Q&A's
Mental Health Parity

Q. Isn't this a hollow victory since it doesn't change the fact that insurance coverage is still discriminatory ? Insurance coverage for mental health can still have higher co-payments, deductibles and visits limits or not be included at all.

A. We got what we could get this year. I recognize that this isn't everything but for families who no longer will face the prospect of hitting arbitrarily low annual or lifetime limits for mental health cover, it is a huge improvement. To them, and to me, this is victory.

Q. Representatives from the business community are saying this is one more example of the Clinton Administration heaping mandates on the business with no regard for costs.

A. First let me say, that since the early days of this country our government has played an important and, I believe, an appropriate role in ending discrimination. Without the leadership provided by government, we might never have moved beyond some of our society's gravest injustices -- Americans with mental illnesses are among the last to be given a level playing field.

Legislation that brings about greater fairness in insurance coverage doesn't have to be incompatible with what is good for business. The bi-partisan authors of this bill took to heart the cost concerns expressed by business and offered a compromise. Instead of immediate and full action, this law takes an incremental step toward ending discrimination in existing insurance coverage offered by business and the federal government. A caveat is included that if a health plan demonstrates that complying with this law raises it premiums one percent or more, then the company no longer must offer the coverage. It doesn't require any health plan to offer coverage it does not now offer and exempts companies with 50 or fewer employees.

As a result of this Act, employers and employees are going to have an opportunity to learn about the cost as well as the value of this benefit to them. The experience of companies that offer well managed, comprehensive mental health coverage has demonstrated that mental health coverage is cost effective.

Q. Couldn't this be the final straw that causes employers to eliminate health care coverage all together?

A. There are so many myths associated with the cost of treatment for mental illnesses. We are just beginning to break down these misconceptions. The Congressional Budget office said this particular provision would result in approximately four tenths of one percent increase in health care premiums. I hardly think that employers would drop health care coverage for their employees based on this small of an increase.

I also believe your line of thinking does not take into consideration the strong commitment most employers have toward their employees. It been my observation that companies reap the benefits many time over of what they invest in their employees through returned loyalty and productivity.

Q. Isn't this incremental approach a rejection not only of the Health Security Act but also the Administration's strategy and its architects, HRC and Ira Magaziner?

A. Not at all. The President, the Vice President, Mrs. Clinton and I are all committed to providing affordable, quality health care for all Americans -- which was the heart and soul of the health security act -- this and the other legislation the President has signed into law are steps toward that goal. As for the strategy, people succeed when they adapt to changing situations. Taking an different approach doesn't mean you've rejected an earlier one, it may simply mean you're adaptable.

Q. It sounds as if the fears of the business community that this bill is just a foot in the door are justified since every indication is that you and the Administration plan to push for full parity.

A. The President has been very clear that he supports mental health parity and he has demonstrated his willingness to work with experts in the mental health and business communities to get to that point. As more and more new data becomes available on treatment costs and efficacy based on managed systems of care, I am confident that the fears of the business community will be allayed and we will be able to move together to full parity.

MENTAL HEALTH PARITY-- COST ESTIMATES AND ISSUES

Below ~~are~~ is a summary of what we know about cost estimates and issues for mental health parity under varying circumstances, including parity for individuals with severe mental illness only, and parity where only annual and/or lifetime benefit limits are removed.

Note: The analysis which follows is based upon language provided in the original Domenici-Wellstone amendment

I. COST ESTIMATES

MENTAL HEALTH PARITY

CBO ESTIMATE, April 1996

- CBO analysis of the provision is that private premiums would rise by 4 percent. This is based on a CRS estimate that FFS premiums would initially increase by 5.3 percent, with a reduction to take into account managed care.

- CBO notes that the language in the bill does not specify whether the mental health parity provision would apply to the Medicare program or to state Medicaid plans.

- CBO estimates that **if** Medicare and Medicaid were to face a similar increase in costs as estimated for the private sector, Medicare outlays between 1997 and 2002 could increase by almost $80 billion, and the Federal share of Medicaid costs could rise by as much as $35 billion.

- The application of the private sector assumption does not appear to include the differences between Medicare / Medicaid and the private sector in terms of population demographics or the managed behavioral health care penetration rate.

STATES WITH PARITY LAWS, June, 1996

Summary (compiled by NIMH) of data from managed behavioral health care companies operating in states (i.e., MD and RI) with mental health parity laws.

- Parity law in MD covers both mental illness and substance abuse services (i.e., inpatient, partial hospitalization and outpatient). Cost estimates from first seven months of law (7/1/95 to 1/31/96) suggests a slight increase (0.65%) in the average per member per month cost for the total physical and mental health benefit across all payment plans.

- Parity law in RI only covers "medical treatment" (i.e., inpatient hospitalization and outpatient medication visits) for individuals with severe mental illness. Cost estimates suggest that the average overall mental health benefit cost increase resulted in a small increase in total plan costs of 0.33%.

MILLIMAN & ROBERTSON, April 1996

Done for the Coalition for Fairness in Mental Illness Coverage

- Mental illness parity provision (excluding parity coverage for treatment of a substance abuse disorder) will increase premiums (aggregate across FFS, PPO/POS and HMO/EPO) 3.2 percent. If substance is included estimate increases to 3.9 percent.

COOPERS & LYBRAND, April 1996

Done for American Psychological Association

- Mental health parity amendment would increase private sector premiums 3.2 percent or $14.3 billion.

PRICE WATERHOUSE, May 1996

- Mental health parity amendment would increase private sector premiums 8.7 percent unless employers offer only HMO plans, or significantly reduce non-mental health benefits.

- Prediction in report that parity amendment would "lead to end of indemnity-type coverage" in FFS, PPO and POS plans is at odds with data from states with parity provisions. Although HMO enrollment increased in these states (from 26% to 48%), indemnity-type managed benefits continued to be offered in 52% to 74% of plans.

PARITY FOR SEVERE MENTAL ILLNESS ONLY

MILLIMAN & ROBERTSON, April 1996

Done for the Coalition for Fairness in Mental Illness Coverage

- Severe mental illness parity provision will increase premiums for PPO plan by 2.5 percent.

WATSON WYATT WORLDWIDE

Done for Association of Private Pension and Welfare Plans

- Mandated equalization of benefits for treatment of severe mental illnesses would result in total health plan expenses in "typical PPO" plan increasing by between 8.4 percent and 11.4 percent.

NATIONAL INSTITUTE ON MENTAL HEALTH, October 1993

- Report National Advisory Mental Health Council in response to request by Senate Committee on Appropriations, $6.5 billion.

ISSUE OF REMOVING ANNUAL OR LIFETIME BENEFIT LIMITS

See "Comments on Section 309 Plan Protections for Individuals with a Mental Illness" below.

II. WHY ESTIMATES DIFFER

Previously for the mental health benefit under the Administration's Health Security Act and now again for the recent Congressional mental health parity provision there is considerable difference among cost estimates. Some of the major contributing factors to the differing estimates are:

1. Different assumptions regarding typical baseline coverage

While practically all insurance includes some coverage for mental health, the nature of the benefits are more variable than that associated with coverage of physician and hospital care for general health services. Difference in baseline can influence the ultimate percentage cost increase that is calculated.

2. Differing assumptions regarding current level of management and effects of management

Over the past several years there has been an increase in the application of utilization control technologies to mental health services. Assumptions about the current extent of management and future effects differ, ranging from no effect to achieving 50 percent or more reductions.

3. Differing assumptions regarding costs of different populations, demand response, and cost shifts between the private and public sectors

A major issue under the Health Security Act version of health reform, but less under the current effort, was the cost / demand response for the uninsured. While the issue of the uninsured is not a factor in the current estimates, nevertheless there is likely to be some return cost shift back from the public sector to the private sector, because under parity individuals are less likely to use up their benefits as quickly. In addition, because the current system relies on higher cost sharing and limits to help control costs there are expected to be some demand response to a change. Estimates due vary in terms of assumptions related to demand response, but this also interactive with the differing assumptions related to baseline.

Issues:

1. Parity for All Mental Health or Severe Mental Illness Only - The concerns about cost of mental health parity have lead some to argue that parity should be limited to only severe mental illness. In fact Senator Domenici's original amendment was focused only on severe mental illness. There is disagreement over the administrative problems associated with gaming of a severe mental illness approach. As noted in the analysis of the cost estimates, there seems to be some question regarding the ability of insurance to draw the line and thus the lack of sizeable differential in estimates from Milliman & Robertson, and the broad assumption by Watson Wyatt that all hospital care is considered severe.

Others will argue that such an approach is feasible and states currently in their public programs distinguish between the SMI (seriously mentally ill) population and others in terms of access to certain specialized services. It should be noted, however, that to a certain extent the population pool that states work with is already smaller than the general population, and because of the nature of private insurance has already been screened somewhat in terms of severity. Interestingly, New Hampshire and Rhode Island enacted in 1995 provisions for parity for severe mental illness.

2. Impact of Parity on Traditional Indemnity Insurance and PPOs - One of the supporting arguments for mental health parity is that there now exists the utilization / managed care technology that would allow reliance on "management" rather than arbitrary benefit limitations. The "flip side" of this argument is the implication of mental health parity for the availability of traditional (free choice of provider) indemnity plans, or ultimately even PPOs. One possible scenario is that over time traditional indemnity coverage for mental health will disappear with increasing emphasis on managed behavioral health services. Even PPOs would face real cost increases, especially in the absence of traditional indemnity plans being offered. The general use of higher cost-sharing for non-preferred providers will help PPOs in this regard, but ultimate premium cost levels and risk selection effects could also render PPOs non-viable.

3. HMOs - Under parity, HMOs are likely to see enrollment increases. Important to the viability of HMOs offering mental health benefits and the costs for those benefits, will be if the provision permits HMO capitated gatekeepers to work with a definition of medical necessity so that custodial care can be excluded. As long as the HMOs can refuse to provide service where there is no reasonable prospect of improvement, then long term hospitalizations could continue to be a cost of the public sector, and long term out-patient therapy clients would pay out-of-pocket.

4. Quality of Care and Risk Adjustment - Experience to date with mental health services in HMOs has been mixed. Some research found that patients treated for depression did worse in HMOs, and also there was some evidence that individuals with more serious mental health problems disenrolled from HMOs. The incentives of capitation are a concern because the most severely mentally ill are poor candidates to do their own advocacy for care. Recently, the mental health field has been moving to specialized "behavioral care carve-out" companies. The mental health field is concerned about quality and there are a number of ongoing efforts to develop "report card type" measures.

One important factor considered to ultimately be essential to protecting quality of care is appropriate payment methodology that uses risk adjusted premiums or some type of mixed payment system of risk sharing. HCFA, ASPE, NIMH and SAMHSA have been supporting a research grant on risk adjustment for mental health and substance abuse services.

5. Range of Benefits - A number of services important to the care of the severely mentally ill (e.g., partial hospitalization, intensive case management) have no parallel in general health services. In recent years, some mental health benefit packages have been broadened to include partial hospitalization. It is not clear how a parity provision would impact these innovative types of services. One potential response, however, is that insurers will eliminate these types of services as a way of risk selecting populations, or shifting costs to the public sector.

6. Medicare and Medicaid - The application of parity to Medicare in particular is currently problematic. Medicare's statutory provisions related to freedom of choice of providers makes the implementation of a managed behavioral benefit difficult. Furthermore, because Medicare and Medicaid cover disabled mentally ill populations the concerns about quality of care and the problems of payment methodology related to risk selection are more complex than for the private sector. While states have been moving towards managed behavioral health services, they have been more slow to move the severely mentally ill into these systems.

PHOTOCOPY PRESERVATION

Mental Health Parity Compromise
July 30, 1996 - 1:25 p.m.

(1) **Require insurers (not employers) that offer health insurance coverage for mental illness to offer large employers (employers with 500 or more employees) the option to purchase coverage for their employees that includes either: (a) lifetime caps for mental illness at the same level as lifetime caps for physical illness; (b) annual limits for mental illness at the same level as annual limits for physical illness; © both lifetime and annual caps at the same level for physical and mental illness; or (d) full mental health parity.**

-- Choice of offerings (a)-(d) would be within the discretion of the insurer.
-- Large employers could choose not to offer such parity coverage.

(2) **On page 5 of the June 25, 1996 Draft, modify section 701(a) to prohibit health insurance plans from treating mental illnesses differently than physical illnesses for purposes of imposing preexisting condition limitations:**

(a) LIMITATION ON PREEXISTING CONDITION EXCLUSION PERIOD; CREDITING FOR PERIODS OF PREVIOUS COVERAGE.-- Subject to subsection (d), a group health plan, and a health insurance issuer offering group health insurance coverage, may, with respect to a participant or beneficiary, impose a preexisting condition exclusion only if --

(1) such exclusion relates to a condition (whether a physical or mental condition), regardless of the cause of the condition, for which medical advice, diagnosis, care, or treatment was recommended or received within the 6-month period ending on the enrollment date;

(3) **On page 14 of the June 25, 1996 Draft, modify section 702(a)(1) to indicate that individuals cannot be denied access to health insurance coverage because of mental illness and that mental illness has the same status as other physical illnesses under the bill for purposes of access to health coverage:**

(1) IN GENERAL -- Subject to paragraph (2), a group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, may not establish rules for eligibility (including continued eligibility) of any individual to enroll under the terms of the plan based on any of the following health status-related factors in relation to the individual or a dependent of the individual:

(A) Health Status.
(B) Medical condition (including both physical and mental illnesses).
© Claims Experience.
(D) Receipt of health care.
(E) Medical history.
(F) Genetic information
(G) Evidence of insurability (including conditions arising out of acts of domestic violence)

TO: Dean Rosen, Rebecca Jones

FROM: Jeff Lemieux, CBO

SUBJ: Preliminary Federal Cost Estimate: Limited Mental Health Parity Proposal

DATE: 6/4/96

I have attached a preliminary federal cost estimate of your proposal for a limited parity for mental health parity. Over the ten years between 1997 and 2006, CBO and the Joint Committee on Taxation (JCT) estimate that the revised proposal mental health parity would increase the deficit by about $1.9 billion.

The revised proposal is different from the proposal in the Senate-passed plan in several ways:

Substance abuse benefits would not be subject to any mandates for parity,

Parity would apply only to two types of insurance items as specified in the proposal:

1. Aggregate lifetime limits
2. Aggregate annual limits

DRAFT

Plans serving employers with 25 or fewer employees would be exempt,

Plans would be allowed to have separate insurance products for mental and medical health coverage, with more stringent thresholds of management for mental health care, and

Medicare and Medicaid would be exempt.

(In its previous estimate, CBO had assumed that these last two clarifications would be made as the legislation progressed. Therefore, they do not change the federal cost estimate.)

The Congressional Research Service estimates that premiums for a typical fee-for-service plan using customary management techniques to control costs would initially increase by 0.4 percent under this proposal. This estimate has not been adjusted for the impact the proposal would have on certain managed care plans or the fact that employers with 25 or fewer employees would be exempt. Both adjustments could lower the estimated cost of

the proposal.

