 level $2 million)
$40 million for HHS information technology (FY 2000 level $0)
$16 million for FDA (15 percent increase over FY 2000)

SUMMARY: This initiative will respond to the recent Institute of Medicine study and the President's request to develop new avenues for the prevention of medical errors. It will include new funding to increase medical errors prevention, patient safety research, information dissemination, and create a new Center for Patient Safety at HHS. It will also include new funds to strengthen FDA's post-market surveillance system for prescription drugs, its voluntary adverse event reporting system for health professionals and consumers, and implement new requirements for the naming, labeling, and packaging of drugs that are designed to prevent medical errors. FDA estimates that with adequate funding, it could reduce adverse events by 10 percent and save approximately 10,000 lives annually. The FY 2001 budget will take steps to improve health care quality to develop a consistent national architecture for health care information technology. This initiative could be combined with regulatory actions the Administration could take to ensure patient safety at both the DVA and HCFA, including requiring hospitals participating in the Medicare program to implement error reduction programs. In addition, any action we take on this front could be timed to coincide with a potential announcement that we are creating a private sector Task Force on this issue to complement ongoing Federal efforts. (This is currently being reviewed to ensure that it is not duplicative.)

RELEASING PRESCRIPTION DRUG COST REPORT

NEW FUNDS: No new investment in FY 2001 budget

SUMMARY: In October, the President directed the Secretary Donna Shalala to produce the first-ever Health and Human Services (HHS) study of prescription drug costs and trends for Medicare beneficiaries with and without coverage. The study will investigate: price differences for the most commonly used drugs between people with and without coverage; drug spending by people of different ages, as a percentage of income and as a percentage of total health spending; and trends in drug expenditures by people of different ages, as a percentage of income and total health spending.

FINISHING THE JOB FOR PEOPLE WITH DISABILITIES RETURNING TO WORK

NEW FUNDS: None in the first 5 years; about $300 million for 2005-10

SUMMARY: This proposal rounds out the Work Incentives Improvement Act by removing the arbitrary limit on Medicare coverage imposed in the final compromise. The landmark Work Incentives Improvement Act removes barriers to work for people with disabilities, including the loss of Medicare and Medicaid coverage. The final legislation, however, did not include the Medicare provision that we supported in last year's budget and passed the Senate. It limits Medicare coverage for people returning to work which postpones rather than eliminates the disincentive to work since Medicare provides the necessary coverage that is often unavailable or unaffordable on the job. This proposal removes the arbitrary limit.

PREVENTING THE SALE OF UNSAFE DRUG PRODUCTS OVER THE INTERNET

NEW FUNDS: Total new investment $10 million (260 percent increase over FY 2000 level)

SUMMARY: This initiative would invest new funds in the investigation, identification, and prosecution of entities selling unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and the marketing of products based on fraudulent health claims. It would establish new Federal certification requirements for all internet pharmacy sites to ensure that they meet all state and Federal requirements. It would also update the current penalty structure to create new civil money penalties of up to $500,000 for dispensing without a valid prescription over the internet or for selling drugs without Federal certification; give Federal agencies authority to require internet service providers to verify the identity and business location of domain name registrars; and provide FDA with new administrative subpoena authority in order to gather the information necessary to build a case against offenders.

ANNOUNCING MAJOR INCREASE IN THE WAR ON EMERGING INFECTIOUS DISEASE

NEW FUNDS: Total new investment $20 million (83 percent increase over FY 2000 funding)

SUMMARY: Earlier this year, the spread of West Nile-like encephalitis along the eastern seaboard heightened our awareness of our vulnerability to emerging infectious diseases. This initiative will dedicate new funds to further the development of a national electronic disease surveillance network to track newly emerging infectious diseases, such as West Nile-like encephalitis, new strains of influenza, and new hospital acquired infections, and provide essential information to public health clinics, hospitals, and health care providers. Funds will also be used to enhance local investigations, education, and focused disease monitoring nationwide, and promote the dissemination of new software for outbreak detection.

DETERMINING THE ENVIRONMENTAL CAUSES OF BREAST AND PROSTATE CANCER

NEW FUNDS: Total new investment $12.5 million
$7.5 million for environmental health (44 percent increase over FY 2000 level)
$5 million for breast cancer screening (FY 2000 level $167 million)

SUMMARY: This initiative will invest $7.5 million to: evaluate the exposure of men, women, and children to toxic substances that cause cancer; assist state and local public health officials to ensure the thorough investigation of cancer clusters; and support local efforts to rapidly evaluate the impact of public health disasters, such as chemical spills and groundwater contamination, on local residents. It will also provide an additional $5 million for breast cancer screening programs at CDC.

UNVEILING MAJOR NEW INVESTMENT TO COMBAT HIV AND AIDS

NEW FUNDS: Total new investment $215 million
$125 million for Ryan White at HRSA (FY 2000 level $1.6 billion)
$50 million for domestic prevention at CDC (FY 2000 level $730 million)
$40 million for global prevention at CDC, USAID, DOL, and DOD (16 percent increase over FY 2000 level)

SUMMARY: This initiative would increase efforts prevent the spread of HIV and AIDS both domestically and overseas. This initiative would invest an additional $50 million in domestic community based interventions to: help 150,000 individuals who are not aware of their infection learn their status and access prevention counseling and treatment services; expand community prevention planning, with a special emphasis on racial and ethnic minorities, women, injection drug users and their partners, and young gay men; and building a data infrastructure to assist local public health officials in targeting their prevention efforts. It will also invest an additional $40 million in efforts in activities to prevent AIDS worldwide, including: providing care for children who have been orphaned by AIDS; implementing workplace prevention programs through international labor unions; and providing treatment for the opportunistic infections associated with the disease. Finally, the new investment in Ryan White and ADAP would shorten the waiting time needed to access the comprehensive range of drugs needed to effectively treat this disease. (Note: Ryan White is up for reauthorization this year.)

HIGHLIGHTING MAJOR NEW INVESTMENT IN FOOD SAFETY

NEW FUNDS: Total new investment $35 million (18 percent increase over FY 2000)

SUMMARY: These funds would provide for an additional 6,100 imported entries in order ensure the safety of food entering our borders. Today more than 3 million shipments of FDA-regulated products arrive at our ports, and these imported food entries are expected to increase by 33 percent by 2003. This additional funding would allow the FDA to conduct 1000 additional high-risk inspections. During the next few years, additional foods such as sprouts, eggs, and juice will be considered high-risk, and will need to be inspected at least once per year in keeping with the President's commitments. Finally, this additional funding will improve research and surveillance, particularly in the area of anti-microbial resistance.

INCREASING PREVENTION AND TREATMENT SERVICES FOR MENTAL ILLNESS AND SUBSTANCE ABUSE DISORDERS

NEW FUNDS: Total new investment $170 million
$100 million for mental health block grants (34 percent increase over FY 2000)
$70 million for substance abuse block grants (FY 2000 level $2 billion)

SUMMARY: This proposal would invest new funds in treatment for the severely mentally ill and establish a new local mental health enhancement program that would provide new prevention, early intervention, and treatment services for Americans with less severe mental illnesses. It would also provide new funds for substance abuse treatment services nationwide, with an emphasis on ethnic and racial minorities, which often have the most urgent treatment needs.

ERADICATING POLIO WORLDWIDE

NEW FUNDS: Total new investment $15 million (17 percent increase over FY 2000 level)
This number may increase slightly.

SUMMARY: Medical and scientific experts estimate that we will be able to eradicate polio worldwide by the end of the year 2000. HHS believes that a $15 million increase will intensify current efforts to eradicate this disease, including: providing estimate 187 million doses of polio vaccine for use during worldwide National Immunization Days, which are carried out by WHO and UNICEF personnel and targeted to countries in the most need. In addition, funds will be used to develop permanent systems of disease surveillance. This is especially important for polio, where only one in 200 cases causes weakness or paralysis, and so most polio infections go undetected.

IMPROVING NURSING HOME QUALITY

NEW FUNDS: Total new investment $16.8 million (50 percent increase over FY 2000)

SUMMARY: This initiative provides new funds to help states strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards. Funding will be provided for new enforcement provisions and increased surveys of repeat offenders and improve surveyor training, to address the backlog of nursing home appeals, and handle increased legal advice, litigation support, and hearings on nursing home enforcement cases. This initiative could be combined with new regulatory actions that HCFA could take to improve its survey and certification efforts.

INCREASING FAMILY PLANNING EFFORTS NATIONWIDE

NEW FUNDS: Total new investment $35 million (16 percent increase over FY 2000)

SUMMARY: These grants fund family planning clinics providing reproductive health services and clinical care to over 5 million low income women. These new funds will be used to prevent over a million unintended pregnancies year by improving the delivery of comprehensive reproductive health services, including STD and cancer screening and prevention, and HIV prevention, education and counseling; providing educational programs that encourage adolescents to postpone of sexual activity; increase the accessibility of contraceptive counseling and services; increasing efforts to provide effective contraceptives to those in need; and developing partnerships with other community based providers to conduct outreach to adolescents at risk.

PREVENTING GENETIC DISCRIMINATION

NEW FUNDS: No new funds in FY 2001 budget

SUMMARY: This initiative would address the perils associated with the new advances in genetic screening for disease. Potential announcements include: releasing an executive order prohibiting Federal agencies from using genetic information in employment decisions; announcing private sector commitments, from companies such as Exxon, to prohibit the use of genetic information in employment decisions; and the release of a joint statement from the President and Prime Minister Tony Blair that all of the results of the research currently being conducted on the human genome will be placed in the public domain.

IMPROVING HEALTH CARE SERVICES FOR NATIVE AMERICANS

NEW FUNDS: Total new investment $230 million (10 percent increase over FY 2000 level)
This initiative could be announced together with combined with other Native American initiatives.

