

HEALTH CARE THEMES IN THE STATE OF THE UNION

January 27, 2000

Tonight, in his State of the Union Address to the Congress, President Clinton will outline a bold, aggressive agenda to improve health care in the United States. Building on his longstanding commitment to providing the nation with the opportunity to access high quality, affordable, health care services, the President will describe his major priorities, including (1) assuring the quality of health care nationwide; (2) providing affordable health insurance coverage to millions of Americans; (3) meeting the challenges presented by the aging of America; (4) safeguarding public health; and (5) promoting the promise of biomedical research consistent with our values. The President will call on Americans to make the most of this time of profound promise and possibility to meet the challenges of a new century with new ideas that will make an important difference in the lives of the American people.

ASSURING THE QUALITY OF HEALTH CARE

Passing a Strong, Enforceable, Patients' Bill of Rights. The President and Vice President continue to challenge the Congress to finally finish the overdue job of passing 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; and an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. Last fall, over 60 Republicans joined virtually every Democrat in the House in voting for the Norwood-Dingell Patients Bill of Rights. This strong, enforceable, patient protections bill should not be watered down in a manner that makes it ineffective and unworthy of signing. It should also not include provisions that do little more than further segment healthy from unhealthy populations without significantly expanding coverage for the currently uninsured.

PROVIDING AFFORDABLE HEALTH INSURANCE COVERAGE FOR MILLIONS OF AMERICANS

The Clinton-Gore Health Insurance Initiative. The President and Vice President strongly believe we should expand access to affordable health care coverage to more Americans. The budget proposes a 10-year, \$110 billion initiative that would expand coverage to at least 5 million uninsured Americans and expand access to millions more. It addresses the nation's coverage challenges by building on and complementing current private and public programs. Specifically, the initiative: (1) provides a new, affordable health insurance option for families called "FamilyCare," which builds on the State Children's Health Insurance Program to provide higher Federal matching payments to parents of children eligible for or enrolled in Medicaid or S-CHIP; (2) accelerates enrollment of uninsured children eligible for Medicaid and S-CHIP; (3) expands health insurance options for Americans facing unique barriers to coverage, including a Medicare buy-in with a new 25 percent tax credit; a new 25 percent tax credit for COBRA continuation coverage; an initiative to help small businesses afford insurance, and new Medicaid options for vulnerable groups of Americans (people ages 19 and 20; people leaving welfare for work; legal immigrants); and (4) strengthens programs that provide health care directly to the uninsured. If enacted, this would be the largest investment in coverage since Medicare was created in 1965.

Major New Investment to Combat HIV, AIDS and Other Deadly Diseases. This new initiative provides \$100 million for preventing and treating HIV and AIDS in Africa, Asia, and other regions of the world – double last year’s allocation. It also dedicates \$50 million for purchasing vaccines against other diseases that ravage poor nations, including hepatitis B, meningitis, and yellow fever and creates a new tax credit for sales of vaccines for these diseases to accelerate vaccine development. The President will also call upon the World Bank to dedicate an additional \$400 million to \$900 million annually of their low-interest-rate loans to expand immunizations, prevent and treat common diseases, and build delivery systems for other basic health services. The President has also proposed to invest an additional \$125 million in the Ryan White Program, an increase of almost 8 percent over last year’s funding level, to provide primary medical care, pharmaceuticals critical to treatment, and other critical support services for people living with HIV and AIDS. The budget also includes an additional \$50 million for HIV prevention, the largest increase ever in funding for these activities, to encourage individuals at risk to avoid behaviors that can result in the transmission of the disease.

PROMOTING THE PROMISE OF RESEARCH CONSISTENT WITH OUR VALUES

\$1 billion Increase in Biomedical Research at the National Institutes of Health. The President’s FY 2001 budget includes almost \$19 billion, an increase of \$1 billion over last year’s funding level, for biomedical research at the National Institutes of Health. In addition, the President will eliminate the delays in releasing \$4 billion in research funds as required in last year’s appropriations bill. This increase will support research in areas such as diabetes, brain disorders, cancer, disease prevention strategies, and development of an AIDS vaccine. It will also help researchers complete in the near future a first draft of the entire human genome – the very blueprint of life. This and other scientific investments are leading to a revolution in our ability to detect, treat, and prevent disease. If Congress passes the President’s proposal, funding for NIH will increase by over 80 percent – nearly twice what the NIH budget was when President Clinton came into office.

Protecting Americans' Personal Privacy. As information technology transforms our government and our economy, a growing challenge is how to gain the benefits from the new technology while preserving one of our oldest values – privacy – in a variety of different settings:

- **Medical Records:** This year the Clinton-Gore Administration will issue historic, final rules that will legally guarantee the key privacy protections: notice of data uses; consent before records are used for non-medical purposes; patient access to records; proper security; and effective enforcement. President Clinton also will support legislation to expand the scope and enforcement of those rules.
- **Genetic Information:** As the human genome project nears completion, genetic testing and information will be increasingly common to help predict, prevent, and treat diseases. However, there is a concern that as this practice becomes common, it will be used not to promote health in a protected manner, but will be used as a basis for discrimination. There are already examples of employers using this type of information as a basis not to hire or promote individuals. Studies indicate that Americans fear that this information will be misused. The President will stress the need for strong Federal action on this issue.

