

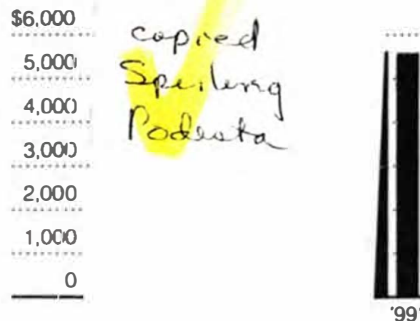
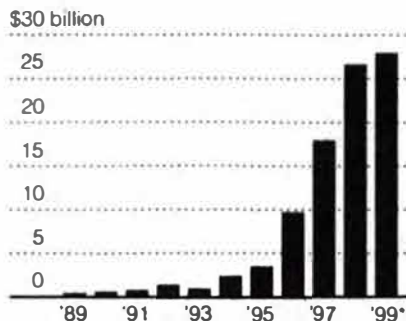
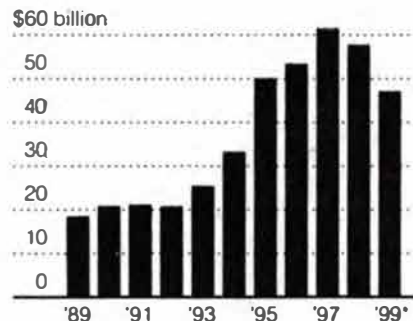
It lowered tariffs in the 1990's ...

trade has attracted investors ...

Total merchandise imports

Foreign direct investment in Brazil

Gross domestic product per person, adjusted to reflect purchasing power



Sources: Standard & Poor's DRI; Banco Central do Brasil

\*Projections

THE PRESIDENT

12-3-99

there by the time ... 1996. At the top, the company's stock had a market value of \$3.2 billion.

During the first several years that the company was public, it reported strong and rising profits. But it appears that relatively few of the underlying restaurants were ever profitable. When they raised prices far enough to offset their costs, sales fell off. When they used coupons to bring in more customers, they sold more but lost money anyway.

Boston Market was able to report profits by selling bonds and then lending the money raised to its franchise holders, who then used the cash to pay fees to the parent company that produced profits. That was

Continued on Page 7

# World Bank Economist Felt He Had to Silence His Criticism or Quit

By LOUIS UCHITELLE

WASHINGTON, Nov. 30 — For Joseph E. Stiglitz, the choice was stark: Either silence his criticism of global economic policies as practiced in Washington or resign as chief economist at the World Bank. He resigned, and in doing so focused attention on the uncertain role of academic economists in positions of power.

As Mr. Stiglitz sees it, Washington has failed to keep pace with the latest thinking on sustaining growth in developing nations. There is an "intellectual gap between what we know," he said in an interview, "and what is still practiced" at the Treasury Department and the International Monetary Fund.

Yet there is an inherent tension in Mr. Stiglitz's position. As the World Bank's chief economist, he has had a seat at the policy-making table. The World Bank, in effect, has helped to make the decisions

*An outspoken critic of relations with the developing world.*

that Mr. Stiglitz criticizes, an unusual role for an insider. Nevertheless, James D. Wolfensohn, the bank's president, openly supported Mr. Stiglitz in his views — voicing criticism publicly only once, in October. Mr. Stiglitz's dissents generated an unusual amount of debate over the proper policies for the global economy, particularly after much of Asia, joined later by Russia, Brazil, and other developing countries, plunged into turmoil shortly after Mr. Wolfensohn and Mr. Stiglitz joined the World Bank.

"It has become obvious to me that it would be difficult to continue to speak out

as forcefully and publicly as I have on a variety of issues and still remain as chief economist," Mr. Stiglitz said. "Rather than muzzle myself, or be muzzled, I decided to leave."

His premature departure, announced last Wednesday and effective on Jan. 1, removes from Washington the most outspoken critic of the practices that the big industrial nations favor in their relations with the developing world. Those practices emphasize open markets, unrestricted borrowing from foreign lenders, rapid privatization, balanced budgets, a minimal government role and various austerity measures when crises strike.

Mr. Stiglitz, who has been the leader in developing theories that challenge standard economic policy, also emphasizes open markets. But he argues that markets on their own frequently fall short of the promised prosperity, and a little government

Continued on Page 6



Paul Hoscroft/The New York Times

Joseph E. Stiglitz, the departing chief economist for the World Bank.

corporations, especially Internet-based companies, insist on making some shares available to investors electronically.

Executives of young companies have also come to regard a big first-day jump in the price of their stock as an invaluable promotional event, even though such run-ups suggest

that is how investment bankers on Wall Street designed the process.

Traditionally, writers tried to determine what mutual fund managers and other big investors thought a company was worth, then priced its shares 15 percent or 20 percent lower. The strategy was to set the stock up to "pop" higher in its

Francisco. Schwab has teamed with two electronic brokerage firms to create an online investment bank that hopes to distribute as much as half of the shares in the initial offerings it underwrites to individual investors, compared with the usual allocation of 20 percent to 30 percent. Mr. Readmond thinks that the

ing said he sold 100 shares of Red Hat for \$43 each, or a total of \$4,300, in their first day of trading in August. That gave him a pretax gain, after commissions, of \$2,805.

Not bad. But if he had held those shares through yesterday's trading on the Nasdaq stock market, they would be worth more than \$21,000.

## World Bank Economist Felt He Had to Silence Criticism or Quit

Continued From First Business Page

intervention can usually improve the outcome.

The Treasury and the I.M.F., for example, insisted that the East Asian countries in difficulty raise interest rates to restore investor confidence. Higher rates scare investors, Mr. Stiglitz replied, and produce recessions that are more damaging than if governments held rates down. Controls on short-term lending from abroad became another point of contention. Mr. Stiglitz contends that developing countries should limit such loans to avoid the huge defaults and devaluations that can occur when foreign lenders lose confidence and demand repayment, precipitating a crisis. But even after that happened in East Asia, policymakers frowned on setting limits on short-term lending, although they are more open to the practice now.

"The Stiglitz group represents one of the most important innovations in economics in the last 100 years," said Kenneth J. Arrow of Stanford University, who has altered his own views as a result of the Stiglitz influence. Mr. Arrow's early research, emphasizing the efficiency of a laissez-faire market system, had helped him to win a Nobel Memorial Prize

in Economic Science in 1972.

But Mr. Stiglitz's style is another matter. It raises the question, in Mr. Arrow's mind, of what an economist who takes a job in Washington should do when his expertise tells him that policy decisions are bad economics. Should he go public, or should he confine his disagreement to closed-door discussions with other officials and then, once the decision is made, remain silent?

The 56-year-old Mr. Stiglitz, who came to Washington from Stanford University, is the most prominent example in this decade of the outspoken approach. Two other top economists in government represent the opposite style, publicly endorsing official policy and indeed formulating much of it. They are Lawrence H. Summers, the Treasury secretary who came to Washington from Harvard University, and Stanley Fischer, the I.M.F.'s first deputy managing director and formerly of the Massachusetts Institute of Technology.

Both sent word through aides that they were not available to comment. Among economists, speculation had circulated for weeks that Mr. Summers had pressed Mr. Wolfensohn to silence Mr. Stiglitz. Amid official denials of any such behind-the-scenes moves, Mr. Stiglitz said that he had come to the conclusion that he could

### The uncertain role of academic economists who are placed in positions of power.

no longer continue to speak out bluntly and remain at the World Bank.

"In a sense, there was a question of personal and professional integrity," Mr. Stiglitz said. "Remaining silent when people were pursuing wrong ideas would have been a form of complicity."

Mr. Arrow, while intellectually leaning toward Mr. Stiglitz's views, has mixed feelings about public dissents. "You certainly want debate, and you cannot always have it behind closed doors," he said. "But you cannot do one policy and have the world on notice that you might switch to another. It is very hard to define the rules of this game."

Olivier Blanchard, an M.I.T. economist, is more definite. "Much of the content of the Stiglitz message, the role and the complexity of institutions needed to make markets work, is something that most of us feel at ease with," he said. "But the style has some of us unhappy. The issue is not lose the message, but do it in a way that is more productive politically. That is an aspect that Joe has ignored."

### AT&T and Charter Plan Cable Swaps

By Bloomberg News

The AT&T Corporation, soon to be the largest United States cable television company, and Charter Communications Inc. said yesterday that they would swap cable systems serving about 1.3 million customers as they consolidate their regional service areas.

Charter said it would take over AT&T Broadband and Internet Services cable systems serving 704,000 customers in St. Louis and communities in three other states. AT&T will get Charter systems serving 632,000 customers in Fort Worth and five other states besides Texas, plus an undisclosed amount of cash.

AT&T is investing billions to buy and upgrade cable networks

for use in delivering local and long-distance phone service, video programming and high-speed Internet access. The company, which is based in New York, paid \$59.4 billion to acquire Tele-Communications Inc. in March, and has agreed to pay \$62.5 billion for MediaOne Group.

Charter, based in St. Louis and controlled by the Microsoft co-founder Paul Allen, wants to expand its holdings in Missouri and Illinois to gain operating efficiencies and economies of scale.

The proposed swap between Charter and AT&T is subject to regulatory approval, which is expected to take several months, the companies said.

### Riviana Deal in Wild Rice

HOUSTON, Dec. 1 (Bloomberg News) — Riviana Foods Inc., the producer of Success brand rice, said today that it had acquired the Anheuser-Busch Companies' Gourmet House unit for an undisclosed amount of cash to build on its existing rice businesses. Gourmet House, of Clearbrook, Minn., produces and sells four wild-rice product lines. The acquisition will create a new line for the Houston-based Riviana, which already uses some wild rice in its products, the company's chief financial officer, E. Wayne Ray Jr., said.

DO NOT FORGET THE NEEDLE!

Not surprisingly, Mr. Stiglitz disagrees. Less visible, more diplomatic dissent is suitable, he says, when there is time for gradual change. But "it became very clear to me that working from the inside was not leading to responses at the speed at which responses were needed," he said. And when dealing with policies "as misguided as I believe these policies were, you have to either speak out or resign."

Mr. Stiglitz's departure from the World Bank came sooner than he had anticipated. His appointment as chief economist would have come up for renewal in February and he had said that he intended to remain in Washington at least until his youngest child graduates from high school next June. He plans now to join a Washington research center in January — he has not decided which one — and return to Stanford in the fall.

He will not sever all his ties with the World Bank. Mr. Wolfensohn has asked him to head a search committee for a new chief economist. Mr. Wolfensohn praised Mr. Stiglitz last week for moving the bank away from the market-oriented "Washington consensus." Indeed, with Mr. Wolfensohn's support, Mr. Stiglitz had gone public with criticism of official policy far more than he had while working for President Clinton as a member of his Council of Economic Advisers and then as the council's chairman.

But last fall for the first time, Mr. Wolfensohn criticized his chief economist publicly, stating that Mr. Stiglitz's views on Russian privatization were "not wholly correct."

With encouragement from the West, Mr. Stiglitz says, Russia privatized state companies too rapidly, counting on market forces to discipline their behavior. But laws and institutions were needed first to prevent powerful shareholders from channeling corporate wealth into their own pockets.

Mr. Stiglitz's solution fits his modus operandi: economically sound but politically difficult. The Russian government, he says, should re-acquire the companies, just as the American government takes control of a failed bank or seizes corporate assets for nonpayment of taxes. The privatization process could then be restarted, he said, "but gradually and in the proper sequence."



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thundered Iran's supreme leader, Ayatollah Ali Khamenei, that "was a sign of America's arrogance and dictatorial policies."

Can there be an Iranian-American reconciliation? Some analysts believe that Iran's conservatives are determined to prevent a rapprochement on Mr Khatami's watch but, were they themselves in power, they might welcome the benefits of restored relations.

## INTERNATIONAL

### Sudan

## Through the looking glass

### Plenty of peace initiatives around but no peace in sight

IN THEORY, peace in Sudan is within reach. The outlines of a workable deal are on the table. All sides have signed up to the principle of keeping state and religion separate, and allowing the right to self-determination. The army and the Sudan People's Liberation Army (SPLA) are both exhausted by a war that has dragged on for more than 16 years, and there is general agreement that neither side can win outright. Yet, at least for the time being, carrying on fighting seems the more comfortable option.

Sudan's philosopher-ruler, Hassan Turabi, has strengthened his personal grip on the country. Ten years after the military coup that brought his National Islamic Front (NIF) to power, he is emerging triumphant from a protracted power struggle. He controls the ruling party, appoints the cabinet, and has reduced President Omar el Bashir to little more than a figurehead.

Despite this, Mr Turabi has not achieved his main aim of creating an Islamist state. Repression has failed to break the loyalty of most Sudanese either to old-established sectarian parties (notably the Umma and the Democratic Unionist Parties), or to regional and ethnic groupings. If an open election were held, it is doubtful whether the NIF could get much more than its 5% in the last free multi-party contest, in 1986.

On the battlefield, every front is a stalemate. The government had hoped that Eritrea and Ethiopia, now at war with each other, would be obliged to stop their support of the Sudanese opposition, the National Democratic Alliance (NDA). In fact, neither country has abandoned the NDA. And, although the government is contemptuous of the SPLA's fighting ability, it has failed to capitalise on the rebel army's disorganisation.

Economically, Sudan is in such deep trouble that it is difficult to see how the government—indeed any Sudanese government—can extricate itself. The external debt is \$17 billion. The current-account deficit is something like \$700m. Much has been made of the new oil exports, but they are unlikely to bring much relief since Sudan's creditors will simply ask it to pay a bit more than the

5% interest that it has to provide at present.

From this cul-de-sac, Sudan's leaders opened two windows to peace earlier this year. President Bashir signalled his readiness to talk to the SPLA under the auspices of the Inter-Governmental Authority on Development (IGAD), a north-east African regional group. Meanwhile, Mr Turabi met the prime minister he had deposed, Sadiq el Mahdi, leader of the Umma Party, in a bid to wean some of the conservative forces in the NDA back to the government's side. This initiative has since been taken up energetically by the

cise the right of self-determination. But for Mr el Mahdi, and some of his colleagues, secularism is akin to atheism, and self-determination equals secession—which is no less sacrilegious. The Libyan peace bid has avoided any statement of principles, and both Mr Turabi and Mr el Mahdi may see it as a way of achieving a reconciliation of conservative Islamists that would take secularism and self-determination off the agenda.

The SPLA's leader, John Garang, has played his cards badly. His big achievement was to force the government to sign the IGAD declaration, and thus concede the southerners' right to self-determination. But when he met Egypt's President Hosni Mubarak last year, Mr Garang also signed a new "Cairo declaration" that conspicuously omitted to mention self-determination: Egypt is adamant on Sudanese unity. Moreover, Mr Garang has confused his followers by both accepting and rejecting the Libyan initiative. Madeleine Albright, America's secretary of state, who met Mr Garang in Kenya last week, reaffirmed America's backing for the IGAD initiative, and its opposition to the Libyan bid. But there seems to be no coherent American policy behind such statements.

The divisions within the NDA were highlighted after a commando attack in September on the government's new oil pipeline.



All mine, claims Turabi. But for my half-dozen options, suggests Garang

Libyan government.

The NDA is a coalition of parties with widely divergent agendas and strategies, united only in their distrust of the Khartoum government, distrust that is deepened by Mr Turabi's new supremacy. It is made up of the SPLA plus the northern politicians who were driven from power in 1989. Although the SPLA claims to be fighting for a unified, secular and democratic Sudan, the great majority of its members are separatists at heart. Once peace began to look like a genuine option, the cracks within the NDA grew even wider.

The secular opposition parties, especially in the south, were delighted by the declaration of principles that emerged from the IGAD negotiations. The declaration stated that Sudan should be a secular state or, failing this, that the south should be able to exer-

The NDA guerrillas chose to strike at Atbara, deep in the heart of northern Sudan, far from any front line. Although the physical damage to the pipeline was easily repaired, the political damage to the government was immense, showing that the NDA could strike at will and that the government's hope of economic salvation through oil was vulnerable.

But then, astonishingly, Mr el Mahdi apologised for the attack. This reawakened speculation that he and other conservative NDA leaders plan to make up with Mr Turabi, in the expectation that an isolated SPLA would then have to sue for peace. In fact, the prospect of an Islamist-conservative coalition would strengthen separatist sentiment in the south. The opposition's disunity does not point the way to peace.



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—Allen H. Neuharth, Founder, Sept. 15, 1982

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## Today's debate: Regulating tobacco use

# Tobacco makes its case wielding big bucks, big lies

### OUR VIEW Industry seeks to get issue into Congress, where it has control.

Lawyers for the government and the cigarette industry go before the Supreme Court today to argue whether the nation's No. 1 food and drug watchdog can regulate tobacco. The real question is why there's any question:

- ▶ Any other health hazard that claimed 430,000 lives a year surely would be regulated.
- ▶ Any other addictive substance that recruits 3,000 teen users a day would have been restricted years ago.
- ▶ Any other industry found to manipulate the chemical effects of its product to keep users hooked might well have been driven out of business by an outraged public.

So why is this issue before the court? It's a prime example of Washington's recurring theme at the turn of the millennium: a powerful industry brings massive financial resources to bear on Congress and the courts, adds a big lie or two to fan public fears, and gets its way.

The industry says it went to court only to assure that any regulation of tobacco is "reasonable." But in the industry lingo, "reasonable" has generally meant anything that it can control. By going to court, it hopes to force the issue into Congress, where it has a long history of control, fed by deep-pockets lobbying, campaign contributions and political advertising.

That includes more than \$8.6 million in direct contributions to candidates and parties, \$40 million in political ads and \$90 million in Washington lobbying in 1997-98 alone.

Philip Morris gave \$660,000 in the first half of 1999. It is one of the biggest single contributors to the GOP, which controls the congressional agenda. Another \$147,000 went to friendly Democrats.

And what unreasonable regulation does the industry want to fend off? According to the industry's argument, the FDA would outlaw cigarettes, which it says could occur under a narrow reading of existing law. Indeed, that would be unreasonable. But it's also absurd. The FDA never has proposed doing so, and with some 50 million U.S. smokers, it knows there is no chance whatsoever that it could. The

### Tobacco bucks

Top tobacco-industry donors to party committees and candidates for Congress in 1997-98 (in millions):

|                    |        |
|--------------------|--------|
| Philip Morris      | \$3.5  |
| RJR Nabisco        | \$1.9  |
| Brown & Williamson | \$0.94 |
| UST Inc.           | \$0.92 |
| Tobacco Institute  | \$0.56 |

Sources: Center for Responsive Politics, Federal Election Commission

By Jerry Moserak, USA TODAY

FDA's focus is to deter smoking before it starts by toughening bans on sales to and curbing promotions targeted at minors. Since only smokers take up the habit after age 18, the hope is the nation could be gradually — and voluntarily — weaned from smoking, the only politically viable course.

But for the industry, that kind of reasonableness spells slow death. It has repeatedly used sleight of hand to kill compromises that would stop teen smoking.

In 1997, for instance, the industry offered to accept FDA regulation in its original settlement of suits brought by state attorneys general. A few members of Congress exposed the loopholes in the industry's proposal that would have left the FDA virtually powerless. Big Tobacco then reneged and called in its chits.

Almost immediately, Republican leaders in the Senate engineered a filibuster to kill legislation that would have given the FDA explicit authority to regulate tobacco. The issue never even got to the floor of the House. Proposals to discourage teen smoking by increasing tobacco taxes have met a similar fate, casting further doubt on Congress' willingness to bite the hand that feeds it so well.

In court today, lawyers are arguing over differing definitions of congressional intent in empowering the FDA. For millions of families weary of the price that cigarettes exact in illness and death, the legalisms are irrelevant.

If tobacco isn't already subject to reasonable regulation in the name of public health, surely it should be.

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## Let Congress regulate sr

### OPPOSING VIEW The FDA's plan is im- practical and legally flawed.

By Tommy Payne

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THE PRESIDENT HAS BEEN  
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BRITAIN

## A two-faced government

Proposed legislation for the next session of Parliament

### More liberty

Greater access to public sector information  
Human rights law applies to armed forces  
Police subject to race relations law  
Age of consent for homosexuals lowered to 16

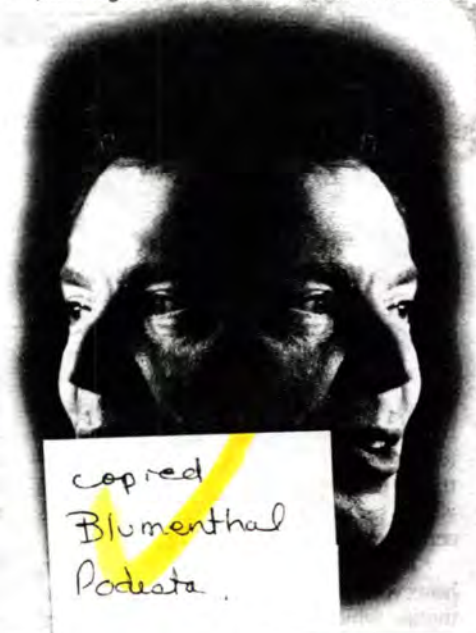
### Help for enterprise

More powers for better regulation task-force  
Electronic signatures made legal  
Reform of insolvency  
Greater freedom for investment trustees  
Limited liability partnerships allowed  
Commercial freedom for Post Office  
Resource accounting and budgeting in government

### Constitutional change

More directly elected mayors  
Cabinet-style council government  
More transparency and limits on political funding  
Northern Ireland police reformed  
Ratification of international criminal court

Source: Queen's Speech



### Less liberty

Limits on jury trials  
Mandatory drug testing of suspected criminals  
More investigatory powers for police  
More powers against terrorism  
Ban on fur farming  
Reduced privacy for landowners (right to roam)

### More regulation and inspection

Tougher utility regulation  
New regulator for Lloyd's and financial markets  
New strategic rail authority  
New powers for councils to raise road tolls  
New powers for company registrar  
New regulation of care and children's homes  
New inspection regime for post-16 education  
New inspectorate for Crown Prosecution Service

### Welfare and education

Benefit restriction for criminals  
Reform of child support  
Reform of secondary state pension  
Guidance for children leaving care

reditaries, the government has drastically reduced the numbers of Tory and independent peers. Some government proposals—for example, to restrict rights to jury trials and to allow rambles access to private land—could have faced a rocky ride in the past. This year, it will be easier to force them through. And a bill to allow gay sex from 16, which was defeated last year in the Lords, should pass this time.

