PRESIDENT CLINTON'S FIRST TERM

HEALTH REFORM RECORD:

ACHIEVEMENTS AND CURRENT PROPOSALS

Updated: October 12, 1996

PRESIDENT CLINTON'S HEALTH CARE ACHIEVEMENTS

- **Signed into law the Kennedy-Kassebaum health insurance reforms that will benefit as many as 25 million Americans.** This law will let individuals to keep their health insurance coverage when they change jobs. Workers will no longer fear losing their health insurance if they or a family member have a pre-existing condition. People who lose their group coverage (e.g., by changing jobs) will be guaranteed access to health coverage through the individual market or a comparable program developed by the state. Many of the provisions in this law were included in the President's balanced budget proposal and the Health Security Act. The law also includes several other key provisions that will:

  - Guarantee you can renew your coverage;
  - Guarantee access to health insurance for small businesses;
  - Eliminate the discriminatory tax treatment of the self-employed;
  - Strengthen efforts to combat health care fraud, waste and abuse;
  - Provide consumer protections and tax incentives for private long-term care insurance; and
  - Simplify the health care system and reduces paperwork.

- **Established Protections For Mothers and Their Newborns.** Today, some health plans refuse to pay for anything more than a 24-hour hospital stay, ~~while~~ some recommend releasing mothers as few as 8 hours after delivery. The President signed into law common sense legislation that requires health plans to allow ~~all~~ new mothers, ~~at their option,~~ to remain in the hospital for at least 48 hours following most normal deliveries and 96 hours after a Caesarean section.

- **Protected kids from tobacco products and advertising.** The President issued guidelines to eliminate easy access to tobacco products by children and to prohibit companies from advertising tobacco to kids. The goal is to reduce smoking by children by 50 percent within seven years after the plan goes into effect.

- **Preserved and protected the Medicaid guarantee.** The President defeated the Republicans' proposal to block grant the Medicaid program, guaranteeing health care coverage or benefits to millions of senior citizens and people with disabilities. The President also presided over the approval of 12 Medicaid waivers to cover 2.2 million previously uninsured Americans.

- **Strengthened Medicare Trust Fund ~~by 3 years.~~** The President's 1993 economic package included policy and structural changes that extended the life of the Trust Fund by three years which were enacted without one Republican vote. The President's balanced budget proposal will extend the life of the trust fund by 10 years.

- **Made women's health ~~research~~ a national priority.** Helped develop technology to detect cancer and other diseases earlier and with greater accuracy. Launched the Women's Health Initiative -- the largest clinical study ever on diseases that affect older women. Included women of diverse racial/ethnic backgrounds in research and evaluation of drugs and medical devices.

- **Moved towards mental health parity.** The President signed into law legislation to prohibit health plans from establishing separate lifetime and annual limits for mental health coverage. This legislation is an important first step to end discrimination in health care coverage faced by people diagnosed with mental illness.

- **Enacted laws to reduce violence against women.** The President enacted the Violence Against Women Act -- the first national effort to reduce violence against women. This Act has already devoted $156 million to give law enforcement tools to punish criminals who prey on women and children. Created a nationwide 24-hour Domestic Violence Hotline, (which has already received 50,000 calls), to provide immediate crisis intervention, counseling and referrals.

- **Protected health care benefits of workers and retirees.** Helped tens of thousands of workers and retirees get promised benefits from their private health plans by developing a project to resolve cases quickly and by submitting amicus briefs in critical cases.

- **Established penalty-free withdrawals from IRAs for some medical expenses.** The President has long advocated allowing the long-term unemployed make penalty-free withdrawals for major medical expenses and health care insurance.

- **Increased childhood immunizations to an historic high.** The President's childhood immunization initiative includes community-based educational efforts, more affordability and better detection. ~~This initiative has resulted in~~ 75% of two-year olds ~~being~~ were fully immunized -- an historic high. In 1995,

- **Controlled health care inflation.** The President's efforts to assure that all Americans have affordable, quality health care focused the nation's attention on the problem of health care costs. This attention, along with improvements in the economy, helped slow medical inflation to 3.9 percent in 1995 -- the lowest rate in 23 years.

- **Increased investment in biomedical research at the National Institutes of Health (NIH) by 16 percent at a time when many other programs were being cut.** Since 1993, funding for breast cancer research at NIH has increased by 76 percent and support for AIDS research funding has increased by 25 percent.

- **Increased funding for AIDS research, prevention, housing and treatment.** The President increased spending by 56 percent on programs for people living with AIDS including: the Ryan White Care Act, State AIDS drug assistance programs which help AIDS patients buy new protease inhibitor drugs, and Housing Opportunities for Persons with AIDS which provides housing assistance for over 65,000 people living with AIDS. Is that all?

- **Improved funding for the Indian Health Service.** Increased Medicare and Medicaid reimbursement rates for the Indian Health Service will result in an additional $65 million to provide quality health care for Alaskan Natives and American Indians.

- **Enacted laws to prevent and punish handgun violence.** Fought for the Brady bill, which has already prevented more than 60,000 fugitives, felons and criminals from buying handguns. The President expanded this bill to prevent individuals who commit acts of domestic violence from buying guns. Banned 19 of the deadliest assault weapons and fought against efforts to repeal the assault weapons ban. Every year at least 39,000 people die and 100,000 are treated in emergency departments from violence involving guns.

- **Expedited the FDA review and approval of new drug products.** Under the President's watch, U.S. drug approvals are now as fast or faster than any other industrialized nation. Average drug approval times have dropped since the beginning of the Administration from almost three years to just over one year. In 1997, virtually all breakthrough drugs will be approved within 6 months.

- **Helped children of Vietnam veterans who are born with spina bifida.** The President signed into law legislation to authorize the Veterans' Administration to provide health care and rehabilitative training for children of Vietnam veterans who are born with spina bifida. This legislation will help thousands of children whose birth defects may be a result of their father's or mother's service to our country.

- **Increased funding for the veterans' health.** An increase of nearly one billion dollars will provide resources for the health care of 43,000 more veterans.

- **Created an Advisory Commission on Consumer Protection and Quality in the Health Care Industry.** The President signed an Executive Order to create an Advisory Commission to review changes occurring in the health care system and. where appropriate, make recommendations on how best to promote and assure consumer protection and health care quality. The 20–member Advisory Commission will be both broad–based and bipartisan.

- **Reduced regulations.** The Vice President's reinventing government initiative has resulted in the elimination of 1,600 pages of regulations in the Department of Health and Human Services, a 23 percent reduction.

PENDING HEALTH CARE PROPOSALS

- **Extending the life of the Medicare Trust Fund until 2006.** The President's Medicare savings and structural changes ($124 billion/CBO estimates it to be $116 billion) will extend the Hospital Insurance Trust Fund for approximately ten years while reducing the deficit. It is a responsible savings package that will hold the Medicare per person growth rate just under CBO estimates of the private sector growth rate.

- **Modernizing the Medicare program.** The President's Medicare plan will increase the choice of plans for beneficiaries by adding a Medicare Preferred Provider Organization option, a Provider Sponsored Organization alternative, and a HMO with a point-of-service option. It will also add preventive benefits by providing for: full coverage of mammography screenings, a colorectal screening benefit, and diabetes case management. It will establish a respite benefit for families of Medicare beneficiaries with Alzheimer's Disease. Lastly, it includes "competitive-bidding" initiatives that would make Medicare a more prudent and effective purchaser of health care services.

- **Liberating states to have more flexibility to administer Medicaid.** The President's Medicaid proposal will eliminate the burdensome waiver process for both managed care and home and community-based care alternatives to institutionalization. It will preserve the Federal guarantee of health coverage and also make it easier for states to expand coverage.

- **Providing for a "Workers' Transition Insurance" benefit.** This proposal will build on Kennedy-Kassebaum by helping to assure that previously insured people who are looking for a new job can afford to keep their health insurance and thus retain their portability protections. It will cost about $2 billion a year and will help approximately 3 million Americans a year retain insurance coverage, including 700,000 children.