THE AGING OF AMERICA

Strengthening and Modernizing Medicare. The President's budget includes a comprehensive plan to reform and modernize Medicare. This plan will: (1) make the program more efficient and competitive; (2) extend the solvency of the Health Insurance (HI) trust fund to at least 2025; (3) modernize benefits including adding a long-overdue, voluntary prescription drug benefit; and (4) create a reserve fund to be used for debt relief or to create bipartisan consensus to further strengthen the proposed drug benefit for Medicare beneficiaries. Building on the President's successful fight against fraud and waste, the plan would dedicate over \$300 billion in savings and surplus over 10 years to the HI trust fund, helping to meet the inevitable financing and health challenges that result from the aging of the baby boom. The proposed prescription drug benefit would be voluntary, available and affordable to all beneficiaries, including low-income beneficiaries who would pay low to no costs for coverage. It would be administered by private organizations like pharmaceutical benefit managers (PBMs) and would give financial incentives to employers who currently offer retiree prescription drug benefits to maintain coverage. Finally, a reserve fund would be created for debt reduction or, if there is bipartisan consensus, to strengthen the Administration's drug benefit by adding protections against the cost of catastrophic drug expenses.

Addressing the Nation's Multi-Faceted Long-Term Care Challenge. The budget proposes a 10-year, \$28 billion initiative that helps address the nation's multifaceted long-term care challenge. It includes: (1) a \$3,000 tax credit to compensate people with long-term care needs or their caregivers for the cost of care; (2) a major new investment in the Older Americans Act for information and referral as well as direct support services for family caregivers; (3) a new Medicaid option to increase income eligibility levels for home and community based services to the same levels as nursing home residents; (4) a Housing and Urban Development program to encourage assisted living facilities for low-income elderly; and (5) a new option for Federal employees to purchase quality private long-term care insurance. The FY 2001 budget also includes an additional \$16.8 million to help states strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards.

SAFEGUARDING AND IMPROVING PUBLIC HEALTH

Increasing Federal Support for Improving the Mental Health of All Americans. According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The President will highlight his commitment to improving mental health services.

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

SUBJECT: THEMES AND PROPOSALS FOR THE STATE OF THE UNION

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This memo outlines three things: first, the overarching theme we propose for the State of the Union; second, the "big ideas" initiative that should be the centerpiece of the speech and the budget; third, the eight signature policies that comprise the "big ideas" package.

I. THEME: RESPONSIBILITY FOR THE FUTURE

The theme we recommend for the State of the Union is "Responsibility for the Future." This theme brings together all the major elements of your agenda: strengthening Medicare and Social Security, and reducing the debt; investing in and reforming public education; bridging the digital divide; investing in scientific research; protecting the environment; promoting peace around the world; and closing the opportunity gap.

"Responsibility for the Future" reinforces both liberal convictions about equity (leave no one behind) and Third Way sensibilities about accountability (let no one fail to do his part). It is consistent with your longstanding theme of "responsibility, opportunity, and community," and sets forth a powerful message that will resound long after we're gone. The country has come a long way these seven years, enabling us to turn even more to challenges of the next generation.

II. BIG IDEA: CLOSING THE OPPORTUNITY GAP

We believe your "big idea" for the budget and the State of the Union should be a "Closing the Opportunity Gap" initiative. It is a package of eight signature proposals described in the next section, and would highlight three or four major budget pieces. We had considered other labels for this initiative ("Leaving No One Behind," "Every Child's Initiative," and "Education First") but advocate "Closing the Opportunity Gap" because it shows continuity with your core philosophy and values, suggests a sweeping challenge worthy of a sweeping response, and provides a framework that will energize the entire economic and domestic team, from Summers and Herman to Shalala, Riley, and Cuomo.

III. EIGHT SIGNATURE ELEMENTS OF "CLOSING THE OPPORTUNITY GAP"

Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity Gap" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity Gap" initiative consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America*. There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by \$1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.
- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to \$1 billion for FY 01 – a \$400 million increase – and aim for \$10-\$20 billion over 10 years.

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from \$453 million in FY 2000 to at least \$1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school*. You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: \$20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade*. In addition to doubling after-school funding, the key steps include: expanding your

accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: \$3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide*. Key elements could include:

- *Community Technology Centers.* A more than four-fold increase in funding – from \$32.5 million in FY 2000 to \$132.5 million in FY 2001 – as part of a major challenge to have Internet centers in all poor communities. We could challenge the private sector to contribute hardware, software and man-hours – and possibly give them tax incentives to donate used equipment.
- *Develop Universal Internet Access.* Reserve a \$100 million fund for public-private partnerships to bring affordable Internet access to poor families.
- *Teacher Training for the Internet.* We could dedicate \$100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.
- *School Internet Modernization Fund.* A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the Opportunity Gap for College. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College.* We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of \$500 million.
- *AP Courses Online.* Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative would be \$225 million, including \$50 million for grants, \$25 million for course development, and \$125 million in increases in existing programs.
- *Test Prep for Poor Kids.* This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of \$30 million would serve approximately 50,000 students.

