THE WHITE HOUSE

WASHINGTON

November 19, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON
MELANNE VERVEER

FROM: **NICOLE RABNER**
RUBY SHAMIR

SUBJECT: **END OF SESSION VICTORIES**

The Administration achieved significant victories in the budget negotiations this year, as detailed in the attached "wins overview" document. The final FY 2000 appropriations mark for the NEA is $98 million; for the NEH the mark is $116 million; and for the Legal Services Corporation the mark is $305 million.

In addition to the appropriations victories, the Administration prevailed on a number of free-standing issues in which the First Lady has been particularly involved:

Foster Care: Independent Living Act. This evening, the Senate will approve by unanimous consent H.R. 3443, the Foster Care Independence Act of 1999. Because the House passed an identical bill yesterday, it will immediately be cleared to go the President. Minor modifications from the earlier versions include stronger accountability and adoption-promotion language and re-naming the Independent Living Program after the late Senator Chafee. We have asked Patti to work with Presidential scheduling on a date for a bill signing ceremony.

Health Care: Graduate Medical Education. Authorizing legislation for the Administration's $40 million proposal to support graduate medical education at free-standing children's hospitals (GME's) was passed yesterday afternoon and the proposal is fully funded in the omnibus appropriations measure. The children's hospitals are thrilled with this outcome and credit the First Lady for this success.

Health Care: Jeffords-Kennedy Work Incentives Improvement Act of 1999. The Work Incentives Improvement Act of 1999 yesterday passed the House by a 418-2 vote. Senate passage is expected before recess, and the President plans to sign it. The President devoted this week's radio address to this topic (paper attached). The measure will allow people with disabilities to retain their Medicare and Medicaid coverage after re-entering the workforce. Specifically, this legislation improves health care options for people with disabilities by removing the limits on the Medicaid buy-in option for workers with disabilities; creating a new Medicaid buy-in demonstration to help people who are not yet too disabled to work; extending

Medicare coverage for people with disabilities who return to work; and enabling SSI or SSDI beneficiaries to go to any of a number of public or private providers for vocational rehabilitation.

Health Care: BBA Givebacks. The Balanced Budget Refinement Act of 1999 (BBRA) was passed by the House yesterday and is expected to pass the Senate before recess. As you know, the BBRA addresses many of the flaws and excessive payment reductions resulting from the Balanced Budget Act (BBA) of 1997. Among other things, the BBRA places a moratorium on the therapy caps that have proven harmful to beneficiaries; increases payments for very sick patients in nursing homes this year; restores funding to teaching hospitals; and eases the transition to the new prospective payment system for hospital outpatients. As part of the BBRA package, hospitals will receive $6.8 billion, nursing facilities will receive $2.7 billion, home health and hospice providers will receive $1.3 billion and Medicaid and CHIP will receive $0.8 billion. The BBRA is being scored by the CBO at $16 billion over five years and costs about $1.2 billion in FY 2000. The White House, however, is scoring the BBRA at $12.4 billion, because OMB considers modifications to payments to out-patient departments to be clarifications, but not changes, to the law. Please see attached for details of the BBRA.

Bankruptcy. Action on the Bankruptcy reform legislation appears to be dead for the year, due in large part to the introduction of two Democratic amendments that would require significant debate. The Democrats held firm not to limit debate on germane amendments. One amendment, introduced by Senator Carl Levin, would prohibit gun manufacturers from discharging debt associated with judgements related to firearm use or purchase. The other amendment, introduced by Senator Charles Schumer, would bar discharge of debts related to judgements against an individual who has violated someone's right to enter an abortion clinic. Senator Lott has promised to bring up the bill again after recess.

OVERVIEW: PRESIDENT CLINTON, VICE PRESIDENT GORE, AND CONGRESSIONAL DEMOCRATS WIN ON THE BUDGET, BUT CONGRESS STILL NEEDS TO DO MORE WORK TO ADDRESS AMERICA'S PRIORITIES

November 18, 1999

PROTECTING FISCAL DISCIPLINE AND PAYING DOWN THE DEBT. The budget agreement represents a victory for President Clinton's stand for fiscal discipline. Between 1981 and 1992, the debt quadrupled. In 1992 the deficit was $290 billion and projected to rise to over $400 billion in 1999. As a result of the tough and sometimes unpopular choices made by President Clinton in 1993 and 1997, we have seen seven consecutive years of fiscal improvement for the first time in America's history, bringing last year's budget to a unified surplus of $123 billion – the largest ever. Throughout the year, the Republicans have been proposing fiscally irresponsible tax cuts that would have jeopardized this record of fiscal discipline. In September, the President vetoed a Republican tax cut that would likely have drained hundreds of billions of dollars of the Social Security surplus from debt reduction. As a result of the President's stand, America will stay on course to pay off the debt held by the public by 2015 – for the first time since Andrew Jackson was President.

A VICTORY FOR AMERICA'S STUDENTS. After vetoing a Congressional budget that denied funding to priority education and training investments, President Clinton and Vice President Gore delivered on their ambitious education agenda.

- ✓ **More High-Quality Teachers With Smaller Class Sizes**: Following on a new initiative by the President last year, the budget agreement includes $1.3 billion for a bipartisan plan to help reduce class size in the early grades by hiring 100,000 quality teachers over the next six years.
- ✓ **Double Funding for After School:** $453 million for after school, providing support to 675,000 students – 375,000 more than last year.
- ✓ **GEAR UP:** A 67 percent increase to $200 million for the President's GEAR UP initiative, which helps 482,000 students aspire to and prepare for college – the second year of this new initiative.
- ✓ **Accountability for the Lowest Performing Schools:** $134 million in Title I funds to help turn around the worst-performing schools and hold them accountable for results.
- ✓ **Expanded Head Start:** A $607 million increase for Head Start to serve an additional 44,000 children. Total funding is $5.3 billion – 90 percent higher than 1993.
- ✓ **Hispanic Education Agenda:** $436 million in increases for a number of education programs that help to improve the educational achievement and high dropout rates of Latino students.
- ✓ **Largest Pell Grant Maximum Award Ever:** Increased to $3,300 – a 43 percent increase since 1993.

FIGHTING CRIME, DRUGS, AND GUNS. To keep crime coming down to record lows, President Clinton fought for important investments in the budget to build on the Administration's successful community policing initiative, including funds to put more police on the street and critical resources to strengthen law enforcement efforts to keep communities safe.

- ✓ **More Police for Our Streets**: The budget contains full funding for the first installment toward the President's goal to hire up to 50,000 more police officers for our Nation's streets by 2005. The initiative builds on the President's successful COPS program that has already funded 100,000 police officers to help keep America's streets safe.

INVESTING IN A CLEANER ENVIRONMENT. President Clinton and Vice President Gore won significant gains for the environment in the fiscal year 2000 budget, including new resources to combat water pollution, protect wildlife, address global warming, and preserve precious lands across the country. At the same time, the President and Vice President forced Congress to drop or substantially modify dozens of anti-environmental riders that would have rolled back hard-won environmental safeguards and benefited special interests at the expense of our public lands.

✓ **Preserving Our Lands Legacy:** The President and Vice President won $651 million for Lands Legacy, a 42 percent increase for this historic initiative that strengthens federal efforts to preserve natural treasures and provides communities with new resources to protect local green spaces.

MAINTAINING AMERICA'S GLOBAL LEADERSHIP. The Republican Congressional budget would have turned its back on America's leading role in the world by not providing funds for peace in the Middle East, leadership at the United Nations, economic development in the poorest countries, and efforts to halt the spread of nuclear weapons. The President fought for and secured victories to strengthen America's leading role in the world – by meeting our commitment to the Middle East peace process, paying our dues and arrears to the United Nations, making a critical investment in debt relief for impoverished countries, funding efforts to safeguard nuclear weapons and expertise from the former Soviet Union, and help raise labor standards around the world.

EMPOWERING FAMILIES AND COMMUNITIES. President Clinton and Vice President Gore are committed to tapping the potential of America's urban and rural communities. This budget moves forward on their vision to help revitalize America's communities and empower families.

✓ **Funding 60,000 New Housing Vouchers for America's Hard-Pressed Working Families.**
✓ **Additional Funding for Empowerment Zones:** The budget provides $55 million in funding for Urban Empowerment Zones and $15 million for Rural Enterprise Zones and Enterprise Communities.
✓ **Continuing To Build a Network Of Community Development Banks Across the Nation:** The final budget includes $95 million for the Community Development Financial Institutions (CDFI) Fund.

PROGRESS ON THE NEW MARKETS INITIATIVE: In his State of the Union, President Clinton proposed to bring more private investment to all areas of the United States. The President and Congressional Leaders have agreed to work together to enact bipartisan legislation to help spur economic development in urban and rural communities that have not shared fully in the benefits of the nation's strong economy. The New Markets initiative enjoys bipartisan support.

✓ **Funding America's Private Investment Companies (APICs):** Provides $20 million of funding for APICs (subject to authorization), a key element of the President's New Markets Initiative, that would leverage $800 million of new investment in underserved areas.
✓ **New Markets Venture Capital Program:** Provides, subject to authorization, $16.5 million in funding for New Market Venture Capital Firms (NMVCs) and BusinessLINC to bring equity capital and technical assistance to small businesses in low- and moderate-income neighborhoods.

ADDRESSING HEALTH CARE. The President won a $34.5 billion investment in health programs, 11.7 percent above the FY 1999 enacted level, to strengthen the public health infrastructure, provide critical prevention and treatment services to individuals with mental illness, and advance biomedical research with a historic investment of $2.3 billion.

- ✓ **Passing the landmark Work Incentives Improvement Act for people with disabilities:** Since 1998, the President has advocated for the passage of the bipartisan Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act. Currently, people with disabilities often become ineligible for Medicaid or Medicare if they work, forcing a choice between health care and employment. This legislation allows people with disabilities to maintain their Medicare or Medicaid coverage when they go to work. It also includes a $250 million demonstration, which the President insisted on fully funding, that allows people with disabilities who are still working and are not yet sufficiently disabled to qualify for Medicaid to buy into the program. Finally, the bill reforms the training system for people with disabilities.

RESPONDING TO THE FARM CRISIS: The Agriculture Appropriations bill included $8.6 billion in emergency funds to assist our Nation's farmers and ranchers who are suffering through the second year in a row of low commodity prices and, for many, crop and livestock losses from severe drought and flooding. The final budget includes over $550 million more to fulfil the unmet needs identified by the President, including significant funds targeted to hurricane-affected areas, increased crop loss payments for all producers, and over $2.5 billion in additional farm loans to help producers secure financing for next year's crop. The President and Vice President remain concerned that Congress did not address the underlying issues that exist in the wake of Freedom to Farm legislation and that more needs to be done.

A STRONG RESEARCH AND DEVELOPMENT AGENDA: The final budget included an unprecedented commitment to key civilian research. The final budget increases the President's "21st Century Research Fund" for civilian research programs by more than $3 billion. It also includes a five year extension of the Research and Experimentation tax credit.

- ✓ **National Science Foundation**: A 6.6 percent increase in support for science and engineering research and education.
- ✓ **National Institutes of Health**: Provides $2.3 billion, a 15 percent increase over FY 1999 funding levels, to build on the President's commitment to biomedical research.
- ✓ **Information Technology**: The final budget includes more than $80 million in funding for the Next Generation Internet and $235 million for the Administration's "Information Technology for the 21st Century" initiative.

MUCH WORK STILL LEFT TO DO In the waning days of the session, the President and Congressional Democrats prevailed in making critical investments to advance the President's comprehensive education agenda, put more police on the streets, protect the environment, and strengthen America's leading role in the world. But much work still remains to be done.

- × **Passing Common Sense Gun Legislation:** Congress must pass a bipartisan juvenile crime bill that includes strong gun measures to: close the gun show loophole; require child safety locks for handguns; ban the importation of large capacity ammunition clips; and bar violent juveniles from owning guns for life.
- × **Passing a Strong, Enforceable, Patients' Bill of Rights:** During the past two years, the President has exercised his executive authority to extend critical patient protections to over 85 million

Americans. But ultimately, the only way to ensure that all Americans in all plans have basic consumer protections is to enact a strong, enforceable Patients' Bill of Rights.

× **Strengthening Social Security:** The Republicans have proposed so-called "lockbox" legislation that would not add a single day to the life of Social Security; the President has asked them to join him in using the benefits of fiscal discipline to extend the life of Social Security from 2034 to 2050.
× **Modernizing and Strengthening Medicare:** Although members of both parties joined the President and Vice President in the effort to adjust Medicare health care provider payments, Congress failed to address the growing challenges that Medicare faces. These challenges include modernizing it with a long overdue, optional prescription drug and giving Medicare the adequate resources and tools to be as efficient as possible.
× **Reducing Youth Smoking:** President Clinton and Vice President Gore have made passage of comprehensive tobacco legislation to reduce youth smoking a top priority in order to stop kids from smoking before they start, through a significant price increase, measures to prevent tobacco companies from marketing to children, and critical public health prevention and education programs.
× **Expanding Federal Hate Crimes Laws:** The President and Vice President have called for a bill that would make it easier to prosecute crimes based on race, color, religion and national origin; and that would also include crimes based on sexual orientation, gender and disability.
× **Funding the EEOC:** Despite EEOC's success in beginning to reduce its backlog of private-sector cases in the last year, Congress failed to provide the funding which would allow EEOC to meet its goal of reducing the backlog of cases to 28,000 by the end of 2000. In addition, despite the fact that women still earn only approximately 75 percent of what men earn, Congress has failed to fund the EEOC's Equal Pay Initiative to improve compliance with equal pay laws.
× **Providing for Long-term Care Assistance for Those With Chronic Illnesses and Their Families:** Despite proposals by the President and bipartisan support from many members of Congress, the Congress has failed to respond and lost an opportunity to provide critical assistance for this population.
× **Providing Health Options for Older Americans:** Although the number of uninsured Americans aged 55 to 65 is growing faster than any other age group, Congress refused to act on the President's proposals to expand health options for older Americans
× **Encouraging Small Businesses to Offer Health Insurance:** The President has urged Congress to provide new health insurance options for vulnerable Americans employed by small businesses.
× **Continuing to Help People Move From Welfare to Work:** Although the Congress enacted eligibility changes similar to those proposed by the President to allow states, tribes and communities to more effectively serve low-income fathers and hard-to-employ welfare recipients, Congress failed to provide any new funding.
× **Raising the Minimum Wage:** The Congress has failed to pass a clean, straightforward bill to increase the minimum wage by $1 over two years – a step that would simply restore it to the 1982 inflation-adjusted level. Instead, the Senate attached the minimum wage increase to fiscally irresponsible tax giveaways for special interests.
× **Expanding Trade and Providing Opportunity for Africa and the Caribbean Basin:** Congress should complete work on the Africa Growth and Opportunity Act. This legislation would be an important milestone in America's effort to build a new economic relationship with Sub-Saharan Africa and deepen ties with our Caribbean and Central American neighbors.
× **Supporting Southeast Europe's Economic Development and Integration**: Congress should pass the Southeast Europe Trade Preference Act submitted by the President, which would authorize expansion of duty-free treatment to a broad range of imports from the region for five years as part

of an effort to strengthen stability and prevent further conflict in the Balkans by facilitating long-term economic growth.

- **Promoting Peacekeeping**: While the budget goes a long way in meeting the anticipated requirements for funding UN peacekeeping operations around the world, the Congress did not fund the full requests. To promote peace and encourage burden-sharing, Congress should fully fund UN peacekeeping efforts.
- **School Construction:** The President's school construction proposal would provide funding to help states and school districts build and modernize 6,000 schools nationwide. Congress should pass the President's plan and invest in our nation's schoolchildren.
- **Enacting Comprehensive Campaign Finance Reform:** This year, the Congress failed once again to adopt real, meaningful reform of our campaign finance system. The President will continue to fight for comprehensive campaign finance reform and believes that the Senate should act to restore the public's faith in our political process.
- **Child Care Initiative.** The Republicans refused to support the President's historic child care initiative to make child care better, safer, and more affordable for America's working families.
- **Farm Assistance.** The President and Vice President were pleased to get $8.6 billion in emergency assistance to farmers and ranchers, but they believe that Congress still needs to address the underlying issues that exist in the wake of Freedom to Farm legislation.
- **Providing Fairness to Immigrant Families.** Congress has failed to take action to provide fairness to immigrant families.
- **Continuing to Empower Communities:** The $70 million funding for EZs and ECs represents less than half of the amounts authorized. The President and Vice President are committed to seeking full funding for the remaining eight years of this program.

PRESIDENT CLINTON APPLAUDS NEW LAW TO HELP INDIVIDUALS WITH DISABILITIES RETURN TO WORK

--Embargoed until 10:06 am EST Saturday, November 20, 1999--

Today, in his weekly radio address, President Clinton will praise Congress for responding to his challenge to pass the Work Incentives Improvement Act. This landmark legislation will make it possible for millions of Americans with disabilities to join the workforce without fear of losing their Medicare or Medicaid coverage. It also enhances the employment services system for people with disabilities. The President today will challenge states to take advantage of the new health insurance options provided by the legislation. He will also point out that this legislation, which has been included in the final budget agreement, captures the essence of what the Administration's efforts on the budget were all about: expanding opportunity, rewarding responsibility, and strengthening community.

MILLIONS OF AMERICANS WITH DISABILITIES FACE BARRIERS TO EMPLOYMENT. At a time when the economy is performing at record levels, the unemployment rate among working-age adults with severe disabilities remains at nearly 75 percent. While people with disabilities can bring tremendous energy and talent to the American workforce, outdated institutional barriers can limit their opportunities to work. Under current law, people with disabilities often become ineligible for Medicaid or Medicare if they work, putting them in the untenable position of choosing between health care coverage and work.

THE PASSAGE OF THE WORK INCENTIVES IMPROVEMENT ACT ELIMINATES BARRIERS TO WORK FOR MILLIONS OF AMERICANS WITH DISABILITIES. Now, thanks to the Administration's efforts and the efforts of Senators Jeffords, Kennedy, Roth, and Moynihan, as well as Congressmen Lazio, Waxman, Bliley, and Dingell, the Work Incentives Improvement Act will help remove this barrier. This legislation, which costs about $500 million over 5 years, improves access to health care by providing greater state incentives and options for Medicaid coverage for workers with disabilities. Some states have already taken advantage of the option established by the Balanced Budget Act (BBA) to provide Medicaid coverage to certain low-income individuals with disabilities who are returning to work.

PRESIDENT CLINTON ENCOURAGES CURRENT EFFORTS TO HELP AMERICANS WITH DISABILITIES RETURN TO WORK AND CHALLENGES STATES TO DO MORE. Today, President Clinton will:

- **Highlight the important provisions of the Work Incentives Improvement Act.** This landmark new legislation creates two new options for states to offer the Medicaid buy-in for workers with disabilities and provides $150 million in grants to encourage states to take this option; creates a new Medicaid buy-in demonstration to help people whose disability is not yet so severe that they cannot work; extends Medicare coverage for an additional 4-and-a-half years for people in the disability insurance system who return to work; and enhances employment-related services for individuals with disabilities.

- **Challenge states to take advantage of the new health care coverage options under this legislation.** The President will challenge states to take advantage of these new options to offer Medicaid to individuals who are not eligible under the BBA option, including people with disabilities who get decent-paying jobs and those whose disabilities may subside or can be controlled with medical attention. He also will encourage states to apply for the new $250 million demonstration program that tests whether early medical intervention, made accessible by Medicaid coverage, will enable people with such disabilities as muscular dystrophy, Parkinson's Disease, or diabetes, to stay healthier and keep working.

THE CLINTON-GORE ADMINISTRATION'S LONG-STANDING COMMITMENT TO INCREASE OPPORTUNITY FOR PEOPLE WITH DISABILITIES. The passage of the Work Incentives Improvement Act is a major achievement for President Clinton, who championed the proposal in his FY 2000 budget. President Clinton and Vice President Gore have a longstanding commitment to increasing the employment of people with disabilities. The Administration has taken a number of actions to bring more disabled Americans into the workforce, including: issuing an executive order in June expanding hiring opportunities for people with psychiatric disabilities; putting in place new regulations in February to make work pay for people with disabilities receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI), by allowing them to earn more and still receive critical cash and medical benefits; creating a task force last year to coordinate national policy on employment of people with disabilities in all sectors of the economy; and including in his budget a $1,000 tax credit for work-related expenses for people with disabilities and an investment in technology to help more people with disabilities work.