- **Empowering small businesses to access and purchase more affordable insurance.** This will be accomplished through the use of voluntary health purchasing cooperatives (HPCs) by providing access to Federal Employees Health Benefit Plans, overriding restrictive state laws and giving grants for the establishment and operation of HPCs.

- **Prohibiting health plans from restricting medical communications.** Currently, some health plans require doctors to sign contracts that may inappropriately limit their ability to give patients information about referrals and alternative treatment. The President's "anti-gag" initiative will encourage physicians to discuss a full range of treatment options with patients.

- **Expanding health care options for older veterans.** The President proposed the "Veterans Medicare Reimbursement Project of 1996," legislation to open the VA system to Medicare-eligible veterans in a number of cities. This measure will allow the VA to receive reimbursement from Medicare, improving access to care for older veterans while lowering costs to the VA system.

- **Contributing to the World Health Organization's initiative to eradicate global polio by the year 2000.** This proposal will increase spending on global polio eradication efforts by $20 million. If successful, the United States alone could save more than $230 million per year after polio eradication is achieved.

FAX COVER

Health and Personnel Division

Executive Office of the President
Office of Management and Budget
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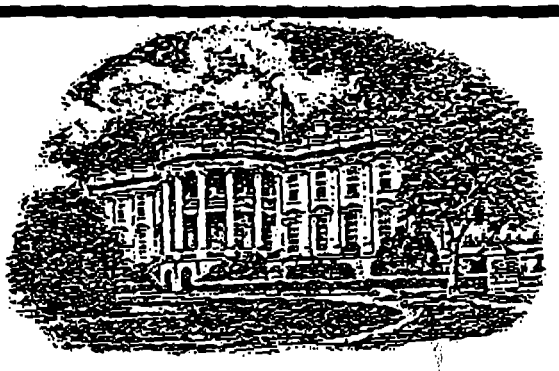

DATE: _____

TO: Jen Klein

AGENCY: _____

FAX NO: 6-2878

FROM: Nancy-Ann Min
Associate Director for Health and Personnel

Phone Number (202) 395-5178
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Number of pages (including cover) _____

COMMENTS:

MEMORANDUM

September 12, 1996

TO: Distribution

FR: Chris Jennings

RE: Worker's Transition Initiative

Attached is a very rough first cut at some talking points and Q&As on the Worker's Transition Initiative. We do not want to get to into a specific policy defense on this issue. However, we do need some answers to respond to criticisms and other various inquiries about our proposal. Laura Tyson specifically has requested answers to some of the attached questions. Please edit as you see necessary and send this back as soon as possible as we need to get back to Dr. Tyson. Feel free to call me at 456-5560 with any questions.

WORKERS' TRANSITION INITIATIVE

The Worker's Transition Initiative is a carefully constructed, targeted, paid for program that builds of the Kassebaum-Kennedy law and will provide health insurance coverage for 3 million Americans, including 700,000 children. As recently as June 6th, Bob Dole said this initiative was a good example of how the President was using all of his ideas. Dole claims that he introduced a similar proposal as Senate Minority Leader.

- Builds on Kassebaum-Kennedy law. While Kassebaum-Kennedy helps provide access to health insurance, this initiative will help make health insurance more affordable.
- Provides premium assistance for those who previously had health insurance but are in-between jobs and therefore no longer have coverage.
- Coverage would be only for those previously insured and would not exceed six months.
- Proposal would cost around 2 billion, a year and is already paid for in the President's balanced budget.
- Helps Americans who truly need help paying for their health care coverage. Over two-thirds of participants live in families with incomes less than $30,000.

QUESTIONS AND ANSWERS

Question: We think that your program could end up costing far more than you say. How do you justify your cost estimates?

Answer: First, this program is a capped entitlement to states meaning that the federal costs can never exceed the amount specified in the legislation.

Question: Aren't your estimates a bit unrealistic given the fact that the addition of this new generous benefit will make more people stay unemployed for the six month duration they are eligible for this subsidy?

Answer: The odds of people turning down a job solely so that they can keep a modest health insurance subsidy are almost none. Few people would stay unemployed in order to stay receive this benefit. However, our estimates take into account the small population that would stay unemployed longer than they otherwise would have to benefit from this policy. (Are there studies on background).

Question: Isn't this policy cost sensitive to the unemployment rate. What happens to the costs of this program in a recession?

Answer: Any suggestions? Help.

Question: What are the income limits for this health insurance premium support?

Answer: Families with incomes below $15,600, below the poverty level, would get full assistance covering their premiums. The premium assistance would be phased out up to 240% of poverty, or a $37,440 family income. Eligibility is determined monthly on the basis of family income. It is important to note that the loss of income due to unemployment will bring many people into the income thresholds that will make them eligible for health insurance subsidies.

Question: Why are you proposing a program that helps people who were previously insured but ignores the millions of Americans who still lack health insurance?

Answer: This proposal is intended to build on the Kassebaum-Kennedy insurance to help people, who are in between jobs, keep their health insurance. In the absence of this problem, millions of Americans will lose their health policy. As recently reported in a Lewin-VHI study, many people are unable to afford COBRA and keep their health insurance in between jobs. Losing health insurance will make these people ineligible for the Kassebaum-Kennedy portability provisions.

Furthermore, we did not want to design a proposal that would potentially cause people who are uninsured to leave jobs in order to become eligible for this program. We are, of course, aware that this initiative does not resolve all of the problems in our current health care system. It will, however, annually provide health insurance for three million Americans, including 700,000 children.

Question: Is this another big government health care proposal that would create an expensive open-ended entitlement?

Answer: No. The Workers' Transition Initiative builds on the Kassebaum-Kennedy law to help provide affordable health insurance coverage for more Americans. It is a federally-capped entitlement, meaning that the costs of the program will never exceed the amount previously approved. This initiative is already paid for in the President's balanced budget. Moreover, as Senator Dole made claer as late as September 6th, he proposed a similar idea ten years ago as Senate Minority Leader. This initiative, he says, is just another example of how the President is using his ideas.

August 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Rasco/Tyson Health Care Policy Memo

Laura and Carol have prepared a lengthy memo that reviews your health care achievements, discusses pending proposals you have already put forth, and suggests three options for new initiatives.

Fifteen achievements to date. Five from Kennedy-Kassebaum: (1) portability reforms, so workers won't be locked into jobs for fear of losing insurance due to pre-existing conditions; (2) elimination of discriminatory tax treatment of self-employed; (3) strengthening fraud and abuse prevention; (4) tax incentives for private long-term care policies; (5) reduced paperwork. Other accomplishments: (6) extended solvency of Medicare Trust Fund by 3 years; (7) protected Medicaid against GOP attack while increasing state flexibility; (8) contributed to substantial reduction of health care inflation (1995 rate was lowest in 23 years and first half of 1996 is running below 2%); (9) 16% increase in biomedical research at NIH including breast cancer (up 76%) and AIDS (up 25%); (10) major increases in funding for AIDS treatment and prevention; (11) childhood immunization effort contributed to record 75% immunization rate for 2-year olds in 1995; (12) expedited FDA review of new drugs; (13) protected kids from tobacco products; (14) increased funding for VA health by nearly $2 billion; (15) cut regulatory burden of HHS for providers and consumers.

Nine pending proposals. ***Extending Medicare Trust Fund to 2006*** -- provided for in your FY 1997 budget. ***Modernizing Medicare*** -- your budget would increase choice of plans; add preventive benefits (e.g., for mammography); take first step toward long-term care benefit by establishing "respite benefit" for families of beneficiaries with Alzheimer's; include competitive bidding initiatives. ***Increase State flexibility re Medicaid*** -- your budget would eliminate waiver process for managed care and for home/community based alternatives to institutionalization and make it easier for states to spend money to expand coverage. ***Workers' Transition benefit*** -- proposal would build on Kennedy-Kassebaum by helping those who lose their jobs *afford* health insurance. Cost: $2 billion/year. ***Increase small business access to voluntary health purchasing cooperatives (HPCs)*** -- opening up the FEHBP to outside purchasers would be a bad idea as it would be a magnet for poor risk employers, increasing FEHBP costs. Your budget proposal is much better. It would require health plans that participate in the FEHBP in a given region to offer coverage (in a separate risk pool) to private or state HPCs. ***Provide mental health parity*** -- GOP blocked this in Kennedy-Kassebaum negotiations, but issue may come to Senate floor again in Fall.