As a package, the new legislative programme sends mixed messages (see table). Some measures stress individual rights. People will be able to obtain more, although still limited, information from public bodies; and the police will be made subject to race-relations law. But other measures have a worryingly intrusive feel. All criminal suspects can be tested for drugs; the police will be able to intercept and decode e-mails; and there will be sweeping new powers against suspected terrorists.

The government's attitude to business displays a similar ambivalence. Ministers stress their pro-enterprise credentials: electronic commerce is being promoted; bankrupt businessmen will be given a better chance to start again; and ministers plan to make it easier to cut through red tape. Yet at the same time, the government is taking more powers to interfere in what businesses do. There will be extra regulation of utilities, financial markets and private health care. If this helps cut fraud and malpractice, well and good. But the government needs to show that it is not simply converting businesses into agents of its own social policy.

The government's transport proposals are likely to be especially contentious in a country that is fed-up of sitting in traffic jams and waiting for trains. New Labour are torn

between the knowledge that drastic action is needed if congestion is to be controlled and a desire not to be seen as "anti-car". The result may be an uneasy compromise; some new restrictions and charges on motorists, but not enough to make a real impact.

There are also question marks over some of the government's proposed constitutional changes. Elected mayors and cabinet-style

council government may make local government more accountable and efficient. But as events in London (see Bagehot) show, it is far from clear that the government has accepted that reforming local government involves genuine devolution of power. Certainly within Parliament itself, power is now further centralised around the executive and a pliant House of Commons.

## Human-rights law

# Alarm bells in Edinburgh

EDINBURGH

**Incorporation of the European Convention on Human Rights into British law has thrown the Scottish legal system into chaos. England may be next**

"IT MAKES sense," declared Tony Blair, "to end the cumbersome practice of forcing people to go to Strasbourg to hold their government to account." That was back in opposition days, when incorporating the European Convention on Human Rights into British law seemed like a great idea. The theory is that the rights of Britons will be better protected because they will be able to take the government to court in their home country, rather than leaping all the hurdles necessary to get a hearing in Strasbourg.

But now that the convention is about to become part of British law, the government is discovering that it could also be horribly expensive in practice. Lawyers are only just waking up to the fact that a huge range of government work—from the appointment of judges to planning decisions by local councils—will soon be open to challenge under human-rights law.

The alarm bell has been rung by the Court of Session in Edinburgh, the supreme court for the distinctive and quite separate Scottish legal system. Thanks to a quirk of devolution, the devolved Scottish government was made accountable for human rights to the Scottish courts 15 months before the convention comes into force throughout the rest of Britain in October 2000.

The Scottish court unanimously upheld an appeal by an enterprising lawyer who argued that temporary sheriffs (equivalent to English crown court judges) were not "independent and impartial" as required by Article 6 of the convention. This is because temporary sheriffs' contracts are only for a year. They are also hired and fired by the Lord Advocate who, apart from being a member of the Scottish government responsible for the legal system, is also head of the Scottish prosecution service. This, said the appeal judges,



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## U.N. Issues Grim Report on the 11 Million Children Orphaned by AIDS

By LAWRENCE K. ALTMAN

UNITED NATIONS, Dec. 1 — More than 11 million children have been orphaned by AIDS since the epidemic was recognized in 1981, and the number is expected to rise to 13 million by the end of 2000, the United Nations said today in a report to mark World AIDS Day.

The number of AIDS orphans is believed to far outstrip the number of children orphaned by other causes. The soaring number of AIDS deaths could eventually undermine the stability of affected countries, Dr. Peter Piot, the head of the United Nations program on AIDS, said in an interview here.

All but 5 percent of the world's children orphaned by AIDS live in countries below the Sahara, Unicef and Unicef said in the report. In the past, age-old networks of immediate and extended families would have assumed care of orphans. But, the report said, "the traditional African extended family is breaking down under the unprecedented burden of the pandemic."

Orphans are "the most forgotten aspect of the AIDS epidemic," Dr. Piot said, adding that for many of these children the future is bleak.

### *A study addresses 'the most forgotten aspect' of AIDS.*

Many end up as child laborers or "roaming the streets," he said, leaving them "prime targets for gangs, militia and creating more child armies like those that participated in massacres in Liberia and Sierra Leone in West Africa."

The result, the report said, "is a growing threat to stability, exacerbating inequalities within and between countries, undermining previous gains in development and harming children."

"These are enormous issues and a big challenge for tomorrow," Dr. Piot said.

Dr. Theo-Ben Gurirab, president of the United Nations General Assembly, said that had so many children been orphaned in wealthy parts of North America or Europe, "their fate would already have been declared a human tragedy."

The orphan issue affects people of

all ages. In Africa in 1998, 300,000 people were killed in wars and conflicts while AIDS killed 2.2 million others, "and the worst is yet to come," the report said.

Children are growing up knowing little about their parents, and many orphans find themselves thrust in the role of parents, looking after their siblings. And Africans who were expected their children to care for them in their advanced years now have to care for their grandchildren.

The United Nations defines AIDS orphans as children 15 and younger who lost either their mother or both parents to the viral disease. The statistics were reported this way in part because mothers are most important for care of surviving children but also because there is better information on women than on couples. Dr. Piot said the United Nations intends to do country-by-country surveys to determine the number of orphans according to a classic definition.

Under the United Nations definition, 11 percent of all children in Uganda and 9 percent in Zambia were orphans in 1997, the latest date for which information is available. In many other African countries, like Zimbabwe, it was 7 percent. The

United Nations report did not provide a comparison with countries in other areas. Before AIDS, about 2 percent of all children in developing countries were orphans. No figure exists for orphans in African countries before AIDS, United Nations officials said.

AIDS orphans are at higher risk for malnutrition and its effects, illness, abuse and sexual exploitation than children orphaned by other causes, the report said. Also, AIDS orphans face the stigma and discrimination that often shadow the disease, leaving them socially isolated and often deprived of education and other basic social services.

And because many grandparents

caring for their orphaned grandchildren have limited resources, "they cannot keep this up forever," Carol Bellamy, the executive director of Unicef, said.

The National Black Leadership Commission on AIDS, an American group, joined with the United Nations yesterday in urging African governments and communities to provide greater access to credit, income and property for women.

The groups also called for widespread counseling and voluntary testing for H.I.V., the virus that causes AIDS, support for the needs of orphans, and increased community protection of women's and children's rights.



filed by the families of two students, one Catholic and one Mormon, who claim that the school-prayer policy violates the "establishment clause", which forbids government to get involved in any religious activity. The Supreme Court has invoked that clause in several school-prayer cases over the past 40 years, creating a solid argument that church and state must be separate. Its most recent ruling, in 1992, barred clergymen from giving a blessing at public-school graduations.

The Santa Fe school board, like other school-prayer advocates, contends that football prayers fall into a different category. It is pupils who offer the prayers, rather than school officials, and it is also pupils who decide whether to have a pre-game prayer at all. Surely this is just free expression, protected by the first amendment. Miss Ward's lawyer argues that, if the Santa Fe prayers are found unconstitutional, this would amount to government control over what students are allowed to say in an open forum.

Alan Dershowitz, a law professor at Harvard, calls this a "phoney" argument. He says the only reason such a forum was created at Santa Fe was to advocate a Christian worldview. According to Mr Dershowitz, "You can be sure that the school would not allow a student to get up and say 'In the name of Zeus, let's have a good game tonight.'"

Critics also contend that free religious expression based on a majority vote is inherently unconstitutional, since it infringes the rights of those, no matter how few, who may object. The purpose of the establishment clause, they argue, is to ensure that state-sponsored gatherings (such as sporting events at public schools) do not endorse the viewpoint of one religious group at the expense of another. Thus, a student-led prayer offends against the constitution just as surely as one delivered by a school official.

The case has stirred political passions on both sides. At one of this year's football games, dozens of Houstonians protested in front of the field as Miss Ward (protected by temporary federal court injunctions) said her prayer, inciting the home crowd to cheer her even more enthusiastically. Even Governor George W. Bush has entered the fray, filing a brief to the Supreme Court in support of the Santa Fe policy. In a recent poll, 82% of Texans supported his stand.

The court did not mention a separate issue within the Santa Fe case: whether or not student-led prayers at graduation ceremonies are constitutional. The case is different, since (even in Texas) football games are voluntary, but graduations are usually mandatory. It is possible that the court will deal with this simply by making a blanket statement about prayer at all high-school events. And it is likely—especially since, in the years since the previous decision, two liberals have joined the court—that it will decide that prayer is illegal in every case.

## National Parks

## Preserving the Loess Hills

PISGAH, IOWA

GEOLOGICALLY speaking, the Loess Hills of western Iowa are one of the world's strangest regions. Loess (the word, at least in Iowa, rhymes with "bus") is soil that was ground into a fine silt by glaciers between 13,000 and 24,000 years ago and then deposited by wind over 1,000 square miles of Iowa, eventually to be collected in bluffs that stand 200 feet (60 metres) high. Only one other country, China, can boast such thick layers of the stuff.

There is nothing grand about the Loess Hills. Their charm lies in subtlety. Cut this fine, pure soil at an angle and the rain will destroy it. Cut it straight down and it will stand almost for ever. Leave a grassy patch of it alone and it will eventually sag into a zigzag pattern called "catsteps". Prairie flowers and animals which thrive there are found nowhere else east of the Missouri river.

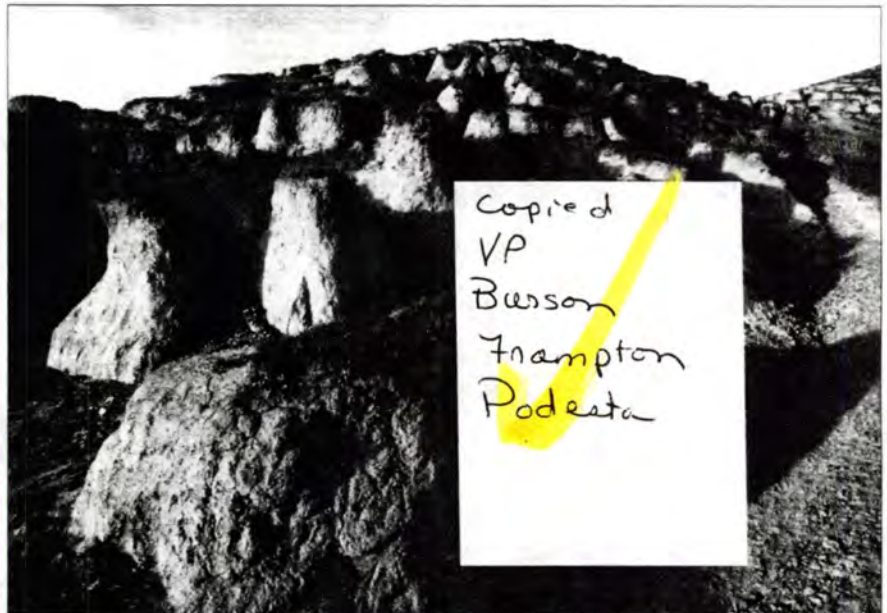
These days, however, dangers stalk the hills. Trees have invaded the normally treeless prairie. Thoughtless soil stewardship has encouraged erosion, as has full-blown soil-mining (the consistency of loess makes it ideal for building fill). And there has been a great deal of building in urban areas in the loess zone, even though the soil is prone to flooding when disturbed; and even though geologists worry that once the outer shell is removed, loess may be highly unstable.

No surprise, then, that conservationists have turned the hills into a local cause célèbre. Bill Leonard of the Des Moines Regis-

ter, the state's leading newspaper, has spent the better part of two years writing articles in favour of a larger protective role for the National Park Service. His energetic work—encouraged by fond memories of camping in the hills—is a throwback to the days when local newspapers crusaded for worthy, if sometimes eccentric, causes. In this case, however, it is yielding results: Bruce Babbitt, the interior secretary, visited the hills last year, and Congress is close to passing legislation that would authorise a \$275,000 Park Service study of options for protecting them.

But the critics insist that, if Washington is to become involved in the Loess Hills, it will have to be a different sort of involvement from the usual Park Service model. Local landowners are not eager to sell their lands to the federal government. County officials worry that putting more land in government hands could drain scarce tax dollars from local schools. And, in an area where gravel roads are the rule (and where drivers are expected to lift a welcoming finger from their steering wheel whenever they pass a vehicle coming in the other direction), no one wants to see a crush of caravans and tourists.

Fortunately, the National Park Service is happy to be creative. It has increasingly been looking at agreements under which local residents hold on to most of the land in new parks while federal officials stick to such tasks as interpreting nature for visitors and providing landowners with conservation advice. As a result, many once-wary western Iowans are returning the government's overtures by offering their full co-operation. That, combined with recent agreements by several big companies and government bodies to stop buying loess for fill in construction projects, suggests that the Loess Hills may have life in them yet.



Yes, it's Iowa





SUPERVISOR ZEV YAROSLAVSKY  
821 HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012

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**ZEV YAROSLAVSKY**

SUPERVISOR, THIRD DISTRICT

## MEMORANDUM

To: Honorable William J. Clinton  
President of the United States

From: Zev Yaroslavsky *ZY.*  
Supervisor, Los Angeles County

Subject: Renewal of Los Angeles County's Section 1115 Medicaid Demonstration Project  
and Approval of School-Based Health Care

Date: 30 November 1999

As you will recall, in September 1995 you announced here in Los Angeles the granting of a Section 1115 Medicaid Demonstration Project between the Federal Government and Los Angeles County. This Section 1115 waiver allowed our County, the primary health care provider to 3 million uninsured residents, to restructure its hospital focused health care system toward community-based outpatient service. This waiver is set to expire next June. It is critical that it be extended so that we can continue efforts to restructure our health care system.

In addition, last April the County, its local school districts, and the State of California submitted to HCFA an amendment to the County's waiver which would include approximately 100 school-based health clinics under the Demonstration Project. This "Healthy Student Partnership" was incorporated into the extension request for the County's overall Demonstration Project.

This plan would expand school-based primary health care to help meet the needs of over 500,000 uninsured children in Los Angeles County who come from families under 200% of poverty. These children, eligible but reluctant to enroll in Medicaid and the Federal Children's Health Insurance Program, would receive expanded health care services directly through school sites. Every Federal dollar of match funding would be for the expansion of health services.

It was our hope to unveil this program at the beginning of the current school year. Clearly that has not occurred. Mr. President, we need your help in elevating the priority of these matters so that we can extend the base waiver and launch this innovative school-based proposal before the current school year is out. Like the 1115 waiver in 1995, this extension to school-based health care would dramatically break new ground. It would significantly increase the provision of health care to a uniquely underserved and, in many cases, unserved Los Angeles County population of uninsured kids in the years ahead.

Thanks for your attention in this matter.



new entrant had appeared to challenge Microsoft's monopoly, the break-up option would need to be revived. There is one version of the Baby Bills that would carry less risk of perverse unintended consequences: to divide Microsoft into two or three competing operating-system companies and an applications company. (The firm's expanding investments in web services could simply be sold—the Internet can do very well without Microsoft's attentions.)

If there were two or three Windows companies, they would have no incentive to create different APIs, as they would all have a strong interest in supporting the greatest possible number of Windows applications. They would instead

compete on price, ease of use, between stability and backward applications firm would, for it ensuring smooth integration; and it would want to (which includes Microsoft's d nux, the fledgling open-sour flavour of commercial Unix of real competition would t consumers more choice—but Grail of interoperability. And trying to run a technology i

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## Russia's brutal folly *Sunday*

**The war in Chechnya is ravaging the Chechens, destabilising the Caucasus and diminishing Russia. The West must try to help bring it to an end**



IT GROWS ever more serious. First, the war in Chechnya is increasingly horrible for the territory's civilians, some 200,000 of whom are now homeless, just before the onset of winter. Second, with Russia's forces advancing on Chechnya's capital, Grozny, and ready soon to launch an all-out attack on it, the death toll among the combatants on both sides looks set to swell. Third, the prospect of the fighting spreading to other parts of the combustible Caucasus is growing. Fourth, and perhaps most worrying, the war is threatening Russia's own rough-hewn democracy: a parliamentary election is due next month, a presidential one next summer, and belligerent Russian generals are sounding insubordinate; some have even been saying they would fight on if the politicians told them to stop (see page 56). What can outsiders do to help avert a full-blown humanitarian and political catastrophe?

Plainly, the West should try to persuade Russia that a peaceful settlement is in its own interest. A new opportunity to do this presents itself next week at the grand summit in Istanbul of the 54 countries that make up the Organisation for Security and Co-operation in Europe, an outfit that includes the United States and Russia. In Istanbul, every western bigwig from Bill Clinton down should be impressing upon Russia that it stands only to gain if it now declares a ceasefire and opens talks with Aslan Maskhadov, the Chechens' leader. Had Russia been wise, it would have long since come to terms with him and helped him to fend off the wild men who have made his statelet ungovernable.

Ideally, the Russians should also be persuaded to join an undertaking that would aim to bring peace not just to Chechnya but to the Caucasus as a whole. In the area between the Black and the Caspian Seas lie countless festering issues, including separatist disaffection in two parts of Georgia, a territorial row between Azerbaijan and Armenia, and the question of a pipeline to carry oil to the Mediterranean via Turkey. A general conference is the place to discuss these questions.

It has to be recognised, however, that Russia may not be in a mood to listen to the West. For the time being at least, the war is popular in most of Russia. The generals are eager for revenge on the Chechens who humiliated them in the war of 1994-96, and the Kremlin—or parts of it—is happy to give them their head. So what does the West do then?

For better or worse, Chechnya is a part of Russia. Even so, if the West believed the scale of Russia's brutality to be as great as, say, that of the Serbs in Kosovo, it should—it might be argued—issue ultimatums and, if need be, then resort to bombing to drive the Russians out. But that is not a serious prospect. No one wants to risk a war with a nuclear power, especially when the Chechens, however atrociously treated, are hardly model citizens. Russia claims that Chechnya is a base for Islamic terrorists. The claim is plausible, even if the blame may partly lie with the Kremlin, the response is utterly disproportionate and the link between such terrorists and the recent explosions in Russian cities has not been at all convincingly established.

### The points of purchase

That does not mean, however, that the West is powerless. It should make it clear that it will suspend most of its co-operation with Russia until it declares a ceasefire in Chechnya, allows international aid agencies full access to the refugees and wounded, and opens a political dialogue with the republic's leadership. Until these conditions are met, the West should not consider offering any further cash loans or food aid through government channels. And the Council of Europe, which purports to embrace only genuine democracies, should suspend Russia's membership.

Meanwhile, the West could be doing much more to strengthen the independence of the countries that sit nervously close to Russia's trembling rim. On November 14th, Ukraine's voters have to decide, in a run-off, between two possible presidents, one broadly in favour of cosying up to Russia, the other against it. Moldova, where Russian troops squat illegally on a disputed sliver of territory, this week lost a reforming government. Russia still needles Georgia and Azerbaijan and hopes to use a recent outburst of violence in Armenia to exert its influence there too. The West can offer help to these countries, even as it tells the Russians that their conduct in Chechnya is merely losing them influence elsewhere. The western armoury is limited, but the stakes are high: they include not just the suffering of the Chechens but the stability of the Caucasus and, perhaps, of Russia itself.



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may still argue that none of this matters, thanks to the "paradigm shift" that is being brought about by the Internet. They may have a point—but the market is not changing nearly as fast as some enthusiasts believe. If Microsoft's power is already in inexorable decline, why is it by far the most valuable company in the world? And why has its market value doubled during the 18 months which Judge Jackson has taken to brand Microsoft a monopoly?

and exploits a monopoly over one bit of technology, somebody, somewhere will think of a road around it.

### Open Sesame

The best way of looking at the Internet of the future is to ask what is wrong with today's. Instead of one single, huge failing, the Internet has three middling, but infuriating, ones. First, it is still not free from Microsoft's monopoly. To gain full access to the network, most people use a PC, a machine that is prone to crashing without warning and is awkward if you are on the move. Indeed, thanks to the PC, the Internet has a level of inconvenience that would be unacceptable in any other mass-market medium. Second, the Internet itself is hard to use. Consumers have trouble finding what they want, and companies intent on doing e-business struggle to integrate new technology with their existing systems. Third, the network's security and reliability are both inadequate.

What are the technologies that will fix these problems? Much of the answer lies in new standards, or protocols, that will let computers, handheld devices and mobile phones talk to each other in new ways. A protocol called POP (post office protocol), for example, lays down the rules for delivering e-mail. Another, called HTML (Hypertext Markup Language), defines the layout of web pages. Rather as conventions in the game of bridge let partners use bids to convey information about their hands, protocols tell the designer of a piece of machinery or software how to format information coming from or going to the outside world.