SUMMARY: The health care component of the budget will use new funds to will be used to: improve preventive services designed to reduce the need for acute medical care; expand preventive care programs, including community health nursing, mental health, and medical social work; improve emergency medical services in remote locations common on American Indian and Alaska Native reservations; implement new efforts to address the environmental conditions in American Indian and Alaska Native homes and communities, including environmental planning, food protection, occupational health and safety, injury prevention, pollution control, control of insects and other transmitters of pathogens, and institutional environmental health in reservation areas; expand programs that provide substance abuse treatment and prevention services; provide surveillance and training in diabetes care; conduct nutrition services research and coordinates with other social, educational, and food-assistance programs to ensure nutritional services are consistent with the cultural needs of communities; and providing preventive and corrective dental care to prevent disease and reduce tooth loss, such as water fluoridation.

ELIMINATING FRAUD, WASTE, AND ABUSE IN THE MEDICARE PROGRAM

NEW FUNDS: Total new investment $47 million (FY 2000 funding level $0)

SUMMARY: This new initiative will create a team of over 100 anti-fraud analysts to be placed in the offices of Medicare contractors nationwide to ensure a swift and coordinated response to suspected instances of fraud. In addition, it will invest new funds to implement new, financial management computer systems to accurately track and identify claims payments and prevent Medicare claims processors and auditors from defrauding the program. This initiative was developed in response to a critical GAO report detailing a myriad of abuses and a range of fraudulent activity by Medicare contractors. In addition, HCFA will Any announcement on this front should be coordinated with the early January release of an HHS-DOJ report detailing our current success in fighting fraud, waste and abuse in the Medicare program.

PREVENTING AND COMBATING BIOTERRORIST ATTACKS

NEW FUNDS: Total new investment $19 million (FY 2000 level $246.8 million)

SUMMARY: These new funds will be used to: research new vaccines, including vaccines for smallpox and anthrax, for eventual use in the national medical stockpile; enhanced regulatory review of vaccines and therapeutics; research on diagnostics, vaccines, and anti-microbials; invest in the public health surveillance system and public health infrastructure to increase lab capacity, strengthen epidemiological capabilities for state and local health departments and more resources for communications and information technology; and invest in local emergency medical teams to respond to a biological or chemical weapons emergency.

OVERVIEW:
PRESIDENT'S PLAN TO STRENGTHEN AND MODERNIZE MEDICARE FOR THE 21st CENTURY

On June 29, 1999, President Clinton unveiled his plan to modernize and strengthen the Medicare program to prepare it for the health, demographic, and financing challenges it faces in the 21st century. This historic initiative would: (1) make Medicare more competitive and efficient; (2) modernize and reform Medicare's benefits, including the provision of a long-overdue prescription drug benefit and cost sharing protections for preventive benefits; and (3) make an unprecedented long-term financing commitment to the program that would extend the estimated life of the Medicare Trust Fund until at least 2027. The President called on the Congress to work with him to reach a bipartisan consensus on needed reforms this year.

MAKING MEDICARE MORE COMPETITIVE AND EFFICIENT. Since taking office, President Clinton has worked to pass and implement Medicare reforms that, coupled with the strong economy and the Administration's aggressive anti-fraud and abuse enforcement efforts, have saved hundreds of billions of dollars and helped to extend the life of the Medicare Trust Fund from 1999 to 2015. Building on this success, his plan:

- **Gives traditional Medicare new private sector purchasing and quality improvement tools.** The President's proposal would make the traditional fee-for-service program more competitive through the use of market-oriented purchasing and quality improvement tools to improve care and constrain costs. It would provide new or broader authority for competitive pricing within the existing Medicare program, incentives for beneficiaries to use physicians who provide high quality care at reasonable costs, coordinating care for beneficiaries with chronic illnesses, and other best-practice private sector purchasing mechanisms. Savings: $25 billion over the next 10 years.

- **Extends competition to Medicare managed care plans by establishing a "Competitive Defined Benefit" while maintaining a viable traditional program.** The Competitive Defined Benefit (CDB) proposal would, for the first time, inject true price competition among managed care plans into Medicare. Plans would be paid for covering Medicare's defined benefits, including the new drug benefit, and would compete over cost and quality. Price competition would make it easier for beneficiaries to make informed choices about their plan options and would, over time, save money for both beneficiaries and the program. The CDB would do so by reducing beneficiaries' premium by 75 cents of every dollar of savings that result from choosing plans that cost less than traditional Medicare. Beneficiaries opting to stay in the traditional fee-for-service program would be able to do so without an increase in premiums. Savings: $8 billion over the next 10 years, starting in 2003.

- **Constrains out-year program growth, but more moderately than the Balanced Budget Act (BBA) of 1997.** To ensure that program growth does not significantly increase after most of the Medicare provisions of the BBA expire in 2003, the proposal includes out-year policies that protect against a return to excessive growth rates, but are more modest than those included in the BBA. These proposals along with the modernization of traditional Medicare would reduce average annual Medicare spending growth from an estimated 4.9 percent to 4.3 percent per beneficiary between 2002 and 2009. Savings: $39 billion over next 10 years (including interactions and premium offsets).

- **Takes administrative and legislative action to smooth out the BBA provider payment reductions.** The proposal includes a 7.5 billion "quality assurance fund" to smooth out provisions in the BBA that may be affecting Medicare beneficiaries' access to quality services. The Administration will work with Congress, outside groups, and experts to identify real access problems and the appropriate policy solutions. The plan also includes a number of administrative actions to moderate the impact of the BBA on some health care providers' ability to deliver quality services to beneficiaries. Finally, it contains a legislative proposal to better target disproportionate share hospitals. Cost: $7.5 billion over 10 years.

MODERNIZING MEDICARE'S BENEFITS. The current Medicare benefit package does not include all the services needed to treat health problems facing the elderly and people with disabilities. The President's plan would take strong new steps to ensure that Medicare beneficiaries have access to affordable prescription drugs and preventive services that have become essential elements of high-quality medicine. It also would address excess utilization and waste associated with first-dollar coverage of clinical lab services and would reform the current Medigap market. Finally, it integrates the FY 2000 President's Budget Medicare Buy-In proposal to provide an affordable coverage option for vulnerable Americans between the ages of 55 and 65. Specifically, his plan:

- **Establishes a new voluntary Medicare "Part D" prescription drug benefit that is affordable and available to all beneficiaries.** The historic outpatient prescription drug benefit would:

  - Have no deductible and pay for half of the beneficiary's drug costs from the first prescription filled each year up to $5,000 in spending ($2,500 in Medicare payments) when fully phased-in by 2008.

  - Ensure beneficiaries a price discount similar to that offered by many employer-sponsored plans for each prescription purchased – even after the $5,000 limit is reached.

  - Cost about $24 per month beginning in 2002 (when the coverage is capped at $2,000 in spending) and $44 per month when fully phased-in by 2008. (This is one-half to one-third of the typical cost of private Medigap premiums.)

  - Ensure that beneficiaries with incomes below 135 percent of poverty ($11,000/$15,000 single/couples) would not pay premiums or cost sharing for Medicare drug coverage. Those with incomes between 135 and 150 percent of poverty would receive premium assistance as well. The Federal government would assume all of the costs of this benefit for those above poverty.

  - Provide financial incentives for employers to develop and retain their retiree health coverage if it provides a prescription drug benefit to retirees that was at least equivalent to the new Medicare outpatient drug benefit. This approach would save money for the program because the subsidy given would be generous enough for employers to maintain coverage yet lower than the Medicare subsidies for traditional participants.

  Most Medicare beneficiaries will probably choose this new prescription drug option because of its attractiveness and affordability. Because older and disabled Americans rely so heavily on medications, we estimate that about 31 million beneficiaries would benefit from this coverage each year. Cost: $118 billion over the next 10 years, beginning in 2002.

- **Eliminates all cost sharing for all preventive benefits in Medicare and institutes a major health promotion education campaign.** This proposal would cost $3 billion over 10 years and would:

  - Eliminate existing copayments and the deductible for preventive service covered by Medicare, including colorectal cancer screening, bone mass measurements, pelvic exams, prostate cancer screening, diabetes self management benefits, and mammographies.

  - Initiate a three-year demonstration project to provide smoking cessation services to Medicare beneficiaries.

  - Launch a new, nationwide health promotion education campaign targeted to all Americans over the age of 50.

- **Rationalizes cost sharing.** To help pay for the new prescription drug and preventive benefits, the President's plan would save $11 billion over 10 years by rationalizing the current cost sharing requirements for Medicare by:

  - Adding a 20 percent copayment for clinical laboratory services. The modest lab copayment would help prevent overuse, and reduce fraud.

  - Indexing the Part B deductible for inflation. The Part B deductible index would guard against the program assuming a growing amount of Part B costs because, over time, inflation decreases the amount of the deductible in real terms. Compared to average annual Part B per capita costs, the deductible has fallen from 28 percent in 1967 to about 3 percent in 2000.

- **Reforms Medigap.** The President's plan would reform private insurance policies that supplement Medicare (Medigap) by: (1) working with the National Association of Insurance Commissioners to add a new lower-cost option with low copayments and to revise existing plans to conform with the President's proposals to strengthen Medicare; (2) directing the Secretary of HHS to determine the feasibility and advisability of reforms to improve supplemental cost sharing in Medicare, including a Medigap-like plan offered by the traditional Medicare program; (3) providing easier access to Medigap if a beneficiary is in an HMO that withdraws from Medicare; and (4) expanding the initial six month open enrollment period in Medigap to include individuals with disabilities and end stage renal disease (ESRD).

- **Includes the President's Medicare Buy-In proposal.** The plan includes the President's proposal to offer American between the ages of 62-65 without access to employer-based insurance the choice to buy into the Medicare program for approximately $300 per month if they agree to pay a small additional monthly payment once they become eligible for traditional Medicare at age 65. Displaced workers between 55-62 who had involuntarily lost their jobs and insurance could buy in at a slightly higher premium (approximately $400). And retirees over age 55 who had been promised health care in their retirement years would be provided access to "COBRA" continuation coverage if their old firm reneged on their commitment. The $1.4 billion cost over 5 years is offset in the President's FY 2000 budget.