Employers and enrollees could respond to the 0.4 percent initial increase in premiums in several ways. They could drop health insurance coverage altogether, drop coverage for mental health services, or drop some other benefits. Because of these reactions, CBO assumed that employer contributions for health insurance would rise by only 0.16 percent. Most of that increase would be passed back to employees in lower wages. The lower wages, in turn, would reduce federal income and payroll tax revenues. The Joint Committee on Taxation (JCT) has estimated that revenues would fall by about $1.8 billion between 1997 and 2006.

Federal costs for federal employees' health benefits would also increase. Assuming that plans serving federal employees make partially offsetting reductions in other benefits or that coverage otherwise falls to accomodate in part the increases in mental health benefits, direct spending for annuitants' benefits would rise by about $0.1 billion over the ten-year period, and discretionary spending for benefits of active workers would rise by another $0.1 billion (subject to appropriation).[2]

CBO's estimate of the intergovernmental mandate of this proposal is not likely to exceed the $50 million threshold. CBO is also preparing its estimate of the private sector mandate cost, which will be sent separately. That estimate is likely to exceed the $100 million threshold.

DRAFT

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2 If plans under the Federal Employees Health Benefits program do not make compensating benefit adjustments, if coverage does not fall, or if enrollees do not increasingly switch to less expensive plans, then FEHB premiums would rise by the full 0.4 percent, at a cost of about $0.2 billion in both direct and discretionary spending over ten years.

Mandate for Mental Health Coverage: Impact on the Federal Deficit
Lifetime and Annual Limits Only

Fiscal Years, millions of dollars	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-2002	1997-2006
DIRECT SPENDING AND RECEIPTS												
Outlays												
Federal Employees Health Benefits	6	7	7	8	8	9	9	10	11	12	43	88
Revenues												
Income and Payroll Taxes	-95	-143	-154	-165	-177	-189	-201	-215	-228	-244	-923	-1,811
Deficit												
Total, Direct Spending and Receipts	100	150	161	173	186	198	210	225	239	256	968	1,897
MEMO: DISCRETIONARY SPENDING, subject to appropriations												
Federal Employees Health Benefits	6	7	7	8	8	9	9	10	11	11	45	88

DRAFT

SOURCES: Congressional Budget Office, Joint Committee on Taxation

NOTES: Income and Payroll Taxes include interactions with self-employed deduction; mental health parity stacked last.
(uncertain final specification of self-employed deduction; so this is an approximation)
Estimated mandate premium increase is 0.4%
Estimated increase in employer-paid premiums is 0.16%
Assumes enactment Jan. 1, 1997

Mental Health Parity Compromise

1. PARITY FOR AGGREGATE LIFETIME AND ANNUAL PAYMENT LIMITS. If a health plan has a lifetime or annual limit on what it will spend for medical or surgical services, that plan must either include services for mental illness in that total, or have a separate limit for mental illnesses that is no more restrictive than the medical/surgical limit. If a health plan does not have either of these limits for medical/surgical services, it may not limit these aspects of mental health services.

The compromise proposal:

- does not determine what a plan must charge for mental health services;
- does not require parity for copays and deductibles;
- does not require parity for inpatient hospital days or outpatient limits;
- excludes substance abuse and chemical dependency;
- excludes MEDICARE and MEDICAID;
- includes the Federal Employee Health Benefit Program;
- allows for managed care and mental health "carve-outs;"
- does not apply to individual health coverage;
- exempts small businesses with 25 or fewer employees.

Cost:

Relative to the original Domenici/Wellstone amendment passed by the Senate, the cost to both private sector premiums and the federal government has been cut by 90%.

	Initial Premium + (Industry-wide)	Employer Contribution	Loss Revenue To Gov't
Original	4.0%	+1.6%	$16.17 billion
Compromise	0.4%	+0.16%	$ 1.8 billion

2. A COMMISSION ON MENTAL HEALTH PARITY. The Commission's purpose is to review and analyze data and studies on the prevalence of mental illnesses, the efficacy and cost effectiveness of treatment for mental illnesses and to develop strategies for implementation of fair and equitable health coverage for individuals with mental illnesses. The Commission should submit its final report no later than September 1, 1998. The final report should include strategies and a timetable for implementing its recommendations.

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July 26, 1996

President William J. Clinton
The White House
Washington, D.C. 20500

Dear President Clinton:

I am writing on behalf of the American Psychiatric Association (APA), the medical specialty society representing more than 40,000 psychiatric physicians nationwide, to urge you to exercise your leadership to ensure that the final version of the Kassebaum-Kennedy health insurance reform bill includes legislative language to help end health insurance discrimination against treatment of mental illness.

There is widespread public and Congressional support for such language, as evidenced in numerous public opinion polls and by the fact that 68 Senators voted for the Domenici-Wellstone mental illness parity amendment in April and 116 Representatives have signed letters to House Speaker Newt Gingrich and the House health reform conferees urging support for the amendment. You have stated publicly that you "strongly favor the (Domenici-Wellstone) amendment to (the Kassebaum-Kennedy) . . . bill that requires parity for mental health services in medical insurance."

Your personal support for mental illness parity is a matter of public record, and the members of the APA -- and their patients -- commend for your efforts on behalf of ending discrimination against mental illness in insurance coverage. As House and Senate conferees meet over the next few days to iron out the last few details of the Kassebaum-Kennedy bill, millions of Americans need your help to make mental illness parity a reality.

We urge you to convey to the House and Senate conferees and leadership your strong support for inclusion of mental illness parity legislative language as part of the final conference agreement on the Kassebaum-Kennedy bill.

Sincerely,

Melvin Sabshin, M.D.
Medical Director

MS/NM/jg

Final Version of our KK bill

Revised 7/11/96
Updated 7/12/96 5:50 pm

SEC. 309. PLAN PROTECTIONS FOR INDIVIDUALS WITH A MENTAL ILLNESS.

(a) PERMISSIBLE COVERAGE LIMITS UNDER A GROUP HEALTH PLAN.—

(1) AGGREGATE LIFETIME LIMITS.—

(A) IN GENERAL.—With respect to an employee health plan, or a group health plan offered by a health plan issuer, that applies an aggregate lifetime limit to plan payments for medical or surgical services covered under the plan, if such plan also provides a mental health benefit such plan shall—

(i) include plan payments made for mental health services under the plan in such aggregate lifetime limit; or

(ii) establish a separate aggregate lifetime limit applicable to plan payments for mental health services under which the dollar amount of such limit (with respect to mental health services) is equal to or greater than the dollar amount of the aggregate lifetime limit on plan payments for medical or surgical services.

(B) NO LIFETIME LIMIT.—With respect to an employee health plan, or a group health plan offered by a health plan issuer, that does not apply an aggregate lifetime limit to plan payments for medical or surgical services covered under the plan, such plan may not apply an aggregate lifetime limit to plan payments for mental health services covered under the plan.

(2) ANNUAL LIMITS.—

(A) IN GENERAL.—With respect to an employee health plan, or a group health plan offered by a health plan issuer, that applies an annual limit to plan payments for medical or surgical services covered under the plan, if such plan also provides a mental health benefit such plan shall—

(i) include plan payments made for mental health services under the plan in such annual limit; or

(ii) establish a separate annual limit applicable to plan payments for mental health services under which the dollar amount of such limit (with respect to mental health services) is equal to or greater than the dollar amount of the annual limit on plan payments for medical or surgical services.

(B) NO ANNUAL LIMIT.—With respect to an employee health plan, or a group health plan offered by a health plan issuer, that does not apply an annual limit to plan payments for medical or surgical services covered under the plan, such plan may not apply an annual limit to plan payments for mental health services covered under the plan.

(b) RULE OF CONSTRUCTION.—

(1) IN GENERAL.—Nothing in this section shall be construed as prohibiting a group health plan, or an employee health benefit plan offered by a health plan issuer, from—

(A) utilizing other forms of cost containment not prohibited under subsection (a); or

(B) applying requirements that make distinctions between acute care and chronic care.

(2) NONAPPLICABILITY.—This section shall not apply to—

(A) substance abuse or chemical dependency benefits; or

(B) health benefits or health plans paid for under title XVIII or XIX of the Social Security Act.

(c) SMALL EMPLOYER EXEMPTION.—This section shall not apply to plans maintained by employers that employ less than 26 employees.

SEC. 310. HEALTH NEEDS OF INDIVIDUALS WITH A MENTAL ILLNESSES.

(a) PURPOSE.—It is the purpose of this section to—

(1) develop a comprehensive overview of the special problems and health needs of individuals with mental illnesses and examine the nature and extent of discriminatory policies relative to the health coverage of individuals with mental illnesses;

(2) to apply special emphasis to mental illnesses commonly recognized as "severe", such as schizophrenia, schizoaffective disorder, bipolar affective disorder, major depression, panic disorder, obsessive compulsive disorder, or other illnesses which are defined through diagnosis, disability, and duration to be severe; and

(3) develop strategies to ensure the provision of fair and equitable health insurance coverage for individuals with

a mental illness, paying particular attention to any costs or savings which may be incurred.

(b) ESTABLISHMENT OF COMMISSION.—

(1) IN GENERAL.—There shall be established a Commission to be known as the Commission on Parity for Mental Health (hereafter referred to as the "Commission").

(2) COMPOSITION.—

(A) IN GENERAL.—The Commission shall be composed of 18 individuals, of which—

(i) six such individuals shall be appointed by the President of the United States, including the selection of the Chairman of the Commission; and

(ii) six such individuals shall be appointed by the—

(I) Majority Leader of the Senate; and

(II) Minority Leader of the Senate; and

(iii) six such individuals shall be appointed by the—

(I) Speaker of the House of Representatives; and

(II) Minority Leader of the House of Representatives.

(B) REPRESENTATIVES OF CERTAIN DISCIPLINES.—In appointing individuals to serve on the Commission under subparagraph (A), the appointing individuals shall ensure that at least one individual is—

(i) an acknowledged expert in the field of health economics;

(ii) an actuary with extensive health expertise;

(iii) a prominent representative from the business community;

(iv) an individual representing the families of people with a mental illness;

(v) a representative from the physician field who provides services to individuals with severe or diagnosed mental illnesses;

(vi) a representative from the nonphysician field who provides services to individuals with severe or diagnosed mental illnesses;

(vii) a representative of the health insurance industry;

(viii) a consumer of mental health services;

(ix) a prominent member of the behavioral managed health care industry;

(x) a prominent representative from the substance abuse treatment field and

(xi) members of Congress.

(c) DETERMINATIONS.—The Commission shall determine the following:

(1) PREVALENCE.—

(A) IN GENERAL.—Through the utilization of the most current and precise medical methods, diagnostic tools, and available utilization data, the Commission

shall determine the size and scope of the population of individuals suffering from mental illness. Such determination shall focus on severe illnesses as described in subsection (a)(2). The Commission shall make a separate determination regarding the size and scope of the population with mental illnesses and disorders not described in subsection (a)(2). Such determinations shall be designed to establish and delineate the population of both adults and children in need of mental health services.

(B) SUBSTANCE ABUSE.—In carrying out subparagraph (A), the Commission shall determine the size and scope of the population of individuals with substance abuse disorders, and will place special emphasis on the interaction between mental illness and substance abuse disorders.

(2) STATUS OF TREATMENT AND COVERAGE.—

The Commission shall—

(A) conduct a review of current medical; pharmacological, and therapeutic advances and treatments with respect to mental illness, as well as other methods for effectively treating individuals with a mental illness;

(B) determine the efficacy and cost-effectiveness of such treatments and methods;

(C) determine the availability of such treatments through private health insurance coverage and through public health programs;

(D) with respect to individuals whose access to proper health car is limited, examine instances where costs are incurred by Federal, State, and local governments (such as throughout the spectrum of public programs including individuals in public programs such as Federal disability payment program, substance abuse treatment programs, criminal justice expenditures, State, county and municipal health care programs, homeless programs, and uncompensated hospital or medical care programs); and

(E) examine the effect, utilization, and cost resulting from the enactment of mental health parity laws by States. In carrying out this paragraph, the Commission may consider data derived from privately funded projects or publicly funded demonstration grant programs under part D o title V of the Public Health Service Act (42 U.S.C. 290dd et seq.).

(3) FAIR AND EQUITABLE COVERAGE FOR MENTAL ILLNESS.—

(A) COST ASSESSMENT.—The Commission shall—

(i) examine the expected impact of parity in health care coverage for—

(I) severe mental illness (as defined in subsection (a)(2)); and

(II) all diagnosed mental illnesses;

on both the public and private sectors; and

(ii) study the interaction between public and private health insurance markets, and conduct a thorough review of literature, surveys, and other materials assessing the expected health insurance costs

and savings resulting from parity being provided with respect to the coverage described in clauses (i) and (ii).

(B) IMPLEMENTATION.—The Commission shall—

(i) develop financing strategies and implementation options for achieving parity for health insurance coverage with respect to the treatment of individuals in both the severe mental illnesses (as defined in subsection (a)(2)) population and the population of all persons with diagnosed mental illnesses;

(ii) structure such strategies and options in a manner so as to permit implementation not later than January 1, 2002.

(d) FINAL REPORT AND ACTION ON RECOMMENDATIONS.—

(1) REPORT.—Not later than September 1, 1998, the Commission shall prepare and submit to the President of the United States and the appropriate committees of Congress a final report concerning the determinations and other actions taken by the Commission under subsection (c), including the recommendations of the Commission concerning such determinations.

(2) ACTION ON RECOMMENDATIONS.—The committees referred to in paragraph (1) shall, to the extent practicable, take appropriate action based upon the recommendations of the Commission not later than 4 months after receiving the report under paragraph (1).

(e) ADMINISTRATIVE PROVISIONS RELATING TO COMMISSIONS.—With respect to the Commissions established under this section, the following shall apply:

(1) PERIOD OF APPOINTMENT VACANCIES.—Members of the Commissions shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(2) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(3) MEETINGS.—The Commission shall meet at the call of the Chairperson.

(4) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(5) CHAIRPERSON.—The Commission shall select a Chairperson from among its members.

(6) HEARINGS.—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out the purposes of this section.

(7) INFORMATION FROM FEDERAL AGENCIES.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out the provisions of this section. Upon request of the Chairperson of the Commission, the head of such

department or agency shall furnish such information to the Commission.

(8) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(9) PERSONNEL MATTERS.—

(A) COMPENSATION.—Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(B) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(C) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(D) STAFF.—

(i) IN GENERAL.—The Chairperson of the Commission may, without regard to the civil service laws and regulations, appoint not more than 5 additional personnel, and terminate such personnel, as may be necessary to enable the Commission to perform its duties.

(ii) COMPENSATION.—The Chairperson of the Commission may fix the compensation of personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for such personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(10) TERMINATION.—The Commission shall terminate 90 days after the date on which the Commission submits its final report.

(11) AUTHORIZATION OF APPROPRIATIONS.—

(A) IN GENERAL.—There are authorized to be appropriated such sums as may be necessary to enable the Commission to carry out the purposes of this section.

(B) AVAILABILITY.—Any sums appropriated under the authorization contained in this paragraph shall remain available, without fiscal year limitation, until expended.