- *Refundable Hope Scholarship and Pell Grant Increase.* Expanding the maximum Pell Grant from \$3,300 to \$3,500 would cost \$766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.
- *Challenging Students to Complete College.* The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare surpluses to require deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: \$100 million in discretionary costs in FY 2001 plus mandatory costs of \$1.2 billion over 5 years and \$2.6 billion over 10 years).

7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- *Expanding Housing Vouchers.* Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: \$3-6 billion over five years, \$10-15 billion over ten).
- *Expanding Health Coverage.*
 - *Extend CHIP to Parents.* Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from \$5 to \$18 billion over 5 years.
 - *Outreach to Enroll Uninsured Children in Medicaid.* This could be done through school-based outreach at a cost of about \$3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than \$500 million over 5 years.

- *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about \$3 billion over 10 years.
- ~~*Progressive Savings Accounts.*~~ *→ small Savings*
- ~~*Individual*~~ *Medicare Buy-In*
- *Rewarding Work and Family Through the EITC and Child Care.*
 - *Making the EITC Even More Pro-Work.* The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost \$11 billion over 10 years.
 - *EITC Increase for Three Children.* Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at \$8 billion/10 years.
 - *Child Care Block Grant in Discretionary Budget.* We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.
 - *Making the Dependent Care Tax Credit Refundable.* Our child care tax package provides significant relief for families earning \$30-60,000. But working poor families who need help the most earn too little (under \$18,000) to be eligible. Making the DCTC refundable costs \$4 billion over 5 years.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

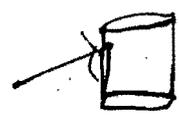
- *Expanded New Markets Tax Credit.* Double the new markets tax credit, costing \$4 billion over 10 years.
- *Expanded Empowerment Zones Credit.* The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.
- *Expanded Low-Income Housing Tax Credit.* The FY 2000 budget proposed expanding the Low-Income Housing Tax Credit (LIHTC) from \$1.25 per capita to \$1.75 per capita at a cost of \$1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.
- *Making Homeownership More Affordable.* A new homeownership tax credit could help boost homeownership rates for lower income families by subsidizing the interest rate for income-qualified, first-time homebuyers at 15 to 30 percent below conventional rates. The cost of this proposal could be scaled to the desired level.
- *Expanding Faith-Based Involvement.* Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"
(billions of dollars above passback)

	<u>FY 2001</u>	<u>2001-10</u>
Early Childhood / Universal Pre-School	0.8	30-40
Increase in Head Start	0.4	
Early Childhood Learning Fund	0.4	
Universal After-School for Poor Children	0.55	20-30
Turning Around Failing Schools	0.3	3-5
Closing the Digital Divide	0.77	10
Community Technology Centers	0.07	
Universal Internet Access	0.1	
Teacher Training for the Internet	0.1	
School Internet Modernization Fund	0.5	
Closing the Opportunity Gap for College	0.42	10
Keeping Students on Track to College	0.25	
Stanley Kaplan and AP Online for Poor Kids	0.07	
Refundable Hope Scholarship and Pell Grant Increase	??	
Challenging Students to Complete College	0.1	
Fathers Responsibility	0.25	5
Rewarding Work and Family	1	10-15
Expanding Housing Vouchers	0	
Expanding Health Coverage		
Extend CHIP to Parents	??	10-35
Outreach to Enroll Uninsured	0.2	??
Restore Benefits for Certain Legal Immigrants	??	3
Make the EITC More Pro-Work	??	??
EITC Increase for Three Children	??	8
Progressive Savings Account	??	??
Move CCDBG to Discretionary	0.8	
Making DCTC Refundable	??	8
New Markets Initiative and Empowerment Zones		
Expanded New Markets Tax Credit	??	4
Expanded Empowerment Zone Credit	??	??
Expanded Low-Income Housing Tax Credit	??	3.2+
Making Homeownership More Affordable	??	??
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DISCRETIONARY TOTAL	4.09	88-113

Donna/Steve/Ken

26th paper



with meeting

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December 12, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

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Situation & photos

CC: JOHN PODESTA

SUBJ: HEALTH CARE IDEAS FOR STATE OF THE UNION/BUDGET

Strengthening and Modernizing Medicare

1. Plan To Strengthen and Modernize Medicare. Your plan from June will need to be modified since the re-estimate for the prescription drug benefit is considerably higher; savings on the new baseline are lower (as is the appetite for savings in Congress), and the April Trustees' report will likely show an improvement in Medicare solvency absent any actions. Changes to the plan are being considered (to be discussed in a separate memo).

2. Medicare Preventive Benefit Authority. This proposal would allow HHS to add new preventive benefits to Medicare if their cost when fully implemented were less than a fixed dollar threshold (e.g., less than 0.1 percent of federal Medicare spending). It builds on the preventive initiative in the Medicare plan (which eliminates cost sharing for preventive services, authorizes additional studies and a smoking cessation demonstration). (Cost: not yet estimated).

3. Immunosuppressive Drug Extension Adjustment. Currently, Medicare pays for immunosuppressive drugs that prevent rejection of transplanted organs. This coverage extends for three years after the transplant. The Balanced Budget Refinement Act added a flawed, dollar-limited 8-month extension on coverage of immunosuppressive drugs. This proposal would make the extension one year rather than 8 months, would remove the funding cap, and remove the time limit. (Cost: roughly \$100 million over 5 years).