STRENGTHENING MEDICARE'S FINANCING FOR THE 21st CENTURY. The President's Medicare plan would strengthen the program and make it more competitive and efficient. However, no amount of policy-sound savings would be sufficient to address the fact that the elderly population will double from almost 40 million today to 80 million over the next three decades. Every respected expert in the nation recognizes that additional financing will be necessary to maintain basic services and quality for any length of time. Because of this and his strong belief that the baby boom generation should not pass along its inevitable Medicare financing crisis to its children, the President has proposed that a significant portion of the surplus be dedicated to strengthening the program. Specifically, his plan:

- **Extends the life of the Trust Fund until at least 2027.** Dedicating 15 percent of the surplus ($794 billion over 15 years) to Medicare not only contributes toward extending the estimated financial health of the Trust Fund through 2027, but it will also lessen the need for future excessive cuts and radical restructuring that would be inevitable in the absence of these resources.

- **Responsibly finances the new prescription drug benefit through savings and a modest amount from the surplus.** The new drug benefit would cost about $118 billion over 10 years. Its budgetary impact would be fully offset by:

  - Savings from competition and efficiency. About 60 percent of the $118 billion Federal cost of the new Medicare prescription drug benefit would be offset through these savings.

  - Dedicating a small fraction of the surplus. About $45.5 billion of the surplus allocated to Medicare would be used to help finance the benefit. To put this amount in context, it is:

  - Less than one eighth of the amount of the surplus dedicated for Medicare (2 percent of the entire surplus); and

  - Less than the reduction in the Medicare baseline spending between January and June, 1999.

  Policy experts advising the Congress (MedPAC, CBO, and the Medicare Trustees) have consistently stated their belief that much of the recent decline in Medicare spending beyond initial projections is due to our success creating a strong economy and in combating fraud and waste. Reinvesting the savings that can be reasonably attributed to our anti-fraud and waste activities into a new prescription drug benefit is completely consistent with the past actions of the Congress and the Administration utilizing such savings for programmatic improvements.

PRESIDENT'S PLAN TO STRENGTHEN AND MODERNIZE MEDICARE FOR THE 21st CENTURY

- **Goals for Reform:**
  - Make Medicare More Competitive and Efficient
  - Modernize Medicare's Benefits
  - Strengthen Medicare's Financing for the 21st Century

- **Reduces Medicare spending for current services by $72 billion over 10 years.** About half of these savings come from innovative proposals to adopt successful private sector tools and competition. As a result of these policies, Medicare growth per beneficiary from 2003 to 2009 would slow from 4.9 percent to 4.3 percent.

- **Adds an optional prescription drug benefit.** This benefit would cost $118 billion over 10 years. This cost is only about 5 percent of total Medicare spending in 2009 (net of premiums).
  - Over 60 percent of the costs are offset by the proposal's savings.
  - The remaining $45.5 billion would come from the Medicare allocation of the surplus. This amount is one-eighth of the $374 billion over 10 years dedicated to Medicare, and less than 2 percent of the overall surplus.

- **Extends the life of the Medicare Trust Fund to at least 2027.** The President's plan would dedicate 15 percent of the surplus to strengthen Medicare. This amount, when combined with the offset for the drug benefit and Part A savings, would extend the estimated life of the Medicare Trust Fund for a quarter century from now, through at least 2027.

PRESIDENT'S PROPOSAL
(Dollars in Billions, Trustees' Baseline)

	00-04	00-09
COMPETITION & EFFICIENCY		
Medicare Modernization	-5	-25
Competition	-0	-8
Provider Savings	-4	-39*
Provider Set-Aside	+4	+7.5
Total	*-5*	*-64.5*
MODERNIZING BENEFITS		
Prescription Drug Benefit	+29	+118
Cost Sharing Changes	-2	-8
Total	*+27*	*+110*
DEDICATING FINANCING		
Contribution to Solvency	-28	-328.5**
Surplus for Drug Benefit	*-22*	*-45.5*
Surplus Allocation	*-50*	*-374*

*Includes $5.7 billion in interactions/premium offset
** Does not count toward package

PRESIDENT CLINTON AND VICE PRESIDENT GORE: WORKING FOR A STRONG, ENFORCEABLE, PATIENTS' BILL OF RIGHTS

The Clinton/Gore Administration has urged Congress to pass a strong, enforceable Patients' Bill of Rights for more than a year and a half. Americans deserve a patients' bill of rights that provides critical patient protections to all Americans in all health plans, such as the right to see a specialist, to receive emergency room care whenever and wherever necessary, and to hold health plans accountable for decisions that harm patients. The Administration is:

Urging the Congress to Pass Patients' Rights Legislation That Would Assure Patients the Protections They Need. When President Clinton accepted the recommendations of a the non-partisan broad-based Quality Commission, he urged the Congress to extend the recommended patient protections to all private health plans. This call to Congress was echoed by nearly every doctors' association, every nurses' association, and every patients' rights group in America. The Clinton-Gore Administration strong patients' rights legislation that includes critical protections such as:

- Guaranteed access to needed health care specialists;
- Access to emergency room services when and where the need arises;
- Continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped;
- Access to a fair, unbiased and timely internal and independent external appeals process; to address health plan grievances;
- Assurance that doctors and patients can openly discuss treatment options; and
- An enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions.

Criticizing Watered Down, Piecemeal Approach Offered by the Republican Leadership. The President and Vice President believe that the Republican Leadership bill passed by the Senate is a Patients Bill of Rights in name only. It would:

- Leave more than 110 million Americans without the guarantee of any basic protections and oversee less that 10 percent of HMOs nationwide (as it only covers self-insured health plans);
- Fail to provide access to necessary specialists, such as oncologists and cardiologists;
- Fail to guarantee continuity of care protections leaving patients at risk of having to abruptly change doctors in the middle of treatment;
- Fail to provide effective protection to assure patients access to emergency room care when and where the need arises;
- Construct a weak, watered-down appeals process that is biased against patients;
- Fail to provide strong enforcement mechanism for patients to hold health plans accountable when they make harmful decisions.

The Administration Has a Strong Record on Patients' Rights. The Administration has a long history of promoting patients rights, and President Clinton has already used his authority to make many of these rights real for the 85 million Americans who get their health care through federal plans – from Medicare and Medicaid, to the Federal Employees Health Benefits Plan (FEHBP), to the Department of Defense and the Veterans Administration. The Administration's record on patients' rights include:

- <u>Appointing a Quality Commission to examine potential quality concerns in the changing health care industry.</u> In 1996, the President created a non-partisan, broad-based Commission on quality and charged them with developing a patients' bill of rights as their first order of business.

- <u>Challenging Congress to Pass a Patients Bill of Rights.</u> In October of 1997, the President accepted the Commission's recommendation that all health plans should provide strong patient protections and called on the Congress to pass a strong enforceable patients' bill of rights. He also called on the Congress to make passing the patients' bill of rights a top priority in his 1998 and 1999 State of the Union Addresses.

- <u>Extending Critical Patient Protections to All Federal Health Plans.</u> In February of 1998, the President directed the Federal health plans, covering 85 million Americans, to implement the patients' bill of rights. Over the next year, critical steps were taken to meet this goal. For example, the Office of Personnel Management issued their annual call letter notifying their 285 health plans they needed to implement patient protections to participate in FEHBP; the Health Care Financing Administration issued an Interim Final regulation to implement patient protections for older Americans and people with disabilities covered by Medicare; and the President announced a proposed rule to bring the Medicaid program into compliance.

DPC DISCRETIONARY PRIORITIES FOR FY 2001 BUDGET

OMB ok

Improving health care quality and preventing medical errors. This initiative will respond to the President's request to develop new avenues for the prevention of medical errors. It will include the IOM's recommendation of $35 million to establish a Center for Patient Safety at HHS and include new efforts to strengthen FDA's voluntary adverse event reporting system from health professionals and consumers, and implement new requirements for the naming, labeling, and packaging of drugs that are designed to prevent medical errors. FDA estimates that with adequate funding, it could reduce adverse events by 10 percent and save approximately 10,000 lives annually. This initiative could be combined with regulatory actions the Administration could take to ensure patient safety, including requiring hospitals participating in the Medicare program to implement error reduction programs. (OMB passback: no explicit funding for medical error prevention; DPC target over passback: +$25 million for FDA; +$35 million for the Center for Patient Safety)

OMB ok

Preventing the sale of unapproved or unsafe drug products over the internet. This initiative would invest new funds in the investigation, identification, and prosecution of entities selling unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and the marketing of products based on fraudulent health claims. It would establish new Federal certification requirements for all internet pharmacy sites to ensure that they meet all state and Federal requirements. It would also update the current penalty structure to create new civil money penalties of up to $100,000 for dispensing without a valid prescription over the internet or for selling drugs without Federal certification; and provide FDA with new administrative subpoena authority in order to gather the information necessary to build a case against offenders. (OMB passback: +$1 million; DPC target over passback +$9 million if new enforcement policy is included)

OMB $10M

Expanding efforts to prevent breast and prostate cancer. This initiative will fully fund the National Environmental Health Laboratory, which evaluates the exposure of men, women, and children to toxic substances that cause cancer. Funds will also be used to assist state and local public health officials to ensure the thorough investigation of cancer clusters and in their efforts to rapidly evaluate the impact of public health disasters, such as chemical spills and groundwater contamination, on local residents. (OMB passback: +$0 million; DPC / HRC target over passback +$15 million)

OMB $9.5M

Improving nursing home quality. The President has a longstanding commitment to improve the quality of nursing home care. This initiative provides mandatory and discretionary funds to HCFA to help States strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards. Funding will be provided for new enforcement provisions and increased surveys of repeat offenders and improve surveyor training. (OMB passback: +$11 million; DPC / OVP target over passback: +$20 million)

OMB $80M

Providing education funds to children's hospitals. This initiative provides freestanding children's hospitals with Federal financing for the cost of providing direct graduate medical education associated with the provision of care to Medicaid patients. While some states have funded GME through Medicaid, most of those programs are ending as more states move to Medicaid managed care programs. There is a legitimate equity argument here, as these hospitals shoulder much of the responsibility for training the nations' pediatricians and pediatric subspecialists. (OMB passback: +(0); DPC / HRC target over passback: +$104 million)

OMB ok

Increasing prevention and treatment services for individuals with mental illness. This proposal will increase funding for treatment for the severely mentally ill and establish a new local mental health enhancement program that would provide new prevention, early intervention, and treatment services for Americans with less severe mental illnesses. (OMB passback: +$80 million; DPC / OVP target over passback: +$20 million)

OMB ok

Preventing the spread of and improving treatment for HIV and AIDS. This initiative would increase our current proposed investment in the Ryan White program and the AIDS Drug Assistance Program (ADAP), which provide critical services for people with HIV/AIDS. In addition, it would establish a three year strategic plan designed to reduce new HIV infections by 50 percent in three years. The new prevention initiative would: help 150,000 individuals who are not aware of their infection learn their status and access prevention counseling and treatment services; expand community prevention planning, with a special emphasis on racial and ethnic minorities, women, injection drug users and their partners, and young gay men; and building a data infrastructure to assist local public health officials in targeting their prevention efforts. The new investment in Ryan White and ADAP would shorten the waiting time needed to access the comprehensive range of drugs needed to effectively treat this disease. (OMB passback: +(0) for prevention, with a request to reprogram $20 million / +$50 million for ADAP and Ryan White; DPC / OVP target over passback: +$100 million in FY 2001, split equally between the initiatives)

OMB ?