DOMENICI (AND WELLSTONE) AMENDMENT NO. 3681
Senate amendments introduced
(CRTEXT 04/18/96 p.S3670; 1117 lines.)
Item Key: 47411

[pS3670]

DOMENICI (AND WELLSTONE) AMENDMENT NO. 3681

Mr. DOMENICI (for himself and Mr. WELLSTONE) proposed an amendment to the bill S1028, supra; as follows:

At the end of title III, add the following:

SEC. XX. PARITY FOR MENTAL HEALTH SERVICES.

(a) PROHIBITION.-An employee health benefit plan, or a health plan issuer offering a group health plan or an individual health plan, shall not impose treatment limitations or financial requirements on the coverage of mental health services if similar limitations or requirements are not imposed on coverage for services for other conditions.

(b) RULE OF CONSTRUCTION.-Nothing in subsection (a) shall be construed as prohibiting an employee health benefit plan, or a health plan issuer offering a group health plan or an individual health plan, from requiring preadmission screening prior to the authorization of services covered under the plan or from applying other limitations that restrict coverage for mental health services to those services that are medically necessary.

TITLE IV-INTERNAL REVENUE CODE AND OTHER PROVISIONS

SEC. 400. REFERENCES.

Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A-Foreign Trust Tax Compliance

SEC. 401. IMPROVED INFORMATION REPORTING ON FOREIGN TRUSTS.

(a) IN GENERAL.-Section 6048 (relating to returns as to certain foreign trusts) is amended to read as follows:
"SEC. 6048. INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.

"(a) NOTICE OF CERTAIN EVENTS.-

"(1) GENERAL RULE.-On or before the 90th day (or such later day as the Secretary may prescribe) after any reportable event, the responsible party shall provide written notice of such event to the Secretary in accordance with paragraph (2).

"(2) CONTENTS OF NOTICE.-The notice required by paragraph (1) shall

contain such information as the Secretary may prescribe, including-

"(A) the amount of money or other property (if any) transferred to the trust in connection with the reportable event, and

"(B) the identity of the trust and of each trustee and beneficiary (or class of beneficiaries) of the trust.

"(3) REPORTABLE EVENT.-For purposes of this subsection-

"(A) IN GENERAL.-The term 'reportable event' means-

"(i) the creation of any foreign trust by a United States person,

"(ii) the transfer of any money or property (directly or indirectly) to a foreign trust by a United States person, including a transfer by reason of death, and

"(iii) the death of a citizen or resident of the United States if-

"(I) the decedent was treated as the owner of any portion of a foreign trust under the S3671rules of subpart E of part I of subchapter J of chapter 1, or

"(II) any portion of a foreign trust was included in the gross estate of the decedent.

"(B) EXCEPTIONS.-

"(i) FAIR MARKET VALUE SALES.-Subparagraph (A)(ii) shall not apply to any transfer of property to a trust in exchange for consideration of at least the fair market value of the transferred property. For purposes of the preceding sentence, consideration other than cash shall be taken into account at its fair market value and the rules of section 679(a)(3) shall apply.

"(ii) DEFERRED COMPENSATION AND CHARITABLE TRUSTS.-Subparagraph (A) shall not apply with respect to a trust which is-

"(I) described in section 402(b), 404(a)(4), or 404A, or

"(II) determined by the Secretary to be described in section 501(c)(3).

"(4) RESPONSIBLE PARTY.-For purposes of this subsection, the term 'responsible party' means-

"(A) the grantor in the case of the creation of an inter vivos trust,

"(B) the transferor in the case of a reportable event described in paragraph (3)(A)(ii) other than a transfer by reason of death, and

"(C) the executor of the decedent's estate in any other case.

"(b) UNITED STATES GRANTOR OF FOREIGN TRUST.-

"(1) IN GENERAL.-If, at any time during any taxable year of a United

States person, such person is treated as the owner of any portion of a foreign trust under the rules of subpart E of part I of subchapter J of chapter 1, such person shall be responsible to ensure that-

"(A) such trust makes a return for such year which sets forth a full and complete accounting of all trust activities and operations for the year, the name of the United States agent for such trust, and such other information as the Secretary may prescribe, and

"(B) such trust furnishes such information as the Secretary may prescribe to each United States person (i) who is treated as the owner of any portion of such trust or (ii) who receives (directly or indirectly) any distribution from the trust.

"(2) TRUSTS NOT HAVING UNITED STATES AGENT.-

"(A) IN GENERAL.-If the rules of this paragraph apply to any foreign trust, the determination of amounts required to be taken into account with respect to such trust by a United States person under the rules of subpart E of part I of subchapter J of chapter 1 shall be determined by the Secretary.

"(B) UNITED STATES AGENT REQUIRED.-The rules of this paragraph shall apply to any foreign trust to which paragraph (1) applies unless such trust agrees (in such manner, subject to such conditions, and at such time as the Secretary shall prescribe) to authorize a United States person to act as such trust's limited agent solely for purposes of applying sections 7602, 7603, and 7604 with respect to-

"(i) any request by the Secretary to examine records or produce testimony related to the proper treatment of amounts required to be taken into account under the rules referred to in subparagraph (A), or

"(ii) any summons by the Secretary for such records or testimony.

The appearance of persons or production of records by reason of a United States person being such an agent shall not subject such persons or records to legal process for any purpose other than determining the correct treatment under this title of the amounts required to be taken into account under the rules referred to in subparagraph (A). A foreign trust which appoints an agent described in this subparagraph shall not be considered to have an office or a permanent establishment in the United States, or to be engaged in a trade or business in the United States, solely because of the activities of such agent pursuant to this subsection.

"(C) OTHER RULES TO APPLY.-Rules similar to the rules of paragraphs (2) and (4) of section 6038A(e) shall apply for purposes of this paragraph.

"(c) REPORTING BY UNITED STATES BENEFICIARIES OF FOREIGN TRUSTS.-

"(1) IN GENERAL.-If any United States person receives (directly or indirectly) during any taxable year of such person any distribution from a foreign trust, such person shall make a return with respect to such trust for such year which includes-

"(A) the name of such trust,

"(B) the aggregate amount of the distributions so received from such trust during such taxable year, and

"(C) such other information as the Secretary may prescribe.

"(2) INCLUSION IN INCOME IF RECORDS NOT PROVIDED.-

"(A) IN GENERAL.-If adequate records are not provided to the Secretary to determine the proper treatment of any distribution from a foreign trust, such distribution shall be treated as an accumulation distribution includible in the gross income of the distributee under chapter 1. To the extent provided in regulations, the preceding sentence shall not apply if the foreign trust elects to be subject to rules similar to the rules of subsection (b)(2)(B).

"(B) APPLICATION OF ACCUMULATION DISTRIBUTION RULES.-For purposes of applying section 668 in a case to which subparagraph (A) applies, the applicable number of years for purposes of section 668(a) shall be -1/2- of the number of years the trust has been in existence.

"(d) SPECIAL RULES.-

"(1) DETERMINATION OF WHETHER UNITED STATES PERSON RECEIVES DISTRIBUTION.-For purposes of this section, in determining whether a United States person receives a distribution from a foreign trust, the fact that a portion of such trust is treated as owned by another person under the rules of subpart E of part I of subchapter J of chapter 1 shall be disregarded.

"(2) DOMESTIC TRUSTS WITH FOREIGN ACTIVITIES.-To the extent provided in regulations, a trust which is a United States person shall be treated as a foreign trust for purposes of this section and section 6677 if such trust has substantial activities, or holds substantial property, outside the United States.

"(3) TIME AND MANNER OF FILING INFORMATION.-Any notice or return required under this section shall be made at such time and in such manner as the Secretary shall prescribe.

"(4) MODIFICATION OF RETURN REQUIREMENTS.-The Secretary is authorized to suspend or modify any requirement of this section if the Secretary determines that the United States has no significant tax interest in obtaining the required information."

(b) INCREASED PENALTIES.-Section 6677 (relating to failure to file information returns with respect to certain foreign trusts) is amended to read as follows:

[pS3671]

"SEC. 6677. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.

"(a) CIVIL PENALTY.-In addition to any criminal penalty provided by law, if any notice or return required to be filed by section 6048-

"(1) is not filed on or before the time provided in such section, or

"(2) does not include all the information required pursuant to such section or includes incorrect information,

the person required to file such notice or return shall pay a penalty equal to 35 percent of the gross reportable amount. If any failure described in the preceding sentence continues for more than 90 days after the day on which the Secretary mails notice of such failure to the person required to pay such penalty, such person shall pay a penalty (in addition to the amount determined under the preceding sentence) of $10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period. In no event shall the penalty under this subsection with respect to any failure exceed the gross reportable amount.

"(b) SPECIAL RULES FOR RETURNS UNDER SECTION 6048(b).-In the case of a return required under section 6048(b)-

"(1) the United States person referred to in such section shall be liable for the penalty imposed by subsection (a), and

"(2) subsection (a) shall be applied by substituting '5 percent' for '35 percent'.

"(c) GROSS REPORTABLE AMOUNT.-For purposes of subsection (a), the term 'gross reportable amount' means-

"(1) the gross value of the property involved in the event (determined as of the date of the event) in the case of a failure relating to section 6048(a),

"(2) the gross value of the portion of the trust's assets at the close of the year treated as owned by the United States person in the case of a failure relating to section 6048(b)(1), and

"(3) the gross amount of the distributions in the case of a failure relating to section 6048(c).

"(d) REASONABLE CAUSE EXCEPTION.-No penalty shall be imposed by this section on any failure which is shown to be due to reasonable cause and not due to willful neglect. The fact that a foreign jurisdiction would impose a civil or criminal penalty on the taxpayer (or any other person) for disclosing the required information is not reasonable cause.

"(e) DEFICIENCY PROCEDURES NOT TO APPLY.-Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a)."

(c) CONFORMING AMENDMENTS.-

(1) Paragraph (2) of section 6724(d) is amended by striking "or" at the end of subparagraph (S), by striking the period at the end of

subparagraph (T) and inserting ", or", and by inserting after subparagraph (T) the following new subparagraph:

"(U) section 6048(b)(1)(B) (relating to foreign trust reporting requirements)."

(2) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by striking the item relating to section 6048 and inserting the following new item:

"Sec. 6048. Information with respect to certain foreign trusts."

(3) The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6677 and inserting the following new item:

"Sec. 6677. Failure to file information with respect to certain foreign trusts."

(d) EFFECTIVE DATES.-

(1) REPORTABLE EVENTS.-To the extent related to subsection (a) of section 6048 of the Internal Revenue Code of 1986, as amended by this section, the amendments made by this section shall apply to reportable events (as defined in such section 6048) occurring after the date of the enactment of this Act.

(2) GRANTOR TRUST REPORTING.-To the extent related to subsection (b) of such section S36726048, the amendments made by this section shall apply to taxable years of United States persons beginning after the date of the enactment of this Act.

(3) REPORTING BY UNITED STATES BENEFICIARIES.-To the extent related to subsection (c) of such section 6048, the amendments made by this section shall apply to distributions received after the date of the enactment of this Act.

[pS3672]

SEC. 402. MODIFICATIONS OF RULES RELATING TO FOREIGN TRUSTS HAVING ONE OR MORE UNITED STATES BENEFICIARIES.

(a) TREATMENT OF TRUST OBLIGATIONS, ETC.-

(1) Paragraph (2) of section 679(a) is amended by striking subparagraph (B) and inserting the following:

"(B) TRANSFERS AT FAIR MARKET VALUE.-To any transfer of property to a trust in exchange for consideration of at least the fair market value of the transferred property. For purposes of the preceding sentence, consideration other than cash shall be taken into account at its fair market value."

(2) Subsection (a) of section 679 (relating to foreign trusts having one or more United States beneficiaries) is amended by adding at the end the following new paragraph:

"(3) CERTAIN OBLIGATIONS NOT TAKEN INTO ACCOUNT UNDER FAIR MARKET VALUE EXCEPTION.-

"(A) IN GENERAL.-In determining whether paragraph (2)(B) applies to any transfer by a person described in clause (ii) or (iii) of subparagraph (C), there shall not be taken into account-

"(i) except as provided in regulations, any obligation of a person described in subparagraph (C), and

"(ii) to the extent provided in regulations, any obligation which is guaranteed by a person described in subparagraph (C).

"(B) TREATMENT OF PRINCIPAL PAYMENTS ON OBLIGATION.-Principal payments by the trust on any obligation referred to in subparagraph (A) shall be taken into account on and after the date of the payment in determining the portion of the trust attributable to the property transferred.

"(C) PERSONS DESCRIBED.-The persons described in this subparagraph are-

"(i) the trust,

"(ii) any grantor or beneficiary of the trust, and

"(iii) any person who is related (within the meaning of section 643(i)(2)(B)) to any grantor or beneficiary of the trust."

(b) EXEMPTION OF TRANSFERS TO CHARITABLE TRUSTS.-Subsection (a) of section 679 is amended by striking "section 404(a)(4) or 404A" and inserting "section 6048(a)(3)(B)(ii)".

(c) OTHER MODIFICATIONS.-Subsection (a) of section 679 is amended by adding at the end the following new paragraphs:

"(4) SPECIAL RULES APPLICABLE TO FOREIGN GRANTOR WHO LATER BECOMES A UNITED STATES PERSON.-

"(A) IN GENERAL.-If a nonresident alien individual has a residency starting date within 5 years after directly or indirectly transferring property to a foreign trust, this section and section 6048 shall be applied as if such individual transferred to such trust on the residency starting date an amount equal to the portion of such trust attributable to the property transferred by such individual to such trust in such transfer.

"(B) TREATMENT OF UNDISTRIBUTED INCOME.-For purposes of this section, undistributed net income for periods before such individual's residency starting date shall be taken into account in determining the portion of the trust which is attributable to property transferred by such individual to such trust but shall not otherwise be taken into account.

"(C) RESIDENCY STARTING DATE.-For purposes of this paragraph, an individual's residency starting date is the residency starting date determined under section 7701(b)(2)(A).

"(5) OUTBOUND TRUST MIGRATIONS.-If-

"(A) an individual who is a citizen or resident of the United States transferred property to a trust which was not a foreign trust, and

"(B) such trust becomes a foreign trust while such individual is alive,

then this section and section 6048 shall be applied as if such individual transferred to such trust on the date such trust becomes a foreign trust an amount equal to the portion of such trust attributable to the property previously transferred by such individual to such trust. A rule similar to the rule of paragraph (4)(B) shall apply for purposes of this paragraph."

(d) MODIFICATIONS RELATING TO WHETHER TRUST HAS UNITED STATES BENEFICIARIES.-Subsection (c) of section 679 is amended by adding at the end the following new paragraph:

"(3) CERTAIN UNITED STATES BENEFICIARIES DISREGARDED.-A beneficiary shall not be treated as a United States person in applying this section with respect to any transfer of property to foreign trust if such beneficiary first became a United States person more than 5 years after the date of such transfer."

(e) TECHNICAL AMENDMENT.-Subparagraph (A) of section 679(c)(2) is amended to read as follows:

"(A) in the case of a foreign corporation, such corporation is a controlled foreign corporation (as defined in section 957(a)),".

(f) REGULATIONS.-Section 679 is amended by adding at the end the following new subsection:

"(d) REGULATIONS.-The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(g) EFFECTIVE DATE.-The amendments made by this section shall apply to transfers of property after February 6, 1995.