48 hour rule for new mothers -- on Mothers' Day you endorsed rule requiring health care plans to allow new mothers to remain in hospital for 48 hours. ***Open VA to Medicare-eligible vets*** -- allowing VA to get reimbursement from Medicare. ***Eradicate global polio*** -- by contributing to WHO's initiative to end polio by 2000.

Three options for new initiatives:

Increased oversight of managed care -- In view of rising concern that cost containment may be coming at expense of quality, (i) support "gag" rule law preventing health plans from restricting what doctors can tell their patients about alternative treatments. OMB and HHS support; (ii) establish public/private advisory board to evaluate managed care shortcomings and recommend appropriate role for federal government. VP, OMB, HHS, DOL support, as do Sweeney and McEntee; (iii) host Presidential forum on problem of managed care's role in declining research and training funds, challenging managed care industry and research community to work together on solutions.

Provide children greater access to affordable insurance -- Four options: (i) legislation for targeted investments to help community health centers and school-based clinics provide preventive and other services (wouldn't increase insurance coverage much); (ii) small tax subsidy for working families who pay for kids' insurance if employers don't contribute to dependent coverage (addresses affordability more than coverage); (iii) provide subsidy to help low-income families purchase insurance for their kids (would significantly increase coverage, but would be costly, inefficient, duplicative of Medicaid and would create incentives for employers to drop kids who have coverage); (iv) increase state flexibility to design programs to expand Medicaid coverage to more children. NOTE -- Options (ii-iv) would require new spending of $15-20 billion over 7 years.

Increase independence of people with disabilities -- (i) to address problem of disabled people who choose to remain on SSI or SSDI rolls rather than risk loss of health insurance, allow disabled to purchase Medicaid or Medicare coverage on sliding scale linked to their income; (ii) evaluate options to address problem that home- and community based care services are "optional" Medicaid services, while nursing home coverage is "mandatory" -- a distinction disabled community hates.

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THE WHITE HOUSE

WASHINGTON

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August 16, 1996

MEMORANDUM TO THE PRESIDENT

FROM: Carol Rasco and Laura Tyson

SUBJECT: Health Care Policy Achievement and Initiatives Update

You may want to highlight health care reform achievements and unveil "next-step" initiatives concurrent with, or soon after, the signing of the Kennedy-Kassebaum bill and the Democratic Convention. This memo outlines: **Health Reform Achievements, Pending Proposals, and New Reform Options.** These could be highlighted as part of any major health message.

I. Health Reform Achievements: Because the Health Security Act was not enacted, there has been a perception that the Administration has had few health care achievements. As the following summary attests, this perception is a mistaken one. The enactment of the Kennedy-Kassebaum bill and a more forceful effort to highlight our achievements will help turn this perception around. In the first term, you have:

- **Passed portability, guarantee issue and guarantee renewal insurance reforms.** In response to your State of the Union challenge, the Congress finally passed long-overdue insurance reforms that will benefit as many as 25 million Americans. As a result, workers will no longer be locked into "second-choice" jobs because their (or their families') pre-existing condition make them live in fear of losing health insurance. Similar insurance reform provisions were included in the Health Security Act and your balanced budget proposals.

- **Eliminated the discriminatory tax treatment of the self-employed.** You have advocated eliminating or reducing the 100 percent vs. 30 percent disparity between large employers and the self-employed for years (the 1992 Campaign, the Health Security Act, and your two balanced budget proposals). The Kennedy-Kassebaum bill increases the deduction to 80 percent for the 3 million self-employed Americans now purchasing health care, (which is close to parity since most employers do not pay for

- **Strengthened fraud and abuse prevention and enforcement initiatives.** The Kennedy-Kassebaum legislation included provisions long sought by Secretary Shalala that strengthen our ability to target and prosecute "bad apple" health providers who are bilking the system of billions of dollars from Medicare, Medicaid, and private insurance. The bill expands penalties and provides for permanent funding to build on our already successful efforts to combat fraud. The Congressional Budget Office conservatively estimates that these provisions will save over $3 billion.

- **Provided tax incentives for private long-term care policies and consumer protections to go along with them.** The Kennedy-Kassebaum bill included the tax clarifications for private long-term care policies and many of the basic consumer protections that were in the Health Security Act. These provisions should increase the sales of private long-term care policies, which should reduce future financial burdens on our public programs caused by an fast aging population.

- **Provided the tools to simplify the health care system and reduce paperwork, while still protecting the privacy of patient records.** The Kennedy-Kassebaum bill included provisions you have long called for that would modernize, streamline and cut the costs of insurance paperwork by providing standards for a common electronic system for paying health claims that most private insurers would use. The bill also provides the Secretary the authority to establish Federal privacy protections that would prohibit inappropriate disclosure of information.

- **Strengthened Medicare Trust Fund by 3 years.** Your 1993 economic package included policy and structural changes that extended the life of the Trust Fund by three years and were enacted without one Republican vote.

- **Preserved and protected the Medicaid guarantee of health coverage, while providing more flexibility to states to expand coverage.** You successfully defeated the Republican Leadership's proposal to block grant the Medicaid program, thus assuring that millions of vulnerable Americans would not lose guaranteed health care coverage or benefits. At the same time, you presided over the rapid approval of 12 thoughtful Medicaid waivers that, when completely implemented, will provide health coverage to 2.2 million previously uninsured Americans.

- **Contributed to getting health care inflation under control.** Your efforts to assure that all Americans have affordable, quality health care focused the nation's attention on the problem of health costs. This attention expedited the private sector's interest in implementing approaches to slow cost growth. This, along with the improvements in the economy, helped slow medical inflation to 3.9 percent in 1995 -- the lowest rate in 23 years. In the first 6 months of 1996, medical inflation is running at less than 2 percent and may actually grow below the general inflation rate for the year.

- **Increased investment in biomedical research at the National Institutes of Health (NIH) by an impressive 16 percent at a time when many other programs were being cut.** Funding for breast cancer research at NIH has increased by 76 percent and support for AIDS research funding has increased by 25 percent.

- **Funding for AIDS prevention and treatment has been increased to historic levels.** Support for AIDS prevention programs has increased by 19 percent, and support for treatment programs, primarily through the Ryan White Care Act, has increased by an extraordinary 95 percent. In addition, earlier this year, the Congress responded to your request to increase the Federal commitment to the State AIDS drug assistance programs (ADAP) by $52 million. This funding will be used to help AIDS patients buy expensive, new protease inhibitor drugs. Combined with the increases in our AIDS research investment, total funding for HIV/AIDS programs in fiscal year 1996 was $2.86 billion; this represents a nearly 40 percent increase since you took office.

- **Established a comprehensive childhood immunization initiative to ensure vaccinations and healthy futures for all children.** The proposal includes: a major community-based outreach effort to educate parents and providers about the need for vaccination; better detection of vaccination levels and outbreaks of infection; and a standardized immunization schedule to make it easier for parents to know when vaccinations are due. This program contributed to the immunization rate of 75 percent of 2-year old children in 1995 -- an historic high.

- **Expedited the FDA review and approval of new drug products.** U.S. drug approvals are now as fast or faster than in any other industrialized nation. Average drug approval times have dropped since the beginning of the Administration from almost three years to just over one year. In 1997, virtually all breakthrough drugs will be approved within 6 months.

- **Protected kids from tobacco products and advertising.** Issued a proposed regulation to eliminate easy access to tobacco products by children and to prohibit companies from advertising to make tobacco appealing to kids. The goal is to reduce smoking by children by 50 percent within seven years after the plan goes into effect.

- **Increased funding for the VA health system by nearly two billion dollars.** This support will provide the resources necessary for the treatment of 94,000 more veterans.

- **Significantly reduced the regulatory burden of the Department of Health and Human Services for providers and consumers.** The Vice President's reinventing government initiative has resulted in the elimination of 1,600 pages of regulations, a 23 percent reduction.