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BALANCED BUDGET REFINEMENT ACT OF 1999: HIGHLIGHTS
November 18, 1999

The Medicare, Medicaid and SCHIP Balanced Budget Refinement Act (BBRA) of 1999 addresses flawed policy and excessive payment reductions resulting from the Balanced Budget Act (BBA) of 1997. The President, Vice President and Secretary Shalala are pleased that Medicare beneficiaries' access to high-quality health care is improved through this bipartisan legislation. All parties to the agreement, in particular, Mr. Archer, Mr. Rangel, Mr. Thomas, Mr. Stark, Mr. Bliley, Mr. Dingell, Mr. Bilirakis, Mr. Brown, Senator Roth, and Senator Moynihan, played critical roles in achieving this outcome.

This BBRA addresses many of the problems raised by the Administration and Congress, by, for example, placing a moratorium on the therapy caps that have proven harmful to beneficiaries; increasing payments for very sick patients in nursing homes this year; restoring funding to teaching hospitals; and easing the transition to the new prospective payment system for hospital outpatients, among others. Unfortunately, it includes provisions that are not justifiable, such as a $4.8 billion payment increase to managed care plans that are already overpaid according to most experts. This is troubling because any excess payments from the Medicare trust fund put the program at greater risk. This legislative package costs about $1.2 billion in 2000 and $16 billion over 5 years. All estimates from CBO preliminary score, 11/18/99. The total cost also includes changes in premium revenue. The major provisions (not all provisions) are described below, along with their 5-year costs.

HOSPITALS ($6.8 billion)

Modifies outpatient department policies. The BBA created a new prospective payment system (PPS) for hospital outpatient care that pays set amounts for services that are similar clinically and in their use of resources. This bill adjusts the PPS. It:

Smoothes the transition to the PPS. During the first 3 and a half years of the PPS, this bill creates payment floors to minimize the disruption of the new system. Small rural hospitals would be held harmless for 4 years while cancer hospitals are permanently held harmless from the PPS. In addition, there will be a budget-neutral 3-year pass-through for certain drugs, devices and biologicals and outlier policy for high-cost cases. The bill also extends the current hospital outpatient capital policy through the implementation of PPS.

Clarification of budget-neutral implementation of PPS. This bill clarifies Congress's intent that the new system is not supposed to impose an additional reduction of 5.7 percent on top of the removal of formula-driven overpayment. (Note: OMB would not score this clarification)

Increases Indirect Medical Education Payments. Under the BBA, teaching hospitals' indirect medical education (IME) payment add-on was reduced to 6.0 percent in 2000, and 5.5 percent in 2001 and subsequent years. This proposal would raise the add-on to 6.5 percent in FY 2000, 6.25 percent in 2001, and 5.5 percent in 2002 and thereafter. This provides critical assistance to teaching hospitals adjusting to the changes in the health care system.

Takes Steps Towards Reforming Direct Medical Education. This bill begins to reduce the geographic disparity in payments for direct medical education. It raises the minimum payment for hospitals to 70 percent of the national, geographically adjusted average payment and limits growth in payments for hospitals with costs above 140 percent of the geographically adjusted average payment. For these hospitals, payments per resident will be frozen for FY 2001 and 2002 and increased at a rate of inflation (consumer price index) minus 2 percentage points for FY 2003 through 2005.

Increases disproportionate share hospital (DSH) payments. The BBA reduced DSH payments by 3 percent in 2000, 4 percent in 2001, and 5 percent in 2002. This proposal increases the payment rates set in the BBA. Under this bill, DSH would be reduced by 3 percent in 2001 and 4 percent in 2002. This restoration helps these hospitals care for the uninsured.

Increases payments for PPS-exempt hospitals. The BBA authorized the creation of a PPS system for inpatient rehabilitation hospitals. This bill makes adjustments to this PPS and requires the development of PPS systems for long-term care and psychiatric hospitals. It also includes a wage adjustment of the percentile cap for existing PPS-exempt hospitals and enhanced payments for long-term care and psychiatric hospitals.

Improves rural hospital programs. This bill modifies and improves a series of Medicare policies that support rural health care providers. They complement the special protection for rural hospitals in the outpatient PPS system.

Allows certain hospitals to reclassify to rural for purposes of designation as a Critical Access Hospital (CAH), Sole Community Hospital or Rural Referral Center. Updates certain standards applied for geographic reclassification.

Extends Medicare dependent hospital (MDH) program for five years; improves the CAH program.

Provides exceptions to residency caps for rural graduate medical education.

Rebases the targets for Sole Community Hospitals and provides for the full market basket increase in 2001.

Administrative actions. This complements the Administration's actions to delay the expansion of the hospital transfer policy; stop recoupment of DSH payments based on unclear guidance; delay implementation of the volume control system and refine the ambulatory payment classification system under the outpatient PPS; change to the wage threshold to allow rural hospitals to reclassify for payment purposes; and others.

SKILLED NURSING FACILITIES & THERAPY SERVICES ($2.7 billion)

Provides immediate increases in payment for high-cost cases. The BBA created a new prospective payment system (PPS) for skilled nursing facilities that was implemented on July 1, 1998. Under this system, payments are based on service needs of patients adjusted for area wages. Effective April through October 1, 2000, 20 percent will be added to 12 resource utilization groups (RUGs) for medically complex cases and 3 rehabilitation RUGs. The bill also creates special payments to facilities that treat a high proportion of AIDS patients for 2000-2001 and excludes certain services (certain ambulance services, prostheses, chemotherapy) from consolidated billing and the PPS system.

Increases payment rates. This bill increases payments across-the-board by 4 percent for 2001 and 2002. It also gives nursing homes the option to elect to be paid at the full Federal rate for SNF PPS.

Imposes two-year moratorium on payment caps. The BBA limited yearly payments for physical / speech therapy and occupational therapy to $1,500 each per beneficiary. This limit is too low, causing a large number of therapy users to have payments exceed the caps and have to pay for services out-of-pocket. This bill puts a two-year moratorium on the caps, steps up medical review to prevent fraud, and revises a BBA-mandated study to develop an alternative, more rational system for therapy services payment.

Administrative actions. Apart from this bill, the Administration will increase payment for high acuity patients and exclude certain types of services furnished in hospital outpatient departments from SNF PPS.

HOME HEALTH ($1.3 billion)

Delays 15 percent to one year after the implementation of the home health prospective payment system (PPS). In addition to creating a new PPS for home health, the BBA also required a 15 percent reduction in payment limits. This bill delays implementation of the 15 percent reduction until after the first year of implementation of PPS.

Provides immediate adjustments. The bill raises the per beneficiary limit by 2 percent for agencies subject to the per beneficiary limit with limits below the national average in 2000; pays $10 per beneficiary in 2000 to agencies to help cover the cost associated with OASIS data collection and reporting requirements; eases and clarifies the surety bond provision; and excludes durable medical equipment from home health consolidated billing.
Administrative actions. This bill complements the Administration's actions to delay tracking and pro-rating payments; provide for extended interim payment system repayment schedules; postpone and change surety bond requirements; among others.

BENEFICIARY IMPROVEMENTS ($0.3 billion)

Limits beneficiary hospital outpatient coinsurance. The BBA included a provision to reduce the Medicare beneficiary coinsurance for hospital outpatient department services from its current approximately 50 percent of costs to 20 percent over a number of years. This policy would provide an additional protection by limiting the amount of coinsurance that a beneficiary pays for outpatient care to the Part A deductible ($776 in 2000).

Increases coverage of immunosuppressive drugs. Currently, Medicare pays for the prescription drugs that help prevent rejection of transplants for 36 months. This proposal would, for the next 5 years, extend coverage of these drugs for another 8 months for beneficiaries whose coverage would otherwise expire.

MANAGED CARE ($4.8 billion)

Alters the plan for risk adjustment for managed care plans. The BBA requires that payments to managed care plans be risk adjusted, to prevent adverse selection and to encourage plans to enroll sicker beneficiaries. Rather than implement this immediately, the Administration developed a 5-year phase-in plan which is supported by virtually all independent experts. This proposal alters the phase-in by reducing the amount of risk adjustment scheduled for 2001 and 2002.

Increases rates. Although the General Accounting Office and other independent experts believe that managed care plans continue to be overpaid -- even after the BBA -- this proposal raises the annual rate increase for 2002 from the fee-for-service growth rate minus 0.5 to the fee-for-service growth rate minus 0.3. It also provides an entry bonus for plans entering counties not previously served and for plans that had previously announced that they were withdrawing from counties.

Changes provider participation rules and quality standards. The bill includes a number of provisions to accommodate health plans, including: giving plans more time to submit adjusted community rates; providing greater flexibility in benefits and reducing the user fees paid for the Medicare education campaign; reducing quality standards for preferred provider organizations; and expanding deeming provisions.

Changes demonstrations. This bill delays the competitive pricing demonstration project and extends the social health maintenance organization demonstration and several others.

Interaction with fee-for-service policies. Medicare+Choice rates are linked to growth in fee-for-service spending. Since the policies in the bill increase fee-for-service spending, they increase managed care payments.

Administrative actions. The Administration has and will continue to take administrative actions to improve beneficiary protections and access to information, ease provider participation rules and extend the frail elderly demonstration.

Other providers ($0.8 billion)

Fixes the fluctuation in physician payments (sustainable growth rate). This change stabilizes physician payments and is budget-neutral over 5 years.

Increases payments for Pap smears. Sets the minimum payment rate at $14.60 beginning in 2000.

Increases payments for renal dialysis. Medicare's payments for dialysis have not increased since 1991. Consistent with a recommendation from the Medicare Payment Advisory Commission, this bill increases the composite payment rate by 1.2 percent in 2000 and another 1.2 percent in 2001.

Increases updates for hospice, durable medical equipment, and oxygen. Payment rate increases to hospices would be temporarily increased by 0.5 for 2001 and 0.75 for 2002 and DME and oxygen suppliers by 0.3 for 2001 and 0.6 for 2002.

Delays authority to adopt competitive purchasing practice. The bill delays the Secretary's inherent reasonableness authority until a GAO report is issued and she issues a final rule.

Provides hospital / area-specific adjustments. The bill includes several changes to local demonstration, hospital designations, etc.

Medicaid & Children's Health Insurance Program ($0.8 billion)

Extends the phase-out of cost-based reimbursement for community health centers. The BBA phased out the Medicaid requirement to pay federally-qualified health centers and rural health clinics based on cost. The 2000 phase-out -- where payments are based on 95 percent of costs -- would be extended for 2001 and 2002 under this bill. In 2003, payments are based on 90 percent and in 2004 on 85 percent of costs. A study would determine how these clinics should be paid in subsequent years.

Extends the availability of the $500 million fund for children's health outreach. The welfare reform law put aside a $500 million fund for states to use for the costs of simplifying their eligibility systems and conducting outreach. To date, only about 10 percent of this fund has been spent, and for nearly 30 states, the funding sunsets this year. This bill eliminates the sunset and extends the availability of this fund until it is expended.

Changes Medicaid disproportionate share hospital (DSH) payments and rules. The BBA included a number of significant changes in the Medicaid DSH program, changing states' allotments. The base year data used to set the DSH allotments in the BBA were flawed for some states. This bill adjusts the allotments for DC, Minnesota, New Mexico and Wyoming. It also makes the DSH transition rule permanent and does not allow states to use enhanced Federal matching payments under the State Children's Health Insurance Program (SCHIP) for DSH.

Stabilizes SCHIP allocation formula; adjusts allotment for territories. Under the BBA, states receive an allotment of the total Federal funding based on their proportion of low-income uninsured children. This formula would result in large, annual fluctuations in state allotments. This bill alters the formula, and puts floors and ceilings on the allotment changes to make funding for states more predictable. It also increases the available funding for territories.

Improves data collection and evaluation of SCHIP. One of the centerpieces of the BBA was the creation of this new program to provide health insurance to children in families with incomes too high for Medicaid but too low to afford private insurance. However, the BBA did not provide funding for monitoring and evaluating the implementation and outcomes of SCHIP. This bill adds funding for data collection and evaluation of this program.

THE WALL STREET JOURNAL
THURSDAY, NOVEMBER 18, 1999

A National Dialogue to Build On Adoption Progress

It was an eclectic White House gathering: Liberal Democratic lawmakers Ben Cardin, Maxine Waters and Sandy Levin, moderate Republicans Dave Camp and Nancy Johnson and conservative stalwart, House Whip Tom DeLay.

"This," President Clinton observed at the fall gathering, "may be the only issue all six of these people agree on." Mr. DeLay nodded. The "this," of course, is adoption; the ceremony was to celebrate states that have done good jobs of moving children out of foster care into adoption.

In a decade marked by bitter divisions, adoption is one of the few issues that's enjoyed political consensus. The major presidential contenders are all pointing to their past support of adoption and promising to do more in the future. Sen. John McCain has made much of the fact that he has an adopted daughter.

Politics & People

By Albert R. Hunt

Support on Capital Hill has also been remarkably widespread. Bill Clinton is the most pro-adoption president in history, having advocated and pushed through major changes.

These include the family leave legislation that gave the parents of adopted children the same mandated time-off rights as for those who give birth; legislation outlawing racial or ethnic discrimination in adoption that puts pressure on social workers who have tried to prevent interracial adoption of African-American children; and a $5,000 tax credit—$6,000 for children with special needs—that has made adoption more affordable for middle -and working-class families.

Meanwhile, legislation designed to streamline the cumbersome foster care system and provide incentives to states that show the most progress appears to be working. Last year 36,000 kids moved out of foster care into adoption, up almost 30% in just two years. President Clinton has set a goal of moving 56,000 kids from the public child welfare system into adopted homes by 2002.

All of this is heartening. Yet problems and controversies persist, too many myths remain and adoption still is much harder than it should be. A national dialogue on these issues would be healthy. (In the interest of full disclosure, this is a non-objective column. My wife and I are the parents of a ten-year-old daughter, Lauren, whom we adopted from Korea more than a decade ago. She, along with our two biological sons, has enriched our lives immeasurably.)

Somewhere between 2% to 4% of the population is adopted. But inexplicably, the federal government no longer collects reliable data on overall adoptions. "The government can tell you how many hogs were slaughtered last year but not how many kids were adopted," complains E. Wayne Carp, a Pacific Lutheran University historian who specializes in adoption.

It's estimated there will be about 133,000 adoptions this year. About 40% of these will be stepparent or relative adoptions, another 12% international adoptions and about 30% from foster care. Yet there are still half a million kids in foster care, disproportionately African American or Hispanic, and the average length of time children spend in foster care is almost three years. Both domestically and internationally, kids with special needs—usually major disabilities—have to wait even longer. Older kids with disabilities have a particularly tough time of it.

Despite the increased awareness of the problems of adoption and interracial adoption law, Harvard law school professor Elizabeth Bartholet and others persuasively argue that social workers continue to impede such transactions, often trying to keep dysfunctional families intact. Kids should not be kept in environments plagued by sexual assaults, drugs and other abuses.

Too often adoption gets caught up in the abortion fight. "An adoptee doesn't want to be viewed as an alternative to abortion," says Susan Soon-Keum Cox, a top official at the Holt International Adoption Agency in Eugene, Oregon. She herself was adopted from Korea right after the Korean War. "It is unfortunate when it becomes all muddied up in religious and moral arguments instead of the simple principle that every child needs a loving family."

Small Strides

	1990	1998 Est.
Number of adoptions	118,138	133,000
International adoptions	7,093	15,774
Number of kids in foster care	400,000	520,000
Number of kids adopted from foster care	13,362	36,000
Average age of kids adopted out of foster care	4.6 yrs.	6.4 yrs.

Sources: Evan B. Donaldson Adoption Institute; National Council on Adoption

Adoption also has become ensnared in major debates over openness. It used to be common not to tell kids they were adopted until they were adults, sometimes never. Adoption was a stigma. Now there's even a growing movement towards "open adoptions," in which birth parents, adoptive parents and adoptees all grow up together. That may work for some but for many other members of this triad, it poses more problems than opportunities.

More vexing is the controversy over open records. Should adoptees have an automatic right to contact their birth parents or vice versa? If we celebrate adoption as a positive option then it's difficult to argue against openness. But Bill Pierce of the National Council For Adoption warns that many mothers put babies up for adoption expecting confidentiality. If that trust is violated it could discourage some young women from trying adoption. There are horror stories about breaches of confidentiality, many of them the result of the aggressive tactics of some search groups. Yet it is understandable that adult adoptees should want to know about their birth parents.

What may be a sensible middle ground is something like the Tennessee law mandating open records to allow an adult adoptee to learn the identity of birth parents, but giving those birth parents the right to veto any contact with them.

Finally, while we don't hide adoption in the closet, myths still abound, notes Madelyn Freundlich, Executive Director of the Evan B. Donaldson Adoption Institute, a non-profit organization that seeks to improve the quality of adoption information and promote understanding. Some of the recent publicized cases, she says, have created the misimpression that birth parents could face legal action if they attempt to contact their children later in life. In reality, this affects less than 1% of adoptions.

Another myth which continues to give pause to some potential adoptive parents is that parental attitudes toward adopted kids are different, more strained. Of this, I know the answer. I have been in the Georgetown Hospital delivery room for two sons, both wondrous moments. Our three-and-a-half month old daughter arrived in an airplane at Newark airport. The MacNeil-Lehrer NewsHour, where my wife was working, sent a camera crew to capture the moment. We watch that tape regularly; no delivery room has ever been more magical.

April 2, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER
NEERA TANDEN

CC: MELANNE VERVEER
SHIRLEY SAGAWA
PATTI SOLIS DOYLE
MARSHA BERRY

SUBJECT: ISSUES UPDATE

Welcome home. Below please find brief updates on a variety of issues on which there was some action during your trip.

Child Care Amendment to the Senate Budget Resolution. The Senate passed an amendment to its budget resolution increasing mandatory funding for the child care block grant by $5 billion over five years and $12 billion over ten years, with a corresponding decrease in any proposed tax cut. This action represents a significant step forward for the Administration's proposal to boost funding for child care subsidies for low-income families (funded in our budget at $7.5 billion over five years). The amendment, pushed hard by Senator Dodd and co-sponsored by him and Senator Jeffords, also includes a non-binding provision stating that any child care tax relief (through expansion of the Child and Dependent Care Tax Credit) must benefit all working families (presumably by making the credit refundable) as well as assist stay-at-home parents who care for an infant. Twelve Republicans -- Senators Abraham, Campbell, Chafee, Collins, Dewine, Frist, Hatch, Jeffords, Roberts, Snowe, Specter, and Warner -- voted with all Democrats to pass the amendment.

The challenge now will be to build on this step and ensure the conference committee on the budget resolution retains this provision. The next many weeks will be important, and we are working to devise a strategy for effective public and behind-the-scenes action for you and the President to consider (the President noted on a recent memo from the Domestic Policy Council his enthusiasm to engage on this issue). Of course, as you know, the Administration staunchly opposes the overall budget resolutions of the House and Senate because of their significant cuts in key programs, thereby severely limiting our ability to praise the Congress in its budget work. Also, because the Republicans will be wholly in charge of the conference and Democrats will have little opportunity to influence the process, extreme visibility by you or the President (*i.e.* calling on Congress to preserve the amendment) might in fact be counterproductive in the near term.

Bankruptcy Reform. The bills are moving swiftly through both the House and the Senate. Both chambers plan to complete committee action after recess and take floor action in May. And, with both the Administration and our allies on the Hill having not yet mounted strong opposition to the current flawed bills, the outlook looks bleak, with the possibility that the President will be presented legislation that he will not want to sign, yet with sufficient support to override his veto. We have been working with the President's advisors to devise strategy to increase our leverage and reduce the likelihood of a veto override. A memo will go to the President shortly seeking his approval for this strategy, which includes: (1) exploiting publicly the vulnerabilities of the legislation (by attacking the bill's failure to tackle abuses by credit card companies and the lingering danger it presents to child support and alimony collection); (2) working with bill proponents and opponents (including Senators Torricelli and Grassley and Representative Nadler) to advance alternative provisions that would substantially improve the current bills; and (3) working with Senators Durbin, Kennedy, Leahy and others to develop a Senate floor strategy and identify message enhancement amendments which could motivate Republicans to compromise; and (4) working with Representatives Nadler, Conyers, Frank, Gephardt, and Bonior to produce a more palatable House bill, or, if that is not possible, to garner the 20-25 additional House votes to sustain the President's veto.