SEC. 403. FOREIGN PERSONS NOT TO BE TREATED AS OWNERS UNDER GRANTOR TRUST RULES.

(a) GENERAL RULE.-

(1) Subsection (f) of section 672 (relating to special rule where grantor is foreign person) is amended to read as follows:

"(f) SUBPART NOT TO RESULT IN FOREIGN OWNERSHIP.-

"(1) IN GENERAL.-Notwithstanding any other provision of this subpart, this

subpart shall apply only to the extent such application results in an amount being currently taken into account (directly or through 1 or more entities) under this chapter in computing the income of a citizen or resident of the United States or a domestic corporation.

"(2) EXCEPTIONS.-

"(A) CERTAIN REVOCABLE AND IRREVOCABLE TRUSTS.-Paragraph (1) shall not apply to any trust if-

"(i) the power to revest absolutely in the grantor title to the trust property is exercisable solely by the grantor without the approval or consent of any other person or with the consent of a related or subordinate party who is subservient to the grantor, or

"(ii) the only amounts distributable from such trust (whether income or corpus) during the lifetime of the grantor are amounts distributable to the grantor or the spouse of the grantor.

"(B) COMPENSATORY TRUSTS.-Except as provided in regulations, paragraph (1) shall not apply to any portion of a trust distributions from which are taxable as compensation for services rendered.

"(3) SPECIAL RULES.-Except as otherwise provided in regulations prescribed by the Secretary-

"(A) a controlled foreign corporation (as defined in section 957) shall be treated as a domestic corporation for purposes of paragraph (1), and

"(B) paragraph (1) shall not apply for purposes of applying section 1296.

"(4) RECHARACTERIZATION OF PURPORTED GIFTS.-In the case of any transfer directly or indirectly from a partnership or foreign corporation which the transferee treats as a gift or bequest, the Secretary may recharacterize such transfer in such circumstances as the Secretary determines to be appropriate to prevent the avoidance of the purposes of this subsection.

"(5) SPECIAL RULE WHERE GRANTOR IS FOREIGN PERSON.-If-

"(A) but for this subsection, a foreign person would be treated as the owner of any portion of a trust, and

"(B) such trust has a beneficiary who is a United States person,

such beneficiary shall be treated as the grantor of such portion to the extent such beneficiary has made transfers of property by gift (directly or indirectly) to such foreign person. For purposes of the preceding sentence, any gift shall not be taken into account to the extent such gift would be excluded from taxable gifts under section 2503(b).

"(6) REGULATIONS.-The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations providing that paragraph (1) shall not apply in appropriate cases."

(2) The last sentence of subsection (c) of section 672 of such Code is amended by inserting "subsection (f) and" before "sections 674".

(b) CREDIT FOR CERTAIN TAXES.-Paragraph (2) of section 665(d) is amended by adding at the end the following new sentence: "Under rules or regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the term 'taxes imposed on the trust' includes the allocable amount of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on the settlor or such other person in respect of trust gross income."

(c) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.-

(1) Section 643 is amended by adding at the end the following new subsection:

"(h) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.-For purposes of this part, any amount paid to a United States person which is derived directly or indirectly from a foreign trust of which the payor is not the grantor shall be deemed in the year of payment to have been directly paid by the foreign trust to such United States person."

(2) Section 665 is amended by striking subsection (c).

(d) EFFECTIVE DATE.-

(1) IN GENERAL.-Except as provided by paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) EXCEPTION FOR CERTAIN TRUSTS.-The amendments made by this section shall not apply to any trust-

(A) which is treated as owned by the grantor or another person under section 676 or 677 (other than subsection (a)(3) thereof) of the Internal Revenue Code of 1986, and

(B) which is in existence on September 19, 1995.S3673

The preceding sentence shall not apply to the portion of any such trust attributable to any transfer to such trust after September 19, 1995.

(e) TRANSITIONAL RULE.-If-

(1) by reason of the amendments made by this section, any person other than a United States person ceases to be treated as the owner of a portion of a domestic trust, and

(2) before January 1, 1997, such trust becomes a foreign trust, or the assets of such trust are transferred to a foreign trust,

no tax shall be imposed by section 1491 of the Internal Revenue Code of 1986 by reason of such trust becoming a foreign trust or the assets of such

trust being transferred to a foreign trust.

[pS3673]

SEC. 404. INFORMATION REPORTING REGARDING FOREIGN GIFTS.

(a) IN GENERAL.-Subpart A of part III of subchapter A of chapter 61 is amended by inserting after section 6039E the following new section:
"SEC. 6039F. NOTICE OF GIFTS RECEIVED FROM FOREIGN PERSONS.

"(a) IN GENERAL.-If the value of the aggregate foreign gifts received by a United States person (other than an organization described in section 501(c) and exempt from tax under section 501(a)) during any taxable year exceeds $10,000, such United States person shall furnish (at such time and in such manner as the Secretary shall prescribe) such information as the Secretary may prescribe regarding each foreign gift received during such year.

"(b) FOREIGN GIFT.-For purposes of this section, the term 'foreign gift' means any amount received from a person other than a United States person which the recipient treats as a gift or bequest. Such term shall not include any qualified transfer (within the meaning of section 2503(e)(2)).

"(c) PENALTY FOR FAILURE TO FILE INFORMATION.-

"(1) IN GENERAL.-If a United States person fails to furnish the information required by subsection (a) with respect to any foreign gift within the time prescribed therefor (including extensions)-

"(A) the tax consequences of the receipt of such gift shall be determined by the Secretary in the Secretary's sole discretion from the Secretary's own knowledge or from such information as the Secretary may obtain through testimony or otherwise, and

"(B) such United States person shall pay (upon notice and demand by the Secretary and in the same manner as tax) an amount equal to 5 percent of the amount of such foreign gift for each month for which the failure continues (not to exceed 25 percent of such amount in the aggregate).

"(2) REASONABLE CAUSE EXCEPTION.-Paragraph (1) shall not apply to any failure to report a foreign gift if the United States person shows that the failure is due to reasonable cause and not due to willful neglect.

"(d) COST-OF-LIVING ADJUSTMENT.-In the case of any taxable year beginning after December 31, 1996, the $10,000 amount under subsection (a) shall be increased by an amount equal to the product of such amount and the cost-of-living adjustment for such taxable year under section 1(f)(3), except that subparagraph (B) thereof shall be applied by substituting '1995' for '1992'.

"(e) REGULATIONS.-The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(b) CLERICAL AMENDMENT.-The table of sections for such subpart is amended by inserting after the item relating to section 6039E the following new item:

"Sec. 6039F. Notice of large gifts received from foreign persons."

(c) EFFECTIVE DATE.-The amendments made by this section shall apply to amounts received after the date of the enactment of this Act in taxable years ending after such date.

SEC. 405. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS WHICH ARE NOT GRANTOR TRUSTS.

(a) MODIFICATION OF INTEREST CHARGE ON ACCUMULATION DISTRIBUTIONS. -Subsection (a) of section 668 (relating to interest charge on accumulation distributions from foreign trusts) is amended to read as follows:

"(a) GENERAL RULE.-For purposes of the tax determined under section 667(a)-

"(1) INTEREST DETERMINED USING UNDERPAYMENT RATES.-The interest charge determined under this section with respect to any distribution is the amount of interest which would be determined on the partial tax computed under section 667(b) for the period described in paragraph (2) using the rates and the method under section 6621 applicable to underpayments of tax.

"(2) PERIOD.-For purposes of paragraph (1), the period described in this paragraph is the period which begins on the date which is the applicable number of years before the date of the distribution and which ends on the date of the distribution.

"(3) APPLICABLE NUMBER OF YEARS.-For purposes of paragraph (2)-

"(A) IN GENERAL.-The applicable number of years with respect to a distribution is the number determined by dividing-

"(i) the sum of the products described in subparagraph (B) with respect to each undistributed income year, by

"(ii) the aggregate undistributed net income.

The quotient determined under the preceding sentence shall be rounded under procedures prescribed by the Secretary.

"(B) PRODUCT DESCRIBED.-For purposes of subparagraph (A), the product described in this subparagraph with respect to any undistributed income year is the product of-

"(i) the undistributed net income for such year, and

"(ii) the sum of the number of taxable years between such year and the taxable year of the distribution (counting in each case the undistributed income year but not counting the taxable year of the distribution).

"(4) UNDISTRIBUTED INCOME YEAR.-For purposes of this subsection, the term 'undistributed income year' means any prior taxable year of the trust for which there is undistributed net income, other than a taxable year during

all of which the beneficiary receiving the distribution was not a citizen or resident of the United States.

"(5) DETERMINATION OF UNDISTRIBUTED NET INCOME.-Notwithstanding section 666, for purposes of this subsection, an accumulation distribution from the trust shall be treated as reducing proportionately the undistributed net income for undistributed income years.

"(6) PERIODS BEFORE 1996.-Interest for the portion of the period described in paragraph (2) which occurs before January 1, 1996, shall be determined-

"(A) by using an interest rate of 6 percent, and

"(B) without compounding until January 1, 1996."

(b) ABUSIVE TRANSACTIONS.-Section 643(a) is amended by inserting after paragraph (6) the following new paragraph:

"(7) ABUSIVE TRANSACTIONS.-The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent avoidance of such purposes."

(c) TREATMENT OF LOANS FROM TRUSTS.-

(1) IN GENERAL.-Section 643 (relating to definitions applicable to subparts A, B, C, and D) is amended by adding at the end the following new subsection:

"(i) LOANS FROM FOREIGN TRUSTS.-For purposes of subparts B, C, and D-

"(1) GENERAL RULE.-Except as provided in regulations, if a foreign trust makes a loan of cash or marketable securities directly or indirectly to-

"(A) any grantor or beneficiary of such trust who is a United States person, or

"(B) any United States person not described in subparagraph (A) who is related to such grantor or beneficiary,

the amount of such loan shall be treated as a distribution by such trust to such grantor or beneficiary (as the case may be).

"(2) DEFINITIONS AND SPECIAL RULES.-For purposes of this subsection-

"(A) CASH.-The term 'cash' includes foreign currencies and cash equivalents.

"(B) RELATED PERSON.-

"(i) IN GENERAL.-A person is related to another person if the relationship between such persons would result in a disallowance of losses under section 267 or 707(b). In applying section 267 for purposes of the preceding sentence, section 267(c)(4) shall be applied as if the family of an individual includes the spouses of the members of the family.

"(ii) ALLOCATION.-If any person described in paragraph (1)(B) is related to more than one person, the grantor or beneficiary to whom the treatment under this subsection applies shall be determined under regulations prescribed by the Secretary.

"(C) EXCLUSION OF TAX-EXEMPTS.-The term 'United States person' does not include any entity exempt from tax under this chapter.

"(D) TRUST NOT TREATED AS SIMPLE TRUST.-Any trust which is treated under this subsection as making a distribution shall be treated as not described in section 651.

"(3) SUBSEQUENT TRANSACTIONS REGARDING LOAN PRINCIPAL.-If any loan is taken into account under paragraph (1), any subsequent transaction between the trust and the original borrower regarding the principal of the loan (by way of complete or partial repayment, satisfaction, cancellation, discharge, or otherwise) shall be disregarded for purposes of this title."

(2) TECHNICAL AMENDMENT.-Paragraph (8) of section 7872(f) is amended by inserting ", 643(i)," before "or 1274" each place it appears.

(d) EFFECTIVE DATES.-

(1) INTEREST CHARGE.-The amendment made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

(2) ABUSIVE TRANSACTIONS.-The amendment made by subsection (b) shall take effect on the date of the enactment of this Act.

(3) LOANS FROM TRUSTS.-The amendment made by subsection (c) shall apply to loans of cash or marketable securities after September 19, 1995.

SEC. 406. RESIDENCE OF ESTATES AND TRUSTS, ETC.

(a) TREATMENT AS UNITED STATES PERSON.-

(1) IN GENERAL.-Paragraph (30) of section 7701(a) is amended by striking subparagraph (D) and by inserting after subparagraph (C) the following:

"(D) any estate or trust if-

"(i) a court within the United States is able to exercise primary supervision over the administration of the estate or trust, and

"(ii) in the case of a trust, one or more United States fiduciaries have the authority to control all substantial decisions of the trust."S3674

(2) CONFORMING AMENDMENT.-Paragraph (31) of section 7701(a) is amended to read as follows:

"(31) FOREIGN ESTATE OR TRUST.-The term 'foreign estate' or 'foreign trust' means any estate or trust other than an estate or trust described in section 7701(a)(30)(D)."

(3) EFFECTIVE DATE.-The amendments made by this subsection shall apply-

(A) to taxable years beginning after December 31, 1996, or

(B) at the election of the trustee of a trust, to taxable years ending after the date of the enactment of this Act.

Such an election, once made, shall be irrevocable.

(b) DOMESTIC TRUSTS WHICH BECOME FOREIGN TRUSTS.-

(1) IN GENERAL.-Section 1491 (relating to imposition of tax on transfers to avoid income tax) is amended by adding at the end the following new flush sentence:

"If a trust which is not a foreign trust becomes a foreign trust, such trust shall be treated for purposes of this section as having transferred, immediately before becoming a foreign trust, all of its assets to a foreign trust."

(2) PENALTY.-Section 1494 is amended by adding at the end the following new subsection:

"(c) PENALTY.-In the case of any failure to file a return required by the Secretary with respect to any transfer described in section 1491 with respect to a trust, the person required to file such return shall be liable for the penalties provided in section 6677 in the same manner as if such failure were a failure to file a return under section 6048(a)."

(3) EFFECTIVE DATE.-The amendments made by this subsection shall take effect on the date of the enactment of this Act.

Subtitle B-Repeal of Bad Debt Reserce Method for Thrift Savings Associations

SEC. 411. REPEAL OF BAD DEBT RESERVE METHOD FOR THRIFT SAVINGS ASSOCIATIONS.

(a) IN GENERAL.-Section 593 (relating to reserves for losses on loans) is hereby repealed.

(b) CONFORMING AMENDMENTS.-

(1) Subsection (d) of section 50 is amended by adding at the end the following new sentence:

"Paragraphs (1)(A), (2)(A), and (4) of section 46(c) referred to in paragraph (1) of this subsection shall not apply to any taxable year beginning after December 31, 1995."

(2) Subsection (e) of section 52 is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2),

respectively.

(3) Subsection (a) of section 57 is amended by striking paragraph (4).

(4) Section 246 is amended by striking subsection (f).

(5) Clause (i) of section 291(e)(1)(B) is amended by striking "or to which section 593 applies".

(6) Subparagraph (A) of section 585(a)(2) is amended by striking "other than an organization to which section 593 applies".

(7) Sections 595 and 596 are hereby repealed.

(8) Subsection (a) of section 860E is amended-

(A) by striking "Except as provided in paragraph (2), the" in paragraph (1) and inserting "The",

(B) by striking paragraphs (2) and (4) and redesignating paragraphs (3) and (5) as paragraphs (2) and (3), respectively, and

(C) by striking in paragraph (2) (as so redesignated) all that follows "subsection" and inserting a period.