II. Currently Pending Health Care Proposals: Unnoticed by much of the public, you unveiled an extraordinary number of substantive health reform proposals which in any other Congress would have been viewed as aggressive and quite ambitious. No other President has put as many public (Medicare and Medicaid) health savings dollars on the table, and no other President has proposed to so significantly alter and modernize the Medicare and Medicaid programs. However, relative to the Republican proposals, your proposals have been mistakenly viewed by the media (and thus the general public) as modest. Despite the fact that anyone who knows these programs knows better, the media has either ignored your proposals or has chosen to classify them as protecting the status quo.

We have never strongly promoted the private insurance reform initiatives you advocated that go beyond the Kennedy-Kassebaum bill because we feared they had the potential to undermine our Hill negotiations on the bill. The good news about this is that these initiatives will appear to be new to the public and the media, and -- with the exception of the $1 billion over seven years mental health parity initiative -- they are paid for in the context of your previous omnibus balanced budget proposals. Your major currently pending proposals include:

- **Extending the life of the Medicare Trust Fund until 2006.** Your Medicare savings ($124 billion/CBO estimates it to be $116 billion), combined with the home health care expenditure transfer (previously passed by the House), extends the Trust Fund for ten years from today while also making a significant deficit reduction contribution. It is a responsible savings package that would hold the Medicare per person growth rate just under what CBO numbers assume is equivalent to the private sector growth rate. [NOTE: Because the Medicare baseline is increasing, we may be able to squeeze more savings from the program in next year's budget.]

- **Modernizing the Medicare program and beginning to prepare it for the retirement of the baby boom population.** Your Medicare plan would increase choice of plans for beneficiaries (by adding a new Medicare Preferred Provider Organization option, a new Provider Sponsored Organization alternative, and a new HMO with a point-of-service option). It also would add important and potentially cost-effective preventive benefits (by providing for full coverage of mammography screenings, adding a colorectal screening benefit, and providing for diabetes case management.) It takes the first step toward providing for a long-term care benefit by establishing a respite benefit for families of Medicare beneficiaries afflicted with Alzheimer's Disease. Lastly, it includes a number of market-reform-oriented "competitive-bidding" initiatives that would make Medicare a more prudent and effective purchaser of health care services.

- **Liberating the states in their desire to have more flexibility to manage Medicaid.** Your Medicaid proposal (which provides for $59 billion/CBO estimates $54 billion in deficit reduction through a per person cap) would eliminate the burdensome waiver process for managed care, eliminate the waiver process for home and community-based care alternatives to institutionalization, and eliminate the Boren requirement. It would also make it easier for states to spend money in an attempt to expand coverage. [NOTE: Because the Medicaid baseline is declining, the fiscally aggressive policy we are now advocating would likely be scored lower on both the CBO and OMB baseline next year; in other words, it will be difficult to get the same deficit contribution from Medicaid next year.]

- **Building on Kennedy-Kassebaum by providing for a "Workers' Transition Insurance" benefit.** This proposal would help assure that previously insured people who are looking for a new job could afford to keep their health insurance and thus retain their portability protections. It would cost about $2 billion a year, would annually help approximately 3 million temporarily unemployed Americans, and would illustrate our resolve to still expand coverage within a balanced budget context.

- **Empowering small businesses to gain market-leverage to access more affordable insurance through the use of voluntary health purchasing cooperatives (HPCs) by providing access to FEHBP plans, overriding restrictive state laws, and giving financial assistance for the establishment and operation of HPCs.** We have been studying a series of options about how best to use the FEHBP and the limited political and financial resources we have available to empower voluntary HPCs to purchase more affordable, accessible health insurance for small businesses.

  Based on extensive conversations with public and private sector insurance analysts, we continue to believe that, in the absence of universal coverage, the potential for serious risk selection is too great to recommend that FEHBP's current insurance pool be opened to other purchasers. Since the Kennedy-Kassebaum bill does not include rating/price bands, there will continue to be significant premium price variation in the insurance market. As a result, a health plan that charges average premiums for larger populations -- like FEHBP -- would become a magnet for poor risk employers who are currently charged higher than average premiums in the market place. This would increase FEHBP plan costs as well as Federal employee hostility towards us. If we held Federal employees harmless, this could significantly increase the Federal costs of running FEHBP. Whether the Government picked up these costs or not, opening up the FEHBP insurance pool would attract extremely loud Government union opposition.

  The risk selection issue could be addressed by requiring OPM to administer a separate insurance pool in FEHBP for the non-Government employees. While this could be done, we are hesitate to recommend this option primarily because we are skeptical that OPM could administer an effective FEHBP alternative without a significant and politically risky infusion of money and talent. Second, based on what people in the field are telling us about what is actually happening in the marketplace, it seems much more likely that private, locally-administered HPCs (perhaps certified by the state) are better positioned to negotiate more effectively than an OPM employee who has little knowledge of plan rates within a particular geographic area. And finally, without a large number of small group enrollees in a particular geographic area, it is highly unlikely that FEHBP would negotiate attractive arrangements with insurers.

  Having said this, using FEHBP and other changes to the law to empower small businesses can and should be done. We would suggest that you strongly promote a proposal that would give private or state-run HPCs the ability to require that health plans participating in FEHBP (who also operate in the small market) must also offer coverage (in a separate risk pool) in HPCs. In addition, since one of the greatest hurdles HPCs face in becoming viable is their difficulty in attracting capital for their formation and operation, Federal grants would be made available to either state or private run HPCs who met certain standards (including that they are regulated by the state.) This proposal also would incorporate the Kennedy-Kassebaum purchasing cooperative provisions, which were dropped in conference, that: (1) Override state "fictitous group" laws (which prevent non-associated employers from purchasing insurance together), (2) Allow HPCs to negotiate price reductions even in states where community rating laws would preclude them from doing so, and (3) Allow HPCs to offer the same insurance packages for small businesses that bypass state benefit mandates that the state has authorized other insurers to sell.

- **Providing mental health parity across health insurance products.** The Republican Leadership rejected all attempts by Senator Domenici to come up with a compromise on the mental health parity issue and dropped it from the Kennedy-Kassebaum conference. They would not even support an Administration-endorsed Domenici alternative that dropped all parity provisions other than those related to lifetime and annual caps. This approach reduced the proposal's costs by 90 percent and would have assured that premium increases to pay for this benefit would not exceed .4 percent. This issue may come before the floor of the Senate again this Fall.

- **Protecting mothers and their newborn babies from premature discharges from hospitals.** You endorsed this proposal in your Mothers' Day Radio Address. Similar to legislation sponsored by Senator Bradley, it requires health care plans to allow mothers to remain in the hospital for at least 48 hours. There have been cases where plans have required a discharge within 8 hours of birth. Premature discharge can lead to serious health consequences for both mothers and children. Like the mental health parity provision, this popular initiative may come up for a vote in September.

- **Expanding health care options for older veterans.** This summer you proposed the "Veterans Medicare Reimbursement Project of 1996," a proposal to open the VA system to Medicare-eligible veterans at a number of cities. This measure, sometimes known as Medicare "subvention," would allow VA to receive reimbursement from Medicare, improving access to care for older veterans while lowering VA costs.

- **Contributing to the World Health Organization's initiative to eradicate global Polio by the Year 2000.** This proposal -- advocated strongly by Rotary International -- would increase spending on global polio eradication efforts by $20 million. The Centers for Disease Control (CDC) has estimated that adequate funding and intervention could achieve the goal of eradication within one or two years. If successful, the United States alone could save more than $230 million per year after polio eradication is achieved and vaccinations are no longer needed. It appears that your request may well be included in the FY '97 Appropriations bill.

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The advantages of this proposal are: it builds on an existing system that serves many of the most difficult to reach children; it is cost effective to provide health services in these settings; and it could be achieved with a relatively modest investment. The disadvantages are: it does not significantly increase health insurance coverage; school-based clinics have been controversial because they often provide family planning services, (but any proposal could be targeted at clinics in elementary schools); and States may oppose circumventing their own outreach efforts and undermining the control of their program.