We will forward a copy to you of this memorandum to the President when it is completed, and will continue to work internally to gauge what role you might play in this process over the important next few months. The President is scheduled to unveil a package of consumer protection initiatives (the event was canceled during recess because a number of Democratic members wanted to participate) sometime soon. While we will not make inclusion of any *specific* consumer protection provisions a precondition to our support for bankruptcy reform legislation, the Administration will insist on some balancing provisions, and this event will be an important piece of the strategy to give Democrats something to rally around. If your schedule permits, we recommend your participation in this event.

Medicare. The President's senior advisors are in the process of developing the Administration proposal to strengthen and reform Medicare. They hope to send him their proposal in the next few weeks. Thus far, they have discussed premium support and a prescription drug benefit, and have reached no conclusions on either issue. (See attached materials on drug benefits.) However, on premium support, the senior advisors are leaning against a straight premium support proposal, though they may still adopt some reform measures that includes more choice, and moves more people to managed care. In terms of the drug benefit, the senior advisors have agreed that the benefit should be available to all beneficiaries (the Breaux plan had a generous drug benefit for all people below 135% of poverty) because Medicare has never provided an income-related benefit. Much of the discussion thus far has centered around whether to cap the benefit at some figure like $2,000 or to uncap it, thereby ensuring catastrophic coverage. Next week, we are likely to take up income-related premiums and other topics. Again, no decisions have been made, though they hope to send the President a series of policy options by late April. As these discussions become more concrete, we will send you more detail on their nature.

The policy process around Medicare proceeds in light of the new Medicare Trustees Report, which projected that that the life of the Medicare trust fund has been extended until 2015, seven years longer than was projected in last year's report. (See attached statement by the President.) These new projections may well diminish the urgency of using the surplus to extend solvency further (which is currently our only bulwark against Republican tax cuts); they may well also make legislators in both parties reluctant to support provider cuts. Without significant provider cuts, proponents of more generous prescription drug benefits will push for tapping the surplus.

Ed-Flex Legislation and ESEA. The President's advisors have been working to drop from the conference report the amendment that was adopted as part of the Seance bill that would allow school districts to use their class-size reduction money to meet the requirements of IDEA. As of now, 35 Senators have signed a letter recommending that you veto the Ed-Flex bill if this provision remains, and over 200 House members voted in favor of the motion to instruct conferees to drop this provision. The President's senior advisors are recommending the President veto the bill if it is sent to him with the amendment.

In addition, the President's advisors are continuing to work through the legislation for the ESEA proposal. They now plan to roll out the bill in the third week of April, but these plans are still tentative. We will send you a memo next week that outlines the outstanding issues in the bill.

Equal Pay. You are scheduled to participate in an event with the President on April 7 to highlight the Administration's Equal Pay initiatives, and to mark Equal Pay Day, which is April 8. The event will consist of remarks by you and the President followed by a roundtable discussion that includes women and companies that have been party to or victims of equal pay violations. The President will announce some new efforts to step up Equal Pay enforcement (specifically new wage data collection measures), as well as reinforce his support for strong Equal Pay legislation and new funding for enforcement. We are working with Carol on your column for that week.

Prescription for Reading Easter Egg Roll Event. The Easter Egg Roll will feature our Prescription for Reading initiative, with "prescriptions" signed by you and the Surgeon General handed out to families participating at the South Lawn reading stations. Scholastic, Inc. has donated children's books with which to "fill" the prescriptions. Our Prescription for Reading partners are thrilled with this event, and we've invited a number of them to the White House reception.

THE WHITE HOUSE

WASHINGTON

March 30, 1999

BACKGROUND MEMORANDUM ON PRESCRIPTION DRUGS

FROM: Chris J. and Jeanne L.

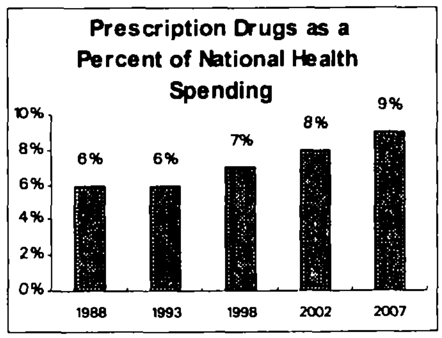
This memo provides background for tomorrow's discussion on a Medicare prescription drug benefit. It describes the need for coverage, expenditure patterns, and the various moving parts of a new benefit. We have also attached an article by Laura D'Andrea Tyson on the topic.

BACKGROUND

PRESCRIPTION DRUGS: A GROWING PART OF MODERN MEDICINE

Increasing reliance on drugs. Prescription drugs have become an essential part of health care, and are expected to play an even greater role in the next century. They serve as complements to medical procedures (e.g., anti-coagulents with heart valve replacement surgery); substitutes for surgery and other interventions (e.g., lipid lowering drugs that lessen need for bypass surgery) and new treatments where there previously were none (e.g, drugs for HIV/AIDS). Some of the major advances in public health -- the near eradication of polio and measles and the decline in infectious diseases -- are largely the result of vaccines and antibiotics. And, as the understanding of genetics increases, the possibility for pharmaceutical and biotechnology interventions will multiply.

Rising share of national health spending. The increased importance of prescription drugs is reflected in national health spending trends. In the past 10 years, spending on prescription drugs has risen as a percent of total spending by 20 percent. In the next 10 years, its share of national health spending is projected to increase by nearly 30 percent. This means that nearly one in ten health care dollars will be spent on drugs.



New drugs and growth in the pharmaceutical industry. Although the need for drugs is growing, the rapid spending increase is also driven by the number of new drugs, which are introduced at high prices, particularly if there is no therapeutical alternative. Between 1994 and 1998, the FDA approved nearly 150 new drugs (a 140% increase from the 1960s), and one of the leading pharmaceutical associations estimates that over 350 biotechnology medicines are now in development. Also, in the last several years, the industry has made unprecedented investments in advertising, increasing demand for drugs. Sales by research-based pharmaceutical companies were $125 billion in 1998, a 12 percent increase over 1997. Profits are expected to continue to grow.

MEDICARE BENEFICIARIES: GREATEST NEED FOR PRESCRIPTION DRUGS

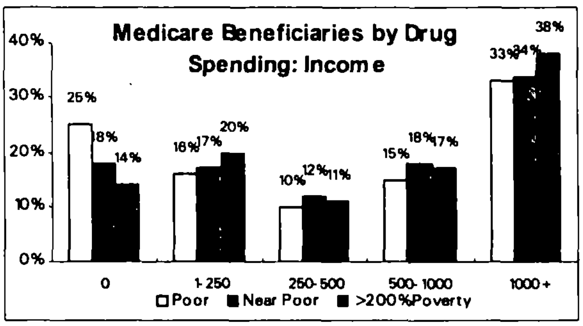
Elderly and people with disabilities rely more on prescription drugs. Over 85 percent of Medicare beneficiaries use at least one prescription drug in the course of a year. Although the elderly comprise 12 percent of the U.S. population, they account for over one-third of all prescription drug spending. The elderly's per capita spending on drugs is over three times as high as that of non-elderly adults, and nearly 10 times that of children. This reflects the greater prevalence of chronic conditions like arthritis and high blood pressure that are best managed through medication.

COMPARISON OF PRICES FOR DRUGS

Drug	Use	Price for Preferred Customers	Regular Price
Prilosec	Ulcers	$56.38	$111.94
Zocor	Cholesterol	$42.95	$104.80
Procardia	Heart	$67.35	$126.86
Zoloft	Depression	$123.88	$213.72

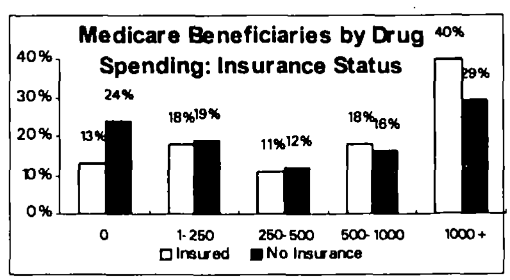
Source: Minority staff report to Committee on Gov't reform

Despite their higher use of drugs, many Medicare beneficiaries pay higher prices for them. Beneficiaries without drug coverage pay significantly more than large HMOs, employers and the Veterans' Administration pay for the same drugs. Moreover, American senior citizens pay higher prices for drugs than citizens in other nations. For example, the average retail price for the top ten drugs for seniors are 72 percent higher in the U.S. versus Canada (use is higher in Canada as well).



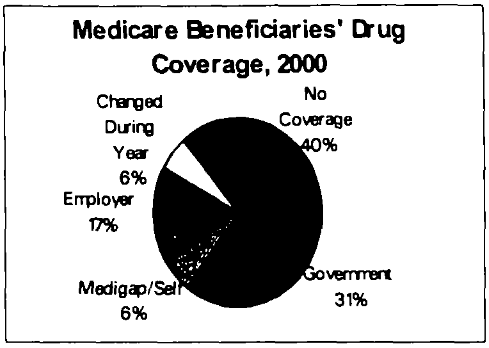
Distribution of beneficiaries' spending on drugs. According the HCFA actuaries' projections for 2000, over 50 percent of beneficiaries will have prescription drug spending of $500 or more -- about 13 million have spending that is greater than $1,000. This expenditure distribution varies somewhat by income. About one in four poor beneficiaries have no drug spending, compared to 14 percent of middle to high income beneficiaries.

Drug spending also varies by whether beneficiaries have insurance coverage. In general, those with some type of insurance coverage (private or public) have higher spending and utilization than those with no insurance coverage for prescription drugs. Although beneficiaries with drug coverage are somewhat less healthy and thus may need more drugs, there appears to evidence that the lack of coverage discourages use of prescription drugs.



The distribution of drug spending also varies by what type of insurance coverage beneficiaries have. Nearly half (47 percent) of beneficiaries with employer-sponsored retiree coverage have more than $1,000 in annual expenditures, versus 33 percent of those in Medicare managed care.

DRUG COVERAGE AMONG MEDICARE BENEFICIARIES



Private supplemental drug coverage: Only 23 percent of Medicare beneficiaries are expected to have private insurance for drug coverage (retiree coverage or Medigap) -- down from 38 percent in 1995. Whereas most people under age 65 have employer-based coverage, only about 17 percent have employer-sponsored retiree coverage. Another 6 percent of beneficiaries have Medigap or other private insurance that pays for prescription drugs. Both sources of coverage have been declining rapidly as the cost of coverage rises.

Retiree health insurance: Employer-sponsored retiree insurance, the most generous type of drug coverage for beneficiaries, is an important but eroding source of coverage. Between 1993 and 1997, the percent of large firms offering retiree health benefits for Medicare eligibles dropped about 20 percent (from 40 to 31 percent). The actuaries project that, by 2000, only 17 percent of beneficiaries will have this type of coverage in the absence of a new Medicare benefit.

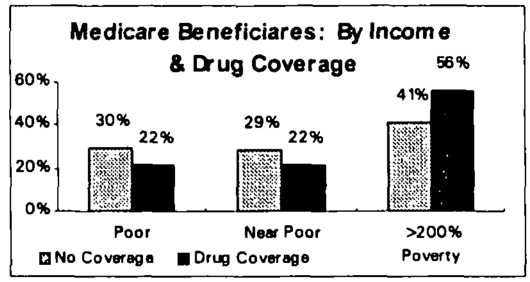
Medigap: Medigap, the standardized private insurance supplement for Medicare, offers prescription drugs in 3 of its 10 standard plans. The standardized Medigap benefit includes a $250 deductible, 50 percent coinsurance, and a cap on benefits spending of $1,250 or $3,000. Medigap premiums are expensive, ranging from $402 to $7,196 per year, depending on the state and type of coverage. The median premium for a 65-year old choosing a plan with prescription drug coverage is well over $1,000 more than a Medigap plan without drug coverage ($2,073 v $913 in 1998). According to experts, virtually all Medigap drug coverage plans are underwritten, meaning that the premiums that they charge are based on the person's health.

Medigap premiums in general have been rising rapidly. One study of Medigap in 3 states found that premiums for the two most popular plans rose by 12 and 20 percent between 1995 and 1996. At the same time, Medigap coverage has declined from about 40 percent in 1984-87 to 30 percent in 1996. The actuaries project that only 6 percent of beneficiaries will have Medigap drug coverage in 2000.

Public coverage: About 30 percent of beneficiaries have some type of government coverage. ***Medicare managed care***: About two-thirds of plans offer some type of drug coverage. Typical Medicare managed care plans have no deductibles and relatively low copayments, but limit the amount that they pay for benefits. In 1998, 58 percent had coverage that is greater than $1,000 and 42 percent had coverage limited to $1,000 or less. Increasing costs and reducing Medicare overpayments could reduce coverage in the future.

Medicaid: Only Medicare beneficiaries who are eligible for Medicaid through the Supplemental Security Income program or a medically needy (spend down) option are eligible for prescription drug coverage. These dual eligibles typically have income at or below 60 percent of poverty.

Beneficiaries without coverage for drugs. About 16 million beneficiaries (40%) are projected to have no drug coverage in 2000. Lack of drug coverage is not just a problem for low-income beneficiaries; 40 percent of beneficiaries without drug coverage have income <u>above</u> 200 percent of poverty (about $17,000 for a single, $23,000 for a couple in 2000). Nearly one in three (30 percent) of nonelderly Medicare beneficiaries with disabilities does not have any coverage for prescription drugs. Older beneficiaries are less likely to have drug coverage, as are rural beneficiaries. Nearly half of rural beneficiaries have no insurance coverage for drugs.



CONSEQUENCES OF THE LACK OF DRUG COVERAGE

Less use of needed prescription drugs. The odds that Medicare beneficiaries use drugs to treat their health problems increases by 60 percent if they have insurance. Although it is difficult to distinguish appropriate from over-utilization, virtually all researchers acknowledge that the lack of insurance coverage for drugs results in underutilization of drugs, even essential drugs.

Greater institutionalization. One study found that elderly and disabled Medicaid beneficiaries experienced significant declines in the use of essential medicines (e.g., insulin, lithium, cardiovascular agents, bronchodialators) when their Medicaid drug coverage was limited. The increased cost of institutionalization exceeded the savings from reduced use of drugs by 20 fold. Another study found that elderly, ill Medicare beneficiaries whose Medicaid coverage was limited were twice as likely to enter nursing homes. A different study of stroke patients found that those treated promptly with drugs to thin clots had significantly lower health care costs.

Larger financial burden. Even after controlling for health status and income, elderly people with private insurance for drugs have half the financial burden for drugs as those without coverage. One percent of elderly households spend at least 25 percent of their household incomes on drugs. Rural elderly have costs that are 35 percent higher than urban elderly, and women have, on average, costs that are 20 percent higher than men, primarily because many are widowed and lower income. A 1993 survey found that 13 percent of elderly Americans reported having to choose between buying food and buying medicine.

Shorter lives. Given the importance of prescription drugs to modern medicine, the actuaries suggest that under-use of them by Medicare beneficiaries can reduce life expectancy. Ironically, this means that adding a prescription drug benefit could raise -- not lower -- costs of hospitalization and other services, since beneficiaries would live longer.

<u>DESIGN PARAMETERS FOR A PRESCRIPTION DRUG BENEFIT</u>

There are a number of major design features that affect the costs and coverage of a Medicare prescription drug benefit. These are outlined below.

Eligibility: One of the basic questions about a new drug benefit is who is eligible. Medicare benefits have never been limited to subsets of beneficiaries or means tested. However, the costs of a new Medicare drug benefit and concerns about substituting for existing private coverage were major reasons why some Medicare Commission members opposed a drug benefit. The Breaux-Thomas proposal did not include a new Medicare benefit. Instead, it recommended a new Medicaid (not Medicare) subsidized benefit for those with income below 135 percent of poverty (about $11,000 for a single, $15,000 for a couple). It would also require Medicare plans and Medigap to offer an unsubsidized drug option. The lack of a significant subsidy would raise major selection issues that would destabilize this insurance, since healthy beneficiaries would consider it unaffordable and mostly sicker beneficiaries would participate, driving up costs.

Providing low-income beneficiaries with a fully subsidized benefit is important -- and would, in fact, happen automatically if a new Medicare benefit were created. This is because, under current law, Medicaid pays for Medicare premiums for all beneficiaries with income below 135 percent of poverty. Unless this provision is changed, Medicaid would also pay for the Medicare premium for prescription drugs for low-income beneficiaries (note: in our cost estimates).

However, a low-income drug benefit will leave most beneficiaries vulnerable. Nearly 3 out of 5 beneficiaries who lack drug coverage have income above 135 percent of poverty. About 30 percent of these beneficiaries have drug expenditures that exceed $1,000. This represents a considerable expense for beneficiaries with income between $15,000 and $20,000. Moreover, private coverage for drugs is unstable. The actuaries project that the proportion of beneficiaries with retiree coverage will decline from 28 to 17 percent between 1995 and 2000, and with Medigap from 10 to 6 percent. Although these declines are offset by increased enrollment in Medicare managed care, managed care plans are increasingly wary of offering a drug benefit.

For these reasons, Laura Tyson and other economists argue that the only efficient option is to extend drug coverage to all beneficiaries. Not only does this ensure that beneficiaries that need this coverage get it, but it limits the need for inefficient, expensive supplemental coverage.

Optional versus mandatory: Today, the Part B premium for Medicare is voluntary but, since the government pays 75 percent of the premium, virtually all beneficiaries take this option. In contrast, in 1988, when a catastrophic drug benefit was added to Medicare, all beneficiaries were required to pay the new premium. This mandatory premium was unpopular, particularly with beneficiaries with other, less expensive, and typically more generous coverage. This contributed to the subsequent repeal of this benefit.

Although proponents of a drug benefit would prefer that it be optional, there is one compelling reason to consider a mandatory benefit: costs. As with most insurance, a new optional drug benefit would create a "moral hazard", meaning that beneficiaries with high drugs costs are more likely to purchase the option. This results in a high average cost of the insurance which translates into higher premiums. Over time, healthier beneficiaries will be less willing to pay the higher premiums, causing the risk pool to shrink and the premiums to rise even more.

There are ways to reduce risk selection in an optional drug benefit. The most important would be to subsidize the premium for the benefit. Since nearly all beneficiaries use drugs, a reduced-price premium would encourage healthy beneficiaries to participate. The actuaries assume that even those with employer-sponsored retiree coverage would participate (employers would pay for the beneficiaries' share of the premium, and wrap around the Medicare benefit if their current benefit is more generous). Another way to ensure that an optional benefit is viable is to limit when beneficiaries can enroll. If beneficiaries can wait until they are sick to enroll, even a subsidized option could be subject to risk selection. Our actuaries assume that if there is at least a 50 percent premium subsidy and a one-time option to participate (when a beneficiary enrolls in Medicare), than all beneficiaries will participate in an optional benefit. It may also be possible to create transition rules for beneficiaries who lose their retiree coverage.

Premium subsidy: As described above, premium subsidies are important to participation in an optional drug benefit. At the same time, while they reduce the cost per beneficiary, they raise Federal spending in aggregate. The level of the premium subsidy was discussed extensively in the last days of the Medicare Commission. Laura Tyson and Stuart Altman, following logic of the actuaries, argued for at least a 50 percent subsidy. At one point, it appeared that the Commission would agree to a 25 percent subsidy for all beneficiaries, but in the end rejected it -- both on cost grounds and because of a reluctance to subsidize higher income beneficiaries.

One option that could address these concerns is an income-related premium for the optional drug benefit. It would have to be designed carefully, to avoid selection, but could both lessen the cost of the benefit and reduce government assistance for those who could afford it. It would make even more sense if there were an income-related Part B premium, simplifying the administration.

Cost sharing: In additional to the premium subsidy, the cost of a Medicare drug benefit depends on its cost sharing structure. There are four major moving parts of a drug benefit: its (1) deductible, (2) coinsurance or copayments, (3) limits on out-of-pocket spending or stop-loss protection, and (4) cap on benefit payments. The cost sharing for Medicare beneficiaries with drug coverage varies dramatically. Employer-sponsored coverage is probably the most generous. Mirroring coverage for their under-65 workers, it typically has no separate deductible for drugs, low copayments, stop-loss protection, and no limit on benefit payments. Medigap, in contrast, has a separate, $250 deductible, 50 percent coinsurance, and a cap on how much the plan will pay. Medicare managed care usually has low to no deductible and copayments, controlling costs by limiting the amount that plans pay.