(9) Paragraph (3) of section 992(d) is amended by striking "or 593".

(10) Section 1038 is amended by striking subsection (f).

(11) Clause (ii) of section 1042(c)(4)(B) is amended by striking "or 593".

(12) Subsection (c) of section 1277 is amended by striking "or to which section 593 applies".

(13) Subparagraph (B) of section 1361(b)(2) is amended by striking "or to which section 593 applies".

(14) The table of sections for part II of subchapter H of chapter 1 is amended by striking the items relating to sections 593, 595, and 596.

(c) EFFECTIVE DATE.-

(1) IN GENERAL.-Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1995.

(2) REPEAL OF SECTION 595.-The repeal of section 595 under subsection (b)(7) shall apply to property acquired in taxable years beginning after December 31, 1995.

(d) 6-YEAR SPREAD OF ADJUSTMENTS.-

(1) IN GENERAL.-In the case of any taxpayer who is required by reason of the amendments made by this section to change its method of computing

reserves for bad debts-

(A) such change shall be treated as a change in a method of accounting,

(B) such change shall be treated as initiated by the taxpayer and as having been made with the consent of the Secretary, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481(a)-

(i) shall be determined by taking into account only applicable excess reserves, and

(ii) as so determined, shall be taken into account ratably over the 6-taxable year period beginning with the first taxable year beginning after December 31, 1995.

(2) APPLICABLE EXCESS RESERVES.-

(A) IN GENERAL.-For purposes of paragraph (1), the term 'applicable excess reserves' means the excess (if any) of-

(i) the balance of the reserves described in section 593(c)(1) of such Code (as in effect on the day before the date of the enactment of this Act) as of the close of the taxpayer's last taxable year beginning before January 1, 1996, over

(ii) the lesser of-

(I) the balance of such reserves as of the close of the taxpayer's last taxable year beginning before January 1, 1988, or

(II) the balance of the reserves described in subclause (I), reduce by an amount determined in the same manner as under section 585(b)(2)(B)(ii) on the basis of the taxable years described in clause (i) and this clause.

(B) SPECIAL RULE FOR THRIFTS WHICH BECOME SMALL BANKS.-In the case of a bank (as defined in section 581 of such Code) which is not a large bank (as defined in section 585(c)(2) of such Code) for its first taxable year beginning after December 31, 1995-

(i) the balance taken into account under subparagraph (A)(ii) shall not be less than the amount which would be the balance of such reserve as of the close of its last taxable year beginning before January 1, 1996, if the additions to such reserve for all taxable years had been determined under section 585(b)(2)(A), and

(ii) the opening balance of the reserve for bad debts as of the beginning of such first taxable year shall be the balance taken into account under subparagraph (A)(ii) (determined after the application of clause (i) of this subparagraph).

The preceding sentence shall not apply for purposes of paragraphs (5), (6), and (7).

EXECUTIVE OFFICE OF THE PRESIDENT

THE OLD EXECUTIVE OFFICE BUILDING

COUNCIL OF ECONOMIC ADVISERS
17TH AND PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20502

****

TO: Jen Klein **OFFICE:**

FAX NUMBER: 62878 **TEL NUMBER:**

***

FROM: MARK J. MAZUR

FAX NUMBER: (202) 395-6809 **TEL NUMBER: (202) 395-5147**

ROOM: 318

NO. OF PAGES (inc cover) 3 **DATE:** 4/25/96

SUBJECT: Tissue donor amendment

MESSAGE:

Jen- Here's a description of a bunch of amendments. The organ donor one is on the 2nd page. Please let me know if you need something else.

Mark

development that indirectly cut the price of airplane tickets. "That would certainly be part of the answer, plus there's been more rational pricing," he told Wolf at a hearing on the FAA's FY 1997 budget request.

No Opposition To Reinstatement

Hinson said he also does not believe there is significant industry opposition to reinstating the taxes, saying that airline officials realize they are necessary to finance improvements in the system. Among other things, the FAA has been plagued by equipment failures in the nation's air traffic control system.

However, neither Hinson nor Wolf said there are any current indications that Congress is poised to reinstate the ticket taxes. Hinson said he has been urging the Ways and Means Committee to address the issue.

Earlier, Chairman Bill Archer (R-Texas) said a stand alone bill to extend these other expired taxes is unlikely. Instead, he said they might be taken up in a larger tax package.

Hinson said that to avoid deficit spending, the taxes probably would have to be extended by August, when the balance is expected to be exhausted. However, Wolf said that action might have to occur well in advance of the August recess.

"It almost has to be done in July," Wolf said.

However, a top House aide told BNA that Ways and Means is increasingly pessimistic about when they will extend the taxes, adding that a legislative vehicle has yet to be found.□

Health Care

SENATE ADDS MORE TAX PROVISIONS TO HEALTH BILL; FINAL VOTE DELAYED UNTIL APRIL 23

The Senate late April 18 approved an amendment to health care reform legislation (S 1028) to expand insurance coverage of mental health services, making changes in the tax treatment of foreign trusts and repeal of the bad debt reserve deduction for thrift institutions to offset the cost.

The repeal of the bad debt reserve method was contained in the House version of the health bill (HR 3103) and had been part of a Senate leadership amendment to S 1028, but was stripped from the amendment in earlier action April 18, when the Senate also dropped controversial medical savings accounts provisions (76 DTR GG-1, SpSupp, 4/19/96).

The mental health amendment offered by Sens. Pete Domenici (R-NM) and Paul Wellstone (D-Minn), however, resurrected the bad debt provisions and proposed the tightening of foreign grantor trust rules as revenue offsets for their proposal expanding insurance coverage to mental health services.

The revenue offset was necessary because the underlying provision would increase the cost of insurance and thereby the cost to the federal government of the deductions and exclusions for health coverage costs.

Final Vote Set For April 23

Although the Senate has finished its work on amendments to S 1028. Senate Majority Leader Bob Dole (R-Kan) delayed the final vote until April 23, saying he wanted to allow Sen. Connie Mack (R-Fla) to be present for the vote. Mack was attending his father's funeral April 18 and missed the debate.

Overall, aides to Sen. Nancy Kassebaum (R-Kan), one of the bill's sponsors, said they were pleased with the bill that would emerge from the Senate after the expected passage April 23, despite their attempts to keep any amendments from being attached at all.

"I think we've got a very strong hand" going into the House-Senate conference committee that will have to reconcile the differences between S 1028 and its House counterpart, a Kassebaum aide said April 19. The aide said Kassebaum hoped to have the bill to President Clinton's desk by Memorial Day.

The Domenici-Wellstone amendment would require equal insurance treatment of mental health services, barring employee health benefit plans and insurers from placing special treatment limitations or financial requirements on people with mental illnesses.

Kassebaum argued that the mental health parity issue should be reserved for another day, but her motion to table the amendment failed on a 33-65 vote. Domenici, who tried unsuccessfully to include the measure in last year's balanced-budget package, argued that there was unlikely to be another legislative vehicle for the proposal this year.

"This was a huge vote for fairness," Domenici said after the vote. He and Wellstone argued that mental illness carries a stigma in health coverage, and that millions of Americans who suffer from mental illnesses face discrimination in the form of higher costs and more restrictive treatment than heart or cancer patients.

Expensive Amendment

It could be a costly vote, however. A preliminary estimate by the Congressional Budget Office put the cost of the Domenici-Wellstone amendment at $5.75 billion over the first five years and $10 billion over the second five years, according to a Domenici aide.

In addition, employer groups are worried that such a policy change could raise their premiums and make it more costly to provide health coverage to their employees. Richard Coorsh, a spokesman for the Health Insurance Association of America, said insurers would have no choice but to pass on the costs of such coverage changes to their consumers, mainly employers.

To offset the revenue loss, the Domenici-Wellstone proposal would repeal the Internal Revenue Code Section 593 reserve method of accounting for bad debts by thrift institutions. The language is identical to the language in the seven-year balanced budget bill. However, the version that had been part of the leadership amendment and was dropped by the Senate was identical to an updated version in the House bill.

Any of the technical drafting inconsistencies between the two, however, should not be interpreted as reflecting policy differences, a Senate aide told BNA.

More likely, the inconsistencies were the result of the fact that the Dole and Domenici amendments were assembled independently with little time for a full examination of any changes made to the budget bill's language, the aide added.

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Modified Foreign Trust Rules

The foreign trust provisions were substantially similar to those adopted in the seven-year balanced budget bill, which had reflected modifications to a Clinton administration proposal that was in the fiscal 1996 budget plan.

Generally, the proposal would modify present law tax treatment of inbound and outbound grantor trusts.

Included among the specifics is a provision that foreign grantors would not be treated as owners and, for foreign trusts that are not grantor trusts, an interest charge would be imposed on accumulation distributions.

Also, several modifications would be made to Internal Revenue Code Section 679 under which foreign trusts with U.S. grantors and U.S. beneficiaries are treated as grantor trusts, and new rules would be instituted to determine the residence of trusts and estates for tax purposes.

Finally, reporting requirements with respect to certain foreign trusts would be expanded and monetary penalties would be imposed for failure to comply with those requirements.

Separately, an amendment offered by Sens. Byron Dorgan (D-ND) and Bill Frist (R-Tenn), also adopted late April 18, would require that the secretary of the treasury include with any payment of an individual tax refund between Feb. 1, 1997, and June 30, 1997, information encouraging organ and tissue donations.

Jeffords Lifetime Caps Measure Tabled

However, Kassebaum and cosponsor Sen. Edward Kennedy (D-Mass) were able to fight successfully against a slew of other proposed amendments, including a popular and well-publicized measure by Sen. James Jeffords (R-Vt) that would have raised the lifetime caps on payouts from employer-sponsored health insurance plans to at least $10 million.

Jeffords had campaigned aggressively for the measure, winning the endorsements of well-known figures such as actor Christopher Reeve and former White House press secretary Jim Brady. Nevertheless, Kassebaum persuaded the Senate to table the amendment on a 56-42 vote, saying she was sympathetic to the idea but that the health reform legislation was the wrong forum for it.

The Jeffords measure drew some support from Republicans — including Dole, who voted with Jeffords — but several Democrats voted against it, under pressure from Kennedy to keep the health reform bill clean.

The Kassebaum aide said the vote against Jeffords, along with the earlier vote against medical savings accounts despite Dole's backing, probably were the major factors that persuaded Democrats and Republicans to withdraw a series of other amendments that had been filed.

Sen. Mitch McConnell (R-Ky) had filed a medical malpractice reform amendment — considered nearly as controversial an issue as MSAs — and Sen. John McCain (R-Ariz) had submitted a biomaterials amendment, but both withdrew them. Democrats had amendments ready to tackle insurance coverage of maternity stays and expanded Consolidated Omnibus Budget Reconciliation Act (COBRA) health coverage for laid-off workers, but backed off as well, the Kassebaum aide said.

If Dole had prevailed on the MSA vote, "Kennedy would have lost all control of this thing" and the bill could have been loaded up with amendments, the aide said.

The Senate also tabled, 62-36, an additional fraud and abuse amendment by Sens. Tom Harkin (D-Iowa) and Max Baucus (D-Mont) that would have established a toll-free hotline to report fraud and abuse, required Medicare bills to be itemized, set new penalties for false certification of home health services, modernized Medicare claims processing equipment, and established a standard applications and claims form for Medicare and Medicaid.

Impact On Premiums Disputed

The Kassebaum aide said the Domenici-Wellstone amendment was "the only negative" that employer groups might bring up against the Senate bill, but predicted they also would have a stake in the Senate bill because the self-employed tax deduction would be increased more than the House version, which would raise the deduction only to 50 percent.

Studies have produced conflicting estimates of the potential impact on health insurance premiums if mental health benefits were given equal treatment. A February study conducted for the Association of Private Pension and Welfare Plans by Watson Wyatt Worldwide estimated the average monthly premiums could rise by as much as 8.3 percent to 11.4 percent.

However, an April 11 study by Milliman and Robertson concluded that those estimates were overstated, and asserted that a typical preferred provider organization (PPO) plan would have to raise its premiums by only 2.5 percent. And an April 12 study by the same firm estimated that such an amendment, if added to Kennedy-Kassebaum, would increase premiums by an average of 3.2 percent for traditional fee-for-service plans, PPO plans, and health maintenance organizations.

Domenici's office estimated the provision would cost $6.5 billion but would produce savings of $8.7 billion in the long run, citing a 1993 study prepared for Domenici by the National Institute of Mental Health Advisory Council.

Overall, "I don't think it will make it more difficult" to maintain the current level of support for the Kennedy-Kassebaum bill, the Kassebaum aide said. Besides, "it was a very strong vote, so it's pretty hard to say no to it," the aide said.

Meanwhile, Dole has hinted that he might push to adopt the medical savings accounts provisions from the House bill when the conferees meet on the legislation. But Kassebaum's aide said Dole would be "setting himself up for failure" if that happened.

"He's now got a Senate that' on record against MSAs. There's no question about that at all," the aide said. "It wasn't even a filibuster; it was a straight up-or-down vote."

The text of the Domenici/Wellstone amendment is in Section L.

— By Lauren Darling and David Nather

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CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

April 23, 1996

Honorable Nancy Landon Kassebaum
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20515

Dear Madam Chairman:

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have reviewed S. 1028, the Health Insurance Reform Act of 1996, as amended through April 1[illegible], 1996. Because the bill would affect direct spending and receipts, it would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. Over the 1996 through 2002 period, CBO and JCT estimate that enactment of S. 1028 would reduce outlays $11.6 billion and would reduce revenues by $5.5 billion (see attached table).

Titles I, II, and III of the bill would create uniform national standards intended to improve the portability of private health insurance polices. S. 1028 would reduce the effective length of exclusions for preexisting conditions by crediting enrollees for continuous coverage by a previous insurer. These provisions are discussed in CBO's federal cost estimate of September 22, 1995, and mandate cost statement of March 22, 1996.

As amended, the bill would also require health insurers to cover mental health services in the same fashion as they cover other acute care services. This would greatly expand the number of services requested and provided, increasing health costs by tens of billions of dollars. The Congressional Research Service estimates that premiums for fee-for-service insurance would initially increase by 5.3 percent under the proposal. Because managed care plans would be better able to control costs for mental health and substance abuse services, CBO assumed that the average premium increase initially would be 4 percent. Because employers would respond to the initial increase by dropping health insurance coverage altogether, coverage for mental health services, or other benefits, CBO assumed that employer contributions for health insurance would rise by only 1.6 percent. Most of that increase would be passed back

to employees in lower wages. The lower wages, in turn, would reduce federal income and payroll tax revenues. The JCT has estimated that this provision would reduce revenues by about $9.3 billion between 1997 and 2002. Federal costs for federal employees' health benefits would also increase.

The language does not specify whether the mental health parity provision would apply to the Medicare program or to state Medicaid plans. If Medicare and Medicaid were to face a similar increase in costs as estimated for the private sector, Medicare outlays could increase by almost $80 billion between 1997 and 2002. The federal share of Medicaid costs could rise by as much as $35 billion over the same period.