(2) **Provide tax relief for families purchasing health insurance for their kids.** This proposal, fathered by the House Democratic Leadership, would require all health plans doing business with the Federal government to offer health insurance policies for uninsured children. Working families with incomes below a certain level would be given premium assistance through a tax deduction or credit if their employer does not contribute toward dependent coverage. To keep costs low and to prevent substitution of tax subsidized coverage for employer-sponsored coverage, the subsidy would be set at a low percentage of the premium. As a result, the primary benefactors of this option would be those who already have insurance. Therefore, this proposal can be best described as addressing affordability more than coverage problems.

The advantages of this proposal are: it is easy to administer because it uses the existing structure of the tax system and middle-class families will benefit the most. The primary disadvantage of the proposal is that initial estimates show that few uninsured children would gain coverage.

(3) **Provide Federal premium subsidy assistance.** This proposal would subsidize families below certain income levels (on a sliding scale) to purchase health insurance for their children. Eligible populations include uninsured and state optional Medicaid children. Because they would receive a full subsidy, the primary benefactors of this program would be lower-income children.

The advantage of this proposal is that it would significantly expand coverage for children. Old estimates projected that 6 million children would receive benefits, although only 2 million children would have been previously uninsured. The disadvantages of this proposal are that it would be costly, inefficient, difficult to administer, duplicative of Medicaid, and would create incentives for employers to drop children who currently have coverage.

(4) **Empower states to design an innovative program that supplements Medicaid to expand coverage for children.** This proposal would give states a Medicaid per capita amount to expand coverage to children. This could be done by: (a) giving states more flexibility to use different delivery systems, including managed care, without seeking waivers but leaving current benefit rules in place; or (b) allowing even more flexibility by permitting states to require contributions from higher income Medicaid eligibles. Using savings from these premium and cost-sharing requirements, states could expand coverage to additional populations of children. Populations eligible to receive benefits would be uninsured children in low-income working families.

The advantages of this proposals are: it builds on existing state structures; it limits Federal cost to the Medicaid matching amount versus a full premium subsidy; and it gives Governors much desired flexibility to increase coverage for children in working families.

The disadvantages of this proposal are: Although limited to lower-income populations, it will still likely induce some employer dropping of coverage; its cost-sharing requirements would impose burdens on some beneficiaries that have none now.

- **Consider options that increase the independence of people with disabilities,** including breaking the health coverage link to public cash assistance programs and creating more incentives to use home- and community-based services in lieu of institutional care.

(1) **Unveil a proposal to allow people with disabilities the opportunity to retain, or in return for a sliding scale premium, purchase Medicare or Medicaid.** Because private insurance is often not available or affordable to people with disabilities, many people choose to remain on the rolls rather than take the risk of working and losing coverage. This proposal, which we are designing with the Social Security Administration, would allow disabled social security clients the opportunity to purchase Medicaid or Medicare on a sliding scale as their income from employment rises. The primary potential downside is that this option might create unintended consequences of attracting many more people with disabilities to the subsidized Medicare/Medicaid programs than are currently being served. We are still waiting for final OMB estimates and will obviously rethink this option if it is cost prohibitive.

(2) **Consider additional ways to reorient the Medicaid program towards home- and community-based care and away from its institutional bias.** The disability community hates the fact that nursing home coverage within Medicaid is defined as a mandatory service, while home- and community-based care services are optional. We are currently evaluating options (that go even beyond your current proposal to eliminate the waiver process for States who wish to implement a home- and community-based service option). We will keep you informed of developments.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 8-23

TO: Carol
Laura
Chris
Jen

FROM: **Staff Secretary**

This came back from Oval separated from the underlying memo to which it was attached. I'll let you know when the underlying memo comes back.

Rob

8/24 Memo back from Oval - see attachment

THE PRESIDENT HAS SEEN
8-24-96

THE WHITE HOUSE

WASHINGTON

96 AUG 16 P3:11

August 16, 1996

MEMORANDUM TO THE PRESIDENT

FROM: Carol Rasco and Laura Tyson

SUBJECT: Health Care Policy Achievement and Initiatives Update

You may want to highlight health care reform achievements and unveil "next-step" initiatives concurrent with, or soon after, the signing of the Kennedy-Kassebaum bill and the Democratic Convention. This memo outlines: **Health Reform Achievements, Pending Proposals, and New Reform Options.** These could be highlighted as part of any major health message.

I. Health Reform Achievements: Because the Health Security Act was not enacted, there has been a perception that the Administration has had few health care achievements. As the following summary attests, this perception is a mistaken one. The enactment of the Kennedy-Kassebaum bill and a more forceful effort to highlight our achievements will help turn this perception around. In the first term, you have:

- **Passed portability, guarantee issue and guarantee renewal insurance reforms.** In response to your State of the Union challenge, the Congress finally passed long-overdue insurance reforms that will benefit as many as 25 million Americans. As a result, workers will no longer be locked into "second-choice" jobs because their (or their families') pre-existing condition make them live in fear of losing health insurance. Similar insurance reform provisions were included in the Health Security Act and your balanced budget proposals.

- **Eliminated the discriminatory tax treatment of the self-employed.** You have advocated eliminating or reducing the 100 percent vs. 30 percent disparity between large employers and the self-employed for years (the 1992 Campaign, the Health Security Act, and your two balanced budget proposals). The Kennedy-Kassebaum bill increases the deduction to 80 percent for the 3 million self-employed Americans now purchasing health care, (which is close to parity since most employers do not pay for their premium.

- **Strengthened fraud and abuse prevention and enforcement initiatives.** The Kennedy-Kassebaum legislation included provisions long sought by Secretary Shalala that strengthen our ability to target and prosecute "bad apple" health providers who are bilking the system of billions of dollars from Medicare, Medicaid, and private insurance. The bill expands penalties and provides for permanent funding to build on our already successful efforts to combat fraud. The Congressional Budget Office conservatively estimates that these provisions will save over $3 billion.

- **Provided tax incentives for private long-term care policies and consumer protections to go along with them.** The Kennedy-Kassebaum bill included the tax clarifications for private long-term care policies and many of the basic consumer protections that were in the Health Security Act. These provisions should increase the sales of private long-term care policies, which should reduce future financial burdens on our public programs caused by an fast aging population.

- **Provided the tools to simplify the health care system and reduce paperwork, while still protecting the privacy of patient records.** The Kennedy-Kassebaum bill included provisions you have long called for that would modernize, streamline and cut the costs of insurance paperwork by providing standards for a common electronic system for paying health claims that most private insurers would use. The bill also provides the Secretary the authority to establish Federal privacy protections that would prohibit inappropriate disclosure of information.

- **Strengthened Medicare Trust Fund by 3 years.** Your 1993 economic package included policy and structural changes that extended the life of the Trust Fund by three years and were enacted without one Republican vote.

- **Preserved and protected the Medicaid guarantee of health coverage, while providing more flexibility to states to expand coverage.** You successfully defeated the Republican Leadership's proposal to block grant the Medicaid program, thus assuring that millions of vulnerable Americans would not lose guaranteed health care coverage or benefits. At the same time, you presided over the rapid approval of 12 thoughtful Medicaid waivers that, when completely implemented, will provide health coverage to 2.2 million previously uninsured Americans.

- **Contributed to getting health care inflation under control.** Your efforts to assure that all Americans have affordable, quality health care focused the nation's attention on the problem of health costs. This attention expedited the private sector's interest in implementing approaches to slow cost growth. This, along with the improvements in the economy, helped slow medical inflation to 3.9 percent in 1995 -- the lowest rate in 23 years. In the first 6 months of 1996, medical inflation is running at less than 2 percent and may actually grow below the general inflation rate for the year.

- **Increased investment in biomedical research at the National Institutes of Health (NIH) by an impressive 16 percent at a time when many other programs were being cut.** Funding for breast cancer research at NIH has increased by 76 percent and support for AIDS research funding has increased by 25 percent.