4. Cancer Clinical Trials. This three-year demonstration would cover the patient care costs associated with certain clinical trials for Medicare beneficiaries. This proposal was in the President's FY 1999 and 2000 budgets, and has been a Vice Presidential priority. (Cost: \$750 million for 2002-04).

Improving Access to Affordable Health Insurance Coverage

5. Family Health Insurance Initiative. Over 85 percent of the parents of uninsured children in families with income below 200 percent of poverty are themselves uninsured. This option, included in the Gore health proposal, would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Specifically, a state could receive a higher federal matching rate for expanding coverage to the parents of children currently eligible for Medicaid or CHIP, if that state has expanded to 200 percent of poverty for children. This enhanced matching rate would be drawn from the CHIP allotments that would be increased to help pay for the entire family. States would cover the parents in the same program as their children. Since most uninsured children also have uninsured parents, this is an efficient way to bring down the numbers of the uninsured. It could also increase enrollment of children, since parents are more likely to enroll their children if they, too, can get health coverage. (Cost: from \$5 billion to \$18 billion over 5 years depending on who receives the enhanced match and whether the allotments are raised).

6. Medicaid Option to Cover Poor Adults. Currently, states can cover only adults who are parents through Medicaid. This policy would remove this "categorical" eligibility, replacing it with a straight income-related eligibility. This approach has been taken by several states through Medicaid 1115 waivers, and fully moves Medicaid to an income-related – rather than welfare-related – health insurance program. HHS has developed this as a possible alternative to the parents' initiative. (Cost is unknown, but likely less than the family initiative since there is no higher matching rate and states would prefer to expand to working parents than all poor adults).

7. Tax Credit for Individual Insurance To Address Current Tax Inequity. Unlike employees who work at firms that provide coverage, workers who have no access to employer-based insurance and who buy it for themselves receive absolutely no tax subsidy. To address this inequity, this policy (supported by the Vice President) would give people without access to employer-based insurance a tax credit, equal to 25 percent of the cost of coverage and similar in value to the 100 percent tax deduction employers now receive, for purchasing individual insurance. This credit could only be used for qualified individual insurance plans or Medicare, Medicaid, or CHIP buy-in options. Because the credit is relatively small, it likely would not have an adverse incentive impact on employers now offering to drop coverage. But while it would be popular, it would not be expected to increase take-up in coverage for the currently uninsured. (Cost still being estimated but about \$15 over 5 years, \$35 over 10 years).

8. Encouraging Small Businesses To Offer Health Insurance. Workers in small businesses are more likely to be uninsured. This initiative would encourage small businesses to offer health insurance through: (1) a new tax credit for small businesses who join coalitions; (2) tax-exempt status for foundation contributions to create coalitions; and (3) technical assistance. It would be different from last year's proposal because the credit would be increased to 25 percent of the employer contribution, and all firms (not just those that previously did not offer coverage) would be eligible for the credit. (Cost still being estimated, but about \$1 billion over 5 years, \$2.5 billion over 10).

9. Medicare Buy-In for Certain 55 to 65 Year Olds. The fastest growing group of uninsured are those ages 55 to 65. Between 1997 and 1998, the proportion of people in this age group who were uninsured increased by 5 percent, from 14.3 to 15.0 percent. All of this increase occurred

among people above poverty, with a dramatic jump for those with income between 300 and 400 percent of poverty. This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare; providing a similar Medicare buy-in for vulnerable displaced workers ages 55 and older; and providing COBRA to Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits. This proposal was in the last two budgets. (Cost: \$1.8 billion over 5 years, \$2.9 billion over 10).

10. 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 (a Senate bill 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. It is important to note that most policy analysts think that covering selected disease categories and/or people participating in a particular program is a troubling precedent. However, if there are no coverage expansions for this group, it would hard not to include this initiative in our budget. (Cost: about \$300 million over 5 years).

11. Ensuring that All Workers Paid by the Federal Government Have Access to Employer-Based Insurance. This policy would allow all types of temporary government employees to access the Federal Employees' Health Benefits Program. Currently, FEHBP serves only permanent federal employees. Cost estimate and more details pending.

12. Tax Credit for COBRA Continuation Coverage. Currently, employers must offer departing employees the option of buying into their health plan at a premium of 102 percent. Intended to ensure coverage during the transition to new jobs, this policy has proven unaffordable to some people and burdensome to employers. To address these concerns, our new proposal would provide a tax credit of 30 percent for this coverage to the employer whose employee takes this option. This subsidy would be split equally between reduced employer cost and lower premiums for participants (87 percent). Cost estimate pending.

A *creation → mandate → \$100*

Finishing the Job of Targeting and Enrolling Uninsured Children

13. Encouraging School-Based Outreach. Sites like schools and child care centers are natural places to reach out to uninsured children. To tap into these resources, this proposal would (1) allow school lunch application information to be shared with Medicaid and CHIP for outreach; (2) let enrollment in the school lunch program serve as a proxy for Medicaid or CHIP eligibility while formal applications are being processed; and (3) more broadly apply the presumptive eligibility option in Medicaid to homeless programs, TANF and CHIP eligibility workers, and others who are in a position to do preliminary assessments of children's eligibility for Medicaid or CHIP. (Cost: estimate pending – likely about \$1 billion over 5 years, nearly \$3 billion over 10 years).