EXAMPLES OF DRUG BENEFIT COST SHARING

Option	Deductible	Copay	Stop-Loss	Benefits Cap
FEHBP*	$50	20%	($3,750)	None
Retiree **	($300)	$5/15	($1,750)	None
Medigap	$250	50%	None	$1250/3000
Kaiser DC:	$0	$5/20	None	$1,000

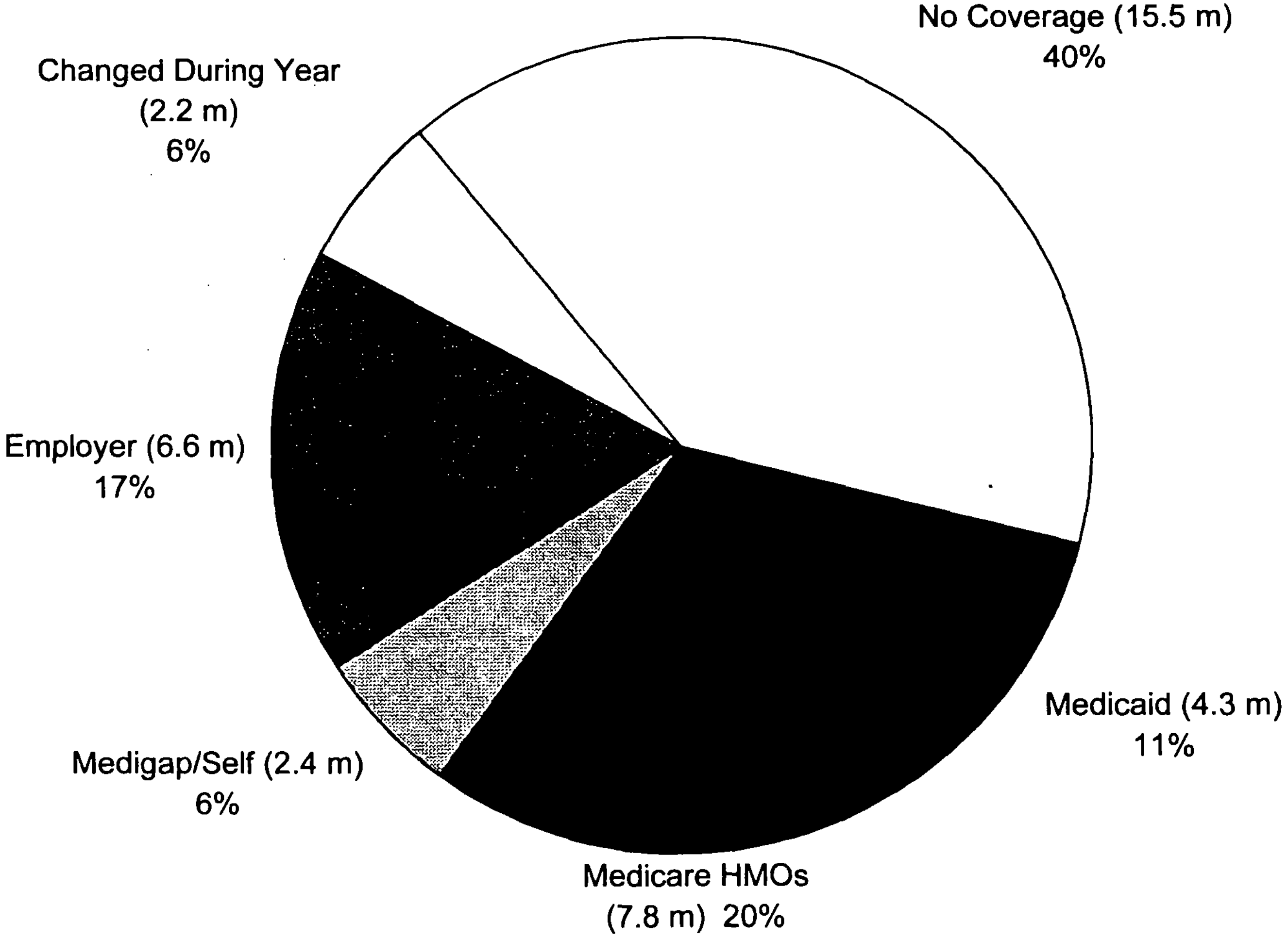
Limits in parentheses are for all services, not just drugs
* Blue Cross/Blue Shield standard option
** Typical retiree plan

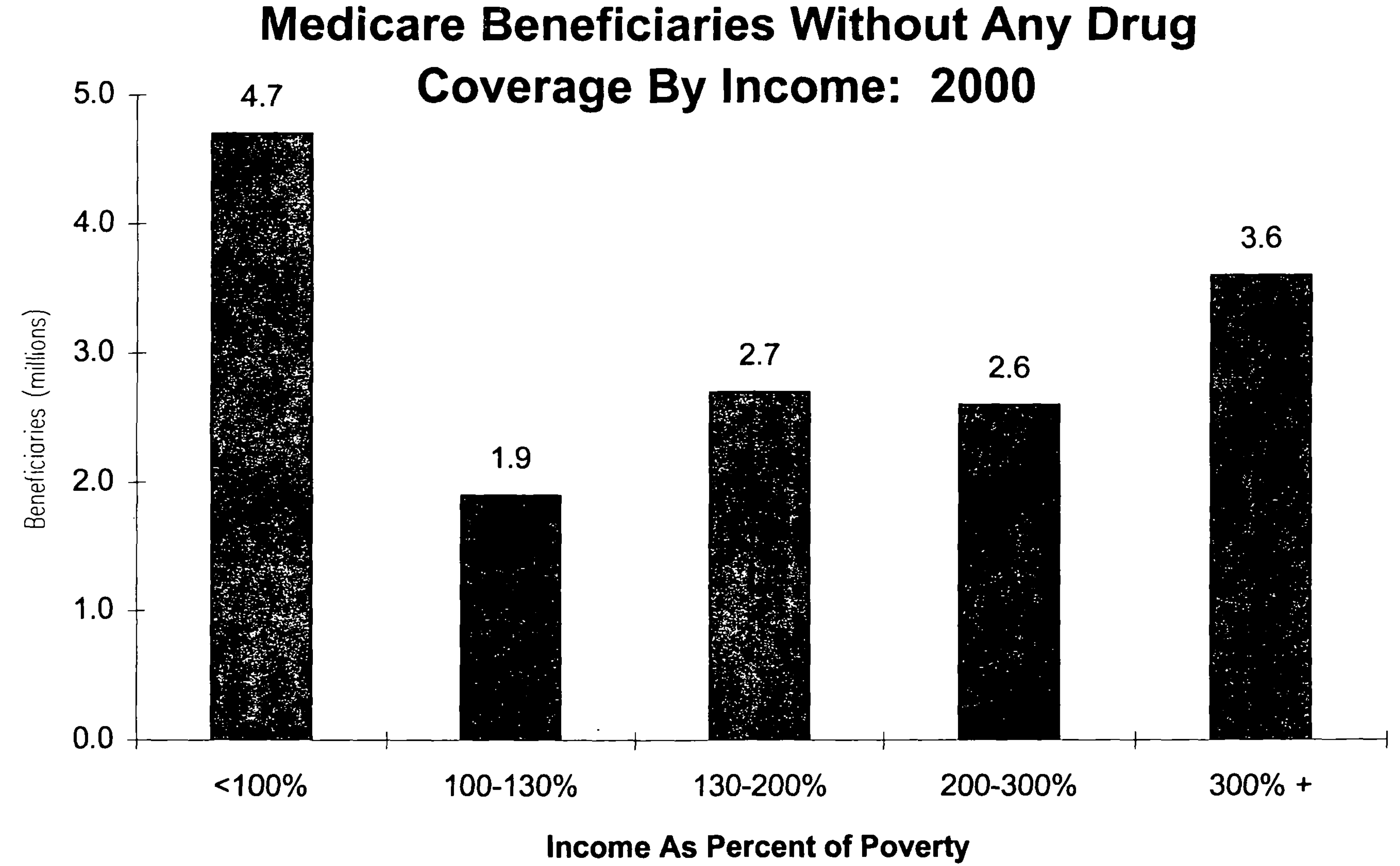
MEDICARE PRESCRIPTION DRUG BENEFIT

MAJOR PARAMETERS AFFECTING COSTS

AGENDA: March 29, 1999

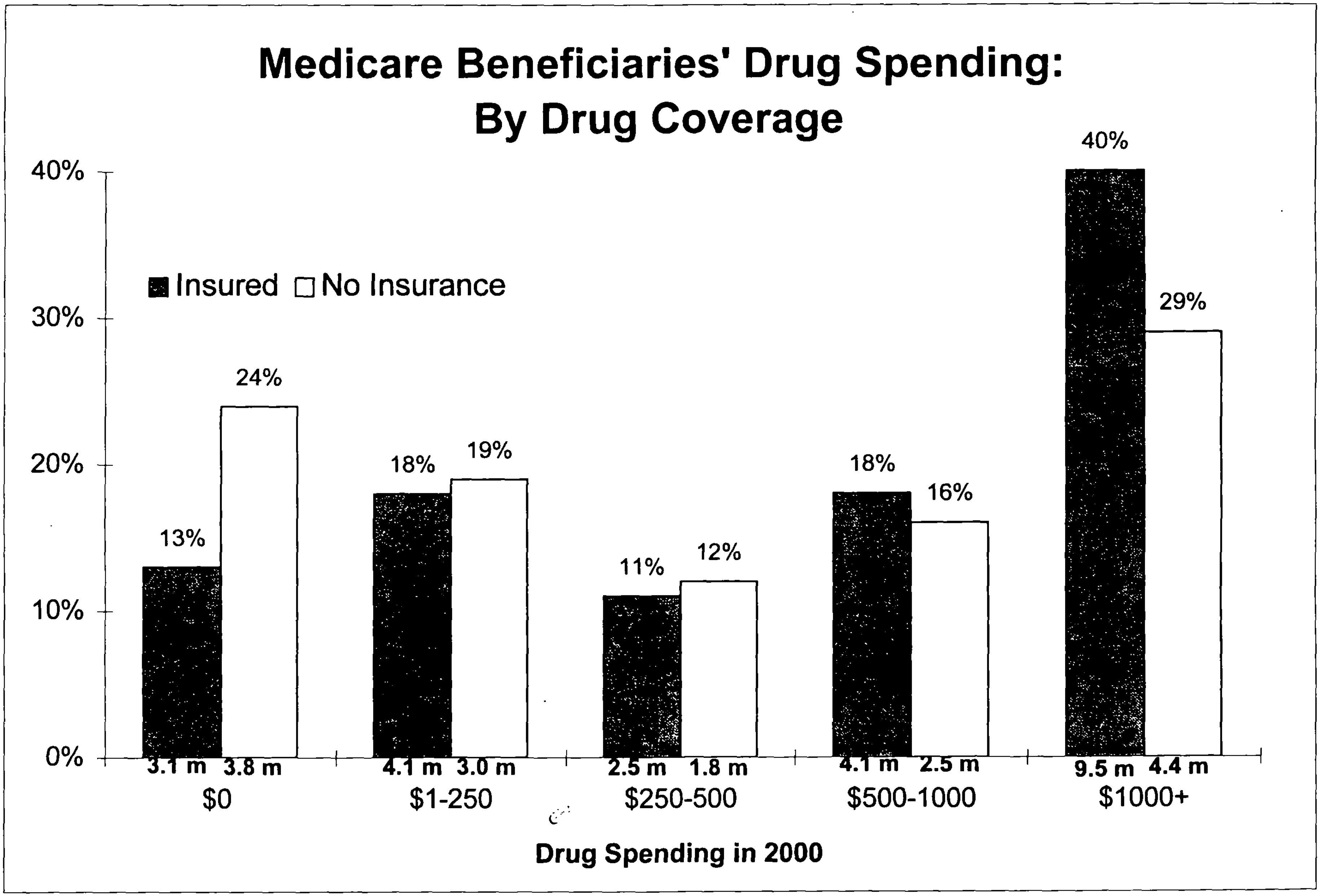
Medicare Beneficiaries By Drug Coverage: 2000





Poverty for a Single: About $8,500; Couple: $11,000

Note: Breaux-Thomas coverage to 135% of poverty: $11,000 for a Single, $15,000 for a Couple



Medicare Beneficiaries' Drug Spending:
By Drug Coverage
Insured
No Insurance
40%
30%
20%
10%
0%
13%
24%
18%
19%
11%
12%
18%
16%
40%
29%
3.1 m
3.8 m
4.1 m
3.0 m
2.5 m
1.8 m
4.1 m
2.5 m
9.5 m
4.4 m
$0
$1-250
$250-500
$500-1000
$1000+
Drug Spending in 2000

PARAMETERS AFFECTING COST

ASSUMPTIONS

- **Eligibility**
  - All Beneficiaries (versus low-income beneficiaries only)
- **Premiums**
  - Voluntary, Limited Enrollment Options
  - 50% Subsidy
- **Covers All Drugs**
- **Management**
  - Pharmacy Benefits Managers (PBMs): 13 percent discount
  - Allow beneficiaries to purchase at discounted rates

COST SHARING AND BENEFIT LIMITS

- Deductible
- Coinsurance
- Benefit Payment Limits or Caps

COST OF OPTIONS: DIFFERENT CAPS & COST SHARING

(Fiscal Years, Dollars in Billions)

OPTIONS:	2000-04	2000-09
HIGH		
o Uncapped: $250 deductible, 25% copay ($41/mo)	75	243
o Capped: $0 deductible, 10% copay, $2,000 cap ($47/mo)	73	219
MEDIUM		
o Uncapped: $500 deductible, 25% copay ($34/mo)	63	208
o Capped: $100 deductible, 10% copay, $2,000 cap ($43/mo)	67	202
LOW		
o Uncapped: $500 deductible, 50% copay ($24/mo)	51	175
o Capped: $250 deductible, 20% copay, $2,000 cap ($35/mo)	55	167

Assumes: Implemented in 2001 (no cost in 2000); 50% premium subsidy; all beneficiaries participate; PBM management

ILLUSTRATION OF MEDIGAP COST SHARING

OPTION	SPENDING					
	$0	**$250**	**$500**	**$1,000**	**$2,500**	**$5,000**
Distribution 100% (38.8 million)	18% (6.8 m have $0 spending)	18% (7.1 m spend $1-250)	11% (4.4 m spend $250-500)	17% (6.6 m spend $500-1000)	24% (9.2 m spend $1000-2500)	12% (4.7 m spend > $2500)
MEDIGAP PLAN H						
$500 Deductible	$0	$250	$500	$500	$500	$500
50% Copay	$0	$0	$0	$250	$1,000	$2,250
$1,250 Cap	$0	$0	$0	$0	$0	$1,000
Total	**$0**	**$250**	**$500**	**$750**	**$1,500**	**$3,750**
Cost (+)/Savings (-) Impact:	**+$0**	**+$0**	**+$0**	**-$250**	**-$1,000**	**-$1,250**
With Premium:*	***+$1,000***	***+$1,000***	***+$1,000***	***+$750***	***+$0***	***-$250***

* According to one study, the Medigap premium for Plan H for an average 65-year old was $2,073 in 1998, compared to $913 in Plan D, which is virtually the same except for drug coverage. This premium reflects both adverse selection and high administrative costs typically associated with Medigap.

Note: The savings to the beneficiary will be $1,250 for all beneficiaries with spending greater than $2,750 ($1,750 in cost sharing and $1,000 in premiums)

ILLUSTRATION OF HOW COST SHARING AFFECTS BENEFICIARIES

OPTION	SPENDING					
	$0	**$250**	**$500**	**$1,000**	**$2,500**	**$5,000**
Distribution 100% (38.8 million)	18% (6.8 m have $0 spending)	18% (7.1 m spend $1-250)	11% (4.4 m spend $250-500)	17% (6.6 m spend $500-1000)	24% (9.2 m spend $1000-2500)	12% (4.7 m spend > $2500)
UNCAPPED ($63 b / 5)						
$500 Deductible	$0	$250	$500	$500	$500	$500
25% Copay	$0	$0	$0	$125	$500	$1,125
$0 Cap	$0	$0	$0	$0	$0	$0
Total	**$0**	**$250**	**$500**	**$625**	**$1,000**	**$1,625**
Cost (+)/Savings (-) Impact:	**+$0**	**+$0**	**+$0**	**-$375**	**-$1,500**	**-$3,375**
With New Premium:*	***+$420***	***+$420***	***+$420***	***+$45***	***-$1,080***	***-$2,955***
CAPPED ($67 b / 5)						
$100 Deductible	$0	$100	$100	$100	$100	$100
10% Copay	$0	$15	$40	$90	$240	$490
$2,000 Cap	$0	$0	$0	$0	$160	$2,410
Total	**$0**	**$115**	**$140**	**$190**	**$500**	**$3,000**
Cost (+)/Savings (-) Impact:	**+$0**	**-$135**	**-$360**	**-$810**	**-$2,000**	**-$2,000**
With New Premium:*	***+$420***	***+285***	***+$60***	***-$390***	***-$1,580***	***-$1,580***

* About $35 / month or $420 per year. For comparison, beneficiaries with Medigap typically pay $1,000 additional premium for drug coverage.
Notes: "+" indicates increased beneficiary payments; "-" indicates reduced payments. Premium estimates rough approximations; assumes that all beneficiaries do not now pay premiums; does not include discounts.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 30, 1999

REMARKS BY THE PRESIDENT ON RELEASE OF 1998 SOCIAL SECURITY TRUSTEES REPORT

Rose Garden

2:57 P.M. EST

THE PRESIDENT: Thank you very much. Please be seated. (Applause.) I welcome all of our guests here, as well as the members of the administration. And I thank those who have joined me here on the platform for this important announcement.

Twice in the last six years, we have strengthened our nation's future in the 21st century by addressing serious, great fiscal challenges to America. In 1993, we met the threat of mounting deficits and a stagnant economy with an economic plan of fiscal discipline, expanded trade and investment in our people.

Thanks to that action, the red ink of the federal budget has turned to black, and we are enjoying the longest peacetime expansion in our nation's history.

In 1997, we reaffirmed our commitment to fiscal discipline with the bipartisan balanced budget agreement. It took important steps to improve Medicare, savings tens of billions of dollars in costs while expanding benefits for recipients and choices.

Today, we have new evidence that those determined actions were the right ones. I have just been briefed by our four Social Security and Medicare Trustees for the administration -- Secretaries Rubin, Shalala, Herman, Social Security Commissioner Apfel, who here with me today. The Trustees have issued their annual report on the future financial health of these vital programs. The

Trustees Report shows that the strength of our economy has led to modest but real improvements in the outlook for Social Security. They project that economic growth today will extend the solvency of the Social Security trust fund to 2034 -- two years longer than was projected in last year's report.

After that date, however, the trust fund will be exhausted, and Social Security will not be able to pay the full benefits older Americans have been promised. Therefore, still I say we must move forward with my plan to set aside 62 percent of the surplus for Social Security, investing a small portion in the private sector for better return, just as any private or state government pension would do.

As I said in my State of the Union address, we then must go further, with difficult but achievable reforms that put Social Security on a sound footing for 75 years; that lift the earnings limitations on what seniors can earn; and that do something about the incredible problem of poverty among elderly women living alone.

The trustees have also told us that today the future for Medicare has improved even more. The trustees project that the life of the Medicare trust fund has been extended until 2015.

That's seven years longer than was projected in last year's report. These improvements are only partially due to the stronger economy. According to the trustees, they are also the result of the difficult but necessary decisions made in 1997; and to our successful efforts to fight waste, fraud, and abuse in the Medicare program.

Now, this Trustee Report is very good news. We should be pleased; Americans can be proud. But we should not be lulled into thinking that nothing more needs to be done, because the improvements we see today, themselves, did not happen by accident, but instead came as a result of determined action to make sure that the problems were not allowed to get out of hand.

When I became President six years ago, Medicare was actually projected to go bankrupt this year. We worked hard in 1993 and 1997 to make sure that didn't happen. Some of the actions we took at the time were not particularly popular, but we knew they had to be done. They helped to strengthen Medicare, and they laid the foundations from the difficult challenges we still must face.

Social Security and Medicare face long-term challenges, as all of you know, with the baby boom aging, with medical science extending the lives of millions, with the number of elderly Americans set to double by 2030. Even with today's good news, Social Security will run out of money in 35 years, Medicare in 16 years. We cannot -- we will not -- allow that to happen.