- **Funding for AIDS prevention and treatment has been increased to historic levels.** Support for AIDS prevention programs has increased by 19 percent, and support for treatment programs, primarily through the Ryan White Care Act, has increased by an extraordinary 95 percent. In addition, earlier this year, the Congress responded to your request to increase the Federal commitment to the State AIDS drug assistance programs (ADAP) by $52 million. This funding will be used to help AIDS patients buy expensive, new protease inhibitor drugs. Combined with the increases in our AIDS research investment, total funding for HIV/AIDS programs in fiscal year 1996 was $2.86 billion; this represents a nearly 40 percent increase since you took office.

- **Established a comprehensive childhood immunization initiative to ensure vaccinations and healthy futures for all children.** The proposal includes: a major community-based outreach effort to educate parents and providers about the need for vaccination; better detection of vaccination levels and outbreaks of infection; and a standardized immunization schedule to make it easier for parents to know when vaccinations are due. This program contributed to the immunization rate of 75 percent of 2-year old children in 1995 -- an historic high. What was it in '92?

- **Expedited the FDA review and approval of new drug products.** U.S. drug approvals are now as fast or faster than in any other industrialized nation. Average drug approval times have dropped since the beginning of the Administration from almost three years to just over one year. In 1997, virtually all breakthrough drugs will be approved within 6 months.

- **Protected kids from tobacco products and advertising.** Issued a proposed regulation to eliminate easy access to tobacco products by children and to prohibit companies from advertising to make tobacco appealing to kids. The goal is to reduce smoking by children by 50 percent within seven years after the plan goes into effect.

- **Increased funding for the VA health system by nearly two billion dollars.** This support will provide the resources necessary for the treatment of 94,000 more veterans.

- **Significantly reduced the regulatory burden of the Department of Health and Human Services for providers and consumers.** The Vice President's reinventing government initiative has resulted in the elimination of 1,600 pages of regulations, a 23 percent reduction.

II. Currently Pending Health Care Proposals: Unnoticed by much of the public, you unveiled an extraordinary number of substantive health reform proposals which in any other Congress would have been viewed as aggressive and quite ambitious. No other President has put as many public (Medicare and Medicaid) health savings dollars on the table, and no other President has proposed to so significantly alter and modernize the Medicare and Medicaid programs. However, relative to the Republican proposals, your proposals have been mistakenly viewed by the media (and thus the general public) as modest. Despite the fact that anyone who knows these programs knows better, the media has either ignored your proposals or has chosen to classify them as protecting the status quo.

We have never strongly promoted the private insurance reform initiatives you advocated that go beyond the Kennedy-Kassebaum bill because we feared they had the potential to undermine our Hill negotiations on the bill. The good news about this is that these initiatives will appear to be new to the public and the media, and -- with the exception of the $1 billion over seven years mental health parity initiative -- they are paid for in the context of your previous omnibus balanced budget proposals. Your major currently pending proposals include:

- **Extending the life of the Medicare Trust Fund until 2006.** Your Medicare savings ($124 billion/CBO estimates it to be $116 billion), combined with the home health care expenditure transfer (previously passed by the House), extends the Trust Fund for ten years from today while also making a significant deficit reduction contribution. It is a responsible savings package that would hold the Medicare per person growth rate just under what CBO numbers assume is equivalent to the private sector growth rate. [NOTE: Because the Medicare baseline is increasing, we may be able to squeeze more savings from the program in next year's budget.]

- **Modernizing the Medicare program and beginning to prepare it for the retirement of the baby boom population.** Your Medicare plan would increase choice of plans for beneficiaries (by adding a new Medicare Preferred Provider Organization option, a new Provider Sponsored Organization alternative, and a new HMO with a point-of-service option). It also would add important and potentially cost-effective preventive benefits (by providing for full coverage of mammography screenings, adding a colorectal screening benefit, and providing for diabetes case management.) It takes the first step toward providing for a long-term care benefit by establishing a respite benefit for families of Medicare beneficiaries afflicted with Alzheimer's Disease. Lastly, it includes a number of market-reform-oriented "competitive-bidding" initiatives that would make Medicare a more prudent and effective purchaser of health care services.

- **Liberating the states in their desire to have more flexibility to manage Medicaid.** Your Medicaid proposal (which provides for $59 billion/CBO estimates $54 billion in deficit reduction through a per person cap) would eliminate the burdensome waiver process for managed care, eliminate the waiver process for home and community-based care alternatives to institutionalization, and eliminate the Boren requirement. It would also make it easier for states to spend money in an attempt to expand coverage. [NOTE: Because the Medicaid baseline is declining, the fiscally aggressive policy we are now advocating would likely be scored lower on both the CBO and OMB baseline next year; in other words, it will be difficult to get the same deficit contribution from Medicaid next year.]

- **Building on Kennedy-Kassebaum by providing for a "Workers' Transition Insurance" benefit.** This proposal would help assure that previously insured people who are looking for a new job could afford to keep their health insurance and thus retain their portability protections. It would cost about $2 billion a year, would annually help approximately 3 million temporarily unemployed Americans, and would illustrate our resolve to still expand coverage within a balanced budget context.

- **Empowering small businesses to gain market-leverage to access more affordable insurance through the use of voluntary health purchasing cooperatives (HPCs) by providing access to FEHBP plans, overriding restrictive state laws, and giving financial assistance for the establishment and operation of HPCs.** We have been studying a series of options about how best to use the FEHBP and the limited political and financial resources we have available to empower voluntary HPCs to purchase more affordable, accessible health insurance for small businesses.

  Based on extensive conversations with public and private sector insurance analysts, we continue to believe that, in the absence of universal coverage, the potential for serious risk selection is too great to recommend that FEHBP's current insurance pool be opened to other purchasers. Since the Kennedy-Kassebaum bill does not include rating/price bands, there will continue to be significant premium price variation in the insurance market. As a result, a health plan that charges average premiums for larger populations -- like FEHBP -- would become a magnet for poor risk employers who are currently charged higher than average premiums in the market place. This would increase FEHBP plan costs as well as Federal employee hostility towards us. If we held Federal employees harmless, this could significantly increase the Federal costs of running FEHBP. Whether the Government picked up these costs or not, opening up the FEHBP insurance pool would attract extremely loud Government union opposition.

  The risk selection issue could be addressed by requiring OPM to administer a separate insurance pool in FEHBP for the non-Government employees. While this could be done, we are hesitate to recommend this option primarily because we are skeptical that OPM could administer an effective FEHBP alternative without a significant and politically risky infusion of money and talent. Second, based on what people in the field are telling us about what is actually happening in the marketplace, it seems much more likely that private, locally-administered HPCs (perhaps certified by the state) are better positioned to negotiate more effectively than an OPM employee who has little knowledge of plan rates within a particular geographic area. And finally, without a large number of small group enrollees in a particular geographic area, it is highly unlikely that FEHBP would negotiate attractive arrangements with insurers.

  Having said this, using FEHBP and other changes to the law to empower small businesses can and should be done. We would suggest that you strongly promote a proposal that would give private or state-run HPCs the ability to require that health plans participating in FEHBP (who also operate in the small market) must also offer coverage (in a separate risk pool) in HPCs. In addition, since one of the greatest hurdles HPCs face in becoming viable is their difficulty in attracting capital for their formation and operation, Federal grants would be made available to either state or private run HPCs who met certain standards (including that they are regulated by the state.) This proposal also would incorporate the Kennedy-Kassebaum purchasing cooperative provisions, which were dropped in conference, that: (1) Override state "fictitous group" laws (which prevent non-associated employers from purchasing insurance together), (2) Allow HPCs to negotiate price reductions even in states where community rating laws would preclude them from doing so, and (3) Allow HPCs to offer the same insurance packages for small businesses that bypass state benefit mandates that the state has authorized other insurers to sell.

- **Providing mental health parity across health insurance products.** The Republican Leadership rejected all attempts by Senator Domenici to come up with a compromise on the mental health parity issue and dropped it from the Kennedy-Kassebaum conference. They would not even support an Administration-endorsed Domenici alternative that dropped all parity provisions other than those related to lifetime and annual caps. This approach reduced the proposal's costs by 90 percent and would have assured that premium increases to pay for this benefit would not exceed .4 percent. This issue may come before the floor of the Senate again this Fall.