Protocols are dull, unremarkable things when written down on paper—like recipes or magic spells. Yet they make the Internet work. Software wizards have conjured up a set of new protocols, each designed to make a particular Internet problem vanish in a puff of acronyms. It is largely these protocols, combined with some clever new software, that are destined to transform the Internet into a medium that is fast, convenient, and reliable.

Perhaps the Internet's most dramatic shift will be to extend computing beyond the PC. The first to log on will be smart phones and wireless Palm Pilots, but other devices will follow. Engineers may take a few years to come up with transmitters, receivers and sensors cheap and tiny enough to put into the appliances of the networked home. But almost everything that can usefully transmit data will eventually be able to do so, including refrigerators that automatically reorder what has been taken out of them and car keys that tell the Internet (and you) where you left them.

Some devices may use an operating system from Microsoft, but the majority will

### The future

## Tomorrow's Internet

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**For a decade or more Microsoft's monopoly of PC operating systems gave it a stranglehold on computing. The technologies now shaping the Internet mean that a single software company is unlikely again to attain such dominance**

WHEN Microsoft fought its way out of IBM's shadow in the early 1980s, it was hailed as a monopoly-killer *par excellence*. The PC counterculture would liberate ordinary people from mainframe computers run by corporate IT departments—most of them made by Big Blue. As it turned out, this was only half right. The transition to the PC almost destroyed IBM as a single company; but Microsoft gained a share of the market for PC operating systems that even IBM never achieved for mainframes.

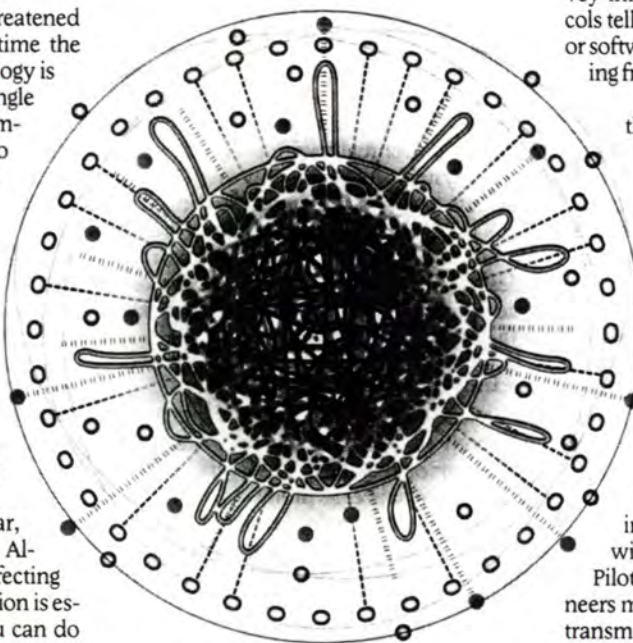
Now it is Microsoft that feels threatened by a technological shift. But this time the firm that dominates the old technology is unlikely to be pushed aside by a single newcomer. Instead the Internet promises to create a world in which no firm ever again has the power of a Microsoft or an IBM.

Judge Jackson described the threat to Microsoft in his findings. The Internet could "oust the PC operating system from its position as the primary platform for applications development and the main interface between users and their computers." If so, Windows would become just one not very important piece of computing plumbing.

Yet, as the judge also made clear, this vision lies far in the future. Although the Internet is already affecting people's lives, a further transformation is essential if the hype about what you can do online is not to fall flat. This is still early days for the Internet—it is about as developed as commercial flying was before the DC3—and yet the transformation is already on its way. It will not come from a single dramatic technological breakthrough, like the jet engine, but from lots of connecting technologies coming of age more or less together.

These technologies are quite unlike the

PC operating system. That is the intellectual property of Microsoft, but the Internet employs standards and protocols that are "open", meaning they can be freely used by anyone. They have mostly been hammered out in public forums, and they are beyond the control of any single firm. The operating system is the control centre of the PC, but the Internet is managed at many levels, some within devices, some on the network, others at the abstract level of a "language".



All this adds hugely to the complexity of the system, but it is the complexity that distinguishes a market economy from a centrally planned one. The PC has to evolve to the drumbeat of Microsoft's programmers in Redmond, Washington. The Internet, by contrast, derives its adaptability precisely from its amorphous nature. If a firm creates



not. Most of their intelligence will lie on the network, which means that operating systems will matter less than standards. These standards are mostly already defined. They tend to be open, precisely because millions of devices from thousands of firms will be connected to the Internet.

One of the most important, called Bluetooth, is the work of more than 500 firms, led by Ericsson, Nokia, Toshiba, Intel and IBM. Bluetooth defines how devices should transmit data to each other. The idea is to replace the cables that tie devices to one another with a single short-range radio link. Within two years, about 80% of mobile phones will carry a \$5 Bluetooth chip that can connect them to similarly equipped notebook computers, printers and, potentially, any other digital device within about ten metres. As well as defining how these devices find and talk to each other, Bluetooth also ties into existing data networks, including the Internet. In future, you might tap out an e-mail on your Palm Pilot or Psion, tell it to make the Internet connection through your mobile phone, print a copy on the printer upstairs and store another on your PC.

Standards are also open because customers and suppliers have learnt to be wary of being locked in to someone else's technology. Several firms have defined their own standards to adapt the Internet for the small, monochromatic screens of handheld computers and smart phones. Such gadgets are not suited to the lively, colour graphics on most web pages—let alone bandwidth-devouring multimedia and animation. Worse, they have neither keyboard nor mouse, and lack the computing power and memory they need to run modern browsers.

But proprietary efforts have not got far. Wireless Internet access will take off only if there is a single, open standard for delivering suitable content to wireless devices. That is the job of something called WAP (Wireless Application Protocol). This allows mobile devices to gain access to the Internet using a "microbrowser", which displays web pages specially formatted for tiny screens.

Nokia's first WAP telephone will be available soon; Ericsson has just launched a WAP-based wireless notebook computer. Handelsbanken, a Swedish bank, has extended its Internet banking service to mobile devices. Using WAP, the bank's customers will soon be able to look up stockmarket prices, buy and sell shares, consult their accounts, transfer money and pay bills—any time, anywhere. Within a few months, Motorola will be selling WAP telephones in America, where firms such as AirTouch and Sprint PCS have announced new services. As wireless



bandwidth increases, the only limit on what they can do will be the size of the screens.

Like Bluetooth, WAP is supported by the largest firms in the business. It will work with any of the mobile networks across the world, and eventually with proprietary operating systems likely to be in smart-phone handsets, such as the Symbian joint venture's Epoc (from Psion) or Microsoft's own Windows CE. In effect, WAP lays down the rules for the wireless incarnation of the web. Like the web, it is not owned by anyone, yet it is the standard everyone will follow.

#### A kinder, gentler Internet

By escaping from the desktop, the Internet will both escape Microsoft and become a bigger part of everyday life. But this will not be enough to deliver its promise. For that, the Internet must also become easier to use.

John Patrick, a founding member of the World Wide Web Consortium who leads IBM's efforts to create web technologies, calls what comes next "Natural Net". Today's Internet is a powerful way to communicate, given e-mail, instant messaging and chat-rooms. Even so, people cannot really work together over the public Internet. Again, each of many different technologies has a part to play in making collaboration feasible. And again, none of them holds out the prospect of domination in the way that the operating system dominates the personal computer.

Take the infrastructure of the Internet. Videophones have failed to take off, and videoconferencing is still a minority sport, mostly because the Internet is still so clunky. The Internet needs more capacity, or bandwidth, both in its main backbone and in its connections to schools, houses and offices. The network must also be reliable, so that connections will not only be fast, but also available whenever needed.

Broadband technology can exploit four channels needed for online discussion—text, voice, video and graphics. Once broadband is common, people can work together, wherever they are, on anything from the design of a new car to a patient's MRI scan. Forrester Research, a consultancy, reckons that, by 2003, live collaboration, now used only in one-off projects between companies, will have become as much part of the Internet as e-mail is now.

But who will own the broadband connections? On the Internet backbone, where there is no risk of a natural monopoly, collaboration is already the pattern. The backbone is struggling to keep pace with demand that at present appears to double every six months. Relief may come from the "Abilene Project", or I2 (Internet2), as it is known. Some 150 universities and firms such as Cisco Systems, Nortel, Qwest and IBM are together designing a backbone advanced enough to solve today's Internet gridlock.

In local connections, where the risk of monopoly is higher, fast connections are arriving thanks to both cable modems and DSL (Digital Subscriber Line), a technology that turns traditional copper wires into fat data pipes. Each approach has strengths, and each offers "always-on" Internet connections as much as 30 times faster than the speediest dial-up modems. This will hugely increase both the range of Internet applications—with high-quality streamed video to the fore—and the convenience of gaining access to Internet-based services.

The key thing is that DSL and cable represent the claims of two separate and hostile industries to be the standard-bearers of the data revolution. There is thus the promise both of rapid investment (after many delays) and genuine price competition.

Not all areas are free from the threat of domination. This is partly because high-tech industries are prone to "increasing returns to scale" and high barriers to entry. One example is speech-recognition and machine-translation technology. This could, in Mr Patrick's words, turn the Internet into a "multilingual real-time intercom". It will, he suggests, soon be possible to hold a conversation in English with a friend in Tokyo who is



reading your words in Japanese. As speech-recognition algorithms improve, the spoken word could become the main interface to the network. This will be especially valuable with mobile devices, because it overcomes the limitations of a fiddly keypad and a screen-tapping stylus.

Yet speech recognition depends on dictionaries of words and sounds that are hugely expensive to compile. Because most costs are upfront, the more software a speech-recognition firm can sell, the lower the average cost for each copy. A firm that thrives in this area—Lemout & Hauspie, in Belgium, stands a good chance of doing well—will make a lot of money.

However, few of the core technologies of the Internet are easily owned. Take the example of what might be called dumb data. A mass of information resides on millions of websites, but how do you turn it into something useful? Most of it is unstructured and stored in a non-machine-readable form (eg, English), which means that it can be read

metatags. A computer would then be able to compare prices across several stores and make a recommendation, no matter how much various websites differ from each other in appearance.

Once information “knows what it is”, Internet searches will become faster and more accurate. Metatags will make it easier to extract information from a page to suit a particular use, or the limitations of a particular device. In addition, XML will help firms to strengthen their online business relations with suppliers and customers, by knitting together business processes and software applications both within and across companies.

It is inconceivable that a *lingua franca* such as XML, which allows previously incompatible computing platforms to understand each other, could be owned by anyone. For a start, the egalitarian ethos of the Internet resists an authority “imposing” its will—cyber groups have, for example, used peer pressure to quell the bureaucracy that

happened with Internet security.

This is essential if firms are to throw open their electronic doors to the world. Consumers are, if anything, even more wary over the lack of security on the Internet than are firms. According to Mr Patrick of IBM, e-commerce and business collaboration will take off only if several conditions are met: authentication (checking that someone is who he claims to be, or a website what it seems to be); authorisation (controlling access in a sophisticated, “granular” way); confidentiality (keeping private information private); integrity (ensuring that information has not been tampered with); and non-repudiation (being sure the terms of a transaction are binding and legitimate).

In theory, the solution is obvious. Encryption so powerful that it cannot be broken without mammoth computing power or the theft of a digital “key” from one of the parties to a transaction would pass all Mr Patrick’s tests. Reality is more complicated, mainly because no single open standard prevails on the wider Internet. Various proprietary systems are competing for attention, but no single one has taken off, because they are complicated and users fear that they will be lumbered with a particular technology. What is needed is another open protocol.

Coming to the rescue is the PKI (Public Key Infrastructure). By presenting “digital certificates”, the online equivalent of a hand-written signature, those who register with a “certification authority” will be able to use the public Internet to transmit data securely, make payments and prove that they are who they say they are. This will make it possible to check, for example, that an e-mail really does come from who it says it comes from. Certification authorities manipulate digital “keys” that authenticate the identity of each party to a networked transaction. These services are already on offer from firms such as telephone operators and banks.

## Net scope

With a lab-full of new technologies and protocols, the Internet is likely to overcome its current drawbacks and continue its march into every corner of modern life. No single technology on its own can solve the Internet’s failings. Moreover, since no single organisation controls the Internet, every new protocol will have to prove its worth if it is to be widely adopted. Such an apparently haphazard way of doing things might seem like the Internet’s fatal weakness. In fact, it is its greatest strength.

Monopolies still occur in computing: they do in many industries. But, thanks to the nature of the Internet, they are likely in future to be modest, and limited in scope. When Bill Gates concluded that Netscape had to be stopped, by fair means or foul, he could be accused of ruthless bullying—but not of paranoia.



only by humans. Because data are dumb, web search-engines often fail to find a sensible answer to queries—a page containing the word “Apollo” might be about mythology or about moon landings. Similarly, although companies can display online catalogues or details of their stock, this information means nothing to other computers.

At the root of this problem is HTML, which defines web pages. This instructs a web-browser how to lay out the contents of a page, but does not tell the computer what the page is describing. A solution is to hand, in the form of an extension to HTML, called XML (eXtensible Markup Language). This adds invisible labels (called “metatags”) describing the objects contained in the web page, so that computers know what they are dealing with. The specifications, price and availability of each product in an online store could, for example, be labelled with

manages the Internet’s domain names. Since no single organisation controls the Internet, XML could not be imposed in any case. Instead, the Internet muddles through: XML has been on the drawing-board for several years, and it has won almost unanimous support from Internet standards bodies, such as the World Wide Web Consortium and industrial firms. Lastly, in all its ramifications, XML is astonishingly complicated. It will not be complete until each industry has the electronic schemas that describe common processes for each industry—and the world is still waiting for its various Dr Johnsons to compile the necessary dictionaries.

## But can you trust it?

And when there is no protocol to hand? The Internet grinds to a halt, until someone comes up with an answer that users feel comfortable with. That, at least, is what has



# INTERNATIONAL

## Sharing Mesopotamia's water

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BIRECIK DAM, TURKEY

Turkey's vast irrigation plans, using water from the Euphrates and Tigris rivers, have scared its downstream neighbours, Syria and Iraq

AT SOME point in November, the rain falling on the mountains of eastern Turkey turns to snow. Come spring, the winter's precipitation will melt into a seasonal surge in the flow of the Euphrates and Tigris rivers farther south. That extra water, in turn, constitutes the mainstay of agriculture on the huge Mesopotamian plain of Iraq, Syria and southern Turkey. Or at least it used to, until Turkey started the South-Eastern Anatolia Project (known by its Turkish acronym, GAP), a vast development scheme that will involve no fewer than 22 dams.

Later this month, Turkey plans to start filling the reservoir of its fourth big dam on the Euphrates, at Birecik. As each new barrage goes up, the demand for the finite amount of water in the two rivers increases, and the complaints from south of the border grow louder. Yet the Turks insist that there is plenty of water to go round, and that they are more than generous in what they release each year. Who is telling the truth?

The answer to that question depends on when, precisely, you ask it. Two-thirds of the total flow of the Euphrates comes between March and June. The amount of water fluctuates over the years as well as over the seasons: the river's annual flow has varied from as little as 15 billion cubic metres in 1961 to as much as 55 billion in 1968. Last winter little snow fell in Anatolia, and the level of the Tigris at Baghdad in April plunged to a third of its normal level. Indeed, the flow varies so much at different times and in different places, and is now so distorted by the dams, canals and irrigation projects along the two rivers, that the three countries do not really know how much water they are dividing, let alone how to share it.

Only two treaties deal with water-sharing in the Mesopotamian basin: a 1987 protocol between Turkey and Syria guaranteeing a minimum flow of 500 cumecs (cubic metres



Someone, or something, has dried up all her water

per second) in the Euphrates at the Turkish-Syrian border, and an Iraqi-Syrian pact splitting that amount 58:42. (The Tigris, which has a bigger flow and fewer dams, has not yet occasioned much dispute.) So far, the Turks say they have more than kept to their side of the bargain, providing an average of around 700 cumecs. They admit that the flow does sometimes slip below 500 cumecs, but insist that they always compensate for any shortfall recorded over a given month by the end of the next one, as agreed in the protocol.

The hitch is that everyone wants water at the same time: during the dry summer growing season. At one stage last July, the flow of the Euphrates fell to as little as 343 cumecs, according to official Turkish figures. Although the average had climbed back above 500 by the end of August, that left plenty of time for Syrian and Iraqi wheat to wither on the stalk. This year's drought was severe—but that is not unusual for the plain.

Moreover, the GAP is not nearly complete. Turkey plans to increase the current level of irrigation along the Euphrates tenfold over the next ten years. If all of these schemes come to fruition, the head of the Turkish water authority concedes, the 500-cumec minimum might prove impossible to



maintain in times of drought, even over the stipulated average of two months.

The Turks would prefer to cross that bridge when they come to it. They control the sources of almost all the water in the Euphrates and about half that in the Tigris. At least in the past, they have been happy to use the leverage this gives them over their downstream neighbours. In 1990, they more or less turned off the Euphrates for a month while filling the reservoir of the Ataturk dam.

In exchange for the 1987 pledge of 500 cumecs, they extracted a Syrian promise to stop supporting Kurdish insurgents inside Turkey. Turkish officials used to equate their country's water with Arab oil, as a God-given resource to be exploited to the full. They even spoke of selling water to the parched Arab world.

Turkey's tone has now softened somewhat, from outright belligerence to studied imprecision. The government says that it will never use water as a weapon, and that all three countries will have to share the bad times as well as the good. It talks vaguely of three-way joint studies on the optimal use of the water of the two rivers. In the meantime, Turkish officials point out that they are building an expensive hydroelectric dam right at the Syrian border that will not work properly if the Euphrates's flow consistently falls below the promised level.

Syria and Iraq, understandably unsatisfied, would like a firmer commitment on the sharing of both rivers. But neither has the clout to extract it. Turkey faced down Syria last year in yet another dispute over Kurdish insurgents, and could easily ride out any rumpus over water.

Nor is Iraq, after a decade of war and a



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12-3-99

## Readjusting the lens

WASHINGTON, DC

### The latest statistics require a new look at America's productivity puzzle

A MONTH ago, America's recent economic history read along the following lines. In the Golden Age of the 1950s and 1960s, the economy grew fast, with productivity growing at nearly 3% a year and low inflation. Then, for still ill-understood reasons, productivity growth plummeted to 1% a year in the early 1970s and, broadly, stayed that way until the mid-1990s. Since 1996 productivity has accelerated, though economists are sharply divided about whether this is a cyclical blip or a lasting boom.

Now, after the publication of a comprehensive revision of the country's national-income accounts on October 28th, and a subsequent revision of productivity figures on November 12th, it all looks rather different. The economy was stronger than it had seemed: growth since 1959 has been revised up by an annual average of 0.2 percentage points to 3.4%, and since 1991 has been bumped up by an average of 0.4 percentage points to 3.5%. The productivity slowdown in the 1970s was much less severe than previously thought. Productivity began picking up in the 1980s and early 1990s. But there was still a big acceleration after 1995, bringing productivity growth close to 90% of its average in the Glory Days.

This rewriting of history might seem of merely academic interest, were it not for the fact that it directly affects a central puzzle of today's America: is there a "New Economy" in which information technology is leading to ever-higher productivity growth? Unsurprisingly, New Economy enthusiasts have been quick to claim victory. "The big winners [from the revisions] are New Economy advocates," declared *Business Week* (a cheerleader of the genre), "who now have much better evidence to support their claims."

Is this true? At first blush, it seems possible. Productivity now seems to have begun

accelerating in the 1980s; exactly the time—as *Business Week* is quick to point out—when the personal-computer boom took off. Moreover, the fact that productivity was on a slight upward trend before it took off in 1996 lends support to the argument that the recent rise is more than just a cyclical phenomenon (though the fact that productivity has continued to accelerate over what is now three years is much more powerful evidence that there is something structural going on).

But it would be a mistake to draw con-

account for about half of the upward revisions to output since 1995. In short, the new information re-emphasises the acceleration in productivity.

The second big change is one of reclassification. Computer software, which the boffins had previously treated as a business expense, is now treated as an investment, and so a part of GDP. Not surprisingly, this new (and much more sensible) categorisation makes a big difference to economic growth in the 1990s, when companies first began investing heavily in software. It accounts for the other half of the upward revisions since 1995.

The third set of changes improved the Commerce Department's techniques for estimating inflation and productivity. By extending a so-called "geometric-mean" method of calculating inflation back from 1995 to 1978, the figures now measure inflation using a consistent method since the late 1970s.

A new index of output in banking services tries to calculate the productivity improvement that has come from ATM machines and so forth. (Previously, that was impossible.) Interestingly, it is these measurement improvements (especially looking at the economy with a consistent lens over time), rather than the inclusion of expenditure on computer software as investment, that remove much of the "inexplicable" productivity slowdown since the 1970s.

All in all, these changes provide a much clearer view of the American economy. They also make it harder to argue that the recent rise in productivity growth is simply a cyclical phenomenon. So there is something structural going on. But is it a "New Economy" where computer-led productivity improvements are spilling out into the rest of the economy?