For three decades, Medicare has protected seniors and the disabled while expressing the values of care and mutual obligations that bind families and the generations of Americans together. Since my State of the Union address, I have called for devoting 15 percent of our surplus to strengthening Medicare, while modernizing the program with real reforms and helping seniors with prescription drugs.

When the Medicare Commission completed its work two weeks ago, I said we must build on their recommendations by adopting the best practices from the private sector while also maintaining high-quality services, continuing to provide every citizen with a guaranteed set of benefits, and making prescription drugs more accessible and affordable to Medicare beneficiaries.

Now we must build on the good news we have received today. We must extend the life of Medicare even further, modernize the program even more, and make prescription drugs even more accessible and affordable. Medicare cannot remain static in the face of the sweeping changes in our nation's health care system, a system today that relies increasingly on prescription drugs.

Today, 13 million seniors each spend more than $1,000 a year, out of pocket, for prescriptions. Let me say that again -- 13 million seniors today spend more than $1,000 a year out of pocket for prescription medication. At the same time, seniors who have no drug coverage do not benefit from the lower prices that insurance firms often can negotiate from pharmaceutical companies. The higher prices these seniors pay are in effect a hidden tax. We must find a way through Medicare to inject more competition into the health care system and to provide a prescription drug benefit.

Now, I know that some might say this good news means that we can simply delay reform. Nothing could be further from the truth. Strengthening and modernizing Medicare requires tough but achievable changes. And now is the time to make those changes -- now when our economy is strong; now when our people have renewed confidence; and now when we have time on our side so that modest changes today can have major impacts in the years ahead.

Nothing in this report lessens the need to devote 15 percent of the surplus to strengthening Medicare. But nothing in this report lessens the need to make tough but achievable reforms either. And nothing in this report lessens the need to help seniors with a prescription drug benefit. If we wait we will be condemning ourselves to future changes that will be much more costly and wrenching and much less satisfying in the end.

Today we face a choice that is a test of our wisdom as a self-governing people and a test of our vision of 21st century America. Will we seize this moment of prosperity? Will we devote these surpluses to strengthening Medicare, to strengthening our future? Or will we rush and do the most appealing prospect of the moment, a tax cut that will explode in later years and avoid our generation's responsibility and put the future of Medicare at risk?

The Trustees Report is welcome news, but it also contains a clear lesson -- tough, disciplined action is good economics. It's good for Social Security; it's good for Medicare; it's good for America. It's very good for our children's future and for the future of our families across the generations.

We can extend the life of Social Security and Medicare, and have an appropriate, affordable amount of tax relief specially targeted to the neediest working families and middle class families. But we have to apply the lessons we have learned in the last six years to the first years of the 21st century. I am determined to see that we do so this year. And the Trustees Report should make it easier for us to fulfill our responsibilities.

Thank you very much. (Applause.)

THE WHITE HOUSE

WASHINGTON

April 18, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER
NEERA TANDEN
RUBY SHAMIR

CC: MELANNE VERVEER
SHIRLEY SAGAWA
PATTI SOLIS DOYLE
MARSHA BERRY

SUBJECT: ISSUES UPDATE

Please find brief updates on a variety of issues on which there has been action over the last two weeks.

Child Care. Since your child care event last Monday, there has been more good news on child care in the context of the Republican budget resolution. This week, when it looked as if the budget conferees would strip from the final budget agreement the Dodd-Jeffords amendment to boost child care subsidy funding by $12.5 billion over ten years, Senators Dodd and Jeffords offered on the Senate floor a motion to instruct the conferees to include the funding increase. The motion passed with strong bipartisan support, 66-33, adding 10 Republicans to the 12 who had previously voted for Dodd's child care amendment. The final budget agreement includes specific mention of raising child care funding, though it reduces by more than half the amount Dodd and Jeffords sought -- the agreement calls for $3 billion over 10 years in new subsidy funding and $3 billion over 10 years in enhanced child care tax relief.

This represents an enormous step forward in achieving important pieces of our child care initiative this year. Although we strongly oppose the Republican budget resolution, and therefore should only show limited praise for its components, the President released a statement (attached) on the child care vote applauding the bi-partisan cooperation at work in the Congress on this issue. We will now turn our attention to working with the Senate Finance Committee, which has jurisdiction over child care subsidy and tax issues; fortunately, the Committee includes four Republicans who voted for the Dodd-Jeffords measure (Senators Jeffords, Hatch, Chafee, and Grassley).

USA Accounts. On Wednesday, the President announced the details of our Universal Savings Accounts (USAs) initiative. The material that was released explained that these accounts would give 124 million Americans the opportunity to save and build wealth for their retirement and gave concrete examples of ways in which USAs would affect families of varying incomes. The documents noted that a married couple with two children and an income of $40,000 could build up a total of $2,000 a year in retirement savings, which could add up to $253,680 over forty years in today's dollars. While it is too early to assess reviews of the initiative, the NEC is currently seeking validators, and coverage in Thursday's papers was primarily positive. The President's remarks from the event, and the summary of the initiative are attached.

Bankruptcy Reform. This week, the Senate Judiciary Committee began its mark-up of bankruptcy reform legislation, and the markup underscored the vast ideological differences between the parties. Several Democratic Senators expressed deep concern that the balancing provisions in last year's Senate bill have been stripped from the current bill. Senator Kennedy went so far as to declare "this bill stinks." Schumer, Torricelli, Feingold, and Leahy pressed for balance, as well. Of course, all the Republicans will vote for the bill in Committee, as will Democrats Torricelli, Biden, and Kohl. The Committee Democrats who we expect will vote no are Schumer, Kennedy, Feingold, and Leahy. Feinstein noted that she is leaning against the bill, but her vote is not yet clear.

In the House and the Senate, the bills' opponents are working to introduce "moderate" alternative bills around which Democrats can rally. Senator Durbin will soon introduce last year's Senate bill, and others are working to develop new moderate alternatives, as well. So far, the alternatives discussed may be too liberal to credibly influence the current negotiations; rather, they would serve as rhetorical juxtaposition to pending bills. Internally, the Administration is working to devise proposals that would substantially improve the current bills and provide Democrats with strong alternatives to support. We floated some of these proposals to Lisa Fenning on Friday.

The President's upcoming event on consumer financial protection will provide a forum for him and the Administration to press for balance in bankruptcy reform (such as through credit card disclosures, etc.). Because of your leadership in the Administration in this area and if your schedule permits, we strongly recommend your participation.

Brooklyn Families Agenda Roundtable Follow Up. As you will recall from the Brooklyn Families Agenda Roundtable in February, two participants had significant problems which we have followed up on.

- Mrs. Angelina Charriez spoke about her 75 year old mother, Ms. Morales, who worked as a teacher for many years and whose only income is her Social Security check; she receives no pension because years ago she neglected to fill out a form. Since the roundtable, things have turned around for Mrs. Charriez's family. Following the roundtable, Mrs. Charriez contacted Board of Education officials who have helped her tremendously, and she has just finished compiling all the paperwork to support her case which she feels will succeed. She is enormously thankful to you for listening to her story and helping her, saying that the night before the White House invited her to join the roundtable, she had been praying that things would work out for her family. Days later her husband joked: "you went straight to the top-- you prayed to God, and got the help of First Lady Hillary Clinton." We will continue to monitor this case as her pension appeal progresses.

- Ms. Eileen Quinones is a single mother whose $30,000 salary is too high to qualify her for subsidized child care, and yet she cannot afford quality child care for her 18 month old son Justin. Ellen Galinsky has been in touch with her, and has enlisted the help of other people who have been trying locate child care options, but we don't think Ms. Quinones's needs have been fully resolved at this time.

THE WHITE HOUSE
Office of the Press Secretary
(San Francisco, California)
April 15, 1999

I am pleased that Congress has made important progress this week to address the pressing child care needs of America's working families.

Significant new investments are needed to make child care better, safer, and more affordable for working families. My budget request includes substantial new resources to help working families pay for child care, increase the supply of good after-school programs, improve the safety and quality of care, and promote early learning.

Today, Senator Jeffords and Representative Gilman introduced, with bipartisan co-sponsors, the "Caring for America's Children" Act, which calls for significant new investments to make child care more affordable and improve child care quality. Other important legislation has been introduced in the House and the Senate during this congressional session, as well. And most important, this week the Congress demonstrated through votes on the Budget Resolution that there is strong bipartisan support for taking action on child care. I want to thank Senators Dodd and Jeffords for their strong leadership on this issue, and I look forward to working over the coming months with Members of Congress on both sides of the aisle to strengthen child care for America's working families.

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PRESIDENT CLINTON INTRODUCES UNIVERSAL SAVINGS ACCOUNTS

Summary Documents

April 14, 1999

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PRESIDENT CLINTON INTRODUCES UNIVERSAL SAVINGS ACCOUNTS: PROVIDING MILLIONS OF AMERICANS A NEW OPPORTUNITY TO SAVE FOR RETIREMENT

April 14, 1999

Today, President Clinton announced his Plan to Provide Universal Savings Accounts for Most Americans. These accounts will give 124 million Americans the opportunity to build wealth and to save for their retirement through a progressive tax cut. A married couple that participated for 40 years, could accumulate over $253,680 in today's dollars -- enough to produce $20,121 a year of after-tax income in retirement.

Currently, Too Few Americans have Additional Savings. Because Americans are living longer, it is more important than ever for them to build wealth for a secure retirement. Currently, over two-thirds of Americans rely on Social Security as their principal source of retirement income, and 18 percent rely on Social Security as their only source of income. Too few Americans are saving for their retirement. The typical family headed by someone 55-64 years of age has financial assets worth just $32,000.

President Clinton Believes that Social Security Reform Needs to be Complemented with Actions to Strengthen Private Savings and Private Pensions. Social Security reform will ensure that Social Security remains a rock solid foundation for retirement security. Universal Savings Accounts will give working American families the opportunity to save for a secure retirement. Under this new program, 73 million people who do not participate in employer-provided pension plans would qualify for USAs, as well as 51 million people with pensions.

Here's How USAs Work:

- 98 million adults would receive an automatic government contribution to their Universal Savings Account every year.
- In addition to the automatic contribution, the government would match, dollar for dollar, voluntary contributions to the USAs by low and moderate income workers. Eligible workers with higher incomes would have a match rate of at least 50 percent.

USAs Provide a Progressive Approach for Retirement Savings for the Majority of Working Americans. The current tax system provides 66 percent of the tax benefits for pensions and retirement savings to taxpayers with incomes above $100,000. In contrast, the USA proposal would provide 80 percent of its benefits to families with incomes below $100,000. USAs makes the tax system more progressive by providing the most generous tax breaks for low and middle income workers-- who are the least likely to have access to employer pensions and who have the most difficult time saving.

USAs Will Help Make Additional Retirement Savings Universal. Each spouse in a married couple with family earnings over $5,000 and adjusted gross income of less than $100,000 who is between the ages of 18 and 70 will be eligible for a USA tax credit (single taxpayers must have adjusted gross income below $50,000; head of household filers must have income below $75,000). In addition, workers with higher incomes who do not have pension coverage are eligible for an account.

USAs Allow American Families to Build Wealth to Meet Their Retirement Needs. USAs give these workers an opportunity to build wealth and save for retirement.

- A couple earning $40,000 would automatically receive $600 of tax credits deposited into their accounts, even if this family contributed nothing to their accounts. After 40 years, with only automatic contributions their accounts would total $76,104 (in today's dollars) and provide $6,036 a year of after-tax retirement income.
- However, if each year this family saved $700 ($350 in the account of each spouse), then the government would provide a $1,300 tax credit ($650 each). After 40 years they would have wealth totaling over $253,680 in today's dollars, enough to provide $20,121of after-tax income in retirement.

USA Tax Credits
A Family of Four with an Income of $40,000

Consider a married couple with two children. One spouse makes $40,000 a year working for a small business. The other spouse stays at home with their young children. Like millions of other families, they live paycheck to paycheck. Before payday, their bank account rarely has more than a couple hundred dollars.

How the New USA Accounts Work for this Family. The USA accounts are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

- **Automatic Tax Credit:** Every year the husband and wife would each receive an automatic annual tax credit of $300, for a total of $600. They would claim the tax credit on their tax return, and it would be deposited in their new USA accounts.
- **Matched Tax Cut:** As a powerful new incentive to save, this couple would receive an additional $1 in tax credit for every dollar the couple saved -- up to $700 ($350 each) of savings would be matched. For each dollar the couple deposited in their USA accounts, they would receive a corresponding $1 in a matching tax credit, which would also be deposited in their USA accounts.
- **This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment:** The couple's $700 of savings would be supplemented by a $1300 tax credit for a total of $2000 a year in retirement savings. That's $600 credited automatically ($300 each) plus a $700 savings credit ($350 each). The USA credit almost triples the couple's contribution, and it allows for tax favored build up of account balances.

THE AUTOMATIC TAX CREDIT PROVIDES CORE SAVINGS SUPPORT

Automatic Tax Credit	*Family Contribution*	*Matched Tax Cut*	*Total Annual Savings in USA*
$600	$0	$0	$600

- This savings could build to $76,104 after 40 years -- assuming a 5 percent real rate of return.

THE MATCHING TAX CUT PROVIDES A POWERFUL INCENTIVE TO SAVE

Automatic Tax Credit	*Family Contribution*	*Matched Tax Cut*	*Total Annual Savings in USA*
$600	$700	$700	$2000

- This will provide a total tax credit of $1,300.
- These savings could build to $253,680 after 40 years -- assuming 5 percent real rate of return.
- And would provide $20,121 of after-tax income in every year of retirement.

Building Wealth for Retirement. Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $700 every year and received the maximum tax credit of $1,300, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $700 per year while they worked.

Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut. This family would receive a much larger tax cut from the USA account tax credits than from the 10% across-the-board tax cut. While this family would receive just $315 from the across-the-board tax cut, they would be eligible to receive $1,300 from the USA account tax credits.

USA Tax Credits
A Family of Four with an Income of $60,000

Consider a married couple with two children. One spouse makes $60,000 a year working for a small business. The other spouse stays at home with their young children. Like millions of other families, they live paycheck to paycheck. Before payday, their bank account rarely has more than a couple hundred dollars.

<u>How the New USAs Work for this Family.</u> USAs are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

- **Automatic Tax Credit:** Every year the husband and wife would each receive an automatic annual tax credit of $150, for a total of $300. They would claim the tax credit on their tax return and it would be deposited in their new USAs.
- **Matching Tax Credit:** As a powerful new incentive to save, this couple would receive an additional $0.75 in tax credit for every dollar the couple saved -- up to $972 ($486 each) of savings would be matched.
- **This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment:** The couple's $972 of savings would be supplemented by a $1,028 tax credit for a total of $2,000 a year in retirement savings. That's $300 credited automatically ($150 each) plus a $728 savings credit ($364 each). The USA credit more than doubles the couple's contribution, and it allows for tax favored build up of account balances.

THE AUTOMATIC TAX CREDIT PROVIDES CORE SAVINGS SUPPORT

Automatic Tax Credit	*Family Contribution*	*Matching Tax Credit*	*Total Annual Savings in USA*
$300	$0	$0	$300

- This savings could build to $38,052 after 40 years -- assuming a 5 percent real rate of return.

THE MATCHING TAX CREDIT PROVIDES A POWERFUL INCENTIVE TO SAVE

Automatic Tax Credit	*Family Contribution*	*Matching Tax Credit*	*Total Annual Savings in USA*
$300	$972	$728	$2000

- This will provide a total tax credit of $1,028.
- These savings could build $253,680 after 40 years -- assuming 5 percent real rate of return.
- And would provide $20,121 of after-tax income in every year of retirement.

<u>Building Wealth for Retirement.</u> Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $972 every year and received the maximum tax credit of $1,028, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $972 per year while they worked.

<u>Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut.</u>
This family would receive a much larger tax cut from the USA account tax credits than from the 10% across-the-board tax cut. While this family would receive just $547 from the across-the-board tax cut, they would be eligible to receive $1,028 from the USA account tax credits.

USA Tax Credits
A Family of Four with an Income of $80,000

Consider a married couple with two children. One spouse makes $80,000 a year working for a small business. The other spouse stays at home with their young children.

How the New USAs Work for this Family. USAs are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

- **Matching Tax Credit:** As a new incentive to save, this couple would receive an additional $.50 in tax credit for every dollar the couple saved -- up to $1,333 ($667 each) of savings would be matched.
- **This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment:** The couple's $1,333 of savings would be supplemented by a $667 tax credit for a total of $2,000 a year in retirement savings. That's a $667 savings credit ($333 each). The USA credit increases the couple's contribution, and it allows for tax favored build up of account balances.

AT THIS INCOME LEVEL THE AUTOMATIC TAX CREDIT IS NOT AVAILABLE

Automatic Tax Credit	*Family Contribution*	*Matching Tax Credit*	*Total Annual Savings in USA*
$0	$0	$0	$0

THE MATCHING TAX CUT PROVIDES A POWERFUL INCENTIVE TO SAVE

Automatic Tax Credit	*Family Contribution*	*Matching Tax Credit*	*Total Annual Savings in USA*
$0	$1,333	$667	$2000

- This will provide a total tax credit of $667.
- These savings could build $253,680 after 40 years -- assuming 5 percent real rate of return.
- And would provide $20,121 of after-tax income in every year of retirement.

Building Wealth for Retirement. Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $1,333 every year and received the maximum tax credit of $667, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $1,333 per year while they worked.

Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut. This family would receive $947 from a 10% across-the-board tax cut. At first glance, this might seem to be somewhat larger than the $667 USA tax credit. However, the USA also provides for tax-free compounding of account balances, making the tax credit worth well over $1000 to this family.

THE NEED FOR USAs

Making Savings For A Secure Retirement Available to More Americans

Currently, Too Few Americans Have Enough Savings For A Secure Retirement. Because Americans are living longer it is more important than ever for them to build the wealth necessary for a secure retirement. But there are gaps in the system that leave too many American families behind.

- **Social Security Provides A Core Foundation For Retirement And Reform is Necessary To Keep It Strong, But It Is Only One Leg of The Retirement Stool.** While providing basic economic security for older Americans, the program was never meant to provide enough to maintain the standard of living individuals had during their working years. Social Security replaces just one-half of pre-retirement income for an individual who earned $17,000, and less than one-quarter of the income of an individual who earned $72,600. Yet Social Security is the only source of income for 18 percent of elderly Americans, and the principal source of income for 66 percent of elderly Americans.

- **Pension Coverage Provides Additional Support, But Many American Workers Are Not Covered.**

  -- Half of all American workers have no pension coverage at all through their current job. This situation is worse for workers in small businesses, where only 18 percent of people who work for organizations employing fewer than 25 workers have access to pensions through their current job.

  -- Less than 20 percent of workers have their own IRA, and many do not contribute regularly.

  -- Just one quarter of all workers are covered by 401(k) plans in their current job. And while two-thirds of people with earnings $75,000 and over have 401(k)s, just 43 percent of those with earnings between $35,000 and $39,000 have 401(k)s.

  -- While 91 percent of all families have some financial holdings, the median value of these holdings is just $13,000. The median value of financial assets of families headed by someone over age 65 is just $20,000.

The Tax Incentives For Retirement Savings Help Many American Families, But The Tax Benefits Are Skewed To The Better Off.

- Two thirds of existing pension tax subsidies go to families with incomes over $100,000, while just one third goes to those making under $100,000 and just 7 percent goes to families earning less than $50,000.

USA Accounts provide a progressive tax credit so that the overall retirement system will be more balanced and give all American families an incentive to save.

- 80 percent of the tax benefits of USA Accounts go to those making *under* $100,000.

SUMMARY OF UNIVERSAL SAVINGS ACCOUNT PROPOSAL

Universal Savings Accounts (USAs) are voluntary individual retirement savings accounts with a progressive tax subsidy.

✔**Automatic Government Contribution.** Workers and their spouses in low- or moderate-income households receive an automatic government contribution of $300, in the form of a refundable tax credit deposited directly into their USAs. The automatic credit is phased out between $40,000 and $80,000 of adjusted gross income (AGI) for joint filers ($20,000-$40,000 for singles; $30,000-$50,000 for head of household filers).

✔**Government Match of Individual Contributions.** Voluntary individual contributions to a USA are matched by additional government contributions to the taxpayer's USA. The matches will also be in the form of a refundable tax credit deposited directly into the USA. Low- and moderate-income individuals receive a dollar-for-dollar match. The match rate phases down to 50 percent over the same income ranges as the phase-down for the automatic contribution, and then remains at 50 percent until the income level at which eligibility ends ($100,000 for joint filers with pension coverage; $50,000 for single filers with pension coverage; $75,000 for head of household filers with pension coverage; no limit for people without pension coverage). Total contributions (including the credit) to an account are capped at $1,000 per year.