- **Protecting mothers and their newborn babies from premature discharges from hospitals.** You endorsed this proposal in your Mothers' Day Radio Address. Similar to legislation sponsored by Senator Bradley, it requires health care plans to allow mothers to remain in the hospital for at least 48 hours. There have been cases where plans have required a discharge within 8 hours of birth. Premature discharge can lead to serious health consequences for both mothers and children. Like the mental health parity provision, this popular initiative may come up for a vote in September.

- **Expanding health care options for older veterans.** This summer you proposed the "Veterans Medicare Reimbursement Project of 1996," a proposal to open the VA system to Medicare-eligible veterans at a number of cities. This measure, sometimes known as Medicare "subvention," would allow VA to receive reimbursement from Medicare, improving access to care for older veterans while lowering VA costs.

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The advantages of this proposal are: it is easy to administer because it uses the existing structure of the tax system and middle-class families will benefit the most. The primary disadvantage of the proposal is that initial estimates show that few uninsured children would gain coverage.

(3) **Provide Federal premium subsidy assistance.** This proposal would subsidize families below certain income levels (on a sliding scale) to purchase health insurance for their children. Eligible populations include uninsured and state optional Medicaid children. Because they would receive a full subsidy, the primary benefactors of this program would be lower-income children.

The advantage of this proposal is that it would significantly expand coverage for children. Old estimates projected that 6 million children would receive benefits, although only 2 million children would have been previously uninsured. The disadvantages of this proposal are that it would be costly, inefficient, difficult to administer, duplicative of Medicaid, and would create incentives for employers to drop children who currently have coverage.

(4) **Empower states to design an innovative program that supplements Medicaid to expand coverage for children.** This proposal would give states a Medicaid per capita amount to expand coverage to children. This could be done by: (a) giving states more flexibility to use different delivery systems, including managed care, without seeking waivers but leaving current benefit rules in place; or (b) allowing even more flexibility by permitting states to require contributions from higher income Medicaid eligibles. Using savings from these premium and cost-sharing requirements, states could expand coverage to additional populations of children. Populations eligible to receive benefits would be uninsured children in low-income working families.

The advantages of this proposals are: it builds on existing state structures; it limits Federal cost to the Medicaid matching amount versus a full premium subsidy; and it gives Governors much desired flexibility to increase coverage for children in working families.

The disadvantages of this proposal are: Although limited to lower-income populations, it will still likely induce some employer dropping of coverage; its cost-sharing requirements would impose burdens on some beneficiaries that have none now.

- **Consider options that increase the independence of people with disabilities,** including breaking the health coverage link to public cash assistance programs and creating more incentives to use home- and community-based services in lieu of institutional care.

(1) **Unveil a proposal to allow people with disabilities the opportunity to retain, or in return for a sliding scale premium, purchase Medicare or Medicaid.** Because private insurance is often not available or affordable to people with disabilities, many people choose to remain on the rolls rather than take the risk of working and losing coverage. This proposal, which we are designing with the Social Security Administration, would allow disabled social security clients the opportunity to purchase Medicaid or Medicare on a sliding scale as their income from employment rises. The primary potential downside is that this option might create unintended consequences of attracting many more people with disabilities to the subsidized Medicare/Medicaid programs than are currently being served. We are still waiting for final OMB estimates and will obviously rethink this option if it is cost prohibitive.

(2) **Consider additional ways to reorient the Medicaid program towards home- and community-based care and away from its institutional bias.** The disability community hates the fact that nursing home coverage within Medicaid is defined as a mandatory service, while home- and community-based care services are optional. We are currently evaluating options (that go even beyond your current proposal to eliminate the waiver process for States who wish to implement a home- and community-based service option). We will keep you informed of developments.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 8-23

TO: Carol
Laura
Chris
Jen

FROM: **Staff Secretary**

This came back from Oval separated from the underlying memo to which it was attached. I'll let you know when the underlying memo comes back.

Rob

THE WHITE HOUSE

WASHINGTON

August 17, 1996

Bill Hand

MEMORANDUM FOR THE PRESIDENT

THE PRESIDENT HAS SEEN
8/22/96

FROM: TODD STERN

SUBJECT: Rasco/Tyson Health Care Policy Memo

Laura and Carol have prepared a lengthy memo that reviews your health care achievements, discusses pending proposals you have already put forth, and suggests three options for new initiatives.

Fifteen achievements to date. Five from Kennedy-Kassebaum: (1) portability reforms, so workers won't be locked into jobs for fear of losing insurance due to pre-existing conditions; (2) elimination of discriminatory tax treatment of self-employed; (3) strengthening fraud and abuse prevention; (4) tax incentives for private long-term care policies; (5) reduced paperwork. Other accomplishments: (6) extended solvency of Medicare Trust Fund by 3 years; (7) protected Medicaid against GOP attack while increasing state flexibility; (8) contributed to substantial reduction of health care inflation (1995 rate was lowest in 23 years and first half of 1996 is running below 2%); (9) 16% increase in biomedical research at NIH including breast cancer (up 76%) and AIDS (up 25%); (10) major increases in funding for AIDS treatment and prevention; (11) childhood immunization effort contributed to record 75% immunization rate for 2-year olds in 1995; (12) expedited FDA review of new drugs; (13) protected kids from tobacco products; (14) increased funding for VA health by nearly $2 billion; (15) cut regulatory burden of HHS for providers and consumers.

Nine pending proposals. ***Extending Medicare Trust Fund to 2006*** -- provided for in your FY 1997 budget. ***Modernizing Medicare*** -- your budget would increase choice of plans; add preventive benefits (e.g., for mammography); take first step toward long-term care benefit by establishing "respite benefit" for families of beneficiaries with Alzheimer's; include competitive bidding initiatives. ***Increase State flexibility re Medicaid*** -- your budget would eliminate waiver process for managed care and for home/community based alternatives to institutionalization and make it easier for states to spend money to expand coverage. ***Workers' Transition benefit*** -- proposal would build on Kennedy-Kassebaum by helping those who lose their jobs *afford* health insurance. Cost: $2 billion/year. ***Increase small business access to voluntary health purchasing cooperatives (HPCs)*** -- opening up the FEHBP to outside purchasers would be a bad idea as it would be a magnet for poor risk employers, increasing FEHBP costs. Your budget proposal is much better. It would require health plans that participate in the FEHBP in a given region to offer coverage (in a separate risk pool) to private or state HPCs. ***Provide mental health parity*** -- GOP blocked this in Kennedy-Kassebaum negotiations, but issue may come to Senate floor again in Fall.

48 hour rule for new mothers -- on Mothers' Day you endorsed rule requiring health care plans to allow new mothers to remain in hospital for 48 hours. ***Open VA to Medicare-eligible vets*** -- allowing VA to get reimbursement from Medicare. ***Eradicate global polio*** -- by contributing to WHO's initiative to end polio by 2000.

Three options for new initiatives:

Increased oversight of managed care -- In view of rising concern that cost containment may be coming at expense of quality, (i) support "gag" rule law preventing health plans from restricting what doctors can tell their patients about alternative treatments. OMB and HHS support; (ii) establish public/private advisory board to evaluate managed care shortcomings and recommend appropriate role for federal government. VP, OMB, HHS, DOL support, as do Sweeney and McEntee; (iii) host Presidential forum on problem of managed care's role in declining research and training funds, challenging managed care industry and research community to work together on solutions.

Provide children greater access to affordable insurance -- Four options: (i) legislation for targeted investments to help community health centers and school-based clinics provide preventive and other services (wouldn't increase insurance coverage much); (ii) small tax subsidy for working families who pay for kids' insurance if employers don't contribute to dependent coverage (addresses affordability more than coverage); (iii) provide subsidy to help low-income families purchase insurance for their kids (would significantly increase coverage, but would be costly, inefficient, duplicative of Medicaid and would create incentives for employers to drop kids who have coverage); (iv) increase state flexibility to design programs to expand Medicaid coverage to more children. NOTE -- Options (ii-iv) would require new spending of $15-20 billion over 7 years.