Not according to Professor Robert Gordon, a productivity expert from Northwestern University. In a provocative study (based on the old figures) earlier this year, Mr Gordon found that about a third of the productivity improvement since 1995 was due to measurement errors; a third was due to cyclical factors; and a third was due to productivity improvements in the making of computers. Outside computer manufacturing, he found that productivi-



clusions from the recent revisions without looking carefully to see what the number-crunchers actually did. Broadly, three sets of changes are important. The first is the addition of new information: the Commerce Department recalculated some figures based on broader and better raw data than it had originally used. By telling analysts something genuinely new, these revisions are arguably the most important. Tellingly, they



ty—apart from cyclical and measurement effects—had actually fallen.

Mr Gordon has reworked his study using the revised figures. He now reckons that the relative contributions to recent productivity acceleration are different: around half the upturn comes from higher productivity in computers and software; about 40% still comes from a cyclical effect, while the rest still comes from measurement errors. But, importantly, he still finds no evidence that there is any structural improvement in productivity outside computers and software (though there is no longer a decline). Even with a clearer statistical lens, he maintains, you cannot see any evidence of a broad "New Economy".

Others read the data differently. Another recent study by Macroeconomic Advisers, an economic forecasting firm, tries to isolate growth in "potential" productivity by stripping productivity growth that comes from cyclical factors. It found that "potential" productivity had risen sharply since 1995, by 2.6 percentage points (based on the old numbers). Like Mr Gordon, this study finds that

improvements in the productivity of computer manufacturing play a big role. Just under a third of the increase in potential productivity comes from an increase in the rate of technical advance, of which a large part comes from higher-quality computers.

But, unlike Mr Gordon, the Macroeconomic Advisers study also emphasises productivity improvements from those who use computers. About a third of the improvement in potential productivity, it claims, comes from capital deepening, which largely reflects investment in (and hence use of) computers. Because this study looks at productivity overall, rather than by sector, it does not refute Mr Gordon. Even so, the boffins at Macroeconomic Advisers—and a growing body of other economists—are sceptical that so large a productivity impact would be so narrowly focused.

In short, the productivity puzzle is not fully settled. The refocused lens of revised statistics does bolster the case that America is seeing a productivity improvement that goes beyond the cyclical. But it still does not prove that it goes beyond computers.

## Budget making

# Another paradigm shift

WASHINGTON, DC

**Without debate, almost without notice, America has stumbled into a budget revolution that will have profound effects for good and ill**

**A**T LONG last, America is dotting the I's and crossing the T's of its 2000 budget. It is only two months late and \$40 billion over previous spending limits, but hey, it's only the budget—who's counting? All that seems to interest politicians as they stumble from their all-night negotiations is who has won the battle of the midnight oil. The Democrats got 95% of what they wanted, complained Senator Arlen Specter of Pennsylvania, a Republican: 100,000 more teachers, 50,000 more policemen, the repayment of debts to the United Nations, and so on down President Clinton's shopping list of little government interventions. Other Republicans replied that although they might not be getting much of what they wanted, at least they were avoiding the sort of bruising confrontation with the White House that cost them so much popular support in 1995.

But while the parties go through the budget scoring it for political points, they are missing something much bigger. Without realising the consequences, both parties have committed themselves to a new standard of fiscal rectitude—a stricter version of a balanced budget—that will have big implications for the economy and America's pensions and medical systems.

To understand what is going on, remember that America has two budgets: the bud-

get of the Social Security trust fund (which finances pensions) and everything else. For years, talk of the growing budget surplus obscured the difference. The Social Security trust fund was generating huge surpluses. The rest—called the "on budget" balance—was in deficit, financed by raiding the pensions piggy bank. Since the trust fund surpluses outweighed the deficits, the overall budget was in surplus.

But this year something happened. Without serious debate, says Bob Reischauer, a former director of the Congressional Budget Office (CBO), "politicians changed the aim of fiscal policy from balancing the unified budget to balancing the budget without counting the Social Security surplus. It is the most profound fiscal policy shift we have seen for years."

This will accelerate the paying-down of the national debt, increase national savings, make the transitional costs of reforming pensions easier to finance—but also encourage the sense that entitlements should be financed, rather than reformed or cut. And all this came about almost by accident, or at least without policymaking forethought. The president and Congress have stumbled into a fiscal revolution in the course of competitive political gesturing.

The one-upmanship started with Mr



**LOOKING** for that perfect gift? On November 22nd the National Archives will start taking orders for sets of the Nixon tapes. Until now people could only listen to them in a Maryland warehouse, and could not copy them. Now they may be had (for delivery towards the end of January) for \$18 per half-hour tape, \$702 for the full set. Expletives have been deleted.

Commute to work listening to John Dean's "There a cancer on the presidency." Curl up with a loved one and a bottle of wine and thrill to H.R. Haldeman outline the cover-up. Teach the little ones a character lesson when the president says, "We could get that... You could get a million dollars. I know where it could be gotten." Then, on later reflection: "But it would be wrong." Better than the best fiction. Get your set today.

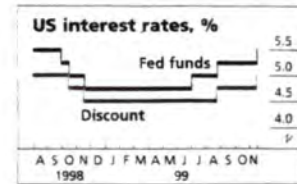
Clinton's 1998 state-of-the-union message. In it, he said he would not countenance tax cuts until Social Security's long-term finances had been put on a sound basis. (Largely because of demographic changes, the trust fund will run out of money by 2034 and pensions would have to be paid out of taxes.) This was part of a broader plan to stop Republicans passing a large tax cut, and also a way of bolstering the president's credentials as a Social Security reformer. The president was saying, in effect, that the financial viability of Social Security had to be settled separately from the budget. At this time, there was no thought of balancing the non-Social Security part of the budget, then reckoned to be about \$30 billion in the red. Even the unified budget was not expected to be in surplus until 2002.

Mr Clinton repeated his call to "save So-



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# America's puzzling economy



## Monetary policy isn't getting any easier

SO THEY decided to tighten after all. On November 16th America's Federal Reserve raised short-term interest rates by a further quarter point to 5.5%. It was a wise decision, albeit too little and too late. The economy continues to sizzle too furiously for its own good: GDP grew by 4.8% (at an annual rate) in the third quarter, while the unemployment rate fell to 4.1% in October. Higher rates are needed to cool things down.

Nonetheless, there is an irony about this decision. For the Federal Reserve has chosen of late to give the "new economy" very much the benefit of the doubt—leaving interest rates low, apparently content to test the limits of non-inflationary growth. Yet this week's timid move towards tightening comes hot on the heels of new data which show continued acceleration in productivity (up by 2.9% in the year to the third quarter and by an annual average of 2.6% since 1996); and also on top of statistical revisions which bolster, to some extent, the case that America's recent rise in productivity is a structural rather than merely cyclical thing (see page 29). In other words, just as the numbers lend new support to the productivity optimists, the Fed gets nervous. What is going on?

The problem, often missed by new-economy enthusiasts, is that accelerating productivity adds to rather than diminishes the uncertainty surrounding monetary policy. In the good old days before 1996, when productivity growth (at least according to the old numbers) was slow but steady, it was easy to talk of a stable, sustainable rate of economic growth of around 2.5%. A cautious central bank would pre-emptively tighten monetary policy if, at full employment, demand grew faster than this limit.

But with accelerating productivity, and hence a rising speed limit, such a framework for analysing the economy poses problems. It is hard to say in advance how much demand is excessive, if you are unsure what the sustainable level of output is. As Mr Greenspan himself pointed out last month, an acceleration in demand need not imply an over-

heated economy if it is caused by an acceleration in productivity. After all, higher productivity growth must eventually show up in either higher profits or higher wages. To the extent that America's productivity upswing is structural (and sustained), one tool of monetary policy analysis—the projection of a trend rate of growth—is increasingly tricky.

How then should monetary policy be set? There are still ways of telling when the speed limit has been passed. Falling unemployment is a sure sign that the economy is growing faster than productivity gains alone might justify. And, as America's labour markets become ever more tightly stretched, any further fall in unemployment provides an increasingly urgent signal for a tighter monetary policy. That is why this week's Federal Reserve decision was clearly, and rightly, driven in large part by October's unemployment figures.

Equally important, you can still identify dangerous imbalances in the economy. This newspaper has drawn attention to America's large (and rising) private-saving deficit (now around 5% of GDP), as well as the country's huge current-account deficit (set to hit 4% of GDP). Maybe an extended productivity boom will enable America to live with these imbalances for longer. But just as productivity cannot accelerate indefinitely, so these imbalances cannot increase indefinitely. It is doubtful that they can even persist at their present level.

On balance, therefore, the case for prudent tightening was strong. Unfortunately, though, a final result of today's uncertain environment is that the Fed's perceived prudence may itself backfire. As stockmarkets rally on a belief that the central bank has acted pre-emptively and quashed any prospect of inflation, looser financial conditions could fuel the very excess demand that the Fed is trying to reign in. Not only is the Fed in uncharted monetary territory, but its own actions may have had unintended consequences. Both of those factors make today's economy, new or old, more risky not less. Nobody ever said central banking was easy.

## The Ukrainian question

With Leonid Kuchma still president, can the West do anything to Ukraine less awful?

IT IS a dilemma that the West has found hard to resolve during the eight years or so that have passed since the hideous communist regime that ran the Soviet Union was replaced—with a few (mostly Baltic) exceptions—by regimes whose main and diminishing attraction in the eyes of voters is that they are not communist. How can the new states be encouraged to turn westwards, in broad economic, geopolitical and human-value terms, without the West seeming to endorse the vile habits of those of their new rulers who happen to be crooks and, by the by, ex-communist? Is the West in danger of

making the same mistake that Russia has made to Russia?

Leonid Kuchma, president for a year, does not

for one thing, is sober, and, for another, is not. Both men, and their countries, share a bunch of unpleasant similarities. And both men run lousy regimes which have been given too long a leash by western governments hoping

to Ukraine that in many respects Ukraine

re-elected Ukraine's first elected president, a man who has vowed communist aspects. Mr Kuchma, however, is not (see page 64). But



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THE WHITE HOUSE  
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ACTION

November 30, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*

SUBJECT: Proposed Executive Order Relating to the  
Safeguarding of Waterfront Facilities of the  
United States

Purpose

Approve an Executive Order amending the definition of "waterfront facility" for purposes of enforcement under the Magnuson Act, thus permitting establishment of a security zone to assist in clearing the range at Vieques, and more generally, giving you an additional means to discourage acts of civil disobedience.

Background

The Executive Order at Tab A is necessary to provide the foundation for enhanced enforcement authority agencies deem necessary to clear the Vieques range for Navy training exercises in December. The Magnuson Act provides for substantial penalties (e.g., imprisonment, fines, and most importantly the seizure and forfeiture of vessels) to support law enforcement efforts to clear the range of protesters and for its deterrent value. Use of Magnuson Act authority, however, requires amending Executive Order 10173 to expand the definition of "waterfront facility" under the Act to include naval installations, including ranges such as that at Vieques. Your Executive Order would allow the Coast Guard, in turn, to establish a security zone off the coast of the facility at Vieques, and if necessary, on Vieques itself. Agencies have emphasized the need for the security zone to be in place as soon as possible.

You should know that Executive Order 10173, approved by President Truman in 1950, invoked the enforcement measures of the Magnuson Act by finding "that the security of the United States is endangered by reason of subversive activity" and

cc: Vice President  
Chief of Staff



prescribing regulations "relating to the safeguarding against destruction, loss, or injury from sabotage or other subversive acts, accidents, or other causes of a similar nature, of vessels, harbors, ports, and waterfront facilities." Since Executive Order 10173's definition of "waterfront facility" is tied to the existence of piers, wharves and similar structures, it is necessary to expand the definition to include naval installations, including ranges, of which the Vieques range is one. Then, once the security zone is established around the Vieques range pursuant to Coast Guard regulation, enforcement action could be taken to keep the area clear of protesters whose presence could cause the "loss" of the range in the sense of temporary inability to use it as a result of occupation by protesters or other disruption.

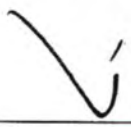
You should also know that the particular activity to which the regulations will be applied does not need to be considered a "subversive activity." Justice has concluded that as long as you have identified a general threat to national security from subversive activity, as President Truman did in Executive Order 10173, the particular activity at issue (e.g., protest against use of the Vieques range) does not need to be deemed "subversive." Moreover, it is not necessary for you to make an express finding that the security of the United States continues to be endangered by reason of subversive activities. However, implicit in your approval of the Executive Order at Tab A is a finding that the United States continues to face a threat from subversive activity (e.g., from terrorism).

It is noted that the Executive Order on its face simply amends the definition of "waterfront facility" and makes no mention of "subversive activity" or any other aspect of the Magnuson Act. Also, aside from the current Vieques scenario, agencies recommend the definition change as an overall improvement in that it more accurately reflects the meaning of "waterfront facility" for purposes of protection under Magnuson Act authority. Such an improvement would provide you greater ability to address potential future protests at military facilities.



RECOMMENDATION

That you approve the Executive Order at Tab A.

Approve 

Disapprove \_\_\_\_\_

Attachments

Tab A Executive Order

Tab B DOJ Office of Legal Counsel memo



A



Executive Order

- - - - -

AMENDING EXECUTIVE ORDER 10173, AS AMENDED, PRESCRIBING  
REGULATIONS RELATING TO THE SAFEGUARDING OF VESSELS, HARBORS,  
PORTS, AND WATERFRONT FACILITIES OF THE UNITED STATES

By the authority vested in me as President by the Constitution and the laws of the United States of America, including 50 U.S.C. 191, I hereby prescribe the following amendment to the regulations prescribed by Executive Order 10173 of October 18, 1950, as amended, which regulations constitute Part 6, Subchapter A, Chapter I, Title 33 of the Code of Federal Regulations:

Section 6.01-4 is amended to read as follows:

§ 6.01-4 Waterfront facility. "Waterfront facility," as used in this part, means all piers, wharves, docks, or similar structures to which vessels may be secured and naval yards, stations, and installations, including ranges; areas of land, water, or land and water under and in immediate proximity to them; buildings on them or contiguous to them and equipment and materials on or in them.

THE WHITE HOUSE,



**B**





U.S. Department of Justice

Office of Legal Counsel

Office of the Assistant Attorney General

Washington, D.C. 20530

November 30, 1999

The President,

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Executive Order entitled "Amending Executive Order 10173, As Amended, Prescribing Regulations Relating to the Safeguarding of Vessels, Harbors, Ports, and Waterfront Facilities of the United States." This proposed Executive Order was submitted by the Coast Guard. The Office of Management and Budget, with the approval of the Director, has forwarded it to this Department for review with respect to form and legality.

Assuming that you determine as a factual matter that the security of the United States is endangered by reason of subversive activity, the proposed Executive Order is acceptable as to form and legality.

Respectfully,

Randolph D. Moss  
Acting Assistant Attorney General





U.S. Department of Justice

Office of Legal Counsel

Office of the Assistant Attorney General

Washington, D.C. 20530

November 30, 1999

MEMORANDUM

Re: Proposed Executive Order Entitled "Amending Executive Order 10173, As Amended, Prescribing Regulations Relating to the Safeguarding of Vessels, Harbors, Ports, and Waterfront Facilities of the United States"

The attached proposed Executive Order was prepared by the United States Coast Guard. The Office of Management and Budget, with the approval of the Director, forwarded it to this Department for review with respect to form and legality.

The proposed Order would amend Executive Order 10173 of October 18, 1950, as amended, which found that the security of the United States is endangered by reason of subversive activity and prescribed regulations for the Coast Guard to safeguard vessels, harbors, ports, and waterfront facilities within the United States against destruction, loss, or injury from sabotage or other subversive acts, accidents, or other causes of a similar nature. The proposed Order would broaden the definition of a "waterfront facility" in these regulations to ensure that they cover waterfront naval yards, stations, and installations.

We believe that in issuing the proposed Executive Order the President would implicitly be updating and reaffirming the finding of the earlier Order that the security of the United States is endangered by reason of subversive activity. President Truman's original finding appears to have been based on Cold War-era threats. A present implicit finding need not be restricted to those threats, but may instead, or in addition, include threats from other sources, such as terrorism, espionage, and proliferation.

The FBI has advised us that, in its view, subversive threats exist that endanger the national security, including threats in the following categories: terrorism, espionage, proliferation, targeting the national information infrastructure, targeting the United States government, and foreign intelligence activities. The Navy has indicated that its waterfront facilities, because of their location, character, and high visibility, are uniquely



vulnerable to subversive activity, and that this vulnerability constitutes a direct threat to national security. In addition to these views, your determination of whether the security of the United States is endangered by reason of subversive activity may be informed by your experience and independent knowledge on these matters. Accordingly, should you determine as a factual matter that the security of the United States continues to be endangered by reason of subversive activity, the proposed Order is acceptable as to form and legality.

A handwritten signature in dark ink, appearing to read "Randolph D. Moss". The signature is fluid and cursive, with the first name "Randolph" being more prominent and the last name "Moss" following in a similar style.

Randolph D. Moss  
Acting Assistant Attorney General





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

November 29, 1999

THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT

FROM:

Jacob J. Lew  
Director

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

SUBJECT:

Proposed Executive Order Entitled "Amending Executive Order 10173, as Amended, Prescribing Regulations Relating to the Safeguarding of Vessels, Harbors, Ports, and Waterfront Facilities of the United States"

**SUMMARY:** This memorandum forwards for your consideration a proposed Executive order that was prepared by the United States Coast Guard. The proposed order would amend regulations relating to the safeguarding of vessels, ports and waterfront facilities to permit the Coast Guard to establish a security zone covering the military testing areas and adjacent waters of Vieques Island, Puerto Rico.

**BACKGROUND:** The Atlantic Fleet Weapons Training Facility on Vieques Island, Puerto Rico is the only installation on the Atlantic coast where the United States Navy can conduct the comprehensive bombing, strafing and naval gunfire support exercises that are necessary to keep its forces up to acceptable levels of military preparedness. Such training exercises cannot be safely conducted if there are unauthorized persons inside the training areas or if the installation, facilities, or equipment are damaged or personnel injured. In connection with the training exercises, part of the local population in the Vieques Island area have strongly objected to the Navy's use of the Vieques Island training facility. Some of these persons have threatened to disrupt upcoming training exercises.

Under the Magnuson Act, as currently codified in the second half of 50 U.S.C. section 191, the President may issue regulations (carried out and enforced by the Coast Guard) to safeguard ports, vessels, and waterfront facilities if he finds that the security of the United States is endangered by subversive activities. President Truman made such a finding in Executive Order 10173, but the definition of "Waterfront Facilities" did not include naval installations such as that at Vieques Island. In this instance, the President has determined that the national security of the United States requires the continued use of the Vieques Island training facility. By issuing the proposed order, he would enable the Coast Guard to establish a security zone around the facility providing enforcement authority and deterrence against disruptions of the important December training exercises.



The proposed Executive order, therefore, would amend the regulatory definition of a "Waterfront Facility" found at 33 CFR 6 so as to encompass the naval installation and adjacent waters at Vieques Island. The Coast Guard would then establish a security zone around the facility to prevent disruption of the training exercises.

None of the affected agencies objects to the proposed Executive order.

RECOMMENDATION: I recommend that you sign the proposed Executive order.

Attachments



At the 5th development stage

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we will send to Burkhardt

THE RECORD

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President  
Clinton

Geo. Frankfort

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draft reply -

30 November 19.

Mr. President, Thanks for your attention to the matter of Pelican Butte and the proposed Pelican Butte Ski development. I appreciate your interest in possibly making the Pelican Butte area a national monument. This is national Forest land - the proposed ski area on Pelican Butte is in the Winema National Forest. I hope you and those who work with you in the area leaving an environmental legacy will look at how best to protect this great treasure - How can you & all of us stop the continuing planning for a proposed Pelican Butte Ski development.

If the proposed Pelican Butte Ski development goes through, it will set an incredibly negative region wide by allowing the clearcutting of forests in an old growth reserve, already set aside in the 1994 Northwest Forest Plan. 50% of the ski development project



area is within a late successional  
reserve. All of Pelican Butte  
is within US Fish and Wildlife  
Service's designated Northern  
Spotted Owl critical habitat.

Also the development would limit  
a 2,000 car parking lot in a  
Forest Service designated Bald  
Eagle nesting adjacent to Upper  
Klamath National Wildlife Refuge

I hope you help to make it so  
exceptions will not be allowed  
in roadless areas. Roadless  
areas should be protected from  
all logging activities as  
well as proposed ski developments.

Finally BLM lands in  
western Oregon are forested & also  
need to be included in this process.  
There are very few BLM forested  
roadless areas - these could be  
monuments - such places as  
Stewart & Soda Mt. And  
the Lake Gray / Rogue River  
roadless are along the Rogue  
River



We environmentalists appreciate  
all you are doing to save roadless  
areas - including the Tongass  
which you are working on. Really  
I appreciate your attention  
on this Pelican Butte / Whomah  
National Forest and the Long  
Gray / Rogue River roadless area.

Would you please have someone  
from the administration get  
back to me and tell me  
about how they think  
they can protect ~~the~~ the  
Pelican Butte area - My  
telephone # is 510-528-6359.

Thank you for your attention  
to this matter -

Sincerely -  
Gaius Gund  
San Francisco



Copied  
Shaw  
Podesta

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON, D.C. 20502

'99 DEC 2 PM 8:11

December 2, 1999

MEMORANDUM FOR THE PRESIDENT

FROM:

KATHRYN L. SHAW

12-3-99

SUBJECT:

Employment and Unemployment in November, Labor  
Department Release, Friday, 8:30 a.m.

The unemployment rate was unchanged at 4.1 percent in November, in line with market expectations. The overall unemployment rate during the past 2 months was the lowest since 1970.