✔**Eligibility.** To be eligible, a taxpayer must have at least $5,000 of earnings (which can be combined earnings on a joint return) and must not be the dependent of another taxpayer. Thus, an individual without earnings can have a USA if his or her spouse earns at least $5,000. Taxpayers younger than age 18 or older than 70 are ineligible. Taxpayers with an employer-sponsored retirement plan must have AGI of less than $100,000 for joint filers ($50,000 for single filers; $75,000 for head of household filers). All eligible workers without an employer-provided pension would receive at least a 50 percent match, regardless of income.

✔**Investment Choice.** Individuals will have the option of investing their accounts in a universal retirement plan similar to the Federal Thrift Savings Plan (TSP), a 401(k)-type plan for federal government employees. Individuals would be able to choose among a limited number of broad-based investment options similar to those offered in the TSP and in many private sector 401(k) plans. We look forward to working with Congress and experts from the private sector to devise the best way to administer the accounts, as well as to explore whether it would be possible to provide account holders with the option of investing directly with private sector fund managers.

✔**Withdrawal Rules.** No amount could be withdrawn from a USA before age 65, unless the account holder dies. Once withdrawals commence after age 64, no additional contributions could be made to the account.

✔**Tax Treatment of Accounts.** Automatic and matching government contributions would not be taxable when deposited to accounts. Earnings would grow tax free until retirement. Withdrawals would generally be taxable, but 15 percent of each withdrawal would be excluded from taxes in order to approximate a tax-free return of an individual's own contribution. Voluntary USA contributions will not be tax deductible because the tax subsidy is provided in the form of the tax credit rather than a deduction, enabling the program to be more progressive.

✔**Coordination with 401(k)-type Plans.** Eligible employees will receive a government matching contribution deposited to their USA when they contribute either to their USA or to a 401(k)-type plan . The government match supplements any employer matching contributions. Therefore, USAs will not cause workers to shift contributions from private-sector 401(k)-type plans to USAs. In fact, USAs will encourage workers to save through 401(k)-type plans by giving the millions of workers who are currently eligible to contribute, but who fail to do so, a greater incentive to contribute without imposing administrative burdens on employers or plan administrators. Because contributions to a 401(k)-type plan are excludable from taxable income while USA contributions are not, joint filers with AGI of more than $50,000 ($25,000 for single filers; $37,500 for head of household filers) who elect to receive government matches will be required to include in taxable income 80 percent of the portion of the 401(k) contribution that is matched.

✔**Protections for Women Including Divorcees and Widows.** The design of USAs recognizes that women are more likely to spend time out of the labor force than men and have lower average earnings than men, and ensures women will have the opportunity to accumulate significant savings in their USAs. First, spouses of workers are eligible for the USA tax credit even if they do not work. Second, the progressive credit formula targets the tax benefits to low and moderate income workers. We look forward to working with Congress and outside experts to determine what the best means are to ensure that women are protected in case of divorce or widowhood.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 14, 1999

REMARKS OF THE PRESIDENT ON UNIVERSAL SAVINGS ACCOUNTS

The Rose Garden

3:09 P.M. EDT

THE PRESIDENT: Thank you very much. Andrew and Theresa and I were walking down here, and they were mildly nervous because they don't do this every day. But I think you did a very fine job. (Applause.) I want to thank them and their three sons for coming. I'd also like to thank Felicia Harris and her daughter, Alexis, who came because they're another representative family who will be benefitted by the USA Account proposal.

I thank Senator Barbara Boxer who is here and has had to stand up here alone because all of the House members who were supposed to be with her are back at the House voting, and I appreciate her being here. I want to thank Secretary Rubin for his leadership on this issue, along with Deputy Secretary Larry Summers and Secretary Shalala; Gene Sperling, my National Economic Counselor.

You know that we want to talk to you about a major issue relating to retirement security in the 21st century. I think it's important to start out by saying that this will be a very big deal to a lot more people. We all know that the number of people over 65 will double by the year 2030. By the year 2050, the average American will live to be 82 years old.

Now, keep in mind that in 1900, life expectancy was only 47 1/2 years. It took 4,000 years, the majority of all recorded history, to make a leap in longevity like the one we have seen in just one century. Now, as I get older, I remind everyone that this is a very high-class problem, and I like it better as the years go by. They are a precious gift.

President Roosevelt said, there is no tragedy in growing old, but there is tragedy in growing old without means of support. Historically, our people have relied upon three basic means of support. First, Social Security. It became the basic means of support and still alone is responsible for lifting almost half of our senior population out of poverty. But it was never supposed to be seniors' only means of support. And we see by the fact that the poverty rate among elderly single women is twice that of seniors in general what happens when Social Security is the only means of support.

Pensions are the second, and private savings are the third. Retirement, to be truly secure, needs a mix of all three.

Well, how strong are these building blocks for most Americans? First, Social Security. It's a rock-solid guarantee and it has been for generations. But for the 18 percent of the seniors, as I said, for whom Social Security is their only source of retirement income, life is still pretty tough.

The first thing we have to do is to make sure that Social Security will be there for the baby boomers. As I said in my State of the Union address, that's why we ought to set aside 62 percent of the surplus to save Social Security and at the same time, as Secretary Rubin said, to pay down our national debt.

We also need to be very mindful that Medicare is quite important not only to Social Security recipients who have that as their only source of income, but to a lot of other seniors as well. And we need to set aside enough money from the surplus to secure Medicare well into the next century.

Our budget plan pays down the debt and saves Social Security and Medicare. I look forward to working with Congress over the coming months to make some changes that are necessary to lengthen the life of both the Social Security and the Medicare trust funds, to maintain our fiscal discipline and secure the health of our economy into the 21st century.

Now, what about the second building block -- private pensions? Half of all American workers, 73 million of them, have no employer-provided pensions whatever. IRAs and 401Ks are something they hear and read more and more about, but don't have for themselves. Currently, only one-third -- listen to this -- only one-third of the tax benefits for pensions and retirement savings go to families who earn less than $100,000, even though they represent the vast majority of working people in the United States today.

The third building block is personal savings. Americans living longer than ever and moving from job to job, who may have defined contribution rather than defined benefit pension plans, more and more will need to increase their personal savings. Our national savings rate has doubled over the last six years because we're saving more in the government and not having deficits.

But personal savings has gone down over the last six years. Too few Americans are saving for their own retirement. For too many Americans, the hard work they do to provide for their families today, as you've just heard, makes it difficult for them to save for tomorrow. The typical family, headed by someone between the ages of 55 and 64, has financial assets worth just $32,000. That won't support them very long in their retirement. For many Americans, as their lives stretch longer, their resources are stretched thinner.

I believe Americans who work hard their entire lives and raise their children should not have to have their retirement posed precariously on the edge of poverty. I believe that Americans, however, have to do more to save for their own future, but that Americans deserve the chance to do that.

Now, that's what this USA Account proposal is all about. It is a complete and comprehensive new plan to help Americans with retirement savings for the 21st century. It is the right way to provide tax relief for the American people, and it is the right way to increase savings and strengthen our economy, even as we help families like the ones we honor today.

Now, I proposed in the State of the Union address setting aside 12 percent of the surplus to establish these accounts. Let me say specifically what I think we ought to do. I propose that Americans be given the chance to open, voluntarily, Universal Savings Accounts. I propose that workers receive a refundable tax credit if their incomes are up to $80,000 a year, deposited directly into their USA accounts, and as they save, that the government help them save further, matching their contributions on a sliding scale, depending on income, giving extra help to those least able to save.

Further, I propose that aid be given to people with incomes between the incomes of $80,000 and $100,000 a year, but on a reduced basis. And even for people with incomes over $100,000 a year, if they have no other personal retirement savings or pensions, they should also be eligible for this help.

This would give many, many millions of Americans a new opportunity to invest in the growing American economy, to have some wealth and security in retirement. It will revolutionize savings not simply for older Americans, but especially, perhaps, for younger Americans, from their very first days in the work force. With USA accounts everyone in the USA will be able to save, especially if we get more and more congressional support as we go along. (Laughter.)

Now, let me go through the reasons that I believe that this is the right way to provide tax relief with the surplus, and I would like to go through some very specific things. First of all, Universal Savings Accounts do just what the name says, they make savings universal. It would be many workers' first, or certainly their best, opportunity ever to save. And by rewarding responsibility, USA Accounts would help set them on the road to further savings.

Second, USA Accounts make investment universal. Savings, of course, is about more than protecting what you have, it's about creating and building greater wealth for a better future. With these accounts, working families will have a chance to invest just as wealthier families do today. They can choose to invest in an interest-bearing account or a stock market mutual fund or a bond fund, just as they would with a government or private pension.

Third, they make real retirement security universal, extending it even to workers with low and moderate incomes who are least likely to be offered pensions by their employers and least likely to be able to save on their own. As I said earlier, I want to emphasize this again today -- only a third of all the tax benefits provided under all the laws of Congress of existing retirement plans go to families earning less than $100,000.

You heard what our distinguished speaker said. Listen to this. I mean, does this family -- these look like the people you want to help, right? I mean, they're making America great. Only seven percent of existing tax benefits for retirement go to families with incomes of $50,000 a year or less -- only seven percent.

Our plan more than doubles that. More than 80 percent of the tax benefits of USA Accounts will go to people making incomes of $100,000 a year or less. It's the vast majority of the American people and it's the right thing to do. It is the kind of tax cut America needs, targeted toward working families, toward savings, and toward the future.

USA Accounts will add up. For example, if a couple earning $40,000 saved just $700 a year, matched by the government, a USA Account invested conservatively would be worth a quarter of a million dollars after 40 years. How many people making $40,000 a year in this country today have a quarter of a million dollars in wealth? Think what this could do for America.

That means -- let me just say what it means practically -- it means that a person could retire and, just from this account, living over 80 years, have well over $15,000 a year in income during retirement. That's the power of savings and compound interest.

But USA Accounts involve more than compound interest. They also add up to a larger stake in our society and its future. Families who own very few financial assets would now own a share of our nation's prosperity and in the remarkable economic growth they have done so much to create. People like Andrew and Theresa, people like Felicia Harris, people working hard, raising their children, thinking about their children's future, would have their first real chance to save for tomorrow while they are working today.

With USA accounts we can say to a 25-year old just starting a family, you can start to save. With these accounts we can say to someone who has made a transition from welfare to work and is watching the stock market surge in value, you actually can have a stake in this wealth you are helping to create. We can say to working families, now you can think about your children's future, and your own.

So, as I stand here at the end of one century and the dawn of the next, and I think about what I would like family life to be like 10, 20, 30, 40 years from now, one of the things that I want very badly to do is to see our wealth more fairly shared by those who create it, and to see it shared in a way that makes sure that, as we live longer and longer, those of us who retire will not pose unconscionable financial burdens for our children and their ability to raise our grandchildren.

Saving Social Security and Medicare is a part of that. Having the right sort of tax cut is a part of that. The USA accounts increase savings, increase retirement security, and will give millions and millions and millions of families who are a big part of this remarkable recovery we have enjoyed for the last six years -- for the first time, those people will have a chance to actually own a piece of the American recovery they have done so much to create.

Thank you very much. (Applause.)

END 3:19 P.M. EDT

FYI on bankruptcy & child care.

Bankruptcy Reform Markup Highlights Discord Over B

JUDICIARY

OPENING STATEMENTS by members of the Senate Judiciary Committee at a markup Thursday of bankruptcy reform legislation underscored the vast ideological differences between and within the parties that appear bound to plague the rest of the markup and ensuing floor debate.

The markup is scheduled to continue next week, possibly Thursday.

In addition to the bill's other troubles, a dispute over abortion Thursday threatened to scuttle the bill.

A proposal by **Sen. Charles Schumer**, D-N.Y., would require bankrupt people found to have violated laws protecting abortion clinics to pay those penalties. **Sen. Joseph Biden**, D-Del., said the plan could kill the bankruptcy legislation, the *Associated Press* reported.

The way "to make sure nothing happens [with legislation] is to say 'abortion,'" said Biden, who supports the bankruptcy overhaul bill.

At the same time, **Sen. Robert Smith**, R-N.H., is pushing an amendment that would prohibit doctors who declare bankruptcy from writing off penalties they owe from medical malpractice claims related to abortion.

While at least some GOP members of the committee say they harbor reservations about the overall bill — **Sen. Jeff Sessions** of Alabama is one — all of those present at Thursday's meeting made clear their intention to vote for the bill in committee.

The greatest range of opinion on the bill clearly rests on the Democratic side, where deep divisions were obvious.

Sen. Edward Kennedy, D-Mass., blasted the measure as a "special interest" bill that would hurt middle-class families — and excoriated bill sponsors for failing to include a number of consumer protections that would hold credit card companies partially responsible for skyrocketing personal debt.

"This legislation basically stinks," declared Kennedy.

Bill sponsors defended their decision to omit the provisions cited by Kennedy — noting that it was the only way to avoid a joint referral with the Senate Banking Committee — and promised the debate would resume on the Senate floor.

But Kennedy, along with **Sens. Russell Feingold**, D-Wis., and **Dianne Feinstein**, D-Calif., raised numerous other problems with the bill. And while Feinstein remains something of a question mark as to how she will cast her vote in committee, neither Kennedy nor Feingold left any doubt as to their position.

Judiciary ranking member Patrick Leahy, D-Vt., also indicated he would vote no, while **Sen. Herbert Kohl**, D-Wis., announced he would vote for the bill, with reservations.

The bill's sponsors on the committee, including **Administrative Oversight and the Courts Subcommittee Chairman Charles Grassley**, R-Iowa, **subcommittee ranking member Robert Torricelli**, D-N.J., and Biden — whose home state contains the headquarters of such large credit card issuers as MBNA and First USA Bank — clearly intend to present a united front.

That, in turn, raises questions as to whether either side will have the votes to pass any significant amendments.

Although the committee will consider 26 amendments in all, speculation is the bill will leave the committee near its original form.

That apparently would suit **Judiciary Chairman Hatch**, as he urged all members to hold as many amendments as possible for the Senate floor — at which point, Hatch asserted, the bill will be given "plenty" of time.

In another banking-related development, a much anticipated meeting among Senate leaders in the financial services debate — including **Majority Leader Lott, Minority Leader Daschle, Banking Chairman Gramm** and **ranking member Paul Sarbanes**, D-Md., has been postponed until next week, according to sources.

These sources noted that the Kosovo conflict has made scheduling the bill strategy session difficult.

— BY PAMELA BARNETT

Childcare Tax Credit Push Is On

■ AFTER WINNING a promise in the budget resolution for childcare tax cuts, **Senate Health, Education, Labor and Pensions Chairman Jeffords** and **Sen. Christopher Dodd**, D-Conn., Thursday reintroduced legislation outlining a wish list of specific tax cuts.

Rep. Benjamin Gilman, R-N.Y., Thursday introduced a companion bill in the House. Their plan calls for $36 billion in tax cuts over five years to help families pay for professional child care or to help subsidize a parent to stay at home.

Jeffords, **Senate Budget Chairman Domenici** and other Senate Republicans joined all 45 Democrats to support an amendment, eventually contained in the final budget resolution, calling for $3 billion over five years in tax cuts for child care. Another $3 billion is set aside to expand an existing childcare block grant. While those levels are well short of the money required to fund their tax cut bill, Jeffords, Dodd and Gilman told a news conference that itemizing money for childcare tax cuts was a victory for their cause.

"Low-income working families need subsidies that are high enough so they have an opportunity to choose the type of child care they want for their children," Jeffords said.

The plan would increase the current $500 child tax credit to $900 per child, and increase a number of other tax credits and deductions for families needing child care.

There also would be a tax credit for businesses that contribute to child care for their employees.

Jeffords and Dodd tried to move similar legislation in the last Congress.

— BY MATTHEW MORRISSEY

March 8, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER
NEERA TANDEN

CC: MELANNE VERVEER
SHIRLEY SAGAWA
MARSHA BERRY
PATTI SOLIS DOYLE

SUBJECT: <u>ISSUES UPDATE</u>

The purpose of this memo is to provide you with brief updates on a variety of small and large issues. If this format works well, our hope is to send updates to you on a regular basis.

Bankruptcy Reform. Senator Grassley (R-IA) plans to introduce a bankruptcy reform bill early this week, with the intention of moving a bill swiftly to the Senate floor. Grassley is trying to enlist Senator Torricelli (D-NJ), who took over Senator Durbin's leadership position on the Senate Judiciary Committee, to co-sponsor a bill with him, but he is using the conference report legislation from last year as his starting point. As you know, the Administration opposed the conference report legislation because it stripped essential balancing provisions achieved by Senate Democrats. We met last week with Senator Torricelli's staff, who indicated that they plan to make a good faith effort to work with Grassley, but suspect that Grassley will not amend his bill enough to enable Torricelli to support it. Still, there are reports that other moderate Democrats, including Senator Joe Biden, may already be lined up to co-sponsor the bill with Grassley should Torricelli decline. We are informally supplying Torricelli's office with language that would take the conference report bill back toward the more moderate and promising Senate bill from last year. Torricelli will present that list to Grassley as what he needs to join the bill. Our best hope to influence the bill and achieve an acceptable outcome, as you know, is in the Senate -- last year, the House voted overwhelmingly for a bill that was more problematic than the conference report and, notwithstanding Rep. Nadler's efforts this year to enlist more Democrats to oppose the legislation, it is expected to sail through the House. The Administration has not yet weighed in formally.

Tobacco Legislation. Congress continues its debate of the proper resolution of the federal share of the state tobacco settlement, which represents recoupment of federal Medicaid dollars. Estimates of the federal share vary based on how much of the settlement one assumes is due to Medicaid expenditures -- our estimate is $140 billion over 25 years. In general, the settlement gives states about $8 billion a year and our claim is about $4.5 billion. Early in this Congress, Senator Hutchinson (R-TX) introduced legislation that would hand over the federal share to the states with no strings attached. Last week, the Senate Appropriations Committee attached Hutchinson's measure (which has attracted over 35 Senate co-sponsors) on a voice vote to a $1.9 billion emergency spending bill. Republicans predict that the amendment will pass the full Senate when the emergency bill goes to the floor later this month, but its prospects in the House are unclear.

As you know, the Hutchinson approach is at odds with the President's budget, which assumes federal recoupment as an off-set to various funding priorities. The Administration is working to garner support for a reasonable alternative to Hutchinson's approach. We created a menu of spending options for the states, an approach similar to provision in last year's comprehensive tobacco legislation sponsored by Senator McCain. This week, we gave the menu informally to Senator Daschle. We expect that a lead Democrat will introduce it in advance of the Senate Finance hearing scheduled for March 10 at which the Administration will testify.

As currently constructed, the menu includes 5 categories:

a. ***Tobacco prevention*** -- prevention, education, enforcement, cessation, evaluation. Require Secretary to review and certify state tobacco plan.

b. ***Tobacco farmers*** -- direct payments to quota owners and active producers; career development including financial planning and educational assistance; economic development grants.

c. ***Public health*** -- community health centers and other providers of health care for the uninsured, CHIP and Medicaid outreach, maternal and child health, and mental health.

d. ***Anti-drug efforts*** – safe and drug free schools, substance abuse education, prevention, and treatment.

e. ***Child care*** – child care block grant and early learning fund activities.

As you know, there was considerable discussion of the pros and cons of having child care on this tobacco menu, but considering our bleak prospects in this Congress for a substantial child care subsidy increase and the fact that child care was on the list last year, there was collective agreement internally and among the advocates that having child care on the spending menu is desirable.

Ed-Flex and ESEA. As the Senate continues its debate on ed-flex legislation, Senate Democrats and the Administration are concentrating on a class-size amendment that would authorize the President's initiative to fund 100,000 teachers, which received its first installment during last year's appropriations process. At the same time, Senate Democrats are planning to offer message amendments on a range of issues, including school construction, after school programs and social promotion. At this point, Senator Lott is threatening to pull the bill, though it is still possible that he may agree to a limited time agreement that permits a few Democratic amendments.