Enhancing the nation's food safety system. CDC estimates that contaminated food kills up to 5,000 Americans and sickens 76 million more each year. In keeping with President's longstanding commitment to ensuring food safety, this initiative will increase the numb number of imported and domestic food inspections by over 7,000, with a special emphasis on high risk domestic foods such eggs and unpasteurized juice. It will also place an additional 100 inspection agents in the field. The FDA expects that this new investment will prevent over 100,000 illnesses per year. (OMB passback: $15 million; DPC / OVP target over passback: +$20 million)

OMB ok

Ensuring access to care for uninsured Americans. This proposal would enhance the newly developed grant program for community based providers to develop comprehensive systems of care, develop linked financial and telecommunication systems, and fill the service gaps that exist in many communities, especially in the areas of primary health care, mental health, and substance abuse services. It would: hold providers accountable for health outcomes by helping them develop the systems to appropriately monitor and manage patient needs; preserve access to critical tertiary care services financial support to large public hospitals, who are often the only source in a region for trauma care and other specialized services that are critical to all of the residents in a service area; and provide new services to the uninsured, including primary care, and mental health services. (OMB passback: +$25 million; DPC target over passback +$50 million)

CLOSE HOLD - PLEASE RETURN AT END OF MEETING

12

DRAFT AGENDA: MEDICARE
December 15, 1999

OUTLINE

I. Update on Discretionary Budget

II. Trust Fund Solvency

III. Prescription Drug Benefit

IV. Savings and Reforms

V. Illustrative Packages

I. UPDATE ON DISCRETIONARY BUDGET

[Jack Lew]

II. TRUST FUND SOLVENCY

UPDATE

- **History**

  - **April 1998 Trustees Baseline:** **2008**
  - 1999 State of the Union: 2020
  - **April 1999 Trustees Baseline:** **2015**
  - June 1999 Plan: 2027
  - Plan re-estimate in September: 2031
  - **April 1999 Baseline after give-backs:** **2014**

- **Current Status**

  - Because BBA give-backs reduced solvency, harder to extend solvency than last June

  - Given Medicare spending decline and revenue increases in 1999, April 2000 Trustees' baseline will likely improve

ISSUES

- **Should Medicare surplus transfer be reduced**

  - May need substantially less to achieve 2027 on April 2000 baseline

  - Less surplus may be available due to cost of prescription drugs and realistic discretionary baseline

  - If lower transfers, how would it be explained in February

- **Is transferring of surplus for solvency still politically viable**

- **If lower or no transfers, should we consider funding graduate medical education outside of Medicare, to improve solvency**

III. PRESCRIPTION DRUG BENEFIT

UPDATE

- **Federal Costs:**
  - June Estimates, 10-year cost: $120 billion (2002-09)
  - Current Estimates, 10-year cost: $160 - 170 billion (2003-10)

- **Premiums:**

	First Year	Fully Implemented
June Estimate	$24	$44
Current Estimate	$27	$53

ISSUES

- **Should cap ($5,000) be lowered to lower costs/ premiums**
  - Cost of $2,000 cap: About $130 billion over 10
  - Premium: Same as June plan

- **Should premium subsidy be increased to lower premium**
  - Cost of raising from 50 to 55%: About $200 billion over 10
  - Premium: Same as June plan

- **Should stop-loss protection be added**
  - Cost of stop-loss of $5,000: About $230 billion over 10
  - Premium: $34 in first year, $71 when fully implemented

- **Shift to Medicaid buy-in approach**
  - Cost and premium: Unknown

Note: Estimates are preliminary and subject to change

IV. SAVINGS & REFORMS

UPDATE

- **Original plan savings plus FY 2000 budget:** $105 billion over 10
  - Most savings estimates smaller due to lower baseline
  - Full package extends solvency to 2020 without surplus transfers

ISSUES

- **Is the full set of savings policies viable**
  - Extending certain BBA policies from 2003-09 may not be possible
  - Some of the traditional program modernization proposals were not well received (e.g., PPO option, Centers of Excellence)
  - Some of the savings may be needed as offsets for other health investments
- **Range of savings options:** $40 to $70 billion over 10 years
  - $60 billion in savings over 10 years is placeholder

V. ILLUSTRATIVE PACKAGES

CONCEPTUAL OPTIONS FOR PACKAGES

INTEGRATED OPTIONS

- **Mix of Financing for Drugs, Surplus for Solvency**
  - **Prescription Drugs:** Financed by Reform Savings and Surplus
  - **Solvency:** Some Surplus

- **No Surplus for Drugs, Surplus Only for Solvency**
  - **Prescription Drugs:** Financed by Reform Savings and Tobacco
  - **Solvency:** All Surplus

- **Drugs Financed Only by Surplus, Savings Only for Solvency**
  - **Prescription Drugs:** Financed by Surplus
  - **Solvency:** Reform Savings

SEVERABLE OPTIONS

- **No Surplus for Drugs or Medicare in General**
  - **Prescription Drugs:** Financed By Reform Savings, Tobacco

- **Drugs Financed Only by Surplus, No Reform Savings or Solvency Improvement**
  - **Prescription Drugs:** Financed by Surplus

POTENTIAL SCENARIOS

How to allocate the $631 billion surplus remaining after discretionary?

	Package #1 Base Drug Benefit	**Package #2** Base Drug Benefit W/ Stop-Loss	**Package #3** Base Drug Benefit w/ Rainy Day Fund	**Package #4** Base Drug Benefit w/ DME Carve-out, No Transfers
Medicare				
Net Prescription Drug Costs	110	170	110	110
Medicare Solvency	270	200	110	50*
"Rainy Day Fund"	0	0	160	220
Tax Cut	200	200	200	200
Financing Cost	51	62	51	51
TOTAL SURPLUS	**631**	**631**	**631**	**631**
Medicare Insolvency	*2025*	*2022*	*2020*	*2020*
Debt Elimination	*2013*	*2014*	*2013*	*2013*

*An additional $43 billion in solvency from the DME carveout; this does not come out of the surplus.

Notes:

- Net drug costs are the difference between the total Federal drug costs and the savings from the plan. All options assume: $60 billion over 10 years in Medicare savings ($50 billion in HI (Part A) savings)
- The Medicare solvency line includes $50 billion from savings as well as surplus transfers for HI in the amount of the difference between the total in the box and $50 b
- Base drug benefit costs $170 billion over 10; plus stop-loss costs $230 billion over 10
- Medicare exhaustion calculated off of April 1999 Trustees' baseline; given actual spending in 1999, the baseline is likely to improve

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DEVELOPING THE FRAMEWORK FOR THE FY 2001 BUDGET

The Framework for the FY 2000 Budget: Save Social Security and Medicare First

Save Social Security and Medicare First was the organizing principal of the FY 2000 budget. The budget proposed a separate budget policy "pending reform" and "with reform." This had implications in all areas of the budget:

- ***Discretionary Spending.*** Proposed spending in 2000 was fully paid for using offsets. Without Social Security and Medicare reform, spending in future years would also have been paid for with offsets. With reform, the budget would have increased the discretionary spending caps by $328 billion over 10 years.

- ***Medicare.*** Proposed $374 billion over 10 years to extend solvency through 2027. A prescription drug benefit was only to done in the context of both transfers and reforms; this benefit was to be paid for by Medicare savings.

- ***Social Security.*** The budget proposed a specific plan to use transfers to extend solvency and a bipartisan process to make the tough choices necessary to achieve long-run solvency. As part of a plan to achieve long-run Social Security solvency, the budget proposed that we take steps to reduce widow poverty and eliminate the retirement earnings test.

- ***Tax Cuts.*** The budget included paid-for, targeted tax cuts. The $250 billion unpaid-for tax cut was part of a retirement savings agenda that could only be done in the context major entitlement reform.

FRAMING QUESTIONS FOR DISCRETIONARY SPENDING

Major Issues In Organizing Discretionary Spending

1. ***Should we stay with the previous budget framework?*** This would keep unpaid-for increases in discretionary spending above the caps contingent on major entitlement reform.

2. ***Should we propose higher discretionary caps?*** Propose higher discretionary caps and use the same "Social Security and Medicare first" framework for any spending or tax cuts beyond that. The higher discretionary caps would be presented not as a spending increase but as a fiscally responsible way to recognize the necessary spending by the government.

3. ***Should we propose funds to pay for major new initiatives?*** New funds could be established to pay for spending beyond the caps on major new initiatives, possibly in the form of new trust funds in the areas of medical research, children, or the environment.