Increase independence of people with disabilities -- (i) to address problem of disabled people who choose to remain on SSI or SSDI rolls rather than risk loss of health insurance, allow disabled to purchase Medicaid or Medicare coverage on sliding scale linked to their income; (ii) evaluate options to address problem that home- and community based care services are "optional" Medicaid services, while nursing home coverage is "mandatory" -- a distinction disabled community hates.

THE PRESIDENT HAS SEEN
8/23/94

Baer

These ones underlined would suggest for accomplishments + goals speech at convention

RL

7/25

HEALTH CARE WORKPLAN

1. Expanding Access to Health Care

Employment Transition Insurance: We are updating cost estimates and distributional analysis of the insurance program for workers who are between jobs that is in the President's balanced budget proposal. We will have new estimates by the end of next week.

Kids Coverage: We are providing technical assistance on the Democratic "Kids Only" initiative. We are also reviewing our own proposal to increase coverage for children and will have more detail and initial estimates by the end of next week.

→ school-based. Devolving existing resources. what are kids getting in schools?
→ city health centers

Purchasing Cooperatives: In any new health care announcement, we can highlight the proposal in the President's budget to provide technical and financial assistance to states to set up purchasing cooperatives and to empower states to require FEHBP plans to participate in these cooperatives. We are also planning to set up a meeting with OPM next week to pursue other options. → Joining state employee purchasing cooperatives - give incentives / start up costs - stay in own risk pools "Lend them market clout" If states do it, we give you $ They do this already in Cal.

Using this as a way of getting kids in

Results based

2. Focusing on Prevention and Investment in Research and Development

New Preventive Benefits in Medicare: In any new health care announcement, we can highlight the preventive benefits (e.g., mammography, colorectal screening, diabetes management) in the President's balanced budget.

Immunization

Physical fitness

Environmental health

Tobacco: In any new health care announcement, we can highlight the President's anti-smoking initiatives.

Varmus - study on man. care

Challenge private insurance to contribute to academic health centers for research & training

Biomedical Research: We can highlight our continuing commitment to investment in research which has great potential to prevent disease, save lives and decrease health care costs.

3. Protecting Health Care Consumers

Appropriate Regulation of Managed Care: We can highlight upcoming regulations that will be implemented on January 1, 1997 to monitor and improve the quality of managed care plans in Medicare and Medicaid. We can also develop proposals to increase quality regulation in the private sector (building on our support for 48 hour discharge legislation.) We are looking at models in California.

National convening w/ man. care cos (e.g. efficiency enhancing HC) to talk about priorities for research

Fraud and Abuse: We will begin developing a proposal to combat fraud and abuse through use of the internet. We can also highlight the anti-fraud and abuse provisions in the Kassebaum-Kennedy bill.

National Information Infrastructure - linking hospitals

4. Simplifying the Health Care System

We can highlight what the Administration has done already to reduce paperwork and other regulatory burdens in Federal programs and to make Federal programs more understandable for beneficiaries. We also believe we can support the provisions in Kassebaum-Kennedy to simplify the private health care sector.

→ Std claim form ←
⇒ Give private sector 1 yr to match them

- Plain - language in billing
- Paperwork reduction for doctors

5. Reforming Medicare and Medicaid

We should continue to emphasize the progress we have already made to reform Medicare and Medicaid without legislation as well as the provisions in the President's balanced budget proposal.

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AGENDA FOR HEALTH CARE STRATEGY MEETING

CURRENT ACTIVITY

- **Kassebaum-Kennedy**: We are getting closer to an acceptable compromise on medical savings accounts, and the desire, on the part of both Republicans and Democrats, to reach agreement on the bill is increasing. Primary outstanding issues include mental health parity, group to individual portability protections, Medigap duplication and advisory opinions.

- **Medicaid/Welfare:** There are two Medicaid issues in the welfare bills: (1) how to maintain Medicaid eligibility as welfare eligibility changes (including issues about time limits and methodology for determining assets and income); and (2) Medicaid eligibility for immigrants.

HEALTH CARE VISION

- **Access to Health Care**

  1. **Employment Transition Insurance**: The President's balanced budget plan includes a program to pay premium subsidies for health insurance for workers with incomes below 240% of the federal poverty level who are unemployed for up to six months. We continue to talk about that program as part of our efforts to protect workers and ensure economic security. We have said that as we take steps to ensure that Americans have access to affordable health care, we can start by making sure that workers moving to new jobs have help paying premiums. We are updating cost estimates and distributional analysis. $20/yr
     Help 3-4 million people

  2. **"Kids Only" Democratic Hill Initiative:** We are providing technical assistance to Democratic Members who are working on a "Kids Only" initiative which is part of the Families First Agenda unveiled by house and Senate Democrats. The initiative: (1) requires all insurance companies and managed care plans that do business with the Federal government (through FEHBP, Medicare, Medicaid, etc.) to offer policies for children up to age 13; (2) requires that these policies meet Kassebaum-Kennedy insurance reform protections; and (3) covers part of cost of premium for children's policies through tax relief and premium subsidies.

  3. **Purchasing Cooperatives/FEHBP**: Purchasing cooperatives remain popular in Congress and the small business community as a way to level the playing field between small and large purchasers of health care. The President's balanced budget includes grants to states to set up purchasing cooperatives

Curry → Mental health parity
Purch. coops
Admin. simplification

plain language in health care billing / single form → Bond / Lieberman
preventive health care / tobacco

and allows states to require health plans participating in FEHBP to offer insurance in those purchasing cooperatives. We believe that we should focus more attention on these provisions.

- **Effective Administration of Programs**

1. **Appropriate Regulation of Managed Care**: Numerous health care provider and consumer groups have raised concerns about inadequate regulation of managed care. While we have proposed increasing choice of managed care plans for Medicare beneficiaries and have granted waivers allowing Medicaid beneficiaries to be put in managed care plans, we support public and private efforts to promote quality and protect against inappropriate denial of necessary services. For example, the Administration has: (1) implemented tracking systems to monitor and improve quality of care in Medicare and Medicaid HMOs and created new materials to help beneficiaries make informed choices about managed care plans; (2) issued regulations to ensure that HMOs that contract with Medicare or Medicaid do not reward doctors for withholding appropriate medical care; and (3) spoken out against insurance companies that discharge mothers and newborns earlier than 48 hours after delivery. We are considering whether to do more to regulate managed care in the private sector.

Federal role in protecting consumers

2. **Fraud and Abuse:** Our efforts to combat fraud and abuse have been well received and successful. The Administration has recovered $15 billion in the past three years. We are considering whether to unveil additional fraud and abuse initiatives.

- New technology - internet
- Highlight FDA in K.K signing

3. **Antitrust**: We are about to be briefed on new antitrust guidelines that will clarify permissible activities for providers establishing competitive alternatives to traditional health plans.

- **Our vision on health care reform:** We have avoided talking about "universal coverage" or a "right" to health care. Instead, we talk about a step by step approach and about the importance of giving Americans access to high quality, affordable health insurance. We have prepared a series of documents talking about the Administration's health care accomplishments. We will also be asked to respond to criticisms about the Health Security Act.

- **Role of health care programs in balancing the budget:** Medicare and Medicaid will continue to be relied on as major sources for deficit reduction. Medicare Part A savings are also important because they strengthen the Trust Fund. It is important to note, however, that as baselines continue to decline, the savings from our current policies are also likely to decline. As a result, harsher policies will be necessary to reach the same level of savings. This will likely be particularly a problem for Medicaid.

BRIEFING BOOK MEMO

Briefing for Health Care Strategy Meeting
July 17, 1996, 1:00 p.m.
Carol Rasco's Office

FROM: Jennifer Klein
Chris Jennings

SUBJECT: Health Care Strategy Meeting

PARTICIPANTS: Carol Rasco
Laura Tyson
Bruce Reed
Bill Curry
John Angell
Gene Sperling
Nancy Ann Min
Chris Jennings
Jennifer Klein
Jeremy Benami/Elizabeth Drye

PURPOSE: To talk about current health care activity and about our vision for health care for the future.

AGENDA: You will begin the meeting. We will be prepared to run through attached update on current and future health care activities.

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