The ed-flex legislation itself, which, as you know, would give local school districts greater flexibility over federal education dollars as they seek school reform, is to some degree at cross-purposes with the Administration's ESEA proposal, a key provision of which would reform Title I to require more accountability. However, the ed-flex debate may well be revisited in the context of the reauthorization of the Act as its provisions are contained within ESEA. Regardless, the President's ESEA reauthorization proposal is likely to be sent to the Hill during the first week of April, and thus far, Hill Democrats have been receptive to most of the proposed provisions.

Medicare. In order to issue a report by the end of the month, the Medicare Commission must decide its final course by mid month. To that end, the Commission will meet next on Monday, March 15th for a final vote. Over a week ago, Senator Breaux presented his latest Medicare reform plan. It contains several important provisions, including policies to modernize fee-for-service and rationalize Medicare's cost sharing. His premium support proposal -- while not fully developed and considered flawed by the President's advisors -- maintains the Medicare entitlement and achieves needed savings for the program. However, the proposal also includes major shortcomings and serious omissions, including: (1) no reference to any sort of financing proposal or the dedication of the surplus, despite the Commission mandate to do so; (2) no prescription drug benefit; (3) an income-related premium that begins at $24,000 for single beneficiaries; and (4) a premium support model that has the potential to leave rural beneficiaries with higher premiums and no additional choices.

At this point, the Democratic members -- including Representative Dingell, Senator Kennedy and Senator Rockefeller -- have concluded that nothing good can come out of this Commission. Indeed, they believe that it is time to develop an exit strategy that helps ensure that the Commission's recommendations do not provide momentum for flawed policy to be passed by the Congress. However, Senator Breaux is continuing to lobby aggressively for the vote of either Laura D'Andrea Tyson and Stuart Altman because he needs an eleventh vote to issue a report. Those discussions are now at an impasse on financing, though Tyson and Altman have now voiced their support for premium support in principle. The current negotiations now essentially revolve around whether Altman and Tyson will join the Commission report, but write separately in some form, or dissent from the report.

Child Care. In addition to the movement on child care in the tobacco arena, there are some other promising signs, particularly in terms of increased momentum on targeted tax cuts. Child care tax relief was one of three targeted tax cut items promoted in the 1999 Democratic "Families First" Agenda (the subsidy piece is also included), and early reports from meetings with Senate

Finance staff suggest that this item is viewed favorably across the aisle. We see the tax piece as the best foot in the door this year -- because of the likelihood of a tax bill -- for us to pursue enhanced subsidies as well. The House Ways and Means Subcommittee on Human Resources will hold a hearing on child care on March 16, which is significant because the last Congress refused to hold even a single hearing on the issue. HHS Assistant Secretary Olivia Golden will lead off the hearing testimony, making the case for the President's child care initiative. Also, the Subcommittee's ranking Democrat, Rep. Ben Cardin (D-MD), plans to introduce a child care bill largely based on the Administration's proposals prior to the hearing. And, Rep. Ellen Tauscher (D-CA) plans to reintroduce last year's House Democratic consensus child care bill. On the Republican side, there is also reported movement: Subcommittee Chair Nancy Johnson (R-CT) may introduce the tax provisions of her child care bill from last year before the hearing, and Senator Jeffords (R-VT) may introduce a comprehensive child care bill, as well.

New Crime Bill. The President's "21st Century Crime Bill," is likely to be sent up to the Hill on March 31. Though its provisions have not been finalized, the bill will contain a broad array of crime-related reauthorization provisions, including reauthorization of the COPS program, the Violence Against Women Act, and the Office of Juvenile Justice and Delinquency Prevention. The bill also contains two prevention initiatives: it authorizes both the Attorney General's $95 million At-Risk Youth Initiative that supports efforts to reduce juvenile crime, and a new $125 million initiative that funds direct prevention activities through the COPS program. In addition, the legislation will include a number of provisions that would regulate guns, such as a prohibition on gun purchases by individuals who have been prosecuted for violent crimes as juveniles (popularly known as Brady for juveniles), and a requirement that gun manufacturers adopt child safety locks; at this point, the bill does not contain a provision formally known as Child Access Protection (CAP) legislation that many gun control advocates have sought, which would essentially hold adults responsible if they allow children easy access to loaded firearms. As of this point, the bill contains no major death penalty provisions and no new mandatory minimum sentences. Thus far, Senate Democrats have been very receptive to the bill, though the Congressional Black Caucus has voiced some concerns.

In terms of Congressional Republican efforts on crime, Senator Hatch has introduced the version of S.10 that was negotiated last fall before the end of the session. Senator Lott has placed the bill at the desk, so that it may be called up at any time. While he has not committed to Senator Hatch's bill, Senator Lott has stated that the Senate will take up a crime bill soon.

The NARAL Foundation Ad Campaign: The NARAL Foundation is now beginning their public education initiative, called Choice America, which will promote the core principle of the pro-choice position: that the freedom to choose is central, fundamental American value. The goal of the campaign, which is centered around television advertising and public education at the grass-roots level, is to communicate pro-choice values and beliefs, and improve the climate for choice by altering people's views on abortion through exposing them to these positive pro-choice messages. The campaign is specifically designed to involve and engage the pro-choice

Americans who have become relatively complacent about the status of reproductive rights today.

The campaign has conducted two test runs in the media markets of Columbus and Philadelphia, with significant television buys (over 800 points). After the ads were shown, NARAL found significant increases in support for the pro-choice position, especially considering this issue is one on which people's views are deeply held. The Foundation plans to start their major campaign this spring, with significant ad buys in 10 states; the campaign will then grow to roughly 30 states over the next two years. The tagline of the campaign is "What is Life without Choice."

New Report on Families in Poverty. The research group Child Trends recently issued a report on working poor families. The report, based on 1996 census data, found that children of working parents were seven times less likely to be poor than children of non-working parents. Only 9 percent of children whose parents work were poor, compared to 63 percent of children with non-working parents. The report also found, however, that work does not guarantee an escape from poverty: the study found that fully 35 percent of poor children have working parents. In making this calculation, the report used the official measure of poverty, which does not include as income the Earned Income Tax Credit or non-cash supports such as Food Stamps. As you know, many analysts have pointed out how the EITC and Food Stamps provide families with resources to move above the poverty line. The CEA has reported that the EITC lifted 4.3 million people out of poverty in 1997 and that over half that decline in child poverty between 1993 and 1997 resulted from changes in the EITC and other taxes. The Center on Budget and Policy Priorities has calculated that a family of four can reach the $17,100 poverty line through a full-time minimum wage job ($9,800), the EITC ($3,700), and Food Stamps ($3,600).

Single-Sex Education: A number of women's groups, including the National Women's Law Center, the American Association of University Women and NOW Legal Defense and Education Fund, recently met with members of the Domestic Policy Council and the White House Counsel's Office to discuss the Administration's policy on single-sex public schools. They expressed their hope that the Administration avoid an interpretation of recent Supreme Court jurisprudence (particularly in light of the *Virginia Military Institute* case) that would result in an Administration policy which prohibits public single-sex schools for girls. They also worry about an official position that supports gender-separate education so broadly that it would find all boys' schools permissible. They shared their narrower constitutional interpretation that would limit gender-segregation to those public schools which serve to remedy past discrimination; thereby permitting some all-girls' schools, but prohibiting separate schools for boys. The particular views of these advocates are animated by the fear that a broader support for girls' schools may be used as an excuse by local school districts to create separate, and perhaps better, boys' schools.

THE WHITE HOUSE

WASHINGTON

February 18, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Jennifer Klein
Nicole Rabner
Neera Tanden

CC: Melanne Verveer
Marsha Berry
Patti Solis-Doyle

Subject: Domestic Policy Planning

The purpose of this memorandum is to serve as a basis for our discussion tomorrow, in which we hope both to brief you on key domestic policy issues and to receive guidance from you on planning and strategy. The memorandum first explores the theme of "what works" as a possible area for sustained focus, and then addresses the following issue areas: (1) child care, early childhood development, and at-risk children and youth; (2) child welfare and adoption; and (3) children's health.

UMBRELLA ISSUE: "WHAT WORKS"

The theme "what works" has great potential as an organizing tool for our overall efforts. As you have pointed out, there are so many promising efforts across the country in each of these policy areas, yet very few attempts to bring these models to scale. There is also remarkably little discussion about how to do this effectively.

Your leadership role to date in this area has been largely to bring visibility to promising initiatives around the country through writings, speeches, and public appearances. An important and logical next step is for you to lead a national dialogue to encourage collaboration and replication of best practices. This dialogue would involve a range of perspectives and experiences -- academic, advocacy, government, foundation, community-based, grassroots, etc.

We propose convening small, issue-specific meetings on this subject, leading up to a "prayer-breakfast style" discussion at the White House with a broad group to explore (1) why it is that we do not effectively learn from and replicate proven models, and (2) how we can do better. The small meetings will provide an opportunity to work on specific issue areas (*i.e.* how can we bring Smart Start and other early childhood models to scale?) as well as to plan for the broader "what works" discussion. A large meeting at the White House would be an important way to share what was learned at the smaller meetings, to engage the nation in a serious discussion on this subject, and, possibly, to signal your intention to dedicate yourself to this issue, in a formal or informal way.

Another related idea is to host a dinner or luncheon at the White House to honor a broad-based group of "Champions for Children" and use that as a vehicle to begin the "what works" message.

<u>CHILD CARE, EARLY CHILDHOOD DEVELOPMENT, AND AT-RISK CHILDREN AND YOUTH</u>

At Friday's meeting, we hope to update you on legislative developments on the child care initiative, and to solicit your advice both on overall strategy and on specific opportunities for your involvement in meetings or events in the areas of child care, early childhood development, and at-risk children. Specific opportunities for your involvement include:

<u>1. Continuing to be a leading voice for the child care initiative and for action on child care</u>

- **Meetings with Members of Congress**: Convene (1) the Congressional (social) Women's Caucus and/or the Democratic Women's Caucus (on child care and other issues), and (2) the leading child care bill sponsors. luncheon. → Chafee/Dodd compr...

- **Meeting with Child Care Advocates:** Meet at the White House with key advocates for women and children to discuss child care strategy. wait -

- **Department of Treasury Working Group on Child Care**: Participate in the April meeting of the Treasury Working Group on Child Care as the working group presents its findings on ways businesses can play a role in child care and why it makes economic sense for them to do so. As you know, this working group was announced at the White House Conference on Child Care, and presents a good opportunity to spotlight the proposed tax credit for businesses. (POTUS may also participate in this event.) Y

- **Health Outreach in Child Care Settings**: Release a new HHS Medicaid Outreach Manual for child care workers and highlight the importance of health linkages in child care. (POTUS may also participate in this event.) Y

- **Town Hall Meetings**: Participate with (1) key Members of Congress and (2) organized labor (AFL-CIO) to spotlight the need for greater investment in child care. N

- **Reiner Child Care Campaign**: Announce (with Rob Reiner and Rosie O'Donnell) a new private sector child care effort, which includes: (1) a new brochure ("Making the Right Choice for You and Your Child) and its ambitious circulation strategy, with assistance from Child Care Aware, the NGA, Toys R Us, and Fisher-Price; (2) a new child care video to be distributed similarly to the brochure, as well as through Blockbuster stores nationwide, and (3) a new interactive web site on child care, developed by *Yahoo!*, a major Internet company, where parents can get child care information. As you know, Reiner is particularly eager for your participation in this formal announcement, as his foundation began this campaign to advance the goals of the White House Conference on Child Care, and he sees this as a tangible result from the meeting. Rosie O'Donnell! Y

- **Parents Magazine Child Care Awards**: Participate in Parents Magazine's child care awards event (which also stemmed from the White House Conference on Child Care). (Oct.)

- **Smart Start Best Practices**: The North Carolina Partnership for Children, the National Governors Association, the Families and Work Institute, and the National Center for Children and Poverty are working together to hold a conference on best early learning practices, and to bring together Governors and other state leaders to learn from Smart Start. This opportunity dovetails well with the "what works" theme, and with our child care initiative, which, as you know, borrows a great deal from Smart Start. inter-act

- **Business and Child Care -- Honor Roll Report/Awards**: Announce new "Honor Roll" companies that offer good child care services to their employees, as well as good pay and benefits. This event could take place at a company, and would highlight both the great demand for on-site child care as well as the need for the proposed tax credit for businesses. or together

- **Travel to States with Innovative Initiatives:** States such as North Carolina, Indiana, Georgia, Ohio and Missouri are implementing programs that link child care and early learning, through such initiatives as universal pre-school, parent education, and other efforts to improve the quality of child care. Visits would spotlight initiatives that dovetail with our national proposal.

- **D.C.'s Child Care System:** We know that D.C. has not claimed a portion of the federal subsidy available, and that, in general, its child care system is in disarray. We are currently working with OMB and HHS to help bring some level of organization to the

→ City Manager visit.

unannounced

inspection

child care system here. While we will continue to work internally, we are seeking your guidance as to whether you want to become involved more publicly.

- **Stay-at-Home Parents/Maternal Leave:** The Administration is struggling with a response to initiatives that help stay-at-home parents. At the same time, recent studies indicate how far the United States lags among nations in its maternal leave policies and the benefits it provides to new mothers. We are seeking your guidance on how these issues interrelate and what course of action we should pursue.

imp. issue — Diane A

2. Continuing to be a Leading Advocate on Early Childhood Development

research needed?

- NR **Decade of the Brain Award**: Next month, you will be honored by the Society for Neuroscience with its Decade of the Brain Award. This presents an important opportunity to link the brain research with the call for greater investment in quality child care and early learning efforts.

help fulfill promise research

- **Prescription for Reading Effort**: The Prescription for Reading effort is a example of the "what works" model in practice. Next steps include:

    - **Dr. Seuss Birthday "Read Across America" Effort**: On March 2, you are scheduled to highlight a the importance of reading to young children in honor of Dr. Seuss' birthday. The American Booksellers Association has donated 200,000 copies of *Read to Your Bunny* by getting health care providers to give their youngest patients coupons to redeem at bookstores. The redemption period ends on March 1st, and your event on the 2nd will spotlight the success of this project and the donation of the unredeemed books to a local hospital.

      read: learning Dem

    - **Prescription for Reading Launch in Chicago**: In April, you are scheduled to launch the Prescription for Reading partnership throughout Chicago. Since April marks the one-year anniversary of the national launch of this effort, the Prescription for Reading partnership could present to you a report on its significant progress nationwide.

    - **Children's Books Awards**: In June, the annual Newbury-Caldicott Children's Book Awards will be given in D.C., bringing together the country's leading authors of children's books. The group has offered to work with you to donate 1998 award winning books to a D.C. hospital or health center, joining the Prescription for Reading effort.

      DC Award!

- **Convening on What Works in Early Childhood Development**: If we move forward on

Lee Schorr, Diane A Breaker

our proposed strategy to engage in a dialogue on "what works," one of the smaller convenings could focus on model efforts in the field of early childhood.

3. At-Risk Children and Youth

- **Report on Safe Places and Quality**: Release a report by the Departments of Education and Justice outlining the benefits of after-school programs both in terms of education-enhancement and crime-prevention. (POTUS may also participate in this event.) ✓

21st C NR [May 15]

- **Announcement of 21st Century Community Learning Center Grants**: Announce the award of $40 million this year in grants to create public-school based community learning centers. (POTUS may also participate in this event.) ✓

- **Announcement of Pilot Cities for Coordinated Federal Program**: Announce the cities and communities selected for the coordinated, agency-wide technical assistance effort on supporting after-school opportunities for at-risk children and youth (D.C. will be one of the sites selected). announce ✓

- **Neighborhood Cohesion and Crime Report:** The National Institute of Justice (NIJ) is releasing a report on neighborhood cohesion and whether it reduces violence. The report finds that mutual trust among neighbors and a willingness to support children appears to reduce crime. This report is an outgrowth of a major multi-year study of Chicago's neighborhoods and is scheduled to be released in early March.

- **DOJ-Sponsored Summit on Safe Havens**. The Department of Justice has secured $12.5 million for this year to "improve the safety of elementary and secondary school children and reduce crime on or near elementary and secondary school grounds," and is considering convening a summit to promote best practices in this area, as well as providing targeted, non-competitive assistance to needy communities. DOJ is beginning to develop a strategy for the use of these dollars, and welcomes input and your leadership. This effort also dovetails with the "what works" theme. ✓

- **Report on Best Practices for Prevention:** The Department of Justice will issue a report in late April which focuses on exemplary partnerships between the police and other community organizations to reduce juvenile crime and delinquency. It will also contain suggestions for police chiefs and officers to promote and support efforts to provide positive alternatives for children when they are not in school.

- **Convening on What Works for At-Risk Children and Youth**: If we move forward on our proposed strategy on a dialogue on "What Works," one of the smaller convenings could focus on model efforts in the field of intervention for at-risk youth through after-school opportunities and other efforts.

5-10

- **Juvenile Justice Bill**: Legislation on juvenile crime has passed the House and awaits floor action in the Senate. Both the House and Senate version of the bill contain a provision which loosens the federal requirement to separate juveniles from adults in state prisons. A broad array of groups, including the Children's Defense Fund, are opposed to this provision because they believe it will increase the suicide rate of juvenile offenders as well as increase the chances they will be abused while in custody. We are seeking your guidance on what, if any, course of action we should take. dead sep against - alt.

ADOPTION / CHILD WELFARE

As you know, there is a continued need for your leadership on child welfare and adoption issues on a number of levels. We plan to call weekly meetings with HHS to carefully monitor their implementation process.

Options for your immediate and long-term involvement include:

NR/ PSD

- **Internal meeting with HHS**: As we have discussed, invite Shalala and other HHS officials to a meeting at the White House for a discussion on: (1) implementation of the Adoption and Safe Families Act of 1998; (2) monitoring of the MEPA legislation and other related issues; and (3) the D.C./ABA child welfare project. ✓

- **Court Improvement and Support Meeting**: Convene a White House meeting with judges, association and foundation leaders, and advocates in this area to discuss implementation of the new law and the needs of the courts. ✓

~ mtg.

- **Foundation Leaders Meeting**: Follow-up on your meeting with Foundation leaders (8/2/96) by calling a meeting to discuss the implementation of the new law, best practices, and next steps. *

- **D.C. Child Welfare Meeting**: Meet with the new D.C. child welfare receiver and the ABA leadership on child welfare for an informal briefing on their plans and progress. The ABA and the D.C. receiver met for the first time last month and plan to work together on two issues: (1) recruiting greater pro bono legal assistance from D.C. attorneys, and (2) the drafting of D.C. law to implement the new federal law. This collaboration is underway but not formally announced. ✓

- **Next Step Issues**: We have been exploring with HHS and Congressional staff what the

MR - Bill Carr

next steps are for child welfare, and have identified a few for possible focus and leadership: (1) supports for children who age out of the child welfare system; (2) services for children in foster care, i.e. priority for Head Start enrollment; and (3) identifying and breaking down geographic barriers to adoption. In the context of implementation of the law, child welfare is also a candidate for a small convening on the "what works" issue, with foundation leaders and others.

CHILDREN'S HEALTH

- **Children's Health Outreach Implementation**: As you have said, CHIP will only succeed with a sustained effort from the private sector, the non-profit sector, the states and the federal government to reach out to eligible children and families.

    - **Engaging the States**: While we will work with HHS to better monitor the process, it may also be beneficial for you to meet directly with the NGA or state legislators to discuss implementation. In addition, continual exhortation to the states to develop their plans is necessary.

    - **Public Service Announcements**: Once the Bell Atlantic toll-free number is established, we will move forward with recruiting private sector support for PSAs to reach eligible families through television, radio and print ads.

    - **Engaging Schools**: The NEA has already announced its intent to educate teachers. We will also encourage principals, school coaches, school nurses, and others within schools to get involved as well. This could be done during a visit to one of the states coming on line with CHIP that intends to use schools (e.g., Connecticut, Pennsylvania, Florida).

    - **AmeriCorps Reauthorization**: The legislation to reauthorize AmeriCorps will be announced in the next few weeks. We could add to the legislation explicit encouragement of volunteers to engage in children's health outreach. Some volunteers (e.g., in Utica, NY) already do so.

    - **Mobilization of the Non-Profit Sector**: Convene a meeting of foundations involved in health issues to mobilize more commitments to outreach. Any new commitments that we receive will generate events around their announcement.

    - **Late May / Early June Announcement of Federal Outreach Plans**: To comply with the President's recent directive to form agency plans for outreach, HHS will release a report in late May / early June describing all of the agency actions. ads?

Ed Com on States 8-10 yrs ago.