FRAMING QUESTIONS FOR MEDICARE

How Recent Developments in Medicare Affect Our Proposal

- ***Baseline Spending Is Falling.*** Spending in 1999 was $9 billion lower than the Mid-Session Review forecast and $1.5 billion lower than 1998 spending. The effects of this are:
    - Next Trustees report (April 2000) will likely show that Medicare solvency is substantially longer than 2015.
    - Support for reform – as well as traditional program savings and BBA extenders – has lessened with the better outlook for Medicare.
- ***Support for Universal Medicare Prescription Drug Benefit Is Growing.*** Senators Breaux, Snowe, and Wyden are now advocating universal – albeit flawed – drug benefits. The Republican leadership has indicated interest. Base Democrats and academics seek adding some type of catastrophic coverage. Yet, the cost of drug benefits will rise with the new baseline.

Major Issues in Allocating the Surplus for Medicare Solvency

1. ***Should our goal be a particular solvency date for Medicare, like 2027.***
2. ***Should we continue to allocate $374 billion over 10 years for Medicare, as we did in the MSR proposal?***
3. ***Should we use one-third of the on-budget surplus for Medicare?*** This would be consistent with the Social Security and Medicare legislation we transmitted to Congress.

Major Questions In Developing a Framework for the FY 2001 Prescription Drug Proposal

1. Would we propose/accept a prescription drug benefit paid for with tobacco money and other offsets, without necessarily making it contingent on Medicare reform?
2. Would we propose/accept a prescription drug benefit paid for with the surplus, without necessarily making it contingent on Medicare reform?
3. Would we propose/accept a prescription drug benefit together with some Medicare reforms, but without solvency transfers?

FRAMING QUESTIONS FOR SOCIAL SECURITY

Major Political-Strategic Question: *Do we want to make a major political move – either entering into negotiations or proposing more specifics for our Social Security policy?*

Major Budget Issues in Revising Our Social Security Proposal

1. ***Should We Keep the Social Security Proposal the Same?*** (Begin transfers in 2011 to extend solvency to 2050; continue to propose a bipartisan process to make tough choices for long-term solvency.)

2. ***Do We Include Equity Investment as Part of the Proposal or as an Option?*** The SOTU and MSR proposals included equity investment. There was no equity investment in the legislation transmitted to Congress.

3. ***Should Social Security Transfers Start Earlier, Possibly in 2001?*** This change would extend solvency further and demonstrate commitment to Social Security. It would, however, divert resources from other uses and, even then, there may not be sufficient on-budget surplus to start transfers in the first few years.

4. ***Should We Do (2) but also Invest in Equities?*** This combination could extend solvency well past 2050, but probably would not be enough to achieve 75-year solvency.

5. ***Should We Try to Do Something On Widow Poverty and Retirement Earnings Test Without Long-term Solvency?*** We could propose to try to do something *this year* on widow poverty and the retirement earnings test by proposing solvency-neutral steps that could be taken even if they were not part of 75-year reform.

FRAMING QUESTIONS FOR TAX CUTS

USAs were a retirement savings initiative that was only supposed to be done as part of Social Security reform.

Major Budget Issues In an FY 2001 Tax Proposal

1. Should we only propose a paid-for tax cut?

2. Should we propose an unpaid-for savings tax cut only in the context of Social Security and Medicare reform?

3. Should we propose an unpaid-for savings tax cut even without necessarily doing Social Security and Medicare reform?

4. Should we propose an unpaid-for, non-savings tax cut in the context of Social Security and Medicare reform?

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DRAFT AGENDA FOR BUDGET MEETING

DEVELOPING A FRAMEWORK FOR THE FY 2001 BUDGET

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- ***Medicare Prescription Drug Benefit.*** This was only to be done in the context of a reform plan that extended solvency. The cost of prescription drugs would have been partly offset by Medicare savings and supplemented by the surplus.

- ***Social Security: Widow Poverty and Retirement Earnings Test.*** As part of a plan to achieve long-run Social Security solvency, the budget proposed that we take steps to reduce widow poverty and eliminate the retirement earnings test.

- ***Tax Cuts.*** The budget proposed a $250 billion unpaid-for tax cut as part of a retirement savings agenda only in the context of Social Security and Medicare reform.

Potential Options for the FY 2001 Budget Framework

Option A: Stay with the previous budget framework, keeping unpaid-for changes in any area contingent on Social Security and Medicare reform.

Option B: Propose higher discretionary caps and use the same "Social Security and Medicare first" framework for any spending or tax cuts beyond that. The higher discretionary caps would be presented not as a spending increase but as a fiscally responsible way to recognize the necessary spending by the government.

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Strategic-Political Medicare Issues

- ***What Is the Desired Outcome for Medicare Reform?*** Are we seeking to pass Medicare reform plan this year – which will entail necessary compromises – or do we stand by the original plan and risk Congress not acting on it?

- ***Should We Shift Public Emphasis on Medicare from Broader Reform to Prescription drugs?*** While this would appeal to base Democrats, Republicans are highly unlikely to support a drug benefit outside of the context of broader reform.

- ***Do We Modify the Prescription Drug Benefit to Include More Catastrophic Coverage?*** This could build support, but it would also add to the cost.

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DRAFT

OMB Extenders Packages

This paper presents three different options for extending the BBA provider reductions contained in the President's Medicare Reform Plan. They are divided into three options–high, medium and low. The main differences among the three packages are the duration of the policies and changes to the hospital update proposals. Attached to this document is a list of the extender policies contained in the Plan and associated scoring.

Scoring of the policies is presented under the FY 2000 Mid-Sessional Review (MSR) baseline.

High Option

Policies: Same proposals as presented in original plan FYs 2003-2010.

Duration: FYs 2003-2010

Savings: $8.6 billion over 5 years (FYs 2001-2005); $58.4 billion over 10 years (FYs 2001-2010)

Medium Option

Policies: Same proposals as presented in original plan FYs 2003-2007. Hospice extender is removed.

Duration: FYs 2003-2007

Savings: $8.4 billion over 5 years (FYs 2001-2005); $43.0 billion over 10 years (FYs 2001-2010)

Low Option

Policies: Same proposals as presented in original plan FYs 2003-2007. Hospice extender is removed, and PPS Hospital and PPS-Exempt Hospital update proposals are cut in half.

Duration: FYs 2003-2007

Savings: $4.8 billion over 5 years (FYs 2001-2005); $23.4 billion over 10 years (FYs 2001-2010)

DRAFT

Extender Savings Proposals in the President's Plan
FY 2000 MSR Baseline

	High	Medium	Low
PART A	97		
PPS Inpatient Capital	2.1% reduction FYs 2003-2010 (-$2.0)	Same as High over FYs 2003-2007 (-$1.2)	Same as Medium (-$1.2)
PPS Exempt Capita	15% reduction FYs 2003-2010 (-$0.8)	Same as High FYs 2003-2007 (-$0.5)	Same as Medium (-$0.5)
PPS Inpatient Update	Urbans MB-1.1 FYs 2003-2010; Rurals MB-0.5 in FY 2003, decreases by additional 0.01 percentage points FYs 2004-2010 (-$43.9)	Same as High over FYs 2003-2007 (-$33.1) HHS 0.75	Reduce Medium reductions by one-half. Urbans MB-0.5 FYs 2003-2007; Rural at MB-0.25 in FY 2003, decreases by add'l. 0.05. (-$16.5)
PPS Exempt Update	Extend BBA reduction FYs 2003-2010** (-$6.1)	Same as High over FYs 2003-2007** (-$4.6)	Reduce Medium reductions by one-half (-$2.3)
Hospice	MB-1.0 FYs 2003-2010 (-$1.5)	Drop ($0.0)	Drop ($0.0)
Interactions	-$1.5	-$1.6	-$0.8
Subtotal Part A	*-$55.8*	*-$40.9*	*-$21.3*
PART B			
Lab Update	CPI-1.0 FYs 2003-2010 (-$1.6)	Same as High over FYs 2003-2007 (-$1.2)	Same as Medium (-$1.2)
ASC Update	CPI-1.0 FYs 2003-2010 (-$0.2)	Same as High over FYs 2003-2007 ($0.0)	Same as Medium ($0.0)
Ambulance Update	CPI-1.0 FYs 2003-2010 (-$0.5)	Same as High over FYs 2003-2007 (-$0.5)	Same as Medium (-$0.5)
DME, PEN, P&O Update	CPI-1.0 FYs 2003-2010 (-$1.3)	Same as High over FYs 2003-2007 (-$1.0)	Same as Medium (-$1.0)
Premium Offset	$0.9	$0.6	$0.6
Subtotal Part B	*-$2.6*	*-$2.1*	*-2.1*
	HHS- 01		
Total	***-$58.4*** 45	***-$43.0***	***-$23.4***

14-15 - Budget

**Assumes policy would be modified to be consistent with BBRA PPS requirements and achieve same savings.

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NEW BUDGET IDEAS FOR FY 2001

1. **MEDICARE REFORM**
   - Nature of the drug benefit
   - BBA extenders
   - Medicare competition
   - Board

2. **MEDICARE**
   - Fraud
   - Prevention
   - QMB / SLMB
   - Cancer clinical trials

3. **LONG TERM CARE**
   - Tax credit
   - Caregivers initiative

4. **NEAR ELDERLY**
   - Medicare buy-in
   - COBRA

5. **MEDICAID / CHIP / COVERAGE**
   - Legal Immigrants
   - Transitional Medicaid
   - Parents of CHIP and Medicaid Kids
   - 1115
   - Small Business Incentives
   - Tax Credit 125 percent

6. **KIDS**
   - Presumptive eligibility entity expansion
   - Lugar amendment / school lunch
   - Adjunctive eligibility
   - Enrollment bonus

7. **QUALITY**
   - Patients Bill of Rights
   - Privacy
   - Genetic discrimination
   - Outcomes oriented research

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Heather shrp

Theresa H

8. PUBLIC HEALTH / UNDERSERVED POPULATIONS (TENTATIVE)

- Asthma
- Lead poisoning prevention
- Prescription drugs and the internet
- Breast cancer environmental health lab
- Mental health
- Gene therapy
- DOD breast cancer / prostate cancer programs
- Medicaid and dental services
- Older people living alone

LATEST

NOTE: Need to Discuss ~~Automatic~~ Eligibility option for School Lunch - I Dropped + added a New Presumptive Eligibility Option after Discussion.