14. Ensuring Seamless Health Insurance Coverage for Children. To ensure that children do not fall through the cracks of different eligibility rules for Medicaid and CHIP, this proposal would require that states conform Medicaid eligibility for children to that of CHIP in the following respects: (1) assets tests; (2) mail-in application; (3) redetermination period; and (4)

eligibility to age 21. Thus, a state could not have simpler enrollment and redetermination processes for its CHIP program than it has for its Medicaid program. (Cost: pending – likely less than \$500 million over 5 years).

Long-Term Care

15. Long-Term Care Initiative. An initiative that has already been well received and has already begun to receive bipartisan support is the long-term care proposal. Last year, you proposed a major, seven-part initiative that would: (1) provide a \$1,000 tax credit for people with long-term care needs or their families to offset the costs of care; (2) create a new Family Caregivers Program that offers respite services, information, and other assistance; (3) offer private long-term care insurance to Federal employees; (4) improve nursing home quality; (5) expand Medicaid options for community-based services; (6) encourage assisted living facilities for Medicaid beneficiaries; and (7) conduct a \$10 million education campaign on long-term care for Medicare beneficiaries. (Cost: about \$6 billion over 5 years)

Discretionary Initiatives

16. Preventing Medical Errors. This initiative will 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 to ensure patient safety, including requiring hospitals participating in Medicare to implement error reduction programs. (Cost: \$60 million).

17. Internet Drug Sales. We would provide new funds for the investigation, identification, and prosecution of entities selling over the Internet unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and products based on fraudulent health claims. It would establish new certification requirements for all Internet pharmacy sites to ensure that they meet all state and federal requirements. It would 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 to build a case against offenders. (Cost: \$11 million).

18. Preventing 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 thorough investigation of cancer clusters and to rapidly evaluate the local impact of public health disasters, such as chemical spills and groundwater contamination. (Cost: \$29 million).

19. Improving Nursing Home Quality. 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. (Cost: \$31 million).

20. Education Funds for Children's Hospitals. This initiative provides freestanding children's hospitals with federal financing to provide 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 states move to Medicaid managed care. There is a legitimate equity argument here, as these hospitals shoulder much of the burden of training the nation's pediatricians and pediatric subspecialists. (Cost: \$104 million).

21. Addressing 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. (Cost: \$100 million).

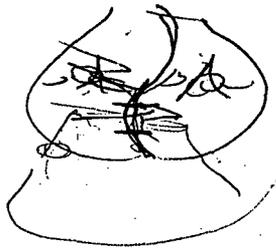
22. HIV and AIDS. This initiative would increase our current proposed investment in the Ryan White program and the AIDS Drug Assistance Program (ADAP), which provide critical services for people with HIV/AIDS. In addition, it would establish a strategic plan designed to reduce new HIV infections by 50 percent in three years. The new prevention initiative would: help 150,000 individuals not aware of their infection learn of their status and find 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 build 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. (Cost: \$100 million in FY '01).

23. Access for Uninsured Americans. This proposal would create a new 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 primary 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; and provide new services to the uninsured, including primary care, and mental health services. (Cost: \$100 million).

24. Investment in Biomedical Research. The potential breakthroughs in diagnoses, treatments and cures resulting from the nation's increasing investment in biomedical research are impressive. They include: decoding the complete gene sequence by the spring of 2000, developing new treatments to delay the onset of Parkinson's, Alzheimer's and cancer, and new interventions to prevent paralysis with spinal cord injuries. The Administration's last budget dedicated a \$360 million increase to the NIH, which is far short of the over \$2 billion that was included in the final budget. This has resulted in criticism from the scientific and patient advocacy communities. (Cost: \$500 million to \$1.5 billion).

25. Safeguards Against Scientific and Biomedical Abuses. This package addresses the perils of some of the new scientific breakthroughs of our day. These include inappropriate patenting and licensing of genetic material, the insufficient provision of protections to human subjects in clinical trials, and the continuing threat of bioterrorism. Under consideration are a host of initiatives to address these potential problems, including legislation to prohibit the use of genetic information in all health insurance policies and employment decisions.

- Henry Beard
- Robert Lockwood
- Benson
- David Reynolds
- Tommy Boyce / Galt



HEALTH INITIATIVES IN THE PRESIDENT'S STATE OF THE UNION ADDRESS

January 19, 1999

Addressing Growing Long-Term Care Needs

Over five million Americans, most of whom are elderly, have significant limitations due to illness or disability and thus require long-term care. The aging of Americans will only increase the need for quality long-term care options: by 2030, the number of elderly Americans will have doubled, so that one in five Americans will be elderly. President Clinton has proposed an historic new \$6.2 billion initiative to support elderly and disabled Americans with long-term care needs and the millions of family members who care for them. This initiative includes over five years a \$5.5 billion investment in a \$1,000 tax credit to compensate for the cost of long-term care services; a new \$625 million National Family Caregiver Program; a \$10 million national campaign for FY 2000 to educate Medicare beneficiaries about long-term care options; and \$15 million to allow the Federal government to offer long-term care insurance to its employees at group rates.