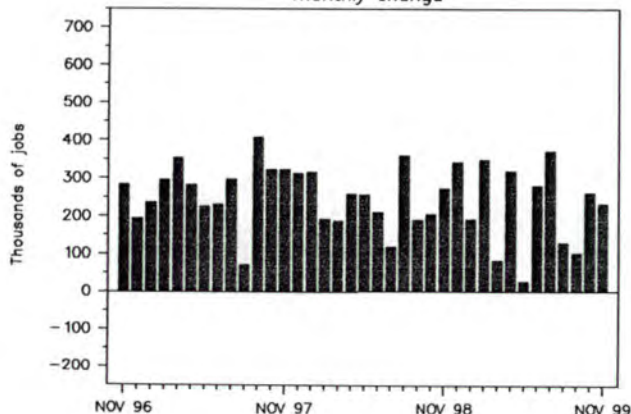
Nonfarm payroll employment increased 234,000—slightly above market expectations. Payroll employment has increased a bit more than 20.0 million since January 1993, with 18.5 million in the private sector.

- November employment gains were particularly strong in construction, which may have benefited from unusually good weather during the survey reference week.
- Manufacturing employment was little changed. The recent downward trend in factory employment, which began in April 1998, has slowed dramatically over the past several months.

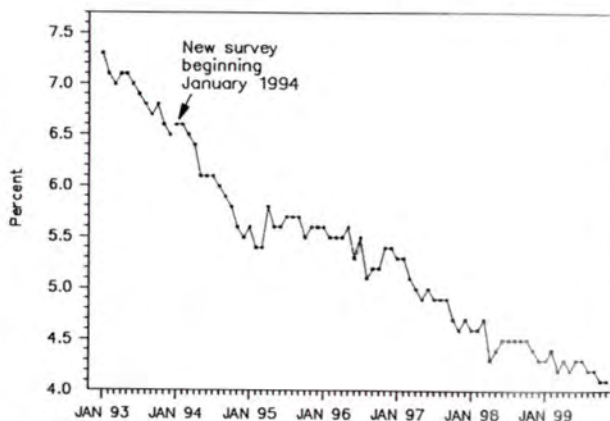
Average hourly earnings of production workers rose 0.1 percent in November, a bit below market expectations. This wage measure increased 3.6 percent over the past 12 months—down slightly from the 3.8 percent year-earlier rate.

The labor market news remains favorable with solid job growth, moderate wage gains, and continued low unemployment. Based on this report, it now appears that real GDP is growing at a 3½ to 5 percent annual rate in the fourth quarter.

NONFARM PAYROLL EMPLOYMENT  
monthly change



CIVILIAN UNEMPLOYMENT RATE



THE PRESIDENT HAS SEEN

12-3-99

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Marshall C.  
Podesta

MEIRA MEDIDSON

Painter / Sculptor

*Clayton  
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be made - call history  
book about a  
monument  
FR*

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Los Angeles  
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Tel: 213.747.6361

E-mail: ymeira@aol.com

Dear President Clinton  
It would be a great honor to have  
the opportunity to discuss with  
you and the First Lady, regarding  
a monument in your honor as the  
first President of the millenium  
to be installed in the year 2000.

Respectfully,

*Meira Medidson*  
Meira Medidson



TRADE ARTICLES  
I used for Scotty  
To Gene S. - Apr

BS

**For the President**

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**INFORMATION**

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Gunn

Good power

## Lessons From Seattle

GLOBALIZATION IS a maddeningly elusive foe. The bundle of forces that it connotes—mobile capital, mobile labor, mobile goods—has no clear location or author; there is nobody to go and shout at. So perhaps it's not surprising that the summit of the World Trade Organization was met with violent street protests yesterday. A mute resentment had been building up for years. The summit offered an opportunity for a statement.

This may turn out to be no bad thing, if the trade ministers in Seattle draw the right lessons. The first is that the advance of globalization cannot be taken for granted, no matter how much prosperity it promises. Trade advocates, the Clinton administration foremost among them, have failed to convince voters of their case, largely because they lack the courage to defend trade as opposed to exports. At every opportunity, the administration boasts of how much America is selling abroad. But it neglects to add that imports are good too. They reduce prices, spur competition and prevent the dollar from growing so strong as to stifle exports. Because politicians only defend half of trade, voters believe that trade is only half good. This concedes the argument to trade's opponents.

Next, it is clear that the international organizations that oversee the new globalized order suffer from a certain perceived lack of legitimacy. A few years ago, the World Bank was the target of furious protest from environmentalists and nongovernmental aid agencies. The bank has responded by reaching out to critics and by channeling a growing share of its money through those agencies. In the same way, the International Monetary Fund now stands accused of arrogance and secrecy. It is

under pressure to make the selection process for its new boss more open than it used to be.

Mike Moore, the WTO's chief, understands the need to win over critics. He has showered the nongovernmental groups in Seattle with invitations to consultations and briefings. The administration is even more eager: Commenting on yesterday's protests, President Clinton declared that the protesters should be brought within "the process." In principle, one might object that unelected advocacy groups have no right to special treatment. But the Internet has handed these groups too much power to make their complete exclusion practical.

To reach out to the critics, the WTO needs to become more open; in particular, its dispute settlement panels should give up their current secrecy. But the WTO should not seek to buy legitimacy by taking all criticisms to heart. If it took on as much of the role of protecting labor standards and the environment as its critics want, it would quickly lose focus. Those issues may need international regulation of some kind, but they should come under the umbrella of U.N. agencies or Kyoto-like programs.

This holds a final lesson, one that some Republicans in Congress might ponder. Trade these days is so entwined with social issues that selective internationalism is decreasingly possible. It used to be fine to support trade but denounce international environmental accords at the same time. But in the absence of a strong regulatory framework for the environment, disputes about animal conservation and air pollution have ended up at the WTO, putting the organization under great strain. The health of the WTO may turn out to require something like a world environmental organization.

The Washington Post

WEDNESDAY, DECEMBER 1, 1999



12-3-99

## Foreign Affairs

THOMAS L. FRIEDMAN

## Senseless in Seattle

Is there anything more ridiculous in the news today than the protests against the World Trade Organization in Seattle? I doubt it.

These anti-W.T.O. protesters — who are a Noah's ark of flat-earth advocates, protectionist trade unions and yuppies looking for their 1960's fix — are protesting against the wrong target with the wrong tools. Here's why.

What unites the anti-W.T.O. crowd is their realization that we now live in a world without walls. The cold-war system we just emerged from was built around division and walls; the globalization system that we are now in is built around integration and webs. In this new system, jobs, cultures, environmental problems and labor standards can much more easily flow back and forth.

The ridiculous thing about the protesters is that they find fault with this, and blame the W.T.O. The W.T.O. is not the cause of this world without walls; it's the effect. The more countries trade with one another, the more they need an institution to set the basic rules of trade, and that is all the W.T.O. does. "Rules are a substitute for walls — when you don't have walls you need more rules," notes the Council on Foreign Relations expert Michael Mandelbaum.

Because some countries try to use their own rules to erect new walls against trade, the W.T.O. adjudicates such cases. For instance, there was the famous "Flipper vs. GATTzilla" dispute. (The W.T.O. used to be known as GATT.) America has rules against catching tuna in nets that might also snare dolphins; other countries don't, and those other countries took the U.S. before a GATT tribunal and charged that our insistence on Flipper-free tuna was a trade barrier. The anti-W.T.O. protesters extrapolate from such nar-

## Protest trade walls, not the W.T.O.

row cases that the W.T.O. is going to become a Big Brother and tell us how to live generally. Nonsense.

What's crazy is that the protesters want the W.T.O. to become precisely what they accuse it of already being — a global government. They want it to set more rules — their rules, which would impose our labor and environmental standards on everyone else. I'm for such higher standards, and over time the W.T.O. may be a vehicle to enforce them, but it's not the main vehicle to achieve them. And they are certainly not going to be achieved by putting up new trade walls.

Every country and company that has improved its labor, legal and environmental standards has done so because of more global trade, more integration, more Internet — not less. These are the best tools we have for improving global governance.

Who is one of the top environmental advisers to DuPont today? Paul Gilling, the former head of Greenpeace! How could that be? A DuPont official told me that in the old days, if DuPont wanted to put a chemical factory in a city, it knew it just had to persuade the local neighbors. "Now we have six billion neighbors," said the DuPont official — meaning that DuPont knows that in a world without walls if it wants to put up a chemical plant in a country, every environmentalist is watching. And if that factory makes even a tiny spill those environmentalists will put it on the World Wide Web and yell DuPont's name from one end

of the earth to the other.

I recently visited a Victoria's Secret garment factory in Sri Lanka that, in terms of conditions, I would let my own daughters work in. Why does it have such a high standard? Because anti-sweatshop activists have started to mobilize enough consumers to impress Victoria's Secret that if it doesn't get its shop standards up, consumers won't buy its goods. Sri Lanka is about to pass new copyright laws, which Sri Lankan software writers have been seeking for years to protect their own innovations. Why the new law now? Because Microsoft told Sri Lanka it wouldn't sell its products in a country with such weak intellectual property laws.

Hey, I want to save Flipper too. It's a question of how. If the protesters in Seattle stopped yapping, they would realize that they have been duped by knaves like Pat Buchanan — duped into thinking that power lies with the W.T.O. — it doesn't. There's never going to be a global government to impose the rules the protesters want. But there can be better global governance — on the environment, intellectual property and labor. You achieve that not by adopting 1960's tactics in a Web-based world — not by blocking trade, choking globalization or getting the W.T.O. to put up more walls. That's a fool's errand.

You make a difference today by using globalization — by mobilizing the power of trade, the power of the Internet and the power of consumers to persuade, or embarrass, global corporations and nations to upgrade their standards. You change the world when you get the big players to do the right things for the wrong reasons. But that takes hard work — coalition-building with companies and consumers, and follow-up. It's not as much fun as a circus in Seattle. □

The New York Times

WEDNESDAY, DECEMBER 1, 1999



To the Conferees on HR 434:

The organizations listed below urge passage this year of legislation to reduce U.S. tariffs and trade barriers to the countries of Central America and the Caribbean. These are some of the poorest countries in the Western Hemisphere. Their democratically-elected governments are emerging from years of political instability. They have also recently been devastated by Hurricanes Georges and Mitch. Humanitarian assistance is called for but what the people of the region really need is sustainable economic development and access to markets.

# Pass Real CBI Enhancement!

... because the United States of America should not maintain trade barriers against the poor.

Enhanced trade with Central America and the Caribbean would also benefit the United States. It would increase our own exports to the region, reduce incentives to

illegal immigration and drug trafficking, and provide inexpensive goods to American consumers.

*Onerous content restrictions, which would inhibit the countries of the region from using their own, locally produced materials, will diminish the benefits of this legislation and should be eliminated!*

African American Council,  
Reformed Church in America,  
New York, NY  
AIM Partners, PLC, Atlanta GA  
Alliance of Love/Alliance d'Amour,  
Topsham ME

American Textile Export Company,  
Gastonia, NC  
Arts of Haiti Research Project,  
Ithaca NY

AYUDA, Inc., Washington, DC  
Boston Haiti Solidarity, East  
Walpole, MA

Brothers and Sisters International,  
Inc., Washington DC

Caribbean-American Leadership  
Council, Silver Spring, MD

Caribbean Cargo, Naples, FL  
Casa Reina, Gallup NM

Catholic Archdiocese of Detroit MI  
Catholic Charities of Miami,  
Miami FL

Center for Constitutional Rights,  
New York NY

Center for International Policy,  
Washington DC

Central General de Trabajadores,  
San Pedro Sula, Honduras

Centrale Autonome des Travailleurs  
Haitiens, Port-au-Prince, Haiti

Church World Service/IRP Miami  
Office, Miami FL

Citizens Budget Campaign of West  
Pennsylvania, Pittsburgh, PA

City of Pittsburgh Commission on  
Human Relations, Pittsburgh PA

Confederación Mundial de  
Trabajadores, San Pedro Sula,  
Honduras

Confederación Unitaria de  
Trabajadores de Honduras

Confédération des Travailleurs  
Haitiens, Port-au-Prince, Haiti

Council on Hemispheric Affairs,  
Washington, DC

EducaVision, Inc., Coconut Creek  
FL

8th Day Center for Justice,  
Chicago IL

Emory United Methodist Church,  
Pittsburgh PA

Extol Accessories, Ltd., Miami FL  
Fondation Memoire, Inc.,  
Bethesda, MD

Franciscan Sisters of the Poor,  
Brooklyn NY

Georges William Enterprises,  
Miami FL

Grand Loge Hiram Abif,  
Dorchester MA

Grassroots International, Jamaica  
Plain MA

Haiti Solidarity Committee,  
Pittsburgh PA

Haiti Task Force, Pax Christi  
USA, Huddleston VA

Haitian Ministry Commission,  
Catholic Diocese of  
Richmond, VA

Haitian-American Family of Long  
Island, Uniondale NY

Haitian-American Grassroots  
Coalition, Miami FL

Haitian-American Support Group of  
Central Florida, Orlando FL

Howard County Friends of Latin  
America, Columbia MD

Human Rights in Cuba, Inc.,  
Miami FL

Immigration Assistance Program,  
Christian Community Services,  
Alamosa CO

Interfaith Alliance of Southwestern  
Pennsylvania, Pittsburgh PA

Interhemispheric Resource Center,  
Silver City NM

Irish Immigration Center,  
Boston, MA

Journey Into Freedom, Portland OR

Konfederasyon Ouvriye Travayè  
Ayisyen, Port-au-Prince, Haiti

La Gonave Economic Help  
Organization, Haiti Outreach  
Project, Chicago IL

La Troup Makandal, Inc.,  
Brooklyn NY

Latin American Studies, Brand  
Valley State University,  
Allendale MI

Law Office of Eleanor J. Newhoff,  
Cambridge MA

Loretto Community Latin  
America/Caribbean Committee,  
Englewood CO

Manutech, Inc., Miami FL  
Maryvale Spiritual Life Center,  
Valley City ND

Michael S. Keilly, LLC,  
Louisville CO

Michigan Committee for a  
Democratic Haiti, Detroit MI

Missionhurst - Congregation of the  
Immaculate Heart of Mary,  
Arlington VA

National City Christian Church,  
Washington, DC

National Coalition on Caribbean  
Affairs, Silver Spring, MD

National Coalition for Haitian  
Rights, New York NY

National Organization for the  
Advancement of Haitians,  
Silver Spring, MD

New Hope Mission of Haiti  
International, Inc. Kissimmee, FL

Newman Community/Catholic  
Campus Ministry - Virginia Tech,  
Blacksburg VA

Office of Justice and Peace,  
Catholic Diocese of  
Richmond, VA

Organization Générale  
Indépendante des Travailleurs  
Haitiens, Port-au-Prince, Haiti

Our Lady of the Cape Parish,  
Brewster MA

Our Lady Queen of Peace Catholic  
Church, Arlington VA

Parish Twinning Program of the  
Americas, Nashville TN

Pax Christi Virginia, Huddleston VA

People With AIDS Coalition of  
Dade County, Miami FL

PEOPLink, Kensington MD

Radyo Sanba 91.5 FM,  
Brooklyn, NY

Saint Ignatius Loyola Parish,  
Denver CO

Saint Joseph Catholic Church,  
York, PA

Sisters of Mercy of the Americas,  
Regional Community of  
Connecticut, West Hartford CT

Society of Haitian-American  
Professionals and  
Entrepreneurs, North Miami FL

Stetson University Latin American  
Studies Committee, Deland FL

Stipanovic Law Offices,  
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## The battle in Seattle

**The first big negotiations on freer world trade for over five years are due to be launched at next week's World Trade Organisation meeting in Seattle. They may not go far**

**"THE** WTO kills people. Kill the WTO." Thus the catchy slogan of Peoples' Global Action (PGA), an anti-globalisation group planning a "global day of action, resistance, and carnival against the global capitalist system" on November 30th, to coincide with a World Trade Organisation summit in Seattle. In June, PGA's last "carnival against capitalism" ended in riots in London. And PGA is only one of over a thousand groups preparing to swamp Seattle: a rag-bag that includes trade unionists, environmentalists, aid lobbyists, consumer-rights campaigners, human-rights activists and even a group called "Alien Hand Signals". As many as 100,000 demonstrators are expected.

How things have changed since 1986, when the previous round of trade talks was launched. That September, ministers gathered in Punta del Este, a sleepy Uruguayan seaside resort, with no TV cameras, let alone demonstrators. "Faxes didn't arrive, and nor did our newspapers. It felt like we were on Mars," recalls Sylvia Ostry, a former Canadian trade negotiator. Mike Moore, the new WTO head, says "the Uruguay round was launched in the silence of public apathy." As indeed were seven earlier rounds of trade talks at the GATT, the WTO's predecessor.

Yet the Uruguay round was far from unambitious. As well as slashing industrial tariffs, it brought services and agriculture under multilateral world trade rules for the first time and expanded the system's coverage to such areas as intellectual property and health standards. It also gave birth to the WTO, equipped, unlike the GATT, with a strong enforcement mechanism.

The agenda for a "millennium" round is still undecided, but it is likely to be more modest. Efforts to agree it broke down in Geneva this week, leaving much to haggle over in Seattle. But its core is known: unfinished business from the Uruguay round, namely further liberalisation in agriculture and services, and a review of intellectual-property rules. Industrial tariffs will doubtless be thrown in too. But a broader agenda is unlikely. The European Union wants to include such subjects as investment and competition policy, but America objects. Developing countries are equally opposed to plans by America and the EU to add new rules on labour and the environment.

Given this modest scope, why the demonstrations in Seattle? The answer has little to do with the official agenda, or indeed with the round itself. The WTO has become a mag-

net for resistance to globalisation by both old-fashioned protectionists and newer critics of free trade. These foes are incensed that, as economies become more closely intertwined, trade policy is increasingly impinging on such sensitive issues as food safety and the environment. They resent the constraints of world trade rules, which the WTO now has the power to enforce—even though, at the same time, they want to use those powers to achieve their own ends. The WTO, in short, has become the whipping boy for practically every interest group everywhere.

### Agenda for action

The prospect of freer trade is never to be sniffed at; rising exports have greatly boosted world economic growth in the past 50 years (see chart 1). And pursuing it through the WTO has many attractions. Countries bind themselves and their trading partners to transparent and non-discriminatory trade rules, which the WTO then enforces even-handedly. They gain access to new export markets too. Since most governments operate on the mercantilist premise that opening domestic markets is a concession to be traded for access to foreign markets, multilateral liberalisation is often the most effective route to free trade.

In this mercantilist world, a successful WTO round requires a balanced trade-off between domestic and foreign concessions. In practice, two big bargains have to be struck for any trade round to succeed: a transatlantic deal between America and the EU, which together account for nearly two-fifths of world trade, and a north-south deal between rich and poor. Yet there is a long way to go before such broad bargains can be considered, let alone struck. The only thing that everyone agrees on is that the new round should last only three years, rather than dragging on for almost eight as the Uruguay round did.

America wants a few priority issues to be





settled in advance, perhaps at the Seattle meeting itself. Its list includes transparency in government procurement, an extension of the duty-free status of e-commerce, a broader information-technology pact, reform of the WTO's dispute-settlement system, increased WTO transparency and the phase-out of tariffs in eight sectors: chemicals, energy products, environmental products, fish, forest products, jewellery, medical and scientific equipment, and toys.

This list is a non-starter, since it reflects only America's priorities. Take tariffs. There is certainly scope for further reductions (see chart 2). But Japan does not want to liberalise fish and forestry products. The EU professes to want a more comprehensive approach that focuses on removing tariff peaks for such imports as textiles, glass and footwear, but would preserve tariff preferences for developing countries.

Or consider dispute-settlement reform, which aims to fix flaws in WTO rules exposed by the EU's battle with America over bananas and beef hormones. The EU says it will block reform unless it includes a ban on changing the products against which retaliatory sanctions are imposed. But America says no, because it wants to keep up the heat on the Europeans.

The biggest obstacle to an early harvest at Seattle—and, indeed, to a broader round afterwards—may be the insistence of many developing countries (notably India) that they will block further liberalisation until their gripes over the Uruguay round are addressed. For a start, many say they cannot comply with some Uruguay-round commitments to upgrade customs-valuation procedures, for example, or to enforce food-safety standards.

More generally, developing countries complain that the Uruguay round was unbalanced. Rich-country promises about granting preferential treatment have amounted to little. The developing countries want their obligations in areas such as intellectual property, investor protection, subsidies and anti-dumping to be eased. And they argue that the Uruguay round has failed to deliver expected benefits in such areas as agriculture and textiles. They point out that the EU's Common Agricultural Policy (CAP) remains highly protectionist, and that America has backlogged its textiles liberalisation, most of which will not occur until 2005.

There is some justification to these complaints. Indeed, as a concession to the least-developed countries, the EU wants agreement at Seattle on giving most of their products duty-free access to rich-country markets—but with agriculture and textiles still excluded. In general, though, it is impossible to reopen past deals. If developing countries wish to get more concessions, the best way is to negotiate them in a new round.

Yet agreeing on the scope of such a round will still be hard. America favours a narrow,

"manageable" round, limited to the core agenda of agriculture and services, plus industrial tariffs. But it wants to add monitoring of the environmental implications of any deal. And it proposes a WTO working party to look at links between trade and labour rights, to ensure that trade liberalisation does not lead to job losses or lower wages. This sop to the unions reeks of hypocrisy, since Amer-

"anything but agriculture".