- **New Goals on Asthma**: An interagency task force was recently formed, in which we participate, to develop policy proposals on different aspects of children's health. Asthma is central to its agenda. The task force intends to set clear goals on asthma -- such as reduced hospitalizations or reduced fatalities -- in order to measure progress over a defined 4-year period. You could participate in the announcement of these goals in April.

- **Environment and Learning Disabilities:** EPA is holding a conference on the connection of learning disabilities to environmental pollutants in the early fall. N Q?

Ed conf. of States

- **Environmental Health Risks to Children**: Senator Boxer has introduced legislation that would require EPA to develop standards on environmental health risks to vulnerable sub-populations, particularly children. It also requires the EPA to identify pollutants commonly found in areas accessible to children and establish guidelines on reducing these pollutants. We could do events surrounding our support for this legislation.

event w/ Boxer CA.

- **Health Care Quality:** We need your guidance on the extent to which you want to be involved in the debate around federal standards to improve the quality of health care.

OTHER ITEMS FOR DISCUSSION

- **Appalachia and/or Indian Country:** Visit could highlight women and children's issues, particularly child care and microcredit.

→ DC section

floor amendments:

Uwe Reinhardt [Paul, Ira]

- drafting a speech.

specificity for [illegible]

set the record straight.

mental health - [parity -- K-K not of price.]

8

Academic Health Center

THE WHITE HOUSE

WASHINGTON

August 7, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: JENNIFER KLEIN
NICOLE RABNER
NEERA TANDEN

CC: MELANNE VERVEER

SUBJECT: Issues Update

Below please find brief updates on various issues. Next week, Nicole will forward separate memos on child welfare/adoption and Packard Foundation discussions, and Neera will forward follow-up memos on D.C. Charter Schools and on the amended version of the Senate's juvenile crime bill.

Children's Health Outreach Campaign. We now believe that we need to go ahead and launch the outreach campaign in September. Governors and others are anxious to begin outreach activities, and we want to ensure that the Administration maintains control of these efforts (so that, across the country, families hear one message and see one phone number). At the September event, we will be prepared to launch a radio campaign and announce activities by corporations (*e.g.*, Nike, AT&T, etc.), foundations, grassroots advocacy groups (*e.g.*, health, religious, child care, and education), and others. In addition, we hope to announce that the networks will begin airing public service announcements during prime time hours in January.

Head Start. Head Start, as you know, is up for reauthorization this year, and the Senate completed its bipartisan bill many weeks ago, with our close involvement. The bill authorizes the Head Start program at amounts proposed by the President and, you will be interested to note, adds "school readiness" as a specific outcome goal for the Head Start. This will open the way for discussions about a standardized curriculum which will begin exploring with HHS and others in the fall. The House, on the other hand, has turned Head Start reauthorization into a partisan fight -- the full House Committee added provisions such as vouchers for parents to choose alternate child care arrangements, a repeal of the Davis-Bacon prevailing wage law, and burdensome requirements for Head Start grantees to verify TANF compliance -- all of which we strongly oppose. Congressman Goodling, the Chair of the full Committee who has urged bipartisanship on this issue, and Congressman Riggs, the sub-Committee Chair and main proponent of the partisan amendments, have been arguing about this bill for some time. We now understand that Goodling may in September bring to the floor a Head Start bill stripped of the objectionable provisions.

Another important controversy surrounding Head Start reauthorization is the issue of program quality. The Administration has always maintained that there needs to be a careful balance between investments in Head Start expansion and quality -- that while we must sustain our commitment to improving program quality, we must also seek to serve more of the eligible population with Head Start services. Current law states that 25 percent of expansion dollars (*i.e.*, funds above the prior year's funding mark) must be spent on improving quality (salary enhancements, facility upgrades, etc.). We have long supported this provision, even though the trade-off is that we can serve less additional children with any increased funding level. House Republicans want to increase substantially this quality set-aside in reauthorization, to nearly 75 percent. While it is difficult for us to oppose quality investments, we plan to press for a more balanced approach to investing in quality and expansion, particularly since we want to reach the President's goal of serving one million children with Head Start services (which would be nearly impossible to do if 75 percent of any additional dollars were targeted to quality activities). Since the Senate left the 25 percent quality set-aside intact, we imagine that some compromise (but still a net increase of quality dollars) will be worked out in Conference in the fall.

Social Security Reform and Women. A broad group of women Members of Congress sent a letter to the President on Thursday, urging him to pay careful attention to the implications of Social Security reform for women (attached). We will continue to monitor this important issue in the fall.

D.C. Appropriations Bill. On Thursday night, the House passed its D.C. Appropriations bill. We were pleased that the bill fully funds both D.C. public schools and D.C. charter schools (therefore not pitting them against one another). However, three strongly objectionable amendments were attached to the bill -- including measures to establish private school vouchers, to prohibit adoptions in the District by unmarried or unrelated couples, and to prohibit the use of Federal and local funds for needle exchange programs. In addition, the bill would bar the use of local District funds for abortions, and fails to fund the President's economic revitalization plan for D.C. We have particularly followed the adoption restriction in the bill, which clearly targets the gay and lesbian community's ability to adopt and become foster parents jointly. In our objections to this measure, we have stressed that the D.C. Appropriations bill is an inappropriate forum for a policy debate on child welfare, which has a strong history of bipartisanship. In addition, it is unnecessary interference in foster care casework, where the best interests of the child should govern decision-making.

Senate Labor-HHS Appropriations Bill. The Senate is just beginning to consider its Labor-HHS Appropriations bill, and plans to begin its subcommittee markup in September. We have heard unconfirmed reports that Senate Republicans are considering fully funding our FY 1999 child care Appropriations request, which includes the $180 million of initiatives that require discretionary funding (the standards enforcement fund, the scholarship program, and the research fund). It is unclear, however, if the Senate plans to fund our specific initiatives or if they plan to target the $180 million of our request to block grant discretionary funds for subsidies. In addition, we have heard that the Senate is likely to fund our after-school initiative, the 21st Century Community Learning Center program, at $80 million for FY 1999, but they may well fund it at a higher level ($80 million would double the program's current funding level, but is considerably less than the President's $200 million request).

Bankruptcy Reform. There are still no prospects of movement on the Hill before this Congress adjourns. However, because the bill could come up by surprise in the fall and in order to be prepared in the long-term, we are working with the NEC to develop proposals that address creditor abuse and that promote consumer protection and education.

Single Sex Education. Elena Kagan and Mike Cohen are drafting a memo to update you on the continuing negotiations between the Department of Education's Office of Civil Rights and the Young Women's Leadership School in East Harlem. We also thought that you might be interested in knowing that Kay Bailey Hutchinson plans to offer an amendment to Labor-HHS Appropriations to make certain that federal education funds can be used to support same-gender public schools as long as comparable educational opportunities are offered for students of both sexes.

Youth Violence Dinner Follow-Up. We are in the process of gathering follow-up ideas from a number of the dinner's participants. As appropriate, we will distribute their ideas to staff, and will ensure that those working on the White House Conference on School Safety receive relevant input. In addition, we will forward a memo to you next week outlines the recommendations of the Departments of Justice and Education and White House staff for themes of the conference.

Working Families Shadowing Idea. Ellen Galinsky of the Families and Work Institute has teamed up with Lifetime Television for Women to implement your idea of organizing a shadowing effort in which elected officials are paired with a low-income working family in their district to learn first-hand, over the course of a day, about the many challenges families face. They are now working to identify and target Members of Congress for this effort, and are very eager for your participation in a follow-up meeting or event in the fall, in which the officials involved would discuss what they learned from their shadowing experience. In particular, the group would like to urge Members of Congress to participate by signaling your willingness to join this follow-up discussion.

Asthma. You asked us to evaluate Michael Fumento's recent op-ed in the New York Times (attached), which argued that EPA's efforts to ban two kinds of pesticides are counter-productive because these pesticides are used to kill cockroaches, which, in turn, can cause asthma. While there are several misrepresentations in this article, two in particular stand out. First, Mr. Fumento argues that EPA's efforts to regulate air pollution based on asthma are misguided because, he contends, asthma rates are highest in countries that have lowest pollution rates. However, ozone is a powerful cellular irritant that does cause respiratory inflammation and spasms in the lungs' air passages, and it is consistently associated with aggravating the disease in study after study. In fact, the American

Lung Association determined that children with asthma are 40 percent more likely to suffer asthma attacks on high-pollution days compared to days with average pollution. Therefore, while it is the case that we do not know exactly why asthma rates have increased at the same time that overall air quality has improved, we do know that increased levels of ozone in the air exacerbates asthma, particularly in children.

In addition, Mr. Fumento's central argument is that EPA's consideration of a ban on organophosphates and carbamates, two types of pesticides that are potent cockroach killers, is wrong headed because these pesticides could help reduce asthma levels by killing cockroaches. However, he fails to mention that these two pesticides are toxic to the central and peripheral nervous systems, and that they are members of the same chemical class as the war gases, sarin and soman. The EPA is regulating these pesticides under the Food Quality Protection Act, which requires that pesticides standards be set at levels that protect children's health. EPA's preliminary findings indicate that American children are still exposed to some organophosphate and carbamate pesticides at levels of tens to hundreds of times above safe thresholds. Finally, it should be noted that Mr. Fumento is a frequent contributor to "The Washington Times" and "The Weekly Standard," and regularly criticizes environmental regulations. His books include Science Under Siege: Balancing Technology and the Environment and The Myth of Heterosexual AIDS.

Cincinnati Children's Health Outreach Article. You had seen a July 27 article titled "Free Insurance Promoted" in *The Cincinnati Enquirer*. The article stated that the President recently made $500 million available to local communities to publicize the Children's Health Insurance Program (CHIP). The reporter received his information from a county official who thought that the President had announced the availability of this funding in February. In fact, the President announced only a legislative proposal to allow states to use $500 million of welfare reform dollars for CHIP outreach. It does appear that Ohio is making welfare reform funds available to community groups for outreach, though this is not actually permitted without the change proposed by the President.

Ryan Moore. Nicole has kept in touch with Ryan and his family, who convey their love to you and the President. The Moores also wanted you to know that a Christian publisher is interested in commissioning a book about Ryan (to be written in his voice with help from writer), to teach children about disabilities and tell his inspirational story of faith and hope. They asked if they could include photos and stories representing how important you and the President have been in Ryan's recovery, if this moves forward. We will stay in touch with the Moores as the project develops.

Lisa Pritzger. Jen spoke with Lisa Pritzger to follow up with your conversation with her on at risk youth at the Pritzger dinner. She is interested in working with us as we develop policy and plan events in this area, but had no specific ideas yet. Unfortunately, she will be away at the time of the White House Conference on School Safety.

THE WHITE HOUSE

WASHINGTON

August 7, 1998

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NICOLE RABNER
NEERA TANDEN

To

CC: MELANNE VERVEER

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What is current status

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Youth Violence Dinner Follow-Up. We are in the process of gathering follow-up ideas from a number of the dinner's participants. As appropriate, we will distribute their ideas to staff, and will ensure that those working on the White House Conference on School Safety receive relevant input. In addition, we will forward a memo to you next week outlines the recommendations of the Departments of Justice and Education and White House staff for themes of the conference.

Status?

Working Families Shadowing Idea. Ellen Galinsky of the Families and Work Institute has teamed up with Lifetime Television for Women to implement your idea of organizing a shadowing effort in which elected officials are paired with a low-income working family in their district to learn first-hand, over the course of a day, about the many challenges families face. They are now working to identify and target Members of Congress for this effort, and are very eager for your participation in a follow-up meeting or event in the fall, in which the officials involved would discuss what they learned from their shadowing experience. In particular, the group would like to urge Members of Congress to participate by signaling your willingness to join this follow-up discussion.

Asthma. You asked us to evaluate Michael Fumento's recent op-ed in the New York Times (attached), which argued that EPA's efforts to ban two kinds of pesticides are counter-productive because these pesticides are used to kill cockroaches, which, in turn, can cause asthma. While there are several misrepresentations in this article, two in particular stand out. First, Mr. Fumento argues that EPA's efforts to regulate air pollution based on asthma are misguided because, he contends, asthma rates are highest in countries that have lowest pollution rates. However, ozone is a powerful cellular irritant that does cause respiratory inflammation and spasms in the lungs' air passages, and it is consistently associated with aggravating the disease in study after study. In fact, the American

Did anyone respond to his article?

Lung Association determined that children with asthma are 40 percent more likely to suffer asthma attacks on high-pollution days compared to days with average pollution. Therefore, while it is the case that we do not know exactly why asthma rates have increased at the same time that overall air quality has improved, we do know that increased levels of ozone in the air exacerbates asthma, particularly in children.

In addition, Mr. Fumento's central argument is that EPA's consideration of a ban on organophosphates and carbamates, two types of pesticides that are potent cockroach killers, is wrong headed because these pesticides could help reduce asthma levels by killing cockroaches. However, he fails to mention that these two pesticides are toxic to the central and peripheral nervous systems, and that they are members of the same chemical class as the war gases, sarin and soman. The EPA is regulating these pesticides under the Food Quality Protection Act, which requires that pesticides standards be set at levels that protect children's health. EPA's preliminary findings indicate that American children are still exposed to some organophosphate and carbamate pesticides at levels of tens to hundreds of times above safe thresholds. Finally, it should be noted that Mr. Fumento is a frequent contributor to "The Washington Times" and "The Weekly Standard," and regularly criticizes environmental regulations. His books include Science Under Siege: Balancing Technology and the Environment and The Myth of Heterosexual AIDS.

Cincinnati Children's Health Outreach Article. You had seen a July 27 article titled "Free Insurance Promoted" in *The Cincinnati Enquirer*. The article stated that the President recently made $500 million available to local communities to publicize the Children's Health Insurance Program (CHIP). The reporter received his information from a county official who thought that the President had announced the availability of this funding in February. In fact, the President announced only a legislative proposal to allow states to use $500 million of welfare reform dollars for CHIP outreach. It does appear that Ohio is making welfare reform funds available to community groups for outreach, though this is not actually permitted without the change proposed by the President.

draft letter from me to them - yes

Ryan Moore. Nicole has kept in touch with Ryan and his family, who convey their love to you and the President. The Moores also wanted you to know that a Christian publisher is interested in commissioning a book about Ryan (to be written in his voice with help from writer), to teach children about disabilities and tell his inspirational story of faith and hope. They asked if they could include photos and stories representing how important you and the President have been in Ryan's recovery, if this moves forward. We will stay in touch with the Moores as the project develops.

Lisa Pritzger. Jen spoke with Lisa Pritzger to follow up with your conversation with her on at risk youth at the Pritzger dinner. She is interested in working with us as we develop policy and plan events in this area, but had no specific ideas yet. Unfortunately, she will be away at the time of the White House Conference on School Safety.

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

June 24, 1998

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

Dear Mr. President:

As you and the Vice President continue your public discussions on the future of Social Security, we urge you to address the issues facing women. Women retiring in the next 20 years will have less than one-third the income necessary to retire comfortably, a situation that is greatly exacerbated for women of color. Several Social Security proposals under consideration would only make this situation worse.

The majority of Social Security recipients are women and yet, so far, the various reform proposals' specific effects on women and their life choices have not been highlighted. We want to make sure American men and women understand these effects as they make choices about their Social Security system.

Too few young women today understand that the job decisions they make when they enter the workforce can have a devastating impact on their lives in retirement. They mistakenly believe that the increased number of women holding better jobs means that their lives will be different. Unfortunately, that is not the case. Three out of five women are still in low-wage jobs that offer few benefits, including pensions, and they work in much greater numbers than men in part-time and contingent jobs. The situation is not expected to change well into the future.

When these women retire, even if they have worked full time and take no time out of the workforce, they will most likely have little retirement income other than a meager Social Security benefit. Most women, however, do take time out of the workforce — 11.5 years on average — to raise their children or care for ailing parents or spouses. During that time, when they are taking responsibility for the well-being of their families, they are receiving no credit in their Social Security accounts, penalizing them further when the amount of their benefits are being computed.

In addition, women live an average of seven years longer than men, and are twice as likely to be living in poverty as men. Widows often become poor for the first time on the day their husbands die. In fact, the fastest growing group in poverty are single women and widows over the age of 65.

Enclosed are three recent studies which demonstrate that women will be significantly impacted by Social Security reform. We commend these studies to your attention.

We believe that, if our national discussion on Social Security is to be truly effective, it must sound a wake-up call to women to play an active role in determining their future. They need to learn how their work and life patterns have affected — and will continue to affect their Social Security benefits in the future. And they need to understand how the effects of various options for change will affect their prospects for a secure retirement. If Social Security does not effectively serve women, it will not effectively serve anyone. We hope you agree that these critical issues serve a prominent place on your agenda, and we will be happy to work with you to make that happen.

Thank you for your consideration.

Sincerely,

OP-ED

Asthma

New York Times , June 30, 1998

Pesticides Are Not the Main Problem

By MICHAEL FUMENTO

ARLINGTON. Va. -- It's such an old joke that it's lost its humor, but it makes a point. A drunk is looking for his wallet at night at the base of a street lamp. Asked if he's sure that's where he dropped it, he says, "No, but the light is better here."

Good thing you didn't laugh, because the story also illustrates a serious problem. The Environmental Protection Agency established a panel last year to assess the most important children's health issues today. But the panel has thus far ignored many of the largest problems, focusing instead on familiar areas that are already under the spotlight.

The shortest list of our children's problems should include obesity, poor nutrition and asthma. Yet the E.P.A.'s Children's Health Protection Advisory Committee included only asthma on its top-five list. Instead, the panel has adopted essentially the agenda that alarmist environmental groups wanted it to take, emphasizing the dangers of pesticides as the greater enemy.

That might be what's to be expected from an agency with the word "environmental" in its name, but the problems facing American children are not so easily pigeonholed. What seem like solutions from a narrow environmental viewpoint could be distractions from other, more important issues -- and in fact could hurt children's health.

Consider the problem the E.P.A. seemed to have gotten right -- asthma.

Asthma is growing at a terrible rate: the Centers for Disease Control

another way. Because these pesticides are vital in controll crop-eating insects, restrictions on their use would mean th and vegetable prices would probably rise.

More than 200 studies associate low consumption of fruits and vegetables with higher risk of cancer. A study published in 1995 the Proceedings of the National Academy of Sciences reported th the quarter of the population with the lowest dietary intake of fruit and vegetables -- disproportionately inner-city minorities -- suffers roughly twice the cancer rate of the quarter of the population that eats the most produce.

As Bruce Ames, a biochemist and director of environmental health science at the University of California at Berkeley, told me, "It just doesn't make any sense to spend $146 billion on E.P.A. regulations, a few billion on cancer treatment research, and practically nothing to get people to eat good diets."

Further, our youngsters' atrocious eating habits have led to an explosion in obesity, making American children among the fattest on earth. From 1963 to 1970, Government data show only 5 percent of children ages 6 to 11 were obese. Since then, that percentage has almost tripled. For children ages 12 to 17, it has more than doubled.

Again, minority groups suffer the most. Almost 19 percent of Mexican-American boys ages 6 to 11 are obese, as are 18 percent of non-Hispanic black girls in the same age group.

Moreover, a recent Harvard study reported that one apparent cause of asthma is, yes, obesity. In the past, doctors presumed that people who have asthma become obese because the disease makes it difficult to exercise. But this study found that the heavier adults are, the more likely they are to develop asthma. The researchers who conducted the study will look at children next.

As the facts pile up, we can hope that the E.P.A. will refocus its energies on the biggest problems, rather than favoring those causes pushed by the environmental lobby.

Michael Fumento, a science adviser to the Atlantic Foundation, a legal group, is the author of "Science Under Siege: Balancing Technology and the Environment."

TO: Hillary Rodham Clinton
FROM: Jen and Nicole
DATE: 11/25/98
RE: Miscellaneous Issues

1. Adoption. The reaction from friends and advocates to yesterday's event has been tremendous. We've attached the press clips in case you haven't seen them. The *USA Today* piece appeared on Tuesday.

2. Social Security. In response to your request for briefing materials, we have asked NEC to prepare an initial briefing book on Social Security reform. Gene promises to forward it today directly to Camp David. If you don't have a chance to review it, we can pull out the most important pieces for you next week. But what better way to spend Thanksgiving weekend than with a Gene briefing book! We have also asked other groups (e.g., Bob Greenstein) to prepare materials on reform generally and on the pressing issues for women. We are happy to pull together a group to brief you before the conference if that would be helpful.

Have a wonderful Thanksgiving.