The Potential of New Biomedical Research

Advances in biomedical research have captured the imagination of all Americans, with scientists now poised to make advances that could revolutionize the way we treat diseases. The President's new \$320 million investment in NIH will allow us to make progress in preventing the complications of diabetes, combating diseases associated with aging, like Alzheimers and Parkinson's, and developing vaccines for tuberculosis, malaria, and AIDS.

Protecting Patients through a Strong, Enforceable Patients Bill of Rights

Once again, the President is calling on Congress to pass a strong federally enforceable patients' bill of rights. This Health Care Bill of Rights should contain a range of protections, including guaranteed access to needed specialists, access to emergency room services when and where the need arises, access to a meaningful independent and external appeals process for consumers to resolve differences with their health plans, and the right to be compensated when a health plan's decision causes a patient to be harmed or die. The President is already doing everything he can to implement these protections, by extending them to the 85 million Americans covered by Federal health plans.

Protecting Privacy of Medical Records

The President is challenging the Congress to pass strong bipartisan legislation to protect the privacy of medical records. The President also pledged that if Congress does not pass this legislation this summer, he will take action to implement protections for electronic medical records under the authority given to him by the Health Insurance Portability and Accountability Act of 1996.

Encouraging Small Businesses to Purchase Health Insurance

Many small businesses cannot offer health insurance because of their higher administrative costs and premiums relative to large businesses. As a result, workers in small firms are less likely to have access to affordable, job-based health insurance. Nearly half of uninsured workers are in firms with fewer than 25 employees (relative to 30 percent of all workers). The President is proposing a new \$44 million initiative to encourage small businesses to offer health insurance to their workers by developing and/or joining coalitions for purchasing health insurance. This three-part initiative would provide a tax credit to small businesses that decide to offer coverage by joining coalitions; encourage private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; and offering technical assistance to new small business coalitions.

Providing New Options for Americans Ages 55 to 65 to Obtain Health Insurance

Americans ages 55 to 65 are one of the fastest growing groups of uninsured Americans. They are also

extremely difficult to insure: they have less access to and a greater risk of losing employer-based health insurance; and they are twice as likely to have health problems as the population generally. The President's \$1.4 billion proposal gives this vulnerable population three new ways to gain access to health insurance by: (1) allowing Americans ages 62 to 65 to buy into Medicare, through a mechanism that preserves the Medicare trust fund; (2) assisting vulnerable displaced workers 55 and over by offering those who have involuntarily lost their jobs and health care coverage a similar Medicare buy-in option; and (3) giving Americans 55 and over who have lost their retiree benefits access to their former employers' health insurance.

Improving Economic Opportunities for Americans With Disabilities

Since President Clinton and Vice President Gore took office, the American economy has added 17.7 million new jobs. However, the unemployment rate among working-age adults with disabilities is still nearly 75 percent. People with disabilities can bring tremendous energy and talent to the American workforce, yet institutional barriers often limit their ability to work. The President's budget proposes a historic new \$2 billion initiative that removes significant barriers to work for people with disabilities. It includes the Work Incentives Improvement Act, which invests \$1.2 billion in providing options for workers with disabilities to buy into Medicaid and Medicare; a new \$700 million investment in a \$1,000 tax credit for workers with disabilities; and more than double the government's current investment, an increase of \$35 million, in assistive technologies that make it possible for individuals with disabilities to work.

Improving Health Care Access for Uninsured Workers

This new initiative invests \$1 billion over 5 years in local communities to integrate providers that traditionally provide services to the uninsured, such as public hospitals and clinics, into networks that provide a comprehensive range of services to uninsured people. Providers will receive funds to develop the financial, information, and telecommunication systems necessary to monitor and manage patient needs, as well as funds to expand the range of services they deliver.

Providing Critical Mental Health Prevention and Treatment Services

Approximately 44 million adults and 14 million children suffer from a mental disorder each year. The Clinton/Gore Administration's new FY 2000 budget includes a \$70 million increase --the largest ever --in the mental health block grant. This 24 percent increase, totaling \$358 million, will enable states to enhance and expand their efforts to assist people with mental illnesses, by targeting particularly-hard-to-reach adults and children with severe mental illnesses, improving school violence abatement programs, helping states provide new effective medications for people with mental illnesses, and providing services to older Americans who are reluctant to reach mental health services in traditional mental health settings. This spring, the Administration will also hold the first ever White House Conference on Mental Health.

Protecting Our Children From Tobacco

Every day, 3000 children become regular smokers and 1000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today 4.5 million children --37 percent of all high school students --smoke cigarettes. The state tobacco settlement is an important step in the right direction, but the President believes additional measures must be taken to reduce youth smoking and hold the tobacco industry accountable: 1) raise the price of cigarettes, so fewer young people start to smoke; 2) reaffirm the Food and Drug Administration's full authority to keep cigarettes out of the hands of children; 3) fund critical public health efforts to prevent youth smoking and hold the tobacco industry accountable for reducing youth smoking; and 4) protect farmers and farming communities. The President's budget will use all the funds resulting from this plan to help reimburse the federal government for its annual tobacco-related health costs.