Agriculture almost broke the Uruguay round. It will also make or break the new round. America and the 16-strong Cairns group of leading farm exporters, which includes Australia, Canada and Brazil, are pressing for sweeping liberalisation. They want lower tariffs, cuts in domestic support and, above all, an end to export subsidies, which are mostly used by the EU. Most developing countries, often dependent on agricultural exports, have similar aims. But the EU, Japan, South Korea, Norway and Switzerland, all with highly sheltered farmers (see chart 3), are steadfastly opposed.

Progress depends on how hard America pushes for liberalisation, and how much ground the EU is ready to give. The omens are not good. America's enthusiasm for wholesale liberalisation may be waning. America supports its farmers nearly as much as the EU does. But it does so through direct payments that are supposed to be separated from prices and production and so less trade-distorting than the CAP. In each of the past few years, however, America has given "emergency" help (\$8.7 billion this year) to farmers hit by low farm-product prices. So its farm support is not as separated as it appears. And commodities such as sugar, peanuts and dairy products are highly protected.

The EU does not seem ready to face down its politically powerful farmers. Its Agenda 2000 reforms to the CAP agreed earlier this year did not cut guaranteed prices by nearly enough. It is now stressing the "multifunctionality" of agriculture, such as farmers' role in protecting the environment, food safety and animal welfare. America sees this as a cover for protectionism. After all, subsidised, intensive European agriculture is highly polluting and has produced food scares such as mad-cow disease and dioxin poisoning; European producers of foie gras and battery chickens are hardly noted for their concern for animal welfare.

Optimists point out that the looming expiry of the "peace clause", a moratorium on challenging many illegal farm-support programmes at the WTO, at the end of 2003 may spur the EU to make further concessions. Perhaps. But by then the EU may have found a new way to keep out American farm products: health scares.

American farmers are rapidly switching to genetically modified (GM) crops. But European consumers are paranoid about their dangers. That is convenient for uncompetitive European farmers. The EU wants WTO rules to give greater weight to the "precautionary principle", which would allow countries to restrict imports until GM technology could be shown to be safe. But America insists that the burden of proof must lie with those who want to ban it. Canada, Japan and Australia are pushing for a working group on biotechnology to examine how WTO rules apply to GM products. America

## Still some peaks



ica itself does not enforce all the International Labour Organisation's core labour rights.

The EU echoes the American position on trade and labour. It wants a standing forum on trade and labour rights involving the WTO and the ILO. But apart from Japan, which broadly agrees with the EU, nearly all other WTO members oppose linking trade to labour rights. Developing countries, who rightly see this as a pretext for rich-country protectionism, are particularly hostile.

## Transatlantic tensions

Other than that, America and the EU agree on little. The EU, as well as Japan, want a broader round that also covers investment and competition policy. America is opposed, for many reasons. After the failure of talks on an over-ambitious Multilateral Agreement on Investment (MAI) at the OECD last year, it does not think an investment agreement worth having is within reach. On competition policy, it does not want to see its scope for unilateral action constrained. It fears that including competition policy on the agenda would give Japan, South Korea and developing countries a handle to attack its own abuse of anti-dumping. America also thinks that the EU's keenness on talks about investment and competition is a ruse to delay serious negotiations on agriculture. The EU, America says, wants to negotiate about

## Feeding troughs

Producer support, per farmer, 1998 estimate





broadly supports their proposal, but is also considering taking the EU to the WTO over its sluggish and opaque GM-product licensing scheme.

The other big chunk of the core agenda—services—is less controversial, partly because countries can choose which sectors they want to liberalise. Countries aim to expand the sectoral coverage of the services agreement and to open up sectors that are already covered. America is aiming at areas such as finance, telecoms and transport; the EU favours a shallower, but more broad-based, approach. Thorny issues include America's reluctance to open its shipping market and the EU's desire to protect its audio-visual services on cultural grounds. Developing countries want to ease restrictions on the "movement of natural persons", so that, for example, Indian computer programmers could more easily offer their services to European companies.

### The political context

Given such differences, prospects for the round do not look good. The lack of common ground between America and the EU is especially worrying. Worse, there is little enthusiasm for freer trade. Were countries not already committed to negotiate about agriculture and services, there would be no impetus at all for a new round, says a senior western diplomat.

Take developing countries. Though by no means a monolithic block, they share a feeling that whatever the promise of liberalisation, at the WTO, rich countries will conspire to keep their markets closed. And though they largely refrained from shutting their markets in the aftermath of the 1997-99 financial crisis, most have little appetite for further domestic liberalisation. They are also better informed and organised than they were in previous rounds, so they are less likely to accept a deal stitched up between America and the EU.

The EU itself has always been a reluctant liberaliser. Sir Leon Brittan, until recently the EU's trade commissioner, certainly did much to build momentum for a new round. But he did it largely despite, rather than at the instigation of, EU member governments. His successor, France's Pascal Lamy, lacks Sir Leon's liberal instincts. Although he pays lip service to free trade, he recently told *The Economist* that "I'm not a liberal, I'm still a socialist." He insists that freeing trade should be "controlled, steered and managed according to the concerns of EU citizens". That is in keeping with a view, widespread on the continent, that "a protectionist trade policy is a price readily paid for political objectives", in the (critical) words of Patrick Messerlin of the Institut d'Etudes Politiques, in Paris. There are few signs that the EU is willing to offend its farmers for the sake

of freer world trade.

The EU's pursuit of a broad agenda must be seen in this context. If America agrees to include investment and competition on the agenda, the round could drag on for years. If America refuses, the Europeans can blame America for scuppering the new round and insist that within a narrow agenda there is no room for the trade-offs needed for agricultural liberalisation. In either case, the EU can delay farm reforms, while avoiding the blame for doing so.

However great these obstacles are, they could be overcome if America were still leading the drive for freer world trade. In all previous trade rounds, America had a long list of demands. It was able to extract concessions with a mixture of promises and threats. But now America has few carrots to offer. The Clinton administration is unwilling to make politically painful concessions required to achieve its aims. Indeed, until Bill Clinton's state-of-the-union address in January, the Americans had resisted the whole idea of a new round at all.

The Clinton administration's half-heartedness has many explanations. One is that, with the cold war over, shoring up the multilateral trading system is no longer seen as a top priority for American foreign policy. An-



other is that American business has lobbied less vigorously for a new WTO round. With America's economy doing well, greater access to foreign markets seems a less pressing priority. Besides, Congress's repeated refusal to grant the administration "fast-track" negotiating authority, without which it cannot easily strike trade deals, has convinced many businessmen that Mr Clinton cannot deliver what they want. They have concentrated instead on a deal on Chinese accession to the WTO, which was signed earlier this month.

Mr Clinton's trade policy is hobbled by three big constraints. One is a need to pacify or please protectionist trade unionists, such as the AFL-CIO, which is supporting Vice-President Al Gore's presidential bid next year. Although few American workers are unionised, they are concentrated in four

states, Illinois, Michigan, Ohio and Pennsylvania, that are crucial to Mr Gore's chances. The second is that the coalition in Congress in favour of free trade has fragmented. Most Republicans and some Democrats still support free trade. But a sizeable minority of Republicans are protectionist, and most Democrats insist that further liberalisation must raise labour and environment standards too.

The third constraint, felt also by other rich-country governments, is growing popular disenchantment with free trade. The benefits—cheap imports, better jobs, faster growth—are taken for granted. But anti-WTO groups tap into widespread insecurity about globalisation. To be sure, extremists such as PGA enjoy little public support. But more mainstream opponents of the WTO are winning the battle for public opinion. They are media savvy and well organised; they strike a chord with voters who increasingly associate trade with drowned dolphins, Frankenstein foods and Chinese prison labour rather than cheap goods. In America, Public Citizen, a consumer-rights group set up by Ralph Nader, helped to swing popular opinion against the MAI. Now it portrays the WTO as a tool of big business whose global aims trample on local economies and cultures, whose rules and procedures are secretive and undemocratic; and which is harming the environment and increasing inequality. Unless free traders start countering these arguments, prospects for the new round—and for freer trade in general—will be poor.

### Raising the stakes

There is indeed a danger that Seattle will turn out to be a fiasco: no agreement on an agenda, or a half-hearted one that will obviously lead nowhere. If that happened, it would encourage anti-WTO groups to go on the offensive. America, the EU and Japan would increasingly be tempted by managed trade. The EU and America would redouble their efforts to carve up markets through regional preferential trade agreements that can only undermine the multilateral approach to trade. Congress is due to review America's membership of the WTO next March; some may press for a vote on withdrawal.

But the more likely outcome is that ministers will reach some sort of fudged deal in Seattle. It will have limited aims and be strewn with empty promises. After that, negotiations are unlikely to go far for some time at least. Next year sees an American presidential election. If there is to be a big push for freer trade, including a successful bid to extract fast-track authority from a recalcitrant Congress, it will have to wait until 2001. It should be a top priority for the next American president, whoever that is.



## The politics of trade

WASHINGTON, DC

**Despite the boom, globalisation is one of the hottest issues around. Why?**

A WINE bar has just opened in Brooklyn named in honour of José Bové, the moustachioed sheep farmer who won national fame and a jail sentence in France for tearing the roof off a local McDonald's with his tractor. The wine bar's owner, like his hero, is fighting his own battle against globalisation and poor cuisine.

On the other side of the country, in King County, Washington, elected officials are joining the cause, firing off memos denouncing globalisation for ruining the environment and encouraging child labour. This is slightly embarrassing, because King County includes most of Seattle where, on November 30th, the World Trade Organisation begins its ministerial meeting to launch a new trade round.

As many as 50,000 people will descend on the city from all over North America (including Zapatistas from Mexico and the Ruckus Society from Berkeley, California), threatening to paralyse the Pacific port. If things get out of hand, Americans could be watching on television the sort of theatrical street demonstrations not seen since the Vietnam war.

Popular worries are putting globalisation back on the political agenda. Ever since Congress, in 1997, rejected President Clinton's request for "fast track" authority to negotiate trade agreements, American policymakers have become more and more reluctant to endorse economic integration. Earlier this year, the House voted for steel quotas by two to one. The Clinton administration has been wary of agreeing a deal with China over its entry into the WTO, for fear that Congress would reject it.

Now the critics of globalisation are starting to influence the campaign for the 2000 election. The two parties have been split on trade since Mr Clinton made the North American Free-Trade Agreement a campaign issue in 1992, but now the issue is widening the gaps within each party, pitting a dwindling band of genuine free-traders against a kaleidoscope of opponents, many of whom are protectionists but some of whom are concerned about matters that go far beyond trade, conventionally defined.

The upshot is unlikely to be outright

economic isolationism. So long as there is no deep, painful recession, extremists such as Pat Buchanan have little appeal. But there has already been a rise in protectionism, notably through the use of anti-dumping cases, and there is a danger that political stalemate and a lack of support for open markets could persist beyond the next election.

The remarkable thing about the debate over globalisation is that it is growing more intractable at a time of unprecedented growth. Eight years of boom mean, in conventional wisdom, that voters don't care about economic issues. It is true that the trade deficit is at record highs, though the latest figures are slightly better (see box on next page). It is also true, as Robert Lawrence of the Council of Economic Advisers points out, that parts of manufacturing and agriculture are nearer recession than boom. But new jobs have more than made up the losses and the worst-affected regions—the rust belt and corn belt—have the lowest unemployment rates in the country.

Will Marshall, the head of the Progressive Policy Institute and an influential voice

among free-trading Democrats, argues that trade is becoming an issue because it exposes America's latent economic insecurity—fear of losing your job, your pension, your health coverage and so on. There may be something in this. Even with the best economy for decades, support for globalisation is fragile. Opinion polls show large majorities in favour of "acting as a global economic leader". But scratch the surface (or load the question) and opinions split: as many as 46% say that "the US should slow the trend towards globalisation because it hurts American workers."

Such popular perceptions are not being reflected in the presidential election. All the mainstream candidates broadly support free trade; Bill Bradley did not moderate his enthusiasm for free trade to prevent the unions from endorsing Al Gore. There are, however, large differences between Mr Gore, who supports linking trade agreements to labour and environmental standards, and George W. Bush, who does not.

So there is nothing obvious in the economy to explain the popular worries and the presidential race is not particularly stoking them. Why, then, the backlash and why the political paralysis? The answer seems to be that trade has become a magnet for new groups and new issues which have changed the nature of the debate and the policymaking process with it.

Once upon a time, trade was exclusively about tariffs and quotas. In America, as elsewhere, it pitted exporters against industries



**Bové's a hero in America too**



that competed with imports. The argument to expand or restrict trade was largely an economic one, about jobs and prices. And it took place in the context of a superpower rivalry that meant that open trade amongst America's friends commanded bipartisan support.

The superpower rivalry has gone, of course. Business broadly supports free trade, but without much enthusiasm, and there are notable exceptions, such as steel. Far more important, the public debate over trade now embraces issues such as the environment, human rights and labour standards.

These issues have transformed the politics of trade. They have introduced a new element of partisanship into Congress. By and large, Democrats are in favour of having international labour and environmental standards, Republicans are against them. That has made it far harder to find the sort of big bipartisan pro-free-trade majority that used to exist in Congress.

Moreover, the issues have widened existing divisions within each party. The most staunchly pro-free-trade party used to be the Republicans. Now, between a quarter and a third of the party votes against market-opening measures, some because they dislike international bodies such as the WTO, others because they disapprove of linking trade with environmental regulation, still others because they dislike China.

Instead, the most solidly free-trading block is the so-called New Democrats, the centrist group organised by President Clinton and Vice-President Gore. In three recent tests of trading sentiment, they proved the most coherent supporters of liberalisation, with four-fifths of members voting to widen trade, compared to between half or two-thirds of Republicans and only half of all Democrats.

But while this faction has emerged to support liberalisation, backing for free trade has almost collapsed in the rest of the Democratic Party. Mr Clinton got the support of only a fifth of his party for the fast-track vote. As he told the annual gathering of New Democrats last week, the party is united on most "third-way" policies: fiscal conservatism, being tough on crime, education reform. But there is one big exception: "how we're going to respond to globalisation."

Pitted against the free-trading New Democrats are the old ones, where unions retain strong influence (in the past two years, labour has given \$12.4m to the Democrats, according to Common Cause, a group which tracks the influence of money in politics). Labour concerns are already showing up in the presidential campaign. Mr Clinton's demand that the WTO take more notice of international labour standards shows the administration's heightened attention to such interests. The New Democrats are seeking to bridge the gap with the rest of the party by stressing such matters as how to keep jobs in

## Better, but no cigar

WASHINGTON, DC



BAROMETER

AMERICA'S monthly trade balance narrowed slightly in August, to \$24.1 billion, according to the Commerce Department figures released on October 20th. That is slightly down from the monthly peak of \$24.9 billion in July, and the first fall since April.

Exports of goods and services rose by 3.7% in August, to a record \$82 billion. Although August's figures were boosted by a surge in aircraft sales (which probably implies lower-than-expected aircraft sales in September), there is no doubt that American exporters are thriving as economic growth abroad improves. Yet it would be a mistake to conclude that America's trade

deficit—which so far this year is running at an annual rate of \$252 billion, or around 2.8% of GDP—will not rise still higher.

For a start, America imports almost a third more than it exports. That means that exports must grow 30% faster than imports just to keep the trade deficit constant. And there are very few signs that America's appetite for all those attractive imports is waning.

Propelled by strong demand, imports rose 2.3% in August to a record \$106 billion. Imports in the first eight months of 1999 are running 10% higher than they were over the same period in 1998. Unless the economy slows down sharply, it is hard to see the trade balance improving for long. Moreover, many analysts foresee a further import boost in the weeks before January 1st, as firms stock up in preparation for any Y2K-related problems.

Nor will a cheaper dollar help much just yet. Although a weaker currency will eventually increase exports and discourage imports, it takes a while for firms to adjust. The more immediate effect is that imports become more expensive. An analysis by Goldman Sachs suggest that if the dollar (on a trade-weighted basis) were to fall by 10-15% over the next two-and-a-half years, the trade deficit would continue to worsen until early 2001.



the new economy, but so far, to little avail.

The result is sobering. With both parties split and Congress divided on partisan lines, the old certainties of American trade policy have gone. The strength of the economy, while it lasts, militates against outright protectionism, of course. But when a new trade round is just starting, America's lack of commitment to greater liberalisation may be almost as bad.

### Teachers

## Good scores, or else

DENVER

AS THE latest set of dismal test scores was announced in Colorado—41% of 11-year-olds failing to meet state standards in reading, and 69% failing to meet them in writing—Bill Maloney, the state's education commissioner, had sobering words: "If we do not put our house in order, rougher hands will do it for us." Those rougher hands are the reformers who would like to introduce

vouchers and public-school choice. But there is another experiment going on in the state capital, Denver, which might improve the public-school system from within—and keep more radical alternatives at bay, for a while at least.

Last month, Denver became the first city in America to bring in a plan linking teachers' salaries directly to their pupils' performance. (Tony Blair's government wants to introduce such a scheme in Britain's schools; see page 63). The Denver scheme, approved by the local teachers' union, will be tested in a handful of schools for two years. Its success, if it does succeed, could pave the way for other troubled urban school districts which are trying to break the relentless pattern of pupils who fail to progress.

Various merit-pay programmes have been tested around the country. Most of them were unsuccessful because they relied on subjective evaluations of the teachers by school principals. Under the Denver scheme, teachers will be judged by the performance of their pupils in both standardised exams and tests made up by teachers, as well as by their general progress.

Since the plan had to win the approval of the Denver teachers' union, it is decidedly



# Pokémonia v globophobia

IT IS an irony worth pondering that, a couple of weeks before the World Trade Organisation meets in Seattle, the entire child population of America is enslaved by a Japanese fad. The most heartfelt complaint of globalisation's critics is that the process leads inexorably to the triumph of American pop culture. The French believe this so strongly that they have repeatedly threatened to scupper trade talks unless "cultural" goods are exempted. The world's non-governmental organisations believe it so strongly that a collection of them have placed a series of huge advertisements in the *New York Times* complaining about the McDonaldisation of the world. But any trade negotiator who feels tempted to agree should take the precaution of consulting a ten-year-old child.

"Pokémon: The First Movie"—parents, note that threatening adjective—raked in \$32.4m over its opening weekend; and when a Los Angeles radio station announced a contest for free tickets, 70,000 calls a minute overwhelmed its switchboard. A television series based on the Japanese pocket monsters is the most popular children's programme in the country. More than 50m Pokémon game cards have been sold. The five top-selling video games are all Pokémon-themed. *Pokemon.com* is the most popular website for children of 12 and under, and eBay, an Internet auction house, is doing a roaring business in rare Pokémon cards.

The British are not far behind the Japanese in the race to seduce America's children. The literary sensation of the summer was J.K. Rowling's trilogy about Harry Potter. Hollywood is so lathered up about the child wizard that all the town's leading directors, from Steven Spielberg to Barry Levinson, are squabbling over the rights to direct the film and Time Warner, the studio that owns the rights to the books, is muttering about a billion-dollar franchise, with sequels, television shows, cartoon spin-offs, theme-park rides, interactive games and merchandising. And for younger children yet another British product, the Teletubbies, is almost as popular as that quintessentially American programme, "Sesame Street".

This triple invasion not only disproves the idea that Americans have a monopoly of popular culture. It also disproves the idea that non-Americans have a monopoly of silly complaints about the evils of popular culture, particularly the foreign-made variety. Jerry Falwell, a televangelist, played on a widespread American suspicion that the British favour homosexuals when he "outed" one of the Teletubbies, Tinky Winky, on the ground that he carries a handbag. Other evangelists have called for the Harry Potter books to be banned for promoting superstition and witchcraft.

*Time* magazine calls Pokémon a "pestilential Ponzi scheme" that encourages acquisitiveness and aggression. It also portrays its inventor as a Japanese misfit who obsessively collected beetles as a child. *Newsweek* asks "Is Pokémon evil?" (though, to be fair, it answers "probably not"). A San Diego law firm has filed a class-action suit against the manufacturer of Pokémon cards on the ground that they promote illegal gambling; and a Colorado preacher required children in his congregation to watch as he torched Poké-

mon cards and chopped up a Pokémon toy with a sword.

An important part of the anti-globalist growl is that global companies are marketing fads to children with a ruthlessness that verges on the obscene. Hasbro is indeed churning out licensed toys and collectibles. Burger King is giving away 57 varieties of Pokémon in a \$22m promotion. The Pokémon television show functions as a relentless advertisement for a cavalcade of products. There is something in the fad for every age. Toys pull in young children, who then move on to cards and other collectibles before finally graduating to Nintendo's video games. And there is more to come: a hundred more Pokémon on their way from Japan to add to the 151 that have already arrived on America's shores.

Yet many of the conclusions that anti-globalists draw from this evidence of ruthlessness are mistaken. They are wrong to argue that everything is being reduced to marketing, for example. The remainder bins of the world's toyshops are full of brilliant ideas that were dreamed up by marketing departments only to be forcefully rejected by children. And the people behind the latest fads sweeping through young America are mavericks, not cynical marketers. J.K. Rowling is a publicity-shy divorcee who wrote her first Harry Potter book when she was on the dole. Satoshi Tajiri, the man behind Pokémon, persisted with his idea even when Nintendo told him that technology was passing it by. He then persisted with it again when Nintendo America told him that role-playing games were not popular with the local children, and

when a bizarre incident, in which 700 Japanese children had fits while watching a Pokémon television programme, put the idea of exporting the craze under a cloud.