DRAFT: MEDICARE / MEDICAID / CHIP IDEAS FOR THE BUDGET

Please do Not circulate

MEDICARE

Carry-Over / Congressional Proposals:

Medicare Plan. The original President's plan scored off of the President's budget baseline.

Policies to reduce fraud, abuse and overpayments. This would include previously supported (and any new) policies to reduce overpayments, fraud and abuse. We could also rescind some of the managed care payment increases in the give-back bill.

Cancer clinical trials. This three-year demonstration would cover the patient care costs associated with certain clinical trials. This proposal was in the President's FY 1999 and 2000 budgets.

Addressing arbitrary limit on Medicare coverage for people with disabilities. In the compromise on the Work Incentives Improvement Act, its Medicare benefit was limited to an additional 4 and a half years. This policy would remove this limit (same policy as in the President's budget last year).

New Proposals / Modifications:

Medicare Plan. The following are potential changes to the President's Medicare plan:

- **BBA extender changes.** Policies would be five-year (2003-07). Hospital market basket reduction for urban hospitals of market basket minus 0.5 rather than 1.1 percent and rural update of 0.25 in 2003, phasing up in 0.5 percent increments to 0.45 by 2007; no hospice extender; [are changes needed to the PPS-exempt policies in the wake of BBRA?].

- **FFS modernization.** The same package as in the President's plan, with (a) the change to the PPO policy that says that we use them only where they exist already; and (b) dropping the Centers of Excellence.

- **Adding a preventive benefit authority.** HHS would be given the authority to review and approve new preventive benefits for Medicare. These benefits could not add significant cost to Medicare (no more than 0.1 percent of Federal Medicare spending in a given year, taking into account reduced hospitalization and other Medicare costs when applicable).

- **Prescription drug benefit**. There has been some interest in adding a catastrophic cap to the President's option. We would like to know the total cost of the current benefit plus:

- Out-of-pocket limit of $5,000

- Out-of-pocket limit of $10,000

Immunosuppressive drug extension adjustment. The Balanced Budget Refinement Act added a time- and dollar-limited extension on coverage of immunosuppressive drugs (8 months for 5 years or earlier if the $150 million earmarked for this extension is hit). This policy would, in 2001, make the extension 1 year rather than 8 months, would remove the funding cap, and make the extension permanent.

Low-income premium / cost sharing protections for seniors. Although nearly all people eligible for Medicare participate in this program, only about 40 percent of Medicare beneficiaries eligible for Medicaid premium and cost sharing assistance participate. To address this problem, this proposal would give states the option of allowing SSA eligibility workers – who help beneficiaries enroll in Medicare – to grant presumptive eligibility for these programs.

MEDICAID AND CHIP

Carry-Over / Congressional Proposals:

Restoring state options to cover legal immigrants. Welfare reform prohibited states from providing health insurance for certain legal immigrants. This proposal would restore this option for pregnant women, SSI recipients and children in Medicaid and CHIP. This proposal was in the last two budgets.

Extending transitional Medicaid. This provision would eliminate the 10/01 sunset on the transitional Medicaid assistance program and would simplify reporting requirements.

Broadening presumptive eligibility for children for Medicaid. This proposal builds on the 1997 option to allow workers in programs that provide services to children, like school lunch programs, TANF and CHIP programs, and child care subsidy programs, to provide families with immediate, temporary Medicaid coverage while their full application is being provided. It would also allow states to presumptively enroll all children in the school lunch program or subsidized child care programs, a variant on the President's FY 1999 budget proposal.

Medicaid coverage for certain women with breast cancer. This proposal is the Breast and Cervical Cancer Prevention Act (HR 1070) that has 272 House cosponsors and passed unanimously by the House Commerce Committee (there is a Senate bill, but it has not yet been marked up). It would give states the option to provide temporary Medicaid coverage to uninsured women who have learned that they have breast or cervical cancer through a CDC screening program. States would get the CHIP match rate for this group.

Option for using school lunch information for children's health insurance outreach. Currently, school lunch programs are allowed to share enrollment information with other social programs, but not health insurance programs. The proposal would allow schools to elect to share school meal applications with Medicaid and CHIP staff unless parents opt not to have such information disclosed. When shared, application information may be used only for the purpose of child health insurance outreach and enrollment. [Lugar amendment, without the WIC grants]

Medicaid asthma initiative. Same as in last year's budget.

Cost allocation. This proposal would reducing future Medicaid grant awards to eliminate double payments for certain administrative costs to recapture the inadvertent windfall that resulted due to the welfare reform legislation. Prior to the enactment of welfare reform, States were required to charge most costs that were common to the administration of the three public assistance programs to TANF's predecessor, the open-ended Aid to Families with Dependent Children (AFDC) program. The creation of the TANF block grant in 1996 consolidated cash welfare assistance and related programs and placed limitations on the amount of funds that may be used for administrative purposes. Since then, many states have sought to allocate administrative costs in proportion to how much Medicaid and Food Stamps benefit from those expenses rather than charging them to the TANF block grant. Since the TANF block grants were calculated using past spending and budget trends and included the majority of the administrative costs common to the three public assistance programs, state actions to shift costs back to Medicaid result in an overall rise in administrative costs. This proposal recaptures this amount.

Medicaid generic drug proposal. Under current law, drug manufacturers are required to pay Medicaid rebates if covered under this program. These rebates are based on price and utilization. Manufacturers of brand-name drugs are required to pay additional rebates if the drug prices increase above a baseline price at a faster rate than inflation. This proposal would apply the inflation adjustment currently applied to brand-name drugs in the Medicaid program to generic drugs as well. Recent price increases in generic drugs have demonstrated the need for the CPI-U adjustment for generic as well as brand name drugs.

<u>New Proposals / Modifications</u>:

Family coverage initiative. This option, which was included in the Gore health proposal, would allow states to use their enhanced Federal match rate from their CHIP allotments to cover parents of eligible children. This has the benefit not only of efficiently enrolling uninsured adults (since most parents of uninsured children are also uninsured) but could increase enrollment of children since there is a greater incentive for the family to enroll them.

Currently, states have the option of extending Medicaid to low-income families through section 1931. However, most states have extended access to state health insurance to children at higher income levels than their parents. This is an indirect effect of the Children's Health Insurance Program that provides higher matching rate and greater flexibility to states that extend coverage for children above their Medicaid eligibility levels. However, over 85 percent of the parents of uninsured children in families with income below 200 percent of poverty are themselves uninsured.

This plan would encourage states to expand coverage for the entire family, not just children, by:

- **Providing enhanced Federal matching payments for targeted low-income parents.** This option would allow states to access the CHIP enhanced matching rate from an increased CHIP allotment for covering parents of Medicaid or CHIP-eligible children whose income exceeds the current Medicaid eligibility level and is no higher than the current CHIP upper eligibility limit in the state. This option would only be available to states that have expanded CHIP to at least 200 percent of poverty and no waiting list.

- **Increasing CHIP allotments.** To ensure adequate funding for this option, the state CHIP allotments would be increased, beginning in 2002, so that the 2002 total is 50 percent higher than the 2001 allotment, and the total allotment increases at 5 percent annually. States would only get this allotment if they file a state plan for parents.

	01	02	03	04	05	2001-05
CHIP:	4.275	3.150	3.150	3.150	4.050	17.775
Addition:	0	3.263	3.583	3.920	3.373	14.139
New total:	4.275	6.413	6.733	7.070	7.423	27.639

This total allotment would be allocated to states using a similar formula as that (modified by the Balanced Budget Refinement Act). In addition, the current provision that reallocates unused allotment amounts after 3 years would be changed to 5 years, to help in the transition to the new system. The rules for what happens when the allotments are used up would remain the same, with one exception: states would have to reduce eligibility levels for parents before reducing eligibility levels for children (they could only reduce eligibility levels for children if they no longer drew the enhanced matching rate from the allotment for any parents).

- **Benefits and entitlement.** Parents would be covered in the same program that their children; states could not cover a parent in a state-designed program when their children are currently eligible for Medicaid and vice-versa. States must cover lower-income parents before covering upper-income parents, as in CHIP.

Medicaid option to cover any low-income person. This proposal would give states the option to fully convert their Medicaid eligibility to an income-only standard, irrespective of age, work or family status. This approach has been take by several states through Medicaid 1115 waivers. To access this option, states would have to file a state plan, as in CHIP, that includes a description of current state-only spending on health care, proposed income definitions, etc. States with current state-only spending would have maintenance of effort (modeled on CHIP). This option would be limited to 150 percent of poverty.

Enrollment bonus for children in Medicaid. A new option would be created that allows states to draw from their CHIP allotments the same, enhanced match rate for any newly enrolled Medicaid child over a base-year number. This has the advantage of eliminating the financial bias to enroll children in CHIP.

- **Conditions for accessing CHIP allotments for Medicaid children.** Given that the original use of these funds is to help children not previously eligible for Medicaid, only states that have done the following can access this new option:

  - Expanded through CHIP to 200 percent of poverty, with no waiting lists;

  - Conducted aggressive outreach, including:
    - adopting a shortened and simplified application procedure;
    - allowing families to mail/phone-in applications;
    - eliminating the assets test;
    - outstationing Medicaid eligibility workers.

- **Enrollment bonus.** States meeting the above conditions could draw from their CHIP allotment an amount the number of newly enrolled Medicaid children (full-year equivalents) multiplied by the average Medicaid per capita costs and the difference between the CHIP and Medicaid Federal matching rates. The number of newly enrolled Medicaid children is the difference between the previous year's actual full-year enrollment and the FY 2000 [or 1999?] full-year enrollment in Medicaid (adjusted for any eligibility changes). This bonus would be calculated once annually.