Largest Increase in Family Planning Grants in 15 Years

The President's FY 2000 budget proposal will call for a substantial increase in Title X Family Planning grants, which helps provide women with vital services, including contraception, pregnancy testing, STD screening and treatment. Further details of this increase will be announced later this week.

REPLY TO THE REPUBLICAN RESPONSE
TO THE PRESIDENT'S STATE OF THE UNION ADDRESS ON HEALTH CARE

HEALTH INSURANCE COVERAGE INITIATIVE

CLAIM: "The last time he [the President] proposed a health plan was seven years ago... It would have forced every American into a Washington-run HMO and denied them the right to choose their own doctor."

RESPONSE: **This is patently false, divisive rhetoric designed to thwart any progress towards improving the health care system.** While it is not constructive to start the Health Security debate all over again, it is important to note that the President's 1993 proposal: (1) relied on private employers to cover their employees with private health insurance; and, (2) unlike today's system, would have provided many plan choices, including at least one fee-for-service option that would guarantee that every American could choose their doctor. Today, it is ironic that the Republican leadership raises concerns about a Washington-run HMO when they have aligned themselves with the insurance industry to oppose the Patients' Bill of Rights. We can only hope the Republican rhetoric after the State of the Union on their concern about HMOs signals a change in their position on supporting the passage of a strong, enforceable, Patients' Bill of Rights.

CLAIM: "... [E]ach new proposal we heard about tonight – and there were about 11 of them in health care alone – comes with its own massive bureaucracy."

RESPONSE: **There is no new bureaucracy in the President's plan.** Each targeted proposal builds on existing private as well as public insurance options.

Builds on the very children's health insurance program that Senator Frist claims is a Republican accomplishment. The President's plan simply adds uninsured parents to the health insurance that their children already have – no new applications, no new health plans, no new bureaucracy is needed.

Additional initiatives build on programs currently in place. The other proposals are either tax incentives or are extensions of the currently existing Medicare and Medicaid programs.

Helps make private insurance more affordable. Under the President's plan, states would be able to help working families afford insurance through their jobs when they have the option. Similarly, the tax credit for COBRA continuation coverage and small businesses purchasing insurance through coalitions help people purchase high-quality private health plans.

CLAIM: "And each will cost you, the taxpayer, billions more of your tax dollars – more than \$1,000 for every man, woman, and child."

RESPONSE: **There are no new taxes in the President's proposal.** The President invests part of the on-budget surplus into making health insurance more affordable – he does not raise taxes to do so.

CLAIM: **“Already because of Republican efforts, five million more children now have access to health care; if you change jobs, you can now take your health insurance with you; new mothers can leave the hospital when their doctor, not some bureaucrat, says they’re ready. And we’re doubling research for more and better cures.”**

RESPONSE: **We’re pleased that the Republican leadership is now claiming credit for these bipartisan initiatives.** Clearly, these laws would not have been enacted without the President’s strong advocacy and Democrats’ consistent support. However, we are pleased that Republicans are now associating themselves with these successful, bipartisan initiatives. As is illustrated by this statement by Senator Nickles shortly before the passage of S-CHIP (State Children’s Health Insurance Program): “No one in their wildest dreams would have said we should have \$36 billion to solve this problem, which I guarantee you is not that big.” (The Congress ultimately enacted \$48 billion over 10 years to help provide coverage to the nation’s 11 million uninsured children.)

Ironically, the President’s current initiative builds on these so-called Republican successes. Senator Frist praises the Kennedy-Kassenbaum insurance reform initiative and the S-CHIP as Republican accomplishments. Yet, he criticizes the President’s proposal to build on the state administered, S-CHIP program and extend access to insurance for their parents. This is despite the fact that insuring parents through S-CHIP is one of the highest priorities of nation’s Governors; the great majority of whom are Republicans.

MEDICARE

CLAIM: **“The answer [to prescription drugs] is not government-dictated price controls that stop life-saving research, or forcing the 65 percent of seniors who now have drug coverage to pay more or give up what they have.”**

RESPONSE: **The President agrees – his plan has no price controls and would not force any senior to give up what they now have.** Even the pharmaceutical industry has acknowledged that the President’s plan is voluntary and has no price controls. The President’s proposed prescription drug benefit simply provides another choice for beneficiaries, and as such, would not force any Medicare beneficiary into the program. It provides an affordable option for millions of beneficiaries, but is also provides billions of dollars of subsidies to employers to encourage them to maintain their private retiree health benefits. These employer subsidies are important because many employers are dropping this coverage at historic and extremely troubling rates. Finally, the plan is administered in exactly the same way that virtually every private insurer manages their drug benefit today. They contract out with private pharmacy benefit managers and / or managed care plans – and the Medicare program would do the same thing.

Most seniors who have drug benefits do not have dependable coverage, but are freely able to retain their current coverage under the President's plan.