The anti-globalists are also wrong when they argue that conglomerates inevitably homogenise the ideas that they choose to Hoover up. Some of the Pokémon have certainly had their names westernised: Zenigame, a turtle who squirts water, has become Squirtle, for example. But the little monsters still teach distinctively Japanese values about the importance of team-building and performing your duties. The only way to succeed at the game is to co-operate with others—and the easiest way to fail is to neglect to care for your charges.

There was some talk in Hollywood about setting the filmed version of Harry Potter in an American school, Hogwarts High, complete with cheerleaders and a blonde girlfriend. But the moguls soon decided that Britishness is part of the book's charm. Harry, played by a British actor, will still attend a 1,000-year-old school with crenellated towers and a Latin motto. Hermione will not change her name to Bailey.

The Pokémon will soon be history; with luck, the sickeningly cute Teletubbies will be history even sooner. The next generation of children will find a new craze to fill their time and soak up their parents' money. But why so many cultural protectionists assume that the craze will be dreamed up by some faceless American corporation rather than by a Japanese bug-collector or a British welfare mother is getting more mysterious by the day.





benefit. Since Suharto fell, and the big conglomerates began to lose their grip, some smaller firms are already flourishing. In Jepara, on the north coast of Java, foreign businessmen have set up shop exporting furniture made by the local craftsmen. There are plenty of similar opportunities if the government stays out of the way.

Yet while Mr Wahid is keen to promote small business, it is not yet clear whether his government will do this actively, or put its

trust in the market. New government schemes to channel credit and promote distribution could open up new channels of corruption and squeeze out honest and efficient businesses. But if Mr Wahid manages to get everything right, it could lead to transparent auctions, a better deal for the regions, and more small-scale investment. If you own a medium-sized, green company, and have never met Mr Suharto's children, book your tickets now.

## Emissions

### Seeing green

**B**IG business, especially in America, has long been suspicious of claims that the globe is warming. Oil companies have noisily rubbished the science of climate change. Electric utilities have tried to stoke fears among ordinary folk that the Kyoto Protocol, a UN treaty on climate change being negotiated next week in Germany, would cut economic growth and cost jobs.

So it is all the more surprising that some of the world's biggest companies are changing their tune. Leading the way are BP Amoco and Royal Dutch/Shell, two large European oil firms, whose bosses now state plainly what was once considered heresy: global warming is real and merits immediate action. A number of American utilities vow to find ways to reduce the harm done to the atmosphere by their power plants. DuPont, the world's biggest chemicals firm, even declared in September that it would voluntarily reduce its emissions of greenhouse gases to 35% of their level in 1990 within a decade. What is going on?

These firms are the first to see that fixing global warming could give rise to the world's next trillion-dollar industry: the greenhouse-gas trade. An agreement that surfaced this week gives a glimpse of how such a business might emerge. Ontario Power Generation, a Canadian utility, has struck a deal with Zahren Alternative Power, a small American firm, to purchase environmental "credits" to offset OPG's emission of 2.5m tonnes of carbon dioxide, the principal greenhouse gas. Zahren creates these credits by capturing methane, another greenhouse gas, that would otherwise have escaped from landfills, and uses the gas to generate electricity.

This is but the latest in a series of unusual transactions. Last year, American Electric Power, a big electricity utility, declared that it would spend \$5.5m on protecting rainforests in Bolivia to offset emissions from its many coal-fired plants. In October a coalition of Canadian energy companies struck a deal with Iowa farmers to buy up to 3.3m tonnes of carbon dioxide credits. The farmers generate the credits by not tilling their soil; instead, they agree to inject seeds into

soil direct. Doing so, say scientists, will prevent the release of up to four tonnes of the gas per acre every year.

Such deals are happening now because the Kyoto treaty has prompted three sorts of companies to push for the creation of a global market in greenhouse gases: the losers, the winners and the middlemen. The big potential losers from the treaty are the heavy-industrial firms and energy companies. For such firms, the introduction of carbon taxes or fees on emissions could prove devastating. They see deals to offset liabilities, though speculative, as an inexpensive hedge.

They are also promoting experiments in trading that should help persuade sceptics in government. BP Amoco, for example, has this year launched an internal carbon-dioxide trading scheme among its many far-flung divisions to help them meet targets for reducing emissions. Unipede, a coalition of big European electricity utilities, and the International Energy Agency in October completed a full-fledged simulation of electricity and carbon-dioxide trading.

The winners are those that can cheaply create what the losers desperately want: reductions in emissions. Though the science is evolving, it is clear that agribusinesses, for-

estry firms and others who can keep greenhouse gases from entering the atmosphere could profit handsomely from the Kyoto deal. This has set off a flurry of research. Siemens and Shell, for example, have just announced a new fuel-cell technology for oil rigs that will capture emissions of carbon dioxide and methane, generate power from them cleanly, and sequester the exhaust.

Middlemen are keen too. Already, lots of energy and commodity exchanges are trying to get into the act. London's International Petroleum Exchange is promoting itself vigorously as the future home of global carbon trading; rival exchanges are also vying for the title. Banks and insurance companies worry that global warming increases the risk of catastrophes, but also spot an opportunity. Ivo Knoepfel of Swiss Re, a large reinsurance company, says his firm is keen to securitise international emissions-trading permits.

Keener still are energy- and commodity-trading firms. Peter Zaborowsky of Nat-source, one of America's biggest such firms, reckons that carbon trading will be a \$60 billion-a-year market in America alone; and that if politicians agree on clear rules for international trading, the global market could in time reach a trillion dollars a year.

In the meantime, one group looks likely to make a fortune out of all the uncertainty: the consultants. Swiss Re's Mr Knoepfel sees insurance companies rushing to get into the business of helping clients assess carbon liabilities and assets. Scientists are pocketing handsome sums advising on sequestration projects. Already, big accounting firms such as PricewaterhouseCoopers and KPMG have set up units dedicated to carbon consulting. Even green groups are profiting. As companies seek to win credibility for their efforts at reducing emissions, they are inviting mainstream green groups such as Washington's Environmental Defence Fund to advise them and to keep them honest. For industrialists paying reluctantly to clean up their act, that must be a bitter pill.



Now they're paying him not to till the soil



Top of page:

Col 1: National newsfeature. Moving later with art.

Cols 2-4: Photo from WTO summit. Refers to inside story, WTO-TIMES, moved.

Cols 5-6: Sworn enemies and new political allies join together to form Northern Ireland's first government of Protestants and Catholics in more than a quarter-century. (ULSTER-TIMES, moved.)

Above fold:

Cols 2-3: Days after he survived a storm at sea, lost his mother to drowning and spent more than 24 hours alone and adrift in an inner tube, a 5-year-old Cuban boy is being buffeted by an international tempest over his custody. (with art) (CUBA-BOY-TIMES, moved.)

Col 4: Mexico's automobile industry, already booming, is due for another big boost in the wake of the historic trade agreement signed last week with the European Union. (MEXICO-CARS, moving Tuesday.)

Col 6: In a case that pits American moral values against the benefits of global free trade, the Supreme Court says it will decide whether cities and states can refuse to do business with companies that operate in repressive regimes in such countries as Myanmar, Cuba or China. (SCOTUS-TIMES, moved.)

Below fold:

Cols 5-6: Foreign newsfeature. Moving later with art.

Bottom of page:

Cols 1-2: Colleges are adopting a much more aggressive attitude toward fund raising, including an increased emphasis on offering to put a donor's name on a building, a professorship or a classroom. (COLLEGE-NAMING, moving Tuesday.)

Cols 5-6: Local story.

**ANALYSIS: WTO Summit Is Being Shaken by Rich-Poor Rift**  
By Jonathan Peterson and Evelyn Iritani  
Los Angeles Times

SEATTLE The World Trade Organization summit that begins Tuesday was planned as a landmark moment to shape the future of the global economy along lines blessed by U.S. officials. Instead, the massive, 135-nation summit is being shaken by a deep rift between the world's haves and have-nots.

The arrival of a Chinese delegation has cast a further spotlight on the rich-poor divide, which has raised the specter of an impasse before week's end.

Poor and emerging nations complain bitterly that they have never received the promised rewards from previous trade accords, and are threatening to withhold support of new, U.S. initiatives. Many argue that it is time to take stock of the global economy rather than endorse new U.S. commercial initiatives, such as eliminating barriers to services, which they contend will mostly benefit the United States and Europe while doing little for the impoverished.

"There has been tremendous disillusionment," said Martin Khor, a prominent Third World activist from Malaysia. Poor countries, he said, have not enjoyed "the promised benefits" from previous trade deals and are much more cynical about the U.S. agenda than they were in the recent past.

Enormous media attention has focused on an army of activists encamped in Seattle, which on Monday prompted scenes of riot police guarding the convention center and sporadic street demonstrations downtown, including a window-smashing episode at a McDonald's restaurant. Security officials temporarily closed down the convention center after they discovered signs of a break-in, and Jubilee 2000, a religious-oriented group that advocates an end to financial burdens of needy countries, planned to form a human chain around the Seattle Stadium Exhibition Center Monday night while local officials inside wine and dine visiting delegates and the media.

For all that, the rich-poor tensions inside the summit may be even more threatening to the goals of the United States and other countries that hope to launch a major new round of trade talks this week. In the months leading up to the Seattle summit, WTO officials were unable to put together even a vague agreement on overall goals, in large part due to a backlash from the developing world.

Despite persistent rumors that Cuban leader Fidel Castro planned an appearance here, he announced late Monday in Havana: he isn't coming because U.S. officials won't let him into the country.

But the have-nots are well-represented here by China, whose representatives while still enjoying only "observer" status symbolized the inevitable changes of a once exclusive trading club that now numbers 135 nations, including rich and poor, high-tech and low-tech, which adhere to a plethora of economic philosophies.

The presence of China, a Communist regime that is on of the world's largest economies, inside the global trade tent adds powerful voice to the bloc of emerging nations.

The have-nots are voicing adamant opposition to the U.S. and European push to consider how working conditions affect trade. Moreover, they are deeply suspicious of rich-country aims to consider the environmental consequences of trade, viewing such proposals as unfair and costly mandates from the outside.

In addition, they are pushing to challenge U.S. "anti-dumping" rules that are used to shield American industries from surges of exceptionally cheap imports. Emerging countries also complain that their richer counterparts have dragged their feet in getting rid of restrictions on clothing, textiles and agriculture, all of which are areas in which they are most competitive.

These grievances have emerged as a major sticking point to reaching a consensus on new talks, and are placing acute pressure on U.S. and European officials to come up with new concessions.

R.C.A. Jain, an Indian agriculture official, on Monday said that backsliding on market-opening commitments by the United States and Europe have greatly "undermined trust and confidence" in the international trading system.

Contrary to the rosy promises of earlier trade deals, the opening of trade has severely damaged some of the world's most precarious economies, according to their representatives in Seattle.



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PRESIDENT CLINTON  
& FAMILY,

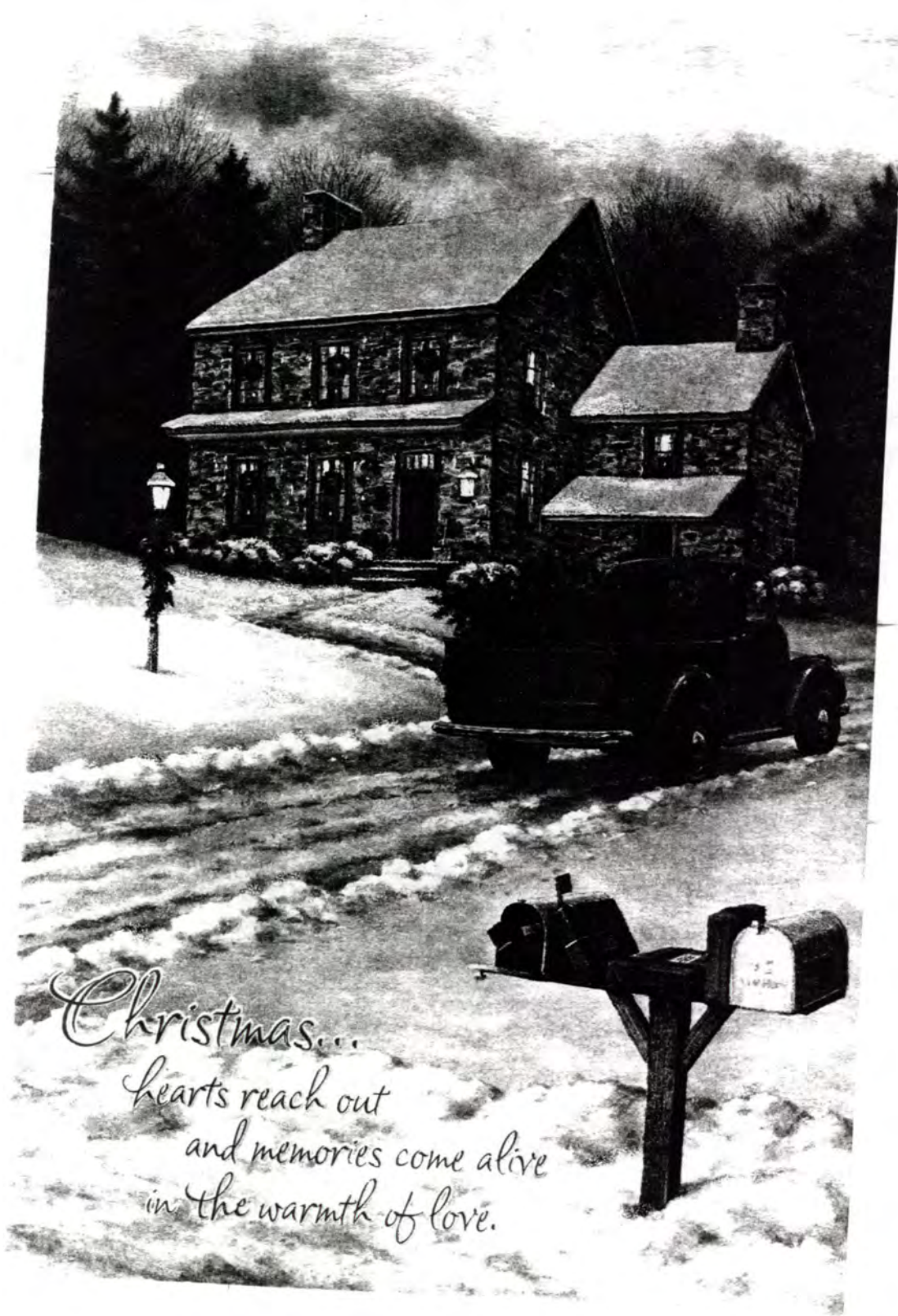
99 DEC 8 PM 1:58



May your home be filled  
with happiness,  
your hearts with love,  
your days with joy –  
at Christmas and always.

MERRY CHRISTMAS  
FROM YOUR 1999  
CHRISTMAS TREE  
HAULERS,  
BILL & LINDA  
SUTHERLAND





*Christmas...*  
*Hearts reach out*  
*and memories come alive*  
*in the warmth of love.*



Dr. [unclear]

PRESIDENT CLINTON  
FAMILY



**Nello Salvitti**

58M Villa Roma Dr. • Tewksbury, MA • 01876 • 978.851.5138

12-3 99

Send to Burkhardt for reply?

Yes ☒

No ☐

November 11, 1999

President Clinton  
The White House  
1600 Pennsylvania Avenue N.W.  
Washington, D.C. 20500

Dear Mr. President,

You probably won't remember me but my name is Nello Salvitti. We met during your radio address at the White House on October 22<sup>nd</sup>. You gave me the "thumbs up" after I mentioned how I totally agreed with your speech that day.

Your comment in Newsweek about an interactive presidential library was interesting to me. I first met you during my visit to the White House as a Coro Fellow in 1996. I learned much about the inner workings of our government during that visit, but wanted to know much more. I am writing to ask if you would have any interest in establishing a very loose, casual relationship with me by teaching me about your world. My interest is purely intellectual. It might help your library understand what some citizens want to know about our process of government.

For instance, my questions would be like this - how do you assess the credibility of information that is presented to you when forming a policy or preparing an opinion of a situation?

I would welcome the opportunity to write you again. I hope you feel the same.

Sincerely,

*Nello Salvitti*

Nello Salvitti

*Recommend sending*

*a letter*

*yes* —

*no* —

*Sean?*

*friend of  
Sandy Berger*



**Nello Salvitti**

58M Villa Roma Dr. • Tewksbury, MA • 01876 • 978.851.5138

November 11, 1999

Ms. Betty Currie  
Office of the President  
The White House  
1600 Pennsylvania Avenue N.W.  
Washington, D.C. 20500

Dear Ms. Currie,

You probably won't remember me but my name is Nello Salvitti. I introduced myself to you after meeting the President during his radio address at the White House on October 22<sup>nd</sup>.

The reason I am writing is because I had wanted to personally give the President a letter when I met him. At the last minute I decided against doing that because I was not sure it would be an appropriate thing to do at the time.

I noticed that many people that afternoon presented the President gifts and letters. I regret not taking the opportunity to do the same. I suspect that directly sending the President my letter would be futile given his tremendous time restraints. However, I was wondering if you would be comfortable giving the President the letter on my behalf? I have enclosed it.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nello Salvitti". The signature is fluid and cursive, with the first name "Nello" being more prominent and the last name "Salvitti" following in a similar style.

Nello Salvitti



2510 FOXHALL ROAD  
WASHINGTON, D. C. 200

12-3 99

November 15, 1999

Mrs. Betty Currie  
Secretary to the President  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Send to Burkhardt for reply?

Yes ☒

No ☐

Dear Mrs. Currie,

A few nights ago I sat next to Molly Raiser. I spoke to her of an issue I have been working on for the last two months. I had written a letter to the President which was accompanied by 31 letters from the directors of major cancer centers, and I had agonized over how these letters should be delivered to the President. Molly said, "Oh, Deeda, I wish you had called me, I would have sent it right down to Betty Currie." However, after much consideration the week before, I had already asked Teddy Kennedy and he sent my letter which had also been signed by Ellen Stovall and Ellen Sigal over to the President and then I sent the accompanying thirty-letters from cancer center directors to Christopher Jennings.

I had really hoped that the President would see some of the letters written by these leaders in the cancer community. Molly said "Go ahead and send it even now to Betty Currie and she will know what he is seeing and what he hasn't seen". Although I hate to think of the thousands of things that land on your desk, and I hate to impose on you, I would be very grateful if you would glance at this package and hopefully if appropriate see that the President has an idea of its contents.

Thank you very much for giving this your consideration.

With best wishes,

Deeda Blair

Mrs. William McCormick Blair, Jr.



*Chairman -  
Natl. Cancer  
Alliance*

MRS. WILLIAM MCCORMICK BLAIR, JR.  
2510 FOXHALL ROAD  
WASHINGTON, D.C. 20007

99 DEC 3 1:58

*Candlyn*

Dear Mr. President,

I am writing to you today on behalf of thousands of cancer patients and their families, hundreds of cancer centers and countless cancer researchers. We are deeply concerned about certain regulations proposed by HCFA, which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) will prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory payment classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most



cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. President, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will lead to patients being harmed by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

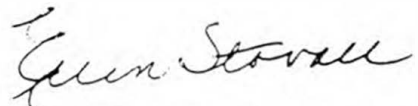
Sincerely,



Mrs. William McCormick Blair, Jr.  
Vice President  
Albert and Mary Lasker Foundation



Ellen Sigal, Ph.D.  
Chairperson  
Friends of Cancer  
Research



Ellen Stovall  
Executive Director  
National Coalition for  
Cancer Survivorship





*Mailing Address:*  
Yale Cancer Center  
Yale University School of Medicine  
333 Cedar Street  
P.O. Box 208028  
New Haven, Connecticut 06520-8028

*Campus address:*  
205 WWW  
15 York Street  
Telephone: 203 785-4095  
Fax: 203 785-4116

October 7, 1999

The President  
The White House  
Washington, D.C. 20015

Dear Mr. President:

I am writing you as a former Director of the National Cancer Institute. I had the privilege of directing the "War on Cancer" from 1980, when former President Carter appointed me, until 1988, through two Reagan administrations. All of us at major cancer centers are now seeing the fruits of the national effort in cancer research finally reach the clinic in the form of many new and approved treatment options that have already been proven to reduce mortality from cancer. Since cancer is a disease of the elderly, the HCFA proposal to include cancer chemotherapy, biologic therapy and radiotherapy in the proposed prospective payment system for hospital outpatient department services, when they were specifically given the option by Congress to exclude these services if necessary, will deny elderly cancer patients the benefits of a 30 billion dollar investment they paid for with their tax dollars. They will effectively be condemned to remain on yesterday's therapy because that is all the system will provide for.

I believe this would be in violation of the basic principles that underlie the health care programs established 35 years ago in a previous Democratic administration. Support for cancer research has always been bipartisan, and I firmly believe that Congress provided for an exception in recognition of the investment they made in the cancer program and the realization that the field was advancing rapidly with many new approaches replacing outdated methods.

The recent announcement by Vice President Gore of his support for re-invigorating the "War on Cancer" would be in conflict with a failure to allow the benefits to reach the populace. A reversal of the HCFA proposal would resonate with a large segment of the medical and lay community in this country and, it seems to me, to be more in concert with his very fine intentions.

I respectfully request that the Office of the President intervene in this decision to save the lives, and improve the quality of life, of many elderly patients with cancer.