Title IV of the bill as amended would make permanent law requiring that the Medicare program be the secondary payer for certain beneficiaries who have employer-provided insurance and would extend the data match program. These provisions would reduce Medicare outlays by about $6.2 billion over the 1996-2002 period. This title would also enable the Federal Housing Administration (FHA) to establish a loss mitigation program for defaulted single family mortgages. This provision would eliminate the routine assignment of properties acquired as the result of loan defaults, but would allow FHA to take assignment of properties under certain circumstances. In addition, this title would decrease the annual adjustments to rents received by owners of subsidized housing, thereby reducing the rate of growth in housing subsidies paid by the federal government. CBO estimates that the housing provisions would reduce federal outlays by $2.8 billion over the 1996-2002 period. Finally, this title contains a number of provisions affecting revenues. The JCT estimates that these would increase federal revenues by $3.8 billion over the 1996-2002 period.

Title V of the bill contains several proposals to limit fraud and abuse in Medicare. It would provide new resources for payment safeguards and for the anti-fraud activities of the Inspector General of the Department of Health and Human Services (HHS). It would increase civil monetary penalties for fraudulent claims for reimbursement under Medicare and Medicaid and apply these penalties to all federal health care programs. It would require the Secretary of HHS to exclude providers from program participation for three years following felony convictions related to certain violations. Criminal provisions under this title would make certain offenses involving health care fraud federal crimes and would create an additional exception to anti-kickback penalties for discounting and managed care provisions. CBO estimates that these provisions would reduce direct spending by $3.1 billion over the 1996-2002 period.

If you wish further details on this estimate, we will be pleased to provide hem.

Sincerely,

June E. O'Neill

Enclosure

cc: Honorable Edward M. Kennedy
Ranking Minority Member

Estimated Budgetary Effects S. 1028, as amended through April 18

By fiscal year, in millions of dollars	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	'96-'00	'96-'02	'96-'05
						DIRECT SPENDING							
TITLE I, II, and III													
Access, Portability, and Renewability	0	0	0	0	0	0	0	0	0	0	0	0	0
Mental Health Parity													
Medicare	a	a	a	a	a	a	a	a	a	a	a	a	a
Medicaid	a	a	a	a	a	a	a	a	a	a	a	a	a
Federal Employees Health Benefits	0	47	66	71	77	82	88	95	102	110	261	432	739
Total, Mental Health Parity	0	47	66	71	77	82	88	95	102	110	261	432	739
Liability for Medical Volunteers	b	b	b	b	b	b	b	b	b	b	b	b	b
Total, Titles I, II, and III	0	47	66	71	77	82	88	95	102	110	261	432	739
TITLE IV													
Medicare Secondary Payer	0	0	0	-1,090	-1,420	-1,690	-1,990	-2,330	-2,640	-2,950	-2,510	-5,190	-14,110
Housing Provisions	-96	-228	-371	-456	-531	-559	-562	-554	-554	-571	-1,682	-2,803	-4,482
Total, Title IV	-96	-228	-371	-1,546	-1,951	-2,249	-2,552	-2,884	-3,194	-3,521	-4,192	-8,993	-18,592
TITLE V													
Fraud and Abuse													
Payment Safeguards and Law Enforcement	0	330	-170	-490	-760	-890	-960	-1,040	-1,020	-950	-1,050	-2,900	-5,810
New and Increased Civil Monetary Penalties	0	-40	-60	-60	-70	-70	-80	-80	-80	-80	-230	-380	-620
Additional Exclusion Authorities	0	-10	-20	-40	-40	-50	-50	-50	-50	-50	-110	-210	-360
Criminal Provisions	0	-10	10	40	70	160	160	170	170	180	110	430	950
Other Items	0	c	c	c	c	c	c	c	c	c	-20	-20	-40
Total, Title V	0	270	-160	-560	-820	-850	-930	-1,000	-980	-900	-1,300	-3,080	-5,980
Total, Outlays	-96	89	-465	-2,025	-2,694	-3,317	-3,394	-3,789	-4,072	-4,311	-5,231	-11,641	-23,833

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Estimated Budgetar[illegible]ffects S. 1028, as amended through April 18

By fiscal year, in millions of dollars	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	'96-'00	'96-'02	'96-'05
REVENUES													
TITLES I, II, and III													
Access, Portability, and Renewability	0	0	0	0	0	0	0	0	0	0	0	0	0
Mental Health Parity	0	-944	-1,436	-1,544	-1,660	-1,782	-1,908	-2,039	-2,173	-2,315	-5,584	-9,274	-15,800
Domestic Violence	b	b	b	b	b	b	c	b	b	b	b	b	b
Total, Titles I, II, and III	0	-944	-1,436	-1,544	-1,660	-1,782	-1,908	-2,039	-2,173	-2,315	-5,584	-9,274	-15,800
TITLE IV													
Revenue Provisions													
Deduction for the Self-Employed	0	-32	-137	-267	-422	-601	-812	-1,062	-1,325	-1,630	-858	-2,271	-6,278
Long-term Care Insurance	0	-307	-714	-751	-846	-956	-1,074	-1,189	-1,328	-1,451	-2,618	-4,648	-8,616
Accelerated Death Benefits	0	-10	-107	-166	-214	-265	-316	-376	-446	-527	-497	-1,078	-2,427
State-sponsored High Risk Pools	0	-1	-1	-1	-2	-2	-2	-2	-2	-2	-5	-9	-15
Withdrawals from IRAs	0	-4	-10	-10	-10	-10	-11	-11	-11	-12	-34	-55	-89
Expatriation Tax Rules	15	37	63	97	139	181	216	247	275	299	351	748	1,538
Corporate-owned Life Insurance Loans	0	870	919	1,398	1,713	1,768	1,878	1,921	1,932	1,925	4,900	8,566	14,345
Bad Debt Reserve Deduction for Thrifts	63	95	216	280	277	272	260	247	111	38	931	1,463	1,857
Foreign Trusts	25	100	171	180	188	197	206	214	223	245	664	1,067	1,749
Total, Title IV	103	748	400	760	823	884	345	-1	-671	-1,117	2,834	3,783	2,094
Total, Revenues	103	-196	-1,036	-784	-837	-1,178	-1,563	-2,040	-2,744	-3,432	-2,750	-5,491	-13,706
DEFICIT													
TOTAL	-196	285	551	-1,241	-1,857	-1,839	-1,831	-1,749	-1,328	-879	-2,461	-6,150	-10,127

SOURCES: Congressional Budget Office (CBO), Joint Committee on Taxation (JCT).

NOTE: Details may not sum to total because of rounding.

a. It is unclear whether the mandate for mental health parity would apply to Medicare and Medicaid or private insurers that contract to serve Medicare and Medicaid beneficiaries.
If the mandate applied to Medicare, the cumulative increase in federal outlays between 1996 and 2002 would be about $80 billion.
If the mandate applied to Medicaid, the cumulative increase in federal outlays between 1996 and 2002 would be about $35 billion.

b. At this time, CBO and JCT cannot estimate the outlay or revenue impacts of these provisions.

c. Savings or cost of less than $10 million

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Businesses Oppose Parity For Mental Health Benefits

PHOTOCOPY PRESERVATION

Provision in Senate Measure Seen as Too Costly

By Judith Havemann
Washington Post Staff Writer

The White House yesterday squared off against virtually the entire business community over the issue of whether insurance companies should be required to provide mental health coverage that is equivalent to the coverage they offer for physical diseases such as cancer or diabetes.

Under a provision of the Health Insurance Reform Act passed unanimously by the Senate, health insurance plans would no longer be allowed to set lower limits on their coverage for mental disorders than for physical disorders, as most now do. For instance, a plan could no longer pay for 365 days of inpatient care for a medical illness, but only 45 days for a mental illness.

The measure is passionately supported by the mental health profession and patients' groups as a long overdue elimination of discrimination against people who are mentally ill.

But leading business groups almost unanimously oppose "parity" for mental health coverage as a costly mandate that would increase insurance premiums and would force some employers to scale back coverage for medical diseases or drop health benefits altogether.

The umbrella group for 130 of the nation's largest employers withdrew its support for the entire health reform measure in a letter to each senator on Monday. The bill, sponsored by Sen. Nancy Landon Kassebaum (R-Kan.) and Sen. Edward M. Kennedy (D-Mass.), is designed to make insurance more accessible to people who change jobs or have preexisting health conditions.

The House has no mental health parity provision in its health insurance plan. The Senate added the provision in a late-evening amendment. It is one of the toughest of a score of differences that must be resolved between the two bills. Although considered a "killer" provision by many business groups, parity of mental health benefits has been

See HEALTH, A11, Col. 1

HEALTH, From A1

desperately sought by advocates for the 6 million Americans who suffer annually from mental illnesses.

The sponsors of the mental health provision are the odd couple of the Senate, budget hawk Pete V. Domenici (R-N.M.) and liberal college professor Paul D. Wellstone (D-Minn.). Domenici's daughter and Wellstone's brother have both struggled with mental illness.

Kassebaum and Kennedy fought the amendment in an effort to keep the bill "clean" of controversial additions so it would pass.

But impelled by the prestige and fiscal credentials of Domenici and by emotional accounts of the plight of the mentally ill by Wellstone and Sen. Alan K. Simpson (R-Wyo.), the Senate voted 65-33 against scuttling the amendment, with Majority Leader Robert J. Dole (R-Kan.) joining the winning side.

"This is a classic example of how, when personal experience with health care meets ideology, ideology goes out the window," said Dallas Salisbury, president of the Employee Benefit Research Institute.

Domenici said he is merely trying to make sure that people with mental illness are treated the same by insurance companies as people with other diseases.

"This bill does not provide an open-ended entitlement to whatever mental health services an individual wants. It does not limit the ability of an insurer or health plan to limit services to only those that are medically necessary," he said.

But, he added, insurers could no longer offer plans that contain, for example, a lifetime cap of $1 million for medical care and a lifetime cap of $50,000 for treatment of mental illness, or unlimited outpatient visits for physical disorders but only 20 visits for mental illnesses.

White House press secretary Michael McCurry said the administration supported the provision but wanted to work with the private sector to address legitimate concerns.

The Chamber of Commerce, the National Association of Manufacturers, the American Association of Private Pension and Welfare Plans and the ERISA Industry Committee—all representing the nation's major employers—are working overtime to kill the provision, citing its cost and the precedent of having the federal government mandate what employers must provide.

"This is not about mental health," said Mark Ugoretz, president of ERISA Industry Committee. "This is about the mental health industry trying to force employers to pay for whatever services the industry chooses to provide, regardless of impact on jobs, insurance premiums or coverage."

Ugoretz said mental illness differs from physical illness because both the diagnoses and treatments of mental disorders are less precise.

"If your employer is willing to pay for 30 visits to a psychiatrist, your psychiatrist will treat you in 30, if your employer will pay for 60, it will take 60 to cure you," he said.

Most supporters of the legislation say the business community's fears about the potential costs of the amendment are exaggerated. But even some psychiatrists acknowledge that complete parity for mental illness could be abused because of the enormous number of mental disorders that have been identified and the wide scope of treatments for them.

"If you are talking about parity for serious mental illness, then I think the arguments of the business community are baseless," said E. Fuller Torrey, a psychiatrist and author of "Surviving Schizophrenia." "But when you start talking about mental disorders, then you are into really a black hole that includes coverage for people who believe they have been abducted by space aliens, and Woody Allen's 33 years of continuous psychoanalysis."

"Something that has a physical basis," he added, "is in a different category than someone who feels unhappy or is undergoing an existential crisis."

On the other hand, he said, "if you confine parity to serious mental illnesses, then I think it is both economically, philosophically, and, certainly morally, indefensible not to cover it."

Other leading psychiatrists said concerns about vague diagnoses and open-ended treatment of mental illness do not reflect modern practice.

"The Woody Allen worry is just a myth," said Steven Sharfstein, president of the Sheppard Pratt Health System, a mental health and substance abuse treatment network in Baltimore. "There are ways of taking a close look at medical necessity. People don't go to psychiatrists for the fun of it. They don't go for short episode of the blues."

Health economists agreed with that assessment. "That kind of situation is not possible in managed care," said Richard Frank, a professor of health economics at Harvard University. "The financial incentives and the tools are available now to prevent this from happening."

However, he added, the measure would probably increase health care costs. "Make no mistake," he said, "this is not a free lunch. When you offer new coverage for a benefit people need, people will use it."

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rally, in such cultures, it is ed that girls are born "com-" but that young boys must in-st semen to become strong and virile. Until they are of marrying age, the boys live separately from females, who are deemed to be an unclean and weakening influence. Younger boys are encouraged to fellate older boys and men as part of a symbolic coming-of-age process that moves them gradually toward heterosexual adulthood.

Gajdusek made it a point to research such matters in his travels, and his journals contain extensive commentary about sexual habits among native boys. Over the years, he pursued a research interest in child development, and his travels widened to include other parts of the world, including the Federated States of Micronesia, a far-flung island nation within striking distance of New Guinea.

In huts and other encampments, late at night, he would type out reports, notes, letters and journals. In a single journal entry he would write about what he had seen that day, what kind of science he had accomplished, which new children he had encountered, what effect they had on him, what his emotional state was, what the local habits and customs were. He might throw in a quote from Nietzsche or from Herman Melville, an author Gajdusek so admired that he made pilgrimages to his grave.

In all the journals, it is impossible to miss the intensity of his feelings for boys. He hired them as guides and interpreters; he spent much of his free time with them; he was sometimes jealous of them, and they of him. He wrote that one lad "jealously keeps his eye on me, fearing that I may flirt with some of the local youths, and thus he repeatedly accompanies me about during the day through the village."

In the journals, his emotional and physical intimacy with the children of Papua New Guinea and other countries is explicit. "I slept well again, like a bitch with her half dozen pups lying and crawling over her, and I awoke to the dramatic skies of a Papuan morning," he wrote on Christmas Day in 1969.

What is not explicit is whether he was having sex with them.

Was he simply a curious explorer, taking a friendly, paternal interest in the lads who came his way, putting up with their exuberant affections?

Or was Gajdusek a pedophile whose travels amid exotic peoples allowed him to pursue his tastes with little fear of censure?

The evidence made public so far does not supply an answer.

An Odd Household

It's not clear exactly when the idea of bringing a boy home from New Guinea first occurred to Gajdusek. By late 1963, an Anga youth named Ivan Mbaginta'o was living with him at his home in Cabin John.

A few more arrived in the mid-1960s, and eventually a dozen youngsters at a time were living there. Eventually there were a few girls, too. He called the youngsters his family, and even listed their names on his resume. When a group of them would grow up and go away, he would bring in new ones.

Some of the youths were orphans, and in other cases, he brought children back with the consent of their parents, who wanted them to have the benefit of Western learning. Some of the children who lived with him early on later sent him their own children, or their nieces and nephews.

Much of Gajdusek's energy and most of his money went into educating the youngsters. Some attended college and went on to distinguished careers, either in the United States or back in their home countries.

Still, over the years, people asked questions about this odd household.

Neighbors called local agencies to say the youngsters were running wild while Gajdusek was out of town. Montgomery County police in the mid-1980s heard allegations of sexual abuse. They said they closed their investigation without filing charges because they could not find "current victims."

Gajdusek himself raised eyebrows over the years with certain comments.