Option for Medicaid-only CHIP states to convert to one matching rate. Currently, 23 [check] states have chosen to use Medicaid as their CHIP option. For these states, the only difference between traditional Medicaid and CHIP is the matching rate. This proposal would allow these states to simplify their system and get the same Federal matching rate for enrolling a child in traditional Medicaid or CHIP. It would do so by allowing states to convert, in a budget-neutral way, to a single combined matching rate for all children. This rate would be calculated using the weighted average total costs in the latest year for which data are available. The formula would be:

$$\frac{[(\text{Total Medicaid costs})*(\text{FMAP-Medicaid}) + (\text{Total CHIP costs})*(\text{FMAP-CHIP})]}{(\text{Total Medicaid} + \text{Total CHIP costs})}$$

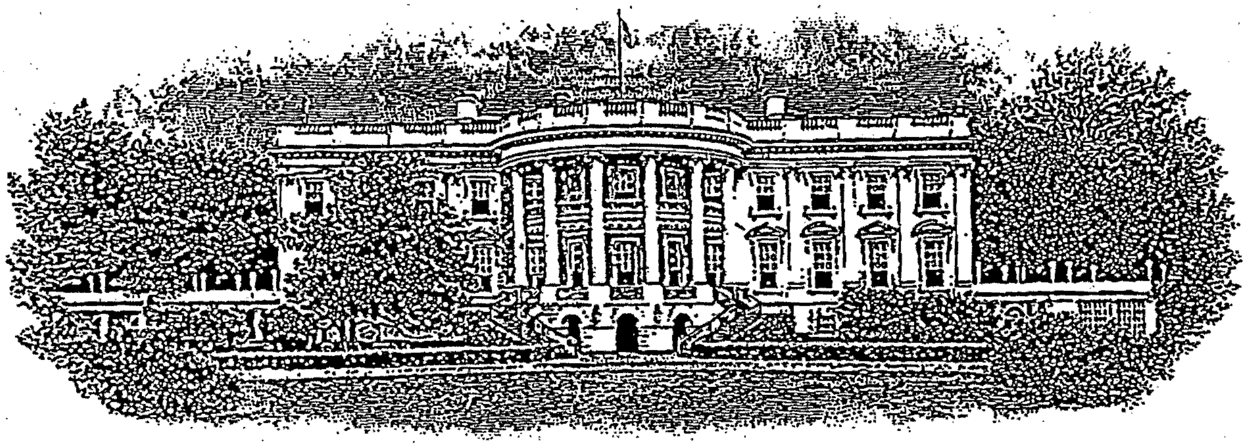
The enhance match (the difference between the Medicaid FMAP and the new FMAP) would be drawn from the allotment as under current Medicaid CHIP expansions.

Aligning Medicaid and CHIP and eliminating barriers to enrollment. States would be required to use the same application and income verification process for children eligible for Medicaid and CHIP and could not use an assets test for children in Medicaid or CHIP. States also must use the same redetermination process for Medicaid and CHIP.

Outreach to homeless children. This initiative would give $5 million in mandatory, administrative grants to states to ensure that so-called "mainstream" programs – Medicaid, CHIP, TANF, and the Mental Health and Substance Abuse Block Grant -- are accountable to the homeless. States would use the grants to examine: (1) how outreach is being done to the homeless; (2) how intake questioning asks about homeless status and other indicia of homelessness; (3) how the program is accountable to treating the homeless; (4) what are the future goals of addressing the needs of the homeless; and (5) what outcome measures are in place to see whether the homeless needs are being addressed.

The White House

DOMESTIC POLICY COUNCIL



FAX COVER SHEET

To: Teresa Jones

Phone: ____________ **Fax No:** ____________

****

~~From:~~ Please deliver a copy to: Chris Jennings, Cynthia Rice, Mike Cohen, and Paul Weinstein.

Phone: ____________ THANKS

Comments: URGENT

Document No. ______

WHITE HOUSE STAFFING MEMORANDUM

Date: 10/22 ACTION / CONCURRENCE / COMMENT DUE BY: ASAP

Subject: Omnibus Signing Statement

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McGINTY	☑	☐
BOWLES	☑	☐	NASH	☐	☐
PODESTA	☑	☐	REED	☑	☐
ECHAVESTE	☑	☐	RUFF	☑	☐
LEW	☐	☐	SMITH	☑	☐
BEGALA	☑	☐	SOSNIK	☑	☐
BERGER	☑	☐	SPERLING	☑	☐
BLUMENTHAL	☐	☐	STEIN	☑	☐
EMANUEL	☐	☐	STERN	☑	☐
IBARRA	☑	☐	STREETT	☐	☐
KLAIN	☐	☐	VERVEER	☐	☐
LANE	☑	☐	WALDMAN	☑	☐
LEWIS	☑	☐	YELLEN	☐	☐
LINDSEY	☐	☐	Toiv	☑	☐
LOCKHART	☑	☐	Tramontano	☑	☐
MARSHALL	☑	☐		☐	☐
MOORE	☑	☐		☐	☐

REMARKS: Comments to this office (Sean Maloney)

RESPONSE:

cc Chris
Paul
Cynthia

Staff Secretary's Office
Ext. 62702

STAFFING.WPD 10/4/98

Statement of the President

I have signed into law H.R. 4328, the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999.

This bill represents a significant step forward for America. It protects the surplus until Social Security is reformed, contains an agreement to fund the International Monetary Fund, and puts in place critical investments in education and training, from smaller class sizes to after-school care, and from summer jobs to college mentoring. I am pleased that this bill honors my commitment to maintain fiscal discipline by providing additional resources for essential new investments which are financed within the caps of the Bipartisan Budget Agreement.

Specifically, the legislation provides needed funds for education and training, including a down payment on my plan to reduce class size in the early grades by hiring 100,000 new teachers. It provides added resources to protect the environment, to move people from welfare to work, to strengthen law enforcement, to enforce civil rights and to further efforts that advance health, research and development. And with this legislation, funds can be made available to farmers suffering through the worst farm emergency in a decade.

First, this legislation provides an additional $4.4 billion for education and training, furthering the goal of life-long education to help Americans acquire the skills they need to succeed in the new global economy. In addition to funding my class size inititiative, this bill will help advance child literacy by meeting my full request for the America Reads program, and by fully funding Head Start and moving toward serving one million disadvantaged children by 2002. It also supports an important part of my child care initiative: the focus on improving the quality of child care programs and the funding provided for after school programs should help approximately 1,600 21st Century Community Learning Centers, serving nearly a quarter of a million children, to provide extended learning activities and related services in safe and constructive environments with adult supervision.

I am pleased that included in this legislation are three other high-priority education initiatives -- GEAR UP, Teacher Quality Enhancement Grants, and Learning Anytime, Anywhere Partnerships -- that were recently authorized in the Higher Education Act. Charter School funding will provide start-up resources to about 1,400 schools, serving approximately 400,000 students. My Youth Opportunity Areas initiative will provide intensive training and related services to help 50,000 disadvantaged youth in very high poverty areas get good jobs. And more than a half-million young people will be able to participate in the Summer Jobs program.

College students will benefit from funding in this bill, which provides the largest Pell Grant maximum award in history, and expands the Work-Study program to help nearly one million students work their way through college.

My commitment to a clean and healthy environment is advanced significantly in this legislation. Additional resources will be used to combat water pollution through the Clean Water Action Plan, fight global warming, protect national parks and other precious lands, restore salmon and other endangered species, and develop clean energy technologies. There are also funds to support the "Save America's Treasures" Millenium Initiative, and for the purchase of sensitive and historic lands.

At the same time, we have been able to prevent the inclusion of harmful riders specific to the environment, including ones that would have delayed Salmon restoration in the Northwest, built a road through designated wilderness areas in the Izembek National Wildlife Refuge, forced overcutting of timber on national forests, and barred the Administration from even informing the public about the threat of global warming.

I am pleased that we are able to reach agreement with the bi-partisan leadership to fulfill our commitment to fund and pay arrears to the Global Environmental Facility (GEF), established in 1991. This funding will help GEF in its fight against global warming, promotion of bio-diversity and reduction of energy consumption world-wide.

By providing $18 billion in funding for the International Monetary Fund, this legislation makes a significant contribution to protecting our domestic economy from global turmoil. In addition, I am pleased that Congress has provided additional funding for key international programs. Some examples are Assistance to the NIS, and support for nonproflieration activities such as the Korean Energy Development Organization and the Comprehensive Test Ban Treaty preparatory commission and payments of assessed contributions to international organizations. However, I am deeply troubled that the United States remains unable to pay its arrears to the United Nations and other international organizations. Funding to meet our international commitments should not be linked to unrelated family planning issues.

I appreciate Congress approving the Administration's initiative to provide additional funding for military readiness and for ongoing operations in Bosnia. These funds will ensure that the U.S. military can sustain its high levels of preparedness and advance our efforts in Bosnia to implement the Dayton Accords.

For law enforcement, the bill provides $1.4 billion to ensure that my program to put 100,000 more police on the streets of America's communities by the year 2000 proceeds on schedule --17,000 additional officers will be funded. The bill also includes funding to support my Administration's efforts to secure the border and provide immigration benefits to those seeking citizenship. Funding for 1,000 Border Patrol agents, border technology, and detention support has been provided to deter drug trafficking and illegal entry at the border. The funding level also provides an additional $171 million to address a backlog in citizenship applications, fix the naturalization program, and ensure that the benefit of citizenship is not delayed unnecessarily for those who have earned it. It funds the Indian Country law enforcement initiative that will increase the number of law enforcement officers on Indian lands, expand detention facilities, enhance juvenile crime prevention, and improve the effectiveness of tribal courts.

Civil rights protection is enhanced on numerous fronts. There is an increase of funding to the Equal Employment Opportunity Commission to significantly expand the Commission's alternative dispute resolution program and reduce the backlog of private sector discrimination complaints. There are also increases in funding to the Department of Labor's Office of Civil Rights and the Department of Justice's Office of Civil Rights and to its Community Relations Service which mediates and resolves racial and ethnic conflicts in communities.

In addition, funding for HUD's Fair Housing programs will increase significantly, and will provide resources for a new audit-based enforcement initiative.

This bill will also address the longstanding discrimination claims of many minority farmers, by adopting my request to waive the statute of limitations on USDA discrimination complaints that date back to 1981. This will finally provide these farmers the fair and expedited hearing -- and where past discrimination is found, the fair compensation -- they have long deserved.