The number the Republicans cite as reflecting how many seniors have drug coverage includes beneficiaries with managed care and Medigap coverage – which is unstable, unreliable and frequently extremely expensive. It does not take into account that the number of firms offering retiree health plans has declined by 25 percent over the last four years. The truth is that over 3 in 5 Medicare beneficiaries do not have dependable drug coverage. The only way to ensure that older Americans have access to a dependable benefit is to provide a voluntary Medicare benefit that is affordable and accessible to all.

CLAIM: **“But just last year the President said “No” to [the Breaux-Thomas] plan put forth by the “National Bipartisan Commission” – the very commission the President and Congress appointed to save Medicare.**

RESPONSE: **The President did not support the Breaux-Thomas plan considered by the Medicare Commission because it would not “save” Medicare and did not achieve sufficient consensus to be formally recommended by the Medicare Commission.** The reason why seven out of the nine members appointed by the Democrats opposed the Breaux-Thomas plan was that it would: (1) explicitly increase premiums between 10 and 30 percent for those beneficiaries who choose to stay in the traditional fee for service Medicare program; (2) raise the eligibility age for the Medicare program without a proposal to provide an affordable alternative -- inevitably increasing the number of uninsured Americans; (3) fail to moderate the impact of the Balanced Budget Act's Medicare provider reimbursement changes, and in fact assumed savings consistent with their extension into the future; (4) provide an inadequate, means-tested drug benefit that would only be available to those below 135 percent of the poverty line, excluding more than one half of those currently without drug coverage; and (5) did not dedicate one cent from the surplus to extend the life of the Medicare program.

Although he could not support the Breaux-Thomas plan, the President praised the Commission's work and committed to – and did unveil – his own comprehensive reform proposal. The President's proposal to modernize and strengthen Medicare, which was widely praised by health economists and policy experts, would: (1) make the fee for service and managed care programs more competitive through market-based initiatives; (2) modernize the benefits by providing for a voluntary, affordable prescription drug benefit available to all beneficiaries; and (3) dedicate nearly \$400 billion of the on-budget surplus to extend the life of the Trust Fund to 2025 and help pay for the drug benefit.

The President's commitment to Medicare is longstanding and he has a record to prove it. Since 1993, under the President's leadership, Medicare spending growth has been cut by two-thirds and Medicare solvency has been extended from 1999 to 2015. He enacted bipartisan legislation in 1993 and 1997 to improve Medicare, reducing spending growth and adding important new preventive benefits. The President has also taken aggressive action to improve quality and reduce waste and fraud, and worked with the Congress, providers, and others on a bipartisan basis to address reimbursement shortcomings last year.

CLAIM: **"For this to happen, Mr. President, all we need is for you to tell the American people "Yes" to this...plan to fix Medicare, so that people like my fellow Tennessean, Patricia Brown, whom we have honored in the gallery this evening, will have the vital prescription drug coverage she needs.."**

RESPONSE: **Medicare beneficiaries like Mrs. Brown would receive no coverage from the prescription drug benefit included in the Breaux-Thomas plan.** Mrs. Brown – and the tens of million of beneficiaries who have no or unreliable drug coverage – would not be eligible for the drug benefit in the Breaux-Thomas plan. That plan limited coverage to beneficiaries with incomes below 135 percent of the poverty level – only about \$11,000 for a unmarried senior. Mrs. Brown's \$15,000 in income makes her too wealthy to access this benefit. In fact, more than half the uninsured beneficiaries today would receive absolutely no benefit.

CLAIM: **"And tonight, to show you that we are sincere and that we mean business, Republicans take a first step towards making Medicare stronger. To guarantee that seniors can rely on Medicare forever, we will add it to the Social Security lockbox...."**

RESPONSE: **A new lockbox will not extend Medicare solvency for a day – let alone "forever."** To date, the Republican leadership has refused to dedicate one penny of the on-budget surplus to extend the life of the Medicare program. We would hope that the intent of their language is that they are contemplating altering their position and dedicating a portion of the on-budget surplus to Medicare. If they did, we would welcome such a development because, as is the case in the President's proposal, it would have the effect of reducing debt and freeing up resources that can be used to care for the baby boom generation when it retires.

PATIENTS' BILL OF RIGHTS

CLAIM: **"Unlike the President, we see lawsuits as a last resort, not the first."**

RESPONSE: **So do we.** The real news here is that Senator Frist and the Senate Republican leadership, for the first time, are apparently agreeing with Governor Bush and Senator McCain that all Americans in all health plans have the patient protections that they need, including to access to remedies through the courts for who have been harmed or those who have died as a result of arbitrary actions by health plans. We hope and believe this signals the possibility of a long-overdue agreement on a strong, enforceable, Patients' Bill of Rights.

DRAFT 12/22/99: POTENTIAL BUDGET EVENTS OR LEAKS PRIOR TO THE SOTU

NEW HEALTH INSURANCE COVERAGE INITIATIVES: PARENTS AND TARGETED 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 simplify 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 \$66 million
\$20 million for AHRQ errors (FY 2000 level \$2 million)
\$30 million for HHS information technology (FY 2000 level \$0)
\$16 million for FDA (51 percent increase over the FY 2000 level)

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 \$15 million
\$10 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 \$225 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)
\$50 million for global prevention at CDC, USAID, DOL, and DOD (20 percent increase over FY 2000 level) *This number may double.*

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 *in FY 2000*.

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 \$30 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.