"Few normal, well-brought-up, moral children in such Micronesian or Polynesian islands aren't knowledgeable in massaging adults into orgasm," he told Omni, a science magazine, in 1986. "A child who was unfamiliar with sexual practice by early puberty would be antisocial. These people believe sex is a part of normal life at all ages. That is what made so many sailors and beachcombers, including Herman Melville and the missionaries, stay so long on many Pacific islands."

The investigation that led to Gajdusek's arrest in Middletown on April 4 began only last year, when a group of people who had worked in his laboratory brought some of his journal entries to the attention of a U.S. Senate investigator. The FBI started tracking people down. Prosecutors say two victims have told them of sexual abuse at Gajdusek's hands. He is out of jail on $350,000 bond while the investigation continues.

The prosecutors say they have Gajdusek on tape in a telephone conversation, admitting his pedophilia and confirming the names of some victims. The tape has not been played publicly, and some of Gajdusek's friends doubt he meant the words seriously.

They see him as a victim of America's obsession with child sexual abuse, and they insist the journals are simply a scientific record.

"The journals add nothing to the case," said Gajdusek's lawyer, Mark J. Hulkower. "They are anthropological and scientific reports of what Dr. Gajdusek observed in foreign cultures, and contain no evidence of any inappropriate behavior on his part."

The governor of Yap, one of the Micronesian states where Gajdusek is widely known, has taken a public stand in support of him, as have friends, colleagues and many of the people who grew up in his household.

Scott Rolle, the Frederick County state's attorney who will prosecute Gajdusek, said he was not surprised there has been such an outpouring. Disbelief and denial are common reactions to charges of pedophilia, he said.

"Most pedophiles are not seedy men in trench coats or strange-looking people. They're very normal-looking," Rolle said. "Often they are in positions of prestige and authority. If it's a disease, it can afflict anybody: doctors, teachers, lawyers, even Nobel Prize laureates."

Cannibals And Critics

For more than 25 years now, Gajdusek has been one of the grand figures of science. He got his own laboratory, the Laboratory of Central Nervous System Studies, at NIH in 1970.

He still publishes research, speaks at scientific meetings and keeps up a punishing travel schedule. He belongs to the National Academy of Sciences, a Who's Who of American science. His name and face are recognized at conferences throughout the world. Younger scientists are making a lot of the breakthroughs in his field, but they seek his guidance. He has continued to bring in young wards from the islands.

In some ways, though, the years have been unkind.

Minor scientific controversies have taken a bit of the shine off Gajdusek's discoveries. For instance, his claim that kuru was transmitted by people eating their dead relatives has been subjected to close scrutiny by anthropologists.

When the text of his Nobel Prize lecture was published in Science magazine, Gajdusek included pictures of people seated around a feast, with a caption that implied they were eating a relative. When challenged later, he admitted they were actually eating roast pork.

He said he could not publish his cannibalism pictures because they were too offensive. He conceded that eating a body might not have been necessary to transmit kuru; merely handling it in the way New Guineans once did might have been enough.

Moreover, the virus whose existence Gajdusek posited many years ago as the cause of kuru, scrapie and related ailments has never been found, by him or anybody else. His conceptual leap, seeing the possible role of "slow viruses" in human disease, has stood the test of time, and several such diseases have been identified. But the disease agent in kuru itself has proved maddeningly elusive. There is some evidence that it might not be a virus at all, but an odd kind of protein. This and other problems have led a few critics to question the value of Gajdusek's research.

Such revisionism and second-guessing may be normal in the life of a high-profile scientist. Being arrested and hauled off to jail is another matter, a stark indignity.

"I was very much surprised when he was arrested, and the way he was treated," said Julius Axelrod, another Nobel Prize-winning scientist at NIH. "It was really shocking to see such a distinguished scientist be disgraced in this manner."

'Gnawed and Pursued'

There is one more thing to know about Daniel Carleton Gajdusek.

He was too smart a man not to be aware of some of his own flaws and contradictions. In a lifetime as a compulsive diarist, he laid out many of them.

His journals carry passages of angst and recrimination, cries from the heart about the corrupting influence of fame, anguished passages about his loneliness, his moments of self-hatred, his lost childhood, his "strange relation" with children.

"It is snowing outside as I sit and wonder and contemplate and review my mad life," he wrote once in Stockholm. "When will it stop—this rush? If only for a few days or weeks I can find quiet and leisure again in the New Guinea villages, without being gnawed and pursued by my drive and schemes!"

He realized he was caught between two worlds, decrying the phoniness and avarice he found in the United States while at the same time seeking achievement and adulation here. He romanticized life in the islands: birth and death, beauty and decay were right at the surface.

"To be part of this is rewarding," he wrote. "To escape it and come back to it in small but intense doses is like cheating, and I know that, on both sides of my life, I can be accused of fraud and unfair involvement. However, for all its rewards and disappointments, it is the course I have elected."

Staff writers D'Vera Cohn, Brian Mooar, Philip P. Pan, Fern Shen and Karl Vick contributed to this report, as did correspondents Christine Spolar, in Warsaw, and Kevin Sullivan, in Tokyo.

Tomorrow: Gajdusek's children

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May 13, 1996

CBO'S ESTIMATES OF THE IMPACT ON EMPLOYERS OF THE MENTAL HEALTH PARITY AMENDMENT IN H.R. 3103

CBO estimated that the mental health parity amendment in H.R. 3103, as passed by the Senate, would impose direct costs on the private sector of 4 percent of private health insurance premiums. Most employers currently provide for mental health coverage, but with significantly less generous benefits than for other medical services. The provision intends to place mental health services on an equal footing with these other medical services.

Employers could respond to the mandate in a variety of ways to reduce the impact of that increase. Possible responses include dropping mental health coverage, reducing the generosity of their health insurance benefits, or ceasing to offer health insurance altogether. Any remaining increases in premiums would most likely be passed on to workers in the form of lower wages or reductions in other fringe benefits. This memorandum describes the definitions of covered mental health services and mental health parity that CBO assumed in its estimates, and discusses the estimated increase in private sector costs, potential responses by employers to higher premiums, and the implications of state benefit mandates.

Covered Mental Health Services

The Congressional Research Service (CRS) provided CBO with an estimate of the increase in private health insurance premiums that would result from the mental health parity requirement. Consistent with the provisions of H.R. 3103, CRS did not restrict coverage to severe mental illness only. The estimate assumed that treatment for all mental health conditions, including alcoholism and substance abuse, would be covered under the parity amendment. Additional information on the cost of treating severe mental illness is provided in the last section of this memorandum.

Definition of Parity

CRS estimated the premium increase for a typical indemnity plan, incorporating the following assumptions about the definition of mental health parity:

- Outpatient visits would be unlimited (compared with a typical limit of 20 visits a year for mental health services).

- o Inpatient hospital days would be unlimited (compared with a typical limit of 30 days a year for mental health services).

- o Coinsurance for inpatient hospital services would be 20 percent (representing no change from typical mental health coverage).

- o Coinsurance for outpatient services would be 20 percent (compared with a typical coinsurance rate of 50 percent for mental health services).

- o There would be no lifetime limits on covered benefits (compared with a typical lifetime limit for mental health services of $50,000).

- o Out-of-pocket payments for mental health services would count towards the overall out-of-pocket limit.

The estimate defines parity in terms of service and spending limits, rather than in how care is provided. CRS assumed that insurers would continue to use current management techniques, including "carve-outs", to control utilization of mental health services.

Increase in Private Sector Costs

Under those assumptions, CRS estimated that the premium increase for an indemnity plan that incorporated mental health parity would be 5.3 percent. Because the CRS estimate was confined to the impact of parity on indemnity plans, CBO lowered the increase to 4.0 percent to reflect the prevalence of managed care plans in the employer-sponsored health insurance market and the significant savings in mental health spending that managed care plans can produce relative to indemnity plans. Thus, in aggregate, CBO estimated that the parity amendment would impose direct costs on the private sector of 4 percent of private health insurance premiums.

Responses by Employers

Most employers offering health insurance coverage to their workers could face additional costs as a result of the mental health parity amendment. Data on employment-based plans from the Bureau of Labor Statistics (cited by Coopers and Lybrand, LLP, in a study of the effects of the parity amendment) indicate that almost all employment-based plans offered some mental health benefits in 1991, but less than 2 percent of them had parity for outpatient coverage of mental health services.

Employers could respond to those additional costs in a variety of ways. They could lessen the impact on health insurance premiums by reducing the overall generosity of their health insurance benefits or by dropping mental health coverage. Some employers might cease to offer health insurance to their workers altogether. Any remaining increase in premiums would most likely be passed on to workers in the form of lower wages or reductions in other fringe benefits.

Projections of the relative magnitude of the possible responses are, inevitably, speculative. The best studies of the effects of mandates on health insurance coverage have large margins of error associated with their estimates. Some empirical questions, such as the degree to which other components of health benefits would be dropped in response to a mandate about a specific component of coverage, have simply not been addressed by academic studies. Nonetheless, we can provide estimates of the plausible magnitudes of various responses, albeit with a high degree of uncertainty.

For calendar year 1998, CBO estimates that the parity amendment would impose direct costs of $11.6 billion on the employment-based insurance market--costs that we assume would ultimately be borne by workers. Based on our assumptions, we estimate that the additional costs would be allocated in the following ways:

- $6.7 billion in additional premium payments for people who continued to have employment-based coverage;
- $4.8 billion in reductions in health insurance premiums attributable to less generous health benefits; and
- $80 million in reduced premium payments for mental health benefits for people losing or dropping their employment-based coverage.

Most of the $6.7 billion in additional premium payments would come from increased contributions by employers, with the remainder being employees' contributions. Employers would shift their additional costs onto workers in the form of lower non-health compensation (cash wages and other fringe benefits.) Non-health compensation for workers who continued to have employment-based coverage would be reduced by almost $6 billion, or by about 0.15 percent of what they otherwise would have received.

Employers would also reduce the generosity of their health insurance benefits by about $4.8 billion in 1998. Reductions in coverage generosity could encompass moving toward more restrictive forms of managed care, increasing cost-sharing requirements, restricting or dropping other benefits, or dropping mental health coverage entirely (if permitted under applicable state laws).

If employers took no action to reduce the generosity of benefits, annual premiums would rise, on average, by approximately $190 per policy or $95 per covered person. The reductions in benefit generosity would offset those increases, however, so that the net increase in premiums would average about $110 per policy or about $55 per covered person.

CBO estimates that the parity requirement could result in 400,000 fewer workers (800,000 fewer workers and dependents) having employment-based coverage than otherwise. But those estimates are highly uncertain because of the large margins of error in the study on which they are based. (Indeed, the possibility that the parity amendment would have no effects at all on the number of covered workers is within the margin of error.) Had those workers continued to have coverage, their premiums would have risen by $80 million, reflecting the additional costs attributable to mental health parity. By dropping coverage, the $80 million in mental health parity costs would be saved. CBO assumes that the affected workers would receive the equivalent of the premium contributions formerly made by their employers as additional non-health compensation.

Effects of Existing State Benefit Mandates

Many states currently have mandates requiring insurers to provide or offer mental health coverage. According to the most recent data from GAO, 15 states require insurers to cover mental health benefits, 23 require insurers to cover alcoholism treatment, and 13 require insurers to cover drug abuse treatment. In addition, 16 states require insurers to offer at least one plan with mental health coverage, 16 require insurers to offer alcoholism treatment, and 10 require insurers to offer substance abuse treatment. Specific requirements under those mandates vary considerably from state to state. Thus, the effects of mental health parity on insurers and employers could vary significantly by state.

In general, employers with fully-insured plans could not drop mental health, alcoholism, or substance-abuse treatment in states where the corresponding mandates apply. Those employers would have fewer options open to them than self-insured plans, which are not covered by state benefit mandates, and employers in states with no mental-health-related mandates. Employers not affected by state mandates could choose to drop all mental health coverage in order to avoid the parity requirements, although it seems unlikely that many employers, other than small firms, would choose that option.

In states that require insurers to offer a plan that provides mental health (or alcoholism or substance abuse) coverage, insurers may already be experiencing adverse-selection problems between plans that do and do not have mental health

coverage. That is, people who believe that they will need to use mental health services are more likely to purchase policies offering mental health coverage, thereby pushing up the premiums for such plans. If more employers sought policies without mental health coverage to avoid premium increases induced by the parity requirement, the result could be somewhat greater adverse selection among health plans in the future.

The behavioral response of employers, regardless of whether they were affected by state benefit mandates, would depend critically on whether use of managed care "carve-outs" and other managed care techniques could continue and expand under the parity requirement. If those options were precluded by legislation, CBO's cost estimates would be substantially higher.

Severe Mental Illness

Information is limited on the differences in the costs of coverage for the severely mentally ill as compared to those with less serious mental health conditions. Research conducted by Richard Frank at Harvard University suggests that patients with severe mental illness, defined as schizophrenia, manic-depressive disorder, and depression with a history of hospitalization, may account for 40-60 percent of all mental health care costs. The high end of that range reflects experience in Medicaid programs, whereas the low end of the range may be more likely among the privately insured population.

To our knowledge, the only estimates of the costs of the mental health parity provision that attempt to distinguish between different levels of severity are those conducted by Milliman and Robertson, Inc. Using a somewhat broader definition of severe mental illness than did Professor Frank, that firm concluded that premiums would increase by an average of 3.9 percent if the parity amendment governed all mental health conditions, compared with 2.5 percent if severe mental illness only were covered. We are unable to evaluate those estimates because the Milliman and Robertson report provides little information about its data sources or estimation techniques. We do, however, have concerns about the effectiveness of a policy to limit the parity provisions to treatment of certain specified diagnoses, because of the incentives providers would face to "upcode" less serious diagnoses to meet the parity provisions.

MENTAL HEALTH PARITY

Our Position

- We support the Domenici-Wellstone amendment. We have always supported moving towards parity for mental health benefits. In addition, this amendment received the type of broad, bipartisan support that is obviously necessary for any health reform to be enacted. 65 Senators, including well over half of the Republicans (29), voted for this provision. These included Senator Dole and Senator Helms. In addition, all 100 Senators voted to support the final bill with this provision in it.

- Having said this, we want to address the legitimate concerns of the business community. We look forward to working with the Congressional Leadership and the committees of jurisdiction on this.

Impact on Coverage

- We do not believe that this amendment will have any affect on coverage. The amendment does **not** require any insurer or health plan to provide mental health benefits. It requires only that, if they are provided, they are equivalent to coverage for other medical conditions.

- Everyone who supports this amendment has worked hard to increase coverage for the 40 or so million Americans without health insurance. I can assure you that they are not interested in doing anything that will further jeopardize coverage in this country.

Mrs. Gore's Meeting with Speaker Gingrich

[NOTE: The meeting is happening as I write these talking points. I have asked Skila Harris, who is with Mrs. Gore, to call Kathy McKiernan with a description of the meeting as soon as it is over.]