I am pleased that this agreement contains a targeted program of grants to Empowerment Zones, providing communities with flexible funds to carry out local development strategies to bring jobs and investment to disadvantaged areas. I look foward to working with Congress next year to expand this program.

The District of Columbia receives a total of $620 million of Federal support, including $125 million of special one-time payments requested by the Administration for economic development, special education and to help the District address the Year 2000 computer problem. Funds for the District of Columbia will permit further implementation of the President's plan for revitalizing the Nation's Captial, will be used to spur economic development and for the public charter school program, among other programs.

There are significant advancements to improve the health of Americans by advancing research and by improving the safety of our food supply. The Food Safety Initiative will expand education, surveillance activities, and food import inspections, as well as expanding research and risk assessment capabilities. An additional $2 billion for biomedical research at the National Institutes of Health (NIH) will enable NIH to pursue new methods for diagnosing, treating, and curing diseases, such as cancer, diabetes, Alzheimer's disease, and HIV/AIDS. I am also pleased that the bill provides $1.4 billion for Ryan White Care Act activities, including the AIDS Drug Assistance Program, which provides funds to States to help uninsured and underinsured people with HIV purchase life-saving pharmaceutical therapies.

I am pleased that for the first time, this bill will require health plans participating in the Federal Employees Health Benefits Program that provide prescription drug coverage to include contraceptives as part of their coverage. The Office of Personel Management will instruct participating plans to implement this provision by offering the full range of contraceptive options in 1999. The section exempts from this requirement five specifically named religious plans and any other existing or future plan that objects to the requirement on religious grounds.

I am also pleased that Congress has agreed to fund several urgent needs on an emergency basis. The nearly $6 billion of funding in this bill for farm emergencies reflects my commitment to meet the needs of our Nation's farmers who are suffering through the worst agricultural crisis in more than a decade. I am pleased that the bill addresses my concerns over emergency farm assistance funding that prompted my veto of the Agricultural Appropriations bill earlier this month.

The bill also includes needed emergency funding to help parts of our country recover from recent natural disasters, including Hurricane Georges; address unanticipated requirements associated with year 2000 computer conversion activities; and strengthen our diplomatic security, anti-terrorism, and counter-terrorism efforts, and as mentioned earlier, needed emergency funding to support our troops in Bosnia and enhance military readiness.

While this bill provides many investments to help prepare America for the next century, there is still much work to do for the future.

Now that we have embarked on a path to adding 100,000 teachers to our school systems, we must make sure that they will be able to teach in new and modern school rooms. I will continue to fight for my school modernization program which, with fully paid for tax credits, would leverage nearly $22 billion in bonds to build and renovate schools.

While this bill makes progress in improving the quality of child care, I will continue to push for additional critical investments in subsidies and tax credits to make child care safer and more affordable for America's working families.

I believe strongly that a voluntary national test for our children's achievement is essential so that parents can know how well their children and their schools are performing, on a basis that fairly compares them to others. This bill, unfortunately, includes language prohibiting any pilot testing or administration of voluntary national tests. We will continue work on test development, and we will continue to work with Congress to eliminate this bar to national testing, so that we can advance the hopes of all parents for their children's education.

I will continue to urge Congress to pass a strong, enforceable patients' bill of rights that would assure Americans the quality health care they need.

A key priority of my Administration has been to ensure the most accurate possible 2000 census. The census is constitutionally mandated, and serves as the basis for apportioning Congressional seats across States, allocating tens of billions of dollars in Federal grants, and determining legislative district boundaries within States. An accurate census is essential to basic fairness and sound government. Because traditional methods will not count parts of the population, the Census Bureau intends to supplement those methods with scientific sampling to ensure that the entire population is counted. Scientific sampling was recommended by the National Academy of Sciences in response to a law passed by the Congress and signed by President Bush after the 1990 Census failed to count more than 8 million people, and it is supported by virtually every professional organization involved in this issue. Some in Congress have proposed an alternate approach that, even at much greater cost, is likely to undercount disproportionately children, renters (particularly in rural areas), and racial and ethnic minorities. This issue will soon be argued before the Supreme Court. I urge Congress to fund the most accurate possible Census, and to do so in a timely fashion. It is imperative that Congress address this issue by June 15 when the legislation that provides funding for the Commerce, Justice, and State departments expires.

I am also disappointed that Congress provided less funding than I requested for the Federal Aviation Administration to operate the Nation's air traffic control system. While safety of the flying public will not be compromised, these reductions will result in an enormous challenge to provide critical aviation services and keep pace with a growing aviation industry.

Unfortunately, the bill also includes language that would cap the award of plaintiffs' attorneys' fees in special education cases to a maximum of $50 per hour and $1,300 per case. While this language is less objectionable than the original proposal that sought to ban compensation for plaintiffs attorneys' fees for special education administrative proceedings, I still find this provision unacceptable. It will undoubtedly restrict poor families in the District of Columbia from having adequate access to the due process protections provided by the Individuals with Disabilities Education Act (IDEA). I pledge that early next year, I will work to eliminate this cap and ensure that the rights of disabled children and their families are protected.

It is unfortunate that our efforts to restore the transfer of the full amount of the rum excise tax to Puerto Rico and the United States Virgin Islands were thwarted by the Congress. Because this change was not enacted, the Federal Government will continue to collect part of the rum excise tax that the Adminstration believes is properly due to Puerto Rico.

I am also disappointed that the bill includes a provision that could undermine the ability of Federal law enforcement to conduct large, multi-state investigations, such as those related to terrorist attacks, drug cartels, and interstate child exploitation. This provision was opposed by the law enforcement community, national victims groups, and many in the House and Senate. The effective date of the provision is six months from now. My Administration will work with Congress over the next few months on potential legislative remedies to ensure that we can continue to enforce Federal law and protect the public.

There are a number of provisions in the bill which may raise Constitutional issues. These provisions will be treated in a manner that is consistent with the Constitution.

I am concerned about section 117 of the Treasury/General Government appropriations section of the Act, which amends the Foreign Sovereign Immunities Act. If this section were to result in attachment and execution against foreign embassy properties, it would encroach on my authority under the Constitution to "receive Ambassadors and other public Ministers."

To the extent possible, I shall construe section 117 in a manner consistent with my constitutional authority and with U.S. international legal obligations, and I intend to use the waiver authority in the national security interest of the United States.

Section 609 of the Commerce/Justice/State appropriations section of the Act prohibits the use of appropriated funds to maintain diplomatic relations with Vietnam unless the President provides Congress with a detailed certification that Vietnam has satisfied specific conditions mandated by Congress. This provision unconstitutionally constrains the President's authority with respect to the conduct of diplomacy. I will apply this provision consistent with my constitutional responsibilities.

Section 610 of the Commerce/Justice/State appropriations section of the Act prohibits the use of appropriated funds for the participation of United States armed forces in a United Nations peacekeeping mission under foreign command unless the President's military advisers have recommended such involvement and the President has submitted such recommendations to Congress. The "Contributions for International Peacekeeping Activities" provision requires a report to Congress prior to voting for a United Nations peacekeeping mission. These provisions unconstitutionally constrain the President's diplomatic authority and authority as Commander-in-Chief. I will apply them consistent with my constitutional responsibilities.

Certain provisions of the Act could interfere with my constitutional authority in the area of foreign affairs by directing or burdening my negotiations with foreign governments. For example, section 514 of the Foreign Operations/Export Financing appropriations section purports specifically to direct the Executive on how to proceed in negotiations with international organizations. I shall treat all such provisions as advisory.

Section 625 of the Treasury/General Government appropriations section prohibits the use of appropriations to pay the salary of any official or employee of the Federal Government who interferes with certain communications or contacts between other Federal employees and Members of Congress or congressional committees. I do not interpret this provision to detract from the constitutional authority of the President and his appointed heads of departments to supervise and control the operations and communications of the Executive Branch, including the control of privileged and national security information.

Section 722 of the Agriculture/Rural Development appropriations section provides that "None of the funds appropriated or otherwise made available to the Department of Agriculture shall be used to transmit or otherwise make available to any non-Department of Agriculture employee questions or responses to questions that are a result of information requested for the appropriations hearing process." To the extent that this provision would interfere with my duty to "take Care that the Laws be faithfully executed," or impede my ability to act as the Chief Executive Officer, it would violate the Constitution, and I will treat it as advisory.

Section 754 of the Agriculture/Rural Development appropriations section constrains my ability to make a particular type of budget recommendation to Congress. This provision would interfere with my constitutional duty under the Recommendation Clause, and I will treat it as advisory.

Several provisions in the Act purport to condition the President's authority --and the authority of certain executive officers --to use funds appropriated by the Act on the approval of congressional committees. The Administration will interpret such provisions to require notification only, since any other interpretation would contradict the Supreme Court ruling in INS v. Chadha.

(Possible language addition)

I hereby designate the following amounts as emergency requirements pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Department of Defense: Military Construction, Army: $118,000,000

Department of Defense: Operation and Maintenance, Army: $104,602,000

Department of Defense: Operation and Maintenance, Air Force: $1,700,000

Legislative Branch: Architect of the Capitol, Capitol Visitor Center: $100,000,000

Legislative Branch: Capitol Police Board, Security Enhancements: $106,782,000

Legislative Branch: Senate, Contingent Expenses of the Senate, Sergeant at Arms and Doorkeeper of the Senate: $5,500,000

Legislative Branch: House of Representatives, Salaries and Expenses, Salaries, officers and employees: $6,373,000

Legislative Branch: General Accounting Office, Information Technology Systems and Related Expenses: $5,000,000

The Judiciary: Judicial Information Technology Fund: $13,044,000

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. draft	Draft- Health Coverage Ideas for Budget (7 pages)	12/10/99	P5

This marker identifies the original location of the withdrawn item listed above. For a complete list of items withdrawn from this folder, see the Withdrawal/Redaction Sheet at the front of the folder.

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Subject File)
OA/Box Number: 23756

FOLDER TITLE:
FY 2001 Budget [2]

gf19

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]