Sincerely yours,

Vincent T. DeVita, Jr., M.D.  
Director

VTD:sh



A Comprehensive Cancer  
Center Designated by the  
National Cancer Institute





David G. Nathan, M.D.  
President  
Dana-Farber Cancer Institute  
Richard and Susan Smith  
Professor of Medicine  
Harvard Medical School  
Professor of Pediatrics  
Harvard Medical School

44 Binney Street  
Boston, Massachusetts 02115  
617 632 2155, 617 632 2161 fax  
david\_nathan@dfci.harvard.edu

October 1, 1999

President William J. Clinton  
White House  
Washington, DC 20501

Dear President Clinton,

As the President of Dana-Farber Cancer Institute, one of the nation's National Cancer Institute- supported comprehensive cancer centers, I am writing to express my deep concern about the Health Care Financing Administration's proposed outpatient prospective payment system and its impact on the care of cancer patients. Attached is a fact sheet that describes the specific impact at Dana-Farber.

We urge you to ask HCFA to remove cancer treatment in the outpatient setting from the prospective payment system. Over the past few months, there has been increasing support for this position. The entire Massachusetts delegation sent a letter to the Administrator at HCFA proposing that an alternative payment methodology be established for the ten freestanding cancer centers. Legislative leaders in other states (including California, Florida, Texas and Washington) have written similar letters. The freestanding cancer centers have also submitted over 40 pages of comment on the proposed outpatient regulations.

This is a very serious issue for us at Dana-Farber and for cancer patients across the nation. Thank you for your consideration of this important issue.

Sincerely,

David G. Nathan, M.D.



August 1999

### Balanced Budget Act Relief Agenda

The BBA provision that will have the greatest impact on Dana-Farber Cancer Institute pertains to the outpatient prospective payment system. Dana-Farber is concerned that the proposal will seriously undermine the ability of patients with cancer to have complete access to the full range of treatments and services they need. Furthermore, with over 75% of Dana-Farber's business in the outpatient setting, the proposed changes will result in significant losses in reimbursement. Both of these issues are summarized below

First, some specific examples of how the payment system could influence the approach to cancer care are as follows:

- If a cancer patient sees three physicians in one day (medical oncologist, surgeon, radiation oncologist) Medicare will pay for only one. Multidisciplinary care is more effective clinically and certainly more convenient and less stressful for the patient. Medicare patients may now be asked to come back on three different days so that appropriate payments can be received. Further, the process of having specialists meeting together at the same time may be compromised.
- The proposed Medicare changes discourage the use of new (higher cost) drugs while promoting the use of older (low cost) and less effective medications. Medicare would either provide no payment for new drugs or group them into an "all other" category with minimal reimbursement. As a result of poor reimbursement, new chemotherapeutic drugs may not be available to Medicare patients.
- The system does not pay separately for expensive supportive care medications to help mitigate the side effects of powerful chemotherapy medications. The cost of supportive medications often far exceeds the cost of the chemotherapy medications themselves. If providers limit the level of supportive care medications, patients may suffer severe side effects or may not be able to receive the appropriate amount of chemotherapy due to side effects.
- The system will create an incentive to admit patients who could otherwise be treated on an outpatient basis. As an inpatient, Medicare will reimburse at a higher level for the same medications.

In terms of financial impact, the proposed changes will result in serious losses for Dana-Farber. Based on HCFA's own data, Dana-Farber will experience a 50% loss in reimbursement for the care of Medicare outpatients. Using FY 1998 activity, this would translate into a loss of approximately \$5 million. Given continued growth in Medicare volume and with the shift of more inpatient care to the outpatient setting, these losses would continue to escalate.





ALBERT EINSTEIN COLLEGE OF MEDICINE OF YESHIVA UNIVERSITY  
COMPREHENSIVE CANCER CENTER

Jack and Pearl Resnick Campus  
1300 Morris Park Avenue • Bronx, New York 10461

I. David Goldman, M.D., Director  
*Susan Resnick Fisher Chair in  
Brain Tumor Research*

October 13, 1999

President William J. Clinton  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear President Clinton,

I am writing to call your attention to the devastating potential impact of the implementation by the Healthcare Financing Administration (HCFA) of a prospective payment system for hospital outpatient services, which will empower HCFA to exclude certain cancer treatments and services. I, as well as other directors of National Cancer Institute-funded Cancer Centers, see this as a grave threat to the development and delivery of the most advanced cancer treatments in this country. These proposed Ambulatory Payment Classifications will affect cancer chemotherapeutics, drugs for palliation and specialized treatment planning for radiotherapy.

The Albert Einstein Comprehensive Cancer Center is the major cancer care provider to the 1,300,000 resident of the Bronx - an ethnically diverse group that includes large numbers of Latino and African Americans. We are concerned about the impact of these potential changes on this population that depends so much upon Medicare. Implementation of this change may also have an adverse effect on our affiliated Montefiore Medical Center, already under tremendous financial pressure because of declining reimbursements from providers in this region.

This is a time of unprecedented advances in our understanding of the basic molecular genetics of cancer, and the associated development of new therapeutic modalities. In light of this, it is ironic that yet another new barrier will be placed in the path of the translation of these discoveries into clinical trials and ultimately into new effective treatments for the citizens of this country with cancer. It is also ironic that NCI-designated academic cancer centers, which have made this success possible, will now be threatened more than ever not only by the private sector but also by the Federal government which funds our research programs.



Phone: 718-430-2302 • Fax: 718-430-8550 • email: [igoldman@aecom.yu.edu](mailto:igoldman@aecom.yu.edu)

*A Comprehensive Center for Cancer Treatment and Research designated by the National Cancer Institute*



On behalf of the hundreds of physicians and scientists at the Albert Einstein Comprehensive Cancer Center who are involved in cancer research and treatment, and the thousands of patients we care for, I urge you to intercede with HCFA to halt the implementation of the proposed Ambulatory Payment Classifications. A process of review should be initiated that involves the National Cancer Institute and the academic NCI-designated cancer centers to assure that any changes in the reimbursement system will not adversely affect the Nation's cancer research effort nor the quality of treatment of patients with cancer.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "I. David Goldman".

I. David Goldman, M.D.  
Professor of Medicine and Molecular Pharmacology  
Director, Einstein Comprehensive Cancer Center

Cc: Hillary Rodham Clinton





Robert C. Young, M.D.  
President

215 728 2781

7701 Burholme Avenue  
Philadelphia, Pennsylvania 19111

FAX 215 728 2571  
e-mail: RC\_Young@fccc.edu

October 12, 1999

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

Dear President Clinton:

I am writing you today on behalf of thousands of cancer patients and their families, hundreds of cancer centers and countless cancer researchers. We are deeply concerned about certain regulations proposed by HCFA, which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) will prevent Medicare patients from receiving the highest quality medical care, and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APC's) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APC's would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

October 12, 1999

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

I share with you just a few examples of the unintended impact on cancer patients:

Fox Chase Cancer Center, one of the country's premier cancer centers, has done detailed analyses of the impact of these reimbursement proposals on outpatient cancer care. For example, they have calculated that the drugs used in a new state-of-the-art cancer treatment for breast cancer (Taxol and Herceptin) would cost the institution \$4,206.53 in drug costs alone, yet would be reimbursed only \$1,675.43, a net loss for the center of over \$2,500.00 for each patient treated.

As another example, Fox Chase has calculated that their actual annual costs for supportive care drugs (medicines that would not be reimbursed at all under the new system) will exceed \$1,349,000 for 1999.

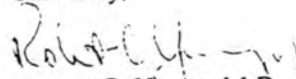
They have also calculated that, under the new APC system, thirteen of the top fourteen anti-cancer medications currently in use at Fox Chase would be reimbursed at less than actual cost to the center.

As a consequence, the ability of cancer centers to operate with even the slightest positive margin would be profoundly compromised by this system. To cite but two examples, two NCI-designated Comprehensive Cancer Centers, the Fox Chase Cancer Center in Philadelphia and the M.D. Anderson Cancer Center in Houston, would incur a tide of red ink amounting to \$2 million and \$13 million respectively, should this system of reimbursement be implemented.

Mr. President, I urge you to ask HCFA's acting administrator, Michael Hash, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy, will lead to patients being harmed by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information that you would request.

Sincerely,

  
Robert C. Young, M.D.  
President

RCY/jd



Office of the Director  
(520) 626-7925

President William Clinton  
1600 Pennsylvania Ave.  
Washington, DC 20006



College of Medicine  
P.O. Box 245024  
Tucson, Arizona 85724-5024  
FAX (520) 626-6292

October 5, 1999

Dear President Clinton:

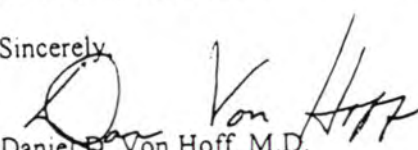
As Director of the Arizona Cancer Center, I am writing to express my concerns regarding the Healthcare Financing Administration's (HCFA) plans to implement Ambulatory Payment Classifications (APC's) for chemotherapy and other supportive agents for cancer patients and their proposals for specific treatment planning for radiation therapy and multidisciplinary care for outpatients. As brief background, the Arizona Cancer Center is an NCI-designated comprehensive cancer center, one of 36 centers of this type in the country, dedicated to quality patient care. I have recently accepted the position of Director of the Arizona Cancer Center, following the leadership of Dr. Sydney E. Salmon, and I am determined to continue providing superb cancer treatment to all our patients and to developing new therapies directed as a cure for this multifaceted disease.

My concerns about HCFA's plans for APC's involve my earnest belief that APC regulations will most assuredly compromise our abilities and those of other centers to provide state-of-the-art quality care to our patients and thereby jeopardize their chances of recovery from cancer in many cases, and their hope for improved health. If the proposed APC's are implemented, Medicare will pay a flat rate for cancer treatments, including supportive care agents, in hospital outpatient departments and comprehensive cancer centers regardless of the actual cost of these treatments and drugs. Because the Arizona Cancer Center is very actively involved in the development of new effective anticancer drugs through extensive research projects, we have been able to obtain and administer investigational agents to our cancer patients with successful outcome. With implementation of the APC's, we and other comprehensive centers will not be able to provide this effective care to outpatients because the proposed rate would be at the lowest of the four categories which would not cover the cost of the new drug. The impact of this circumstance on patients is incalculable and, in effect, reduces their chances for remission or cure while adding to their anxiety level that is already inherent with this disease.

The 1997 Balanced Budget Act did allow HCFA to implement the hospital outpatient prospective payment system, exempting certain categories if implementation would cause undue harm. This is exactly the case in cancer treatment where many promising new drugs are introduced and many more are currently under development and will be ready for phase I trials soon. Implementation of the APC payment system creates a distinct disincentive for pharmaceutical companies to develop and market new agents and creates a disincentive also for cancer centers (and other outpatient cancer treatment facilities) to participate in the research, development and clinical investigations of promising treatments. Additionally, the proposed APC system will jeopardize our ability to administer state-of-the-art care to our senior citizens. Cancer is often described as a "disease of the elderly," and many of our patients are, indeed, Medicare patients who experience significant difficulties, inconvenience, anxiety and apprehension with the diagnosis of cancer. Therefore, on behalf of the 5500 patients seen at the Arizona Cancer Center this past year in our multidisciplinary oncology clinics (including radiation oncology and at the Veterans Administration Hospital), we strongly urge you to require HCFA's removal of cancer treatment in the outpatient setting from the prospective payment system and identify an unbiased, objective and fair method of reimbursement for critical state-of-the-art cancer care. This will allow the very ill of our country access to the vitally important and effective treatments they need for their disease and encourage development of new innovative therapies, designed for even more effective disease prevention and cure.

I am hopeful that you will consider this issue seriously as it has tremendous impact on patients with cancer and particularly our senior citizens with this dreadful disease.

Sincerely,

  
Daniel B. Von Hoff, M.D.  
Professor of Medicine  
Director, Arizona Cancer Center

ARIZONA CANCER CENTER

DVH:tm a National Cancer Institute - designated comprehensive cancer center at The University of Arizona Health Sciences Center



# COALITION

OF NATIONAL CANCER COOPERATIVE GROUPS, INC

2115 South Street, 3rd Floor > Philadelphia, PA 19146 > Phone: 215-893-6442 > Fax: 215-893-6329

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Bowel Project

## Administration

Andrew M. Kelahan, PhD  
Chief Operating Officer  
Executive Director of  
External Affairs, ECOG

<http://www.ca-coalition.org>

5 October 1999

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

Dear President Clinton:

I am writing on behalf of the Coalition of National Cancer Cooperative Groups which treats the largest number of cancer patients on clinical trials in the nation.

Virtually all of the advances in defining the role of new cancer treatments have been determined by our programs. The 170,000 patients we follow yearly are treated in the outpatient setting by cancer specialists in NCI-designated Cancer Centers, academic medical centers and community practice. The Balanced Budget Act of 1997, which directs the Healthcare Financing Administration (HCFA) overseeing Medicare, to implement the prospective payment system (PPS) for hospital outpatient services, has the potential to severely compromise our programs. As currently construed, it will jeopardize the opportunity for cancer patients throughout the country to participate in high quality, government-sponsored clinical trials.

The Cancer Center programs in our groups represent the scientific life-blood of our efforts. New treatment opportunities are developed by them and reach patients throughout the nation through our clinical trials process. Currently, the National Cancer Institute funds the Cancer Center effort within the cooperative groups at roughly 50% of the level recommended by the peer-review system. Historically, the remaining 50% required to accomplish the work has been funded by institutional largesse which is overwhelmingly dependent on the financial margin accrued from clinical operations. Decreasing reimbursements from governmental and private payers is continually eroding this margin.

HCFA's proposed outpatient prospective payment system would jeopardize this continued largesse and, undoubtedly, prevent Medicare patients from participating in studies which will define the new standard of care for cancer. The new treatments we evaluate involve innovative approaches to the use of chemotherapeutic agents, biologics, drugs required for supportive care and radiation therapy -- all of which are administered in the outpatient setting. HCFA has included such agents in the prospective payment system and bundled them into four ambulatory patient classifications (APCs). This approach underfunds the best new treatments and overfunds the more arcane and inadequate therapies. The unintended consequence of HCFA's approach will not only stun innovation, but also demean the high quality care our nation's elderly cancer patients deserve.

Mr. President, we, and our courageous patients, need your leadership in urging HCFA's Administrator, Nancy-Ann Min Deparle, to remove cancer treatments in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the existing payment methodologies. This adjustment will ensure the continued opportunity for Medicare patients to participate in high quality cancer care through the clinical trial process, and guard our nation's international leadership role as the engine for innovation in cancer therapy.

Thank you for your consideration.

Sincerely,



Robert L. Comis, M.D.  
President - CNCCG Board of Directors





Association of Community Cancer Centers

October 11, 1999

OFFICERS:

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(Atlanta, Georgia)

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John R. Russell, MD, MS  
(Mobile, Alabama)

E. Strode Weaver, FACHE, MHSA, MBA  
(Seattle, Washington)

President William J. Clinton  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Clinton:

I am writing on behalf of the more than one million patients and their families that receive cancer care at community and university hospitals each year. The Association of Community Cancer Centers (ACCC) is deeply concerned about the devastating impact of the Health Care Financing Administration's proposed Ambulatory Payment Classifications (APCs) on the ability of hospital outpatient cancer programs to continue to provide cancer care. We hope that you will take action to either support an administrative exemption of cancer therapies from the proposed system, or a delay of implementation of the system to study whether this system is viable.

We have enclosed a copy of a study conducted for ACCC by The Lewin Group, a respected Washington-based consulting firm. This study illustrates that hospitals will be **reimbursed at less than half of their costs** for chemotherapy and supportive care drugs, and at **66 cents on the dollar** for radiation oncology treatment. These losses cannot be made up by charging other patients or insurers more. Under these circumstances many hospitals would either face significant losses, or the prospect of closing their outpatient cancer services. This would be a significant loss for patients treated at university hospitals, many inner-city hospitals, and rural hospitals.

The proposed APC system pays an average price for chemotherapy drugs, which **creates a system of perverse incentives** to use older, less effective cancer therapies. As the accompanying three page description illustrates, older therapies are profitable for hospitals, while newer, more effective therapies are unprofitable.

The Lewin Group paper (also enclosed) concludes that "(t)he economic incentives are strong and unbalanced. Payment systems should be incentive neutral across clinical options, and this is clearly not the case. This lack of balance can lead to perverse outcomes." Further, the authors note that the rapid advances in oncology will always make HCFA's data

obsolete. Since 1992, for example, there have been 42 new drugs introduced for oncology patients and 171 new uses approved for existing drugs. Thus, the HCFA snapshot of drugs, used for calibrating the APCs, quickly becomes outdated.

In addition, the HCFA methodology, which eliminated multi-procedure claims, appears to have skewed the data for both chemotherapy and radiation oncology and eliminated all but a few supportive care drug claims. The Lewin Group-ACCC study found that HCFA missed 97% of the likely supportive care claims. Because they could not find these claims in their records, HCFA decided it was unimportant to reimburse for them. Yet, these drugs comprise one of the fastest growing components of cancer care, providing relief for patients (anti-nausea drugs), keeping patients from having to be admitted to the hospital (colony stimulating factor drugs), and eliminating anemia and fatigue. By not paying for these drugs as it currently does, HCFA will subject patients to unneeded and life threatening side effects from their therapy and may actually increase costs as patients are hospitalized for conditions which can now be treated on an outpatient basis.

The combined result of these financial changes will be to severely limit chemotherapy, supportive care and radiation oncology to Medicare beneficiaries. Moreover, since many of our cancer research programs are based at teaching hospitals with cancer centers, it will undermine the research infrastructure that you and Vice President Gore have worked so hard to develop through the National Cancer Institute. Both of these changes will impact the development and use of new drugs which are vital to our mutual efforts to lower the devastating impact of this dreaded disease.

With more than 300 new drugs under development, there are many new innovations in cancer care which will lower the overall impact of cancer on our citizens and to the health care system. We believe our patients and their families deserve to have access to the most current effective treatments for cancer care, close to their homes.

Thank you very much for your consideration of these issues. If we can be of any further assistance, please do not hesitate to contact us (phone: 301/984-9496)

Best regards,



Lee E. Mortenson, DPA  
Executive Director

Enclosures



# The Impact of APCs on Hospital Outpatient Cancer Care

by Lee E. Mortenson, D.P.A., Lane Koenig, Ph.D., Dean Rossiter, Stephen Chan, and Allen Dobson, Ph.D.

*A research team from the Association of Community Cancer Centers (ACCC), ELM Services, Inc., The Lewin Group, and Orion Consulting recently completed a series of studies that estimate the impact of the Health Care Financing Administration's (HCFA) proposed Outpatient Prospective Payment System (OPPS) on the viability of hospital outpatient cancer care. The results served as a foundation for ACCC's comments to HCFA on the proposed regulation and suggest major implications for outpatient cancer care should the regulation be implemented without significant modifications.*

*In this article, the authors present*

*their methodologies, analytic findings, and conclusions regarding the expected impact of the OPPS. The authors find that the proposed system, which sets payment rates for groups of procedures, or Ambulatory Payment Classifications (APCs), will generate significant losses for the nation's community cancer programs. Of particular concern is the system's inability to appropriately compensate those areas of medicine characterized by rapid change and innovation, such as chemotherapy.*

*The authors note that the OPPS reimbursement levels for chemotherapy and supportive care drugs, radiation oncology, and chemotherapy administration are*

*likely to produce perverse incentives for hospital outpatient departments to minimize the use of newer, more effective therapies. After reviewing HCFA's methods and their implications for innovative cancer therapies, the authors conclude that the rapidly changing area of chemotherapy drugs cannot be adequately compensated under a fixed price system, such as the OPPS. They argue that chemotherapy drugs provided in the outpatient setting should be exempted from the proposed regulations. Without such an exemption, the OPPS threatens to jeopardize the overall quality of cancer care received by Medicare beneficiaries.*



in September 8, 1998, the Health Care Financing Administration (HCFA) issued proposed regula-

tions for the implementation of an outpatient prospective payment system (OPPS) for hospitals. The OPPS is based on a procedure classification system developed by HCFA called Ambulatory Payment Classifications (APCs). APCs are an attempt to group related procedures into categories

and pay a predetermined price for each category. HCFA currently plans to implement OPPS in June 2000. After several extensions, final comments from the public on the proposed OPPS regulations were due on July 30, 1999.

In preparation for its response to the proposed regulations, the Association of Community Cancer Centers engaged in a series of studies in the fall of 1998. Initial studies using hospital data from a cross section of ACCC institutions were conducted by ELM Services, Inc., an oncology consulting company in Rockville, Md. Analysts compared current payments on cost reports with the proposed APC payment rates. Initial results suggested significant deficits in cancer program reimbursement.

Subsequently, the Association contracted with The Lewin Group and Orion Consulting, two health care consulting firms, to estimate the impact of OPPS at the CPT level and ascertain what methodological

issues might have caused the formulation of the rates that were being proposed. This paper focuses on these second generation studies and their implications for hospital-based outpatient cancer care.

## BACKGROUND

Since the successful implementation of Diagnosis Related Groups (DRGs) in the early 1980s, Congress and HCFA have had a continuing interest in developing a similar system of reimbursement for the outpatient hospital setting. Work that started at The Johns Hopkins University and Yale University evolved into a contract with 3M-Health Information Systems (3M) to classify outpatient services into related groups for purposes of an outpatient prospective payment system. The system