- Mrs. Gore, Marianne Gingrich and Speaker Gingrich are meeting to discuss mental health. Mrs. Gore has worked with the Gingrich's in the past on these issues. Today's meeting was initiated by Mrs. Gore and Mrs. Gingrich in preparation for tomorrow's meeting of the Congressional/Cabinet Spouses Forum on Mental Health Issues. Mrs. Gore planned to talk with the Gingrich's about the importance of parity for mental health benefits and to hear the Speaker's views about the chance for success of this amendment this year. [NOTE: She is not negotiating on behalf of the Administration.]

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800,000 May Lose Coverage If Mental Benefits Are Added

By ROBERT PEAR

WASHINGTON, May 13 — The Congressional Budget Office said today that 800,000 people could lose health insurance as a result of higher premiums if Congress required insurers and health plans to provide coverage for mental illness equivalent to that provided for other conditions, like heart disease.

The Senate voted last month to impose such a requirement as part of a bill intended to make health insurance more readily available to millions of Americans, especially those changing jobs. But the budget office said the requirement relating to mental health coverage could impose new costs on many employers and lead some to drop health insurance altogether.

"The parity requirement could result in 400,000 fewer workers (800,000 fewer workers and dependents) having employment-based coverage," the budget office said today in a report to the House Committee on Economic and Educational Opportunities.

About 40 million Americans have no health insurance, and the number has been rising slowly in the last few years, Census Bureau data show.

The mental health proposal, which is strongly favored by psychiatrists, people with mental illness and their relatives, is one of many issues still to be resolved by the House and the Senate, which have passed different versions of the health insurance legislation. The House version says nothing about coverage of mental illness. Work on the bill has bogged down because Senate leaders have not appointed members of the conference committee.

The requirement for parity in mental health coverage was added to the Senate bill at the suggestion of Senators Pete V. Domenici, Republican of New Mexico, and Paul Wellstone, Democrat of Minnesota, who have close relatives with mental illness. They contend that employers will save money in the long run if employees with mental disorders receive proper treatment, because the workers will be more productive.

But the Congressional Budget Office said the requirement would "impose direct costs of $11.6 billion on the employment-based insurance market — costs that we assume would ultimately be borne by workers." Initially, it said, premiums would increase by an average of 4 percent, but employers should be able to hold the average increase to 1.6 percent by reducing the generosity of health benefits.

The net increase in annual premiums, it said, would average $110 a policy or $55 for each person covered.

The budget office said its estimates had "a high degree of uncertainty" because experts could not know for sure how employers would respond. But June E. O'Neill, the director of the Congressional Budget Office, said any increase in premiums "would most likely be passed on to workers in the form of lower wages or reductions in other fringe benefits."

Almost all companies with employee health plans offer some mental health benefits, but fewer than 2 percent provide mental health coverage that is equivalent to that for other health services, the report said.

Thus, the budget office said, employers would have to make major changes in health benefits to comply with the Senate bill. It assumed that employers would make these changes in mental health coverage:

¶Outpatient visits for mental health services, now typically limited to 20 a year, would be unlimited.

¶For people with mental disorders who are admitted to a hospital, coverage, now typically limited to 30 days a year, would be unlimited.

¶The patient's share of bills for outpatient services, like psychotherapy, now 50 percent, would be reduced to 20 percent.

¶There would be no lifetime limits on coverage for mental health care. The lifetime limit for such services is now typically $50,000.

Michael M. Faenza, the president of the National Mental Health Association, an advocacy group based in Alexandria, Va., agreed that Mr. Domenici's proposal would cause some increase in premiums, but said the increase would amount to only a few dollars a month.

"The costs of not providing mental health care to children and adults with mental disorders are astronomical," Mr. Faenza said. "If you don't provide outpatient care, these people may end up being admitted to a public mental hospital, at much greater cost to taxpayers."

Race Statistics Alone Do Not Support a Claim of Selective-Prosecution, Justices Rule

By LINDA GREENHOUSE

WASHINGTON, May 13 — The Supreme Court ruled today that statistics showing that the overwhelming number of Federal crack-cocaine defendants are black are not by themselves sufficient to support a defense allegation that the Government is engaged in selective prosecution.

But at the same time, the Court left open the prospect that the Government would have to explain its prosecution policy if defendants could show that "similarly situated defendants of other races could have been prosecuted, but were not."

Lawyers representing black defendants in crack-cocaine cases maintained today that they could probably meet this preliminary test in future cases, depending on what the Court meant by "similarly situated," a phrase the Court did not define.

With a majority opinion by Chief Justice William H. Rehnquist, the Court voted 8 to 1 to overturn a 1995 ruling by the United States Court of Appeals for the Ninth Circuit, in San Francisco, that had added fuel to an already explosive debate over the relationship between race and Federal narcotics policy.

The appeals court had upheld a ruling by Judge Consuelo B. Marshall of Federal District Court in Los Angeles, who dismissed Federal indictments accusing five men of conspiring to distribute crack. The dismissals were a penalty for the Government's refusal to obey Judge Marshall's order to explain statistics showing a sharp racial disparity in crack prosecutions.

Chief Justice Rehnquist said today that in upholding the order, the appeals court had applied the wrong standard for examining claims of selective prosecution. The focus should not have been on raw statistics, he said, but on "a credible showing of different treatment of similarly situated persons."

The dissenting vote was cast by Justice John Paul Stevens, who said that Judge Marshall had the discretion to order the Government to provide the statistics given "the troubling racial patterns of enforcement" that Justice Stevens said "give rise to a special concern about the fairness of charging practices for crack offenses."

The case now returns to District Court for further proceedings, with the Government expected to seek reinstatement of the indictments. With similar challenges now before other Federal District Courts in California, the debate over crack and race is by no means over. Sentencing disparities both within the Federal system and between the Federal Government and the states essentially guarantee that this area of criminal law will continue to command attention.

Federal sentencing policy makes sale or possession of cocaine in its crack form subject to much longer sentences than for the powdered cocaine for which white defendants tend to be prosecuted. Under the Federal sentencing guidelines, a five-year minimum sentence applies to possessing either about a pound of powered cocaine or about two ounces of crack cocaine. Last year, the Federal Sentencing Commission proposed equalizing the sentences for crack and powdered cocaine, but President Clinton opposed the change and Congress rejected it.

The disparate sentencing was adopting in recognition of crack cocaine's greater association with violence, than powder cocaine's.

There is also a disparity between Federal sentencing and the sentences imposed in most states for narcotics offenses; one of the defendants in this case, who faces a life sentence in Federal prison because of prior convictions, would get a maximum sentence of 12 years if California had prosecuted the case.

Nationwide, about 90 percent of those convicted in Federal court for crack offenses are black; for powdered cocaine, 29.7 percent last year were black, 25.9 percent were white and the rest were Hispanic.

In the case before the Court, United States v. Armstrong, No. 95-157, the defendants had presented an affidavit from an employee of the Federal Public Defender's office in Los Angeles showing that the defendants in all 24 crack cocaine cases brought to conclusion by the office in 1991 were black. On this basis, the defendants sought and received an order requiring the Government to produce more data and to explain its policies. The Government refused to comply.

In upholding Judge Marshall's order, the appeals court said, in an opinion by Judge Stephen Reinhardt, that "we must start with the presumption that people of all races commit all types of crimes."

In its Supreme Court appeal, the Government took issue with that statement, and so did Chief Justice Rehnquist today. "Presumptions at war with presumably reliable statistics have no proper place in the analysis of this issue," the Chief Justice said, citing Federal statistics showing that the vast majority of those convicted of L.S.D. offenses, as well as pornography charges and prostitution, are white.

There were two parts to the Court's analysis today. Initially, Chief Justice Rehnquist's opinion made it clear that the standard for actually proving a case of selective prosecution was very high, given the tradition of judicial deference to prosecutorial decision-making and the need, in cases involving race, to show that the Government was motivated by a discriminatory purpose.

This case, however, did not involve the merits of a selective prosecution claim but rather the initial step of obtaining Government statistics through the pretrial process of discovery. To obtain discovery, "a credible showing of different treatment of similarly situated persons adequately balances the Government's interest in vigorous prosecution and the defendant's interest in avoiding selective prosecution," the Chief Justice said.

To meet that test, the defense will have to show at least that there were substantial numbers of white defendants who might have been prosecuted on Federal crack charges but who were in fact prosecuted in state court.

What more they might have to show under the "similarly situated" test is open to some question. For example, it would be difficult to show that the white defendants, thousands of whom have been prosecuted in California state courts in recent years, would have met the stricter guidelines for Federal prosecution, which involve such factors as the use of a gun, prior offenses, high quantities of drugs, and involvement with an organized criminal conspiracy.

In an interview today, Nora Manella, the United States Attorney in Los Angeles, said her office had compiled a three-year study that refuted selective prosecution claims by showing that fewer than 1 percent of the white crack defendants in state court would have met Federal prosecution guidelines. Ms. Manella said that while the question of sentencing disparities was a "legitimate political issue for debate," any allegation that her office was deliberately singling out blacks for prosecution was "spurious."

But Eric Schnapper, a lawyer who assisted the defendants, said that if "similarly situated" meant only that the defense had to show that whites were routinely being prosecuted in state court but rarely in Federal court, that test could easily be met under a study compiled by the defense. "We can win this in future cases," Mr. Schnapper said, adding that "the real battle will be over what 'similarly situated' means."

On a busy day, as the Court began its push to the end of the term, there were also these other developments.

Union Lawsuits

The Court ruled unanimously, in an opinion by Justice David H. Souter, that Congress had acted within its constitutional authority when it authorized labor unions to bring lawsuits seeking damages, on behalf of their members, against employers who fail to give the required 60 days' notice before a plant closing or a mass layoff.

The decision, United Food and Commercial Workers v. Brown Group, No. 95-340, overturned a ruling last year by the United States Court of Appeals for the Eighth Circuit, in St. Louis, which found that union members had to participate individually in the lawsuit.

Earlier Supreme Court cases indicated that organizations rarely have legal standing to seek damages on behalf of members.

Justice Souter said Congress could choose to overcome this general barrier, as it did when it passed the law in question, the Worker Adjustment and Retraining Notification Act of 1988, known as the WARN Act.

Suits Against States

Accepting an appeal by the State of Arizona, the Court agreed to decide whether individuals could sue states for failing to live up to their legal obligations, under a Federal child-support law, to help seek absent fathers and enforce child-support obligations.

The lower Federal courts are split over whether the Federal law, known as Title IV-D of the Social Security Act, permits private lawsuits or whether the only remedy for state failure is a Federal enforcement action and a loss of Federal money.

In this case, the Ninth Circuit last year ruled in favor of a group of women who had custody of their children and who had been unable to get the state's assistance in obtaining child support from the fathers. The appeals court permitted the suit to go forward under a Reconstruction-era Federal civil rights law, known as Section 1983, that permits suits against state officials for violations of constitutional or Federal legal rights.

This case, Blessing v. Freestone, No. 95-1441, has important implications because the Supreme Court has been closely divided over the circumstances under which Section 1983 can be used to require states to live up to their obligations under Federal law. Although the Court last explored this area only a few years ago, the current majority's commitment to expanding states' rights makes it possible that this new case could be a vehicle for overturning a number of precedents.

Religious Symbol

With three Justices dissenting, the Court let stand a ruling by the Federal appeals court that an Oklahoma city's seal is unconstitutional because it depicts a Christian cross.

The city, Edmond, had appealed to the Supreme Court on the ground that the ruling by the United States Court of Appeals for the 10th Circuit showed hostility to religion. The seal, which also depicts a covered wagon, an oil derrick, and a university building, was just "a collage of historical symbols celebrating Edmond's unique history and heritage," the city said.

The majority today made no comment in rejecting the appeal, City of Edmond v. Robinson, No. 95-879.

In a dissenting opinion, Chief Justice Rehnquist, Justices Antonin Scalia and Clarence Thomas said the Court should have taken the case to decide whether the residents who brought the lawsuit — several members of a local Unitarian church as well as a Jewish resident — had legal standing to challenge the seal.

THE NEW YORK TIMES
TUESDAY, MAY 14, 1996

To: Jan Klein

Background on Mrs. Gore/Speaker Gingrich Meeting
May 13, 1996

- Mrs. Gore, Marianne Gingrich and Speaker Gingrich will meet tomorrow (May 14, 1996) in the Speaker's office to discuss issues related to mental health.

- Mrs. Gore and Mrs. Gingrich initiated the meeting in preparation for an upcoming meeting of the Congressional/Cabinet Spouses Forum on Mental Health Issues. The meeting will take place at the Vice President's Residence on Wednesday, May 15, 1996.

- The Congressional/Cabinet Spouses Forum on Mental Health Issues is a non-partisan organization established in September of 1993. The forum is concerned with raising the awareness that mental and addictive disorders affect one in five Americans and that there are effective treatments for these illnesses.

- The forum organizes educational briefings for spouses of members of Congress and the administration on mental health issues.

Prepared by Sally Aman

QUESTIONS AND ANSWERS RE KASSEBAUM/KENNEDY

1. **Would the President really risk the enactment of the Kassebaum-Kennedy bill over the issue of Medical Savings Accounts (MSAs)? Would he really veto the whole bill just because the MSA provision was included?**

Yes. The President would veto the MSA provision now being advocated by the Republicans.

This legislation would not be the Kassebaum-Kennedy bill anymore if their MSA provision survived the conference. On a bipartisan 100 to 0 vote, Senator Kassebaum and Senator Kennedy joined every single one of their colleagues in the Senate in voting for this legislation WITHOUT the MSA provision.

The real question is why are the Republicans willing to risk the enactment of a bill that just received unanimous approval in the Senate? Why are they even contemplating adding this controversial provision to a conference report right after a bipartisan 52-46 vote that explicitly rejected this provision?

We have all learned that health care must be done on a bipartisan basis. Not one Democrat voted for the MSA amendment. It is sad that some Republicans are more interested in playing politics than in getting a bill singed into law.

2. Do you support the Domenici/Wellstone mental health-parity amendment?

Yes we do. We have always supported moving towards parity for mental health benefits. In addition, this amendment received the type of broad bipartisan support that is obviously necessary for any health reform to be enacted. 65 Senators, including well over half of the Republicans (29), voted for this legislation.

What about your previously stated position in support of a clean, non-controversial amendment approach?

We wanted to help ensure that only broadly-supported initiatives would be included in the final bill presented to the President. Clearly, the vote on the mental health parity amendment proved that its provisions have broad and deep support by Members of Congress of all ideologies. Certainly, any amendment that receives the support of Senator Wellstone, Senator Dole, and Senator Helms meets the broad-based definition. Moreover, all 100 Senators voted to support the final bill with this provision in it. Having said this, we want to work with the private sector to address legitimate cost and administrative concerns.

April 26, 1996

6-5572

Our position

Why do we not think people will lose coverage?

1 bullet on Mrs. Gore - Gingrich mtg
↳ Skila - 224-8391

Not required to add mental health coverage.
If they provide it, has to be the same.
If offering mental health, there has to be parity.
We don't believe that that would have any impact on coverage.
All supporters of this amendment support increased coverage.

April Melody → broader mental
Arranged by Mrs. Gore & Mrs. Gingrich

Alison

Worked w/ them in past. Preparing for
Not there to negotiate. Advocating for mental health, see what he thinks his chances are this year.

We want to address legitimate concerns of business
Working w/ Leadership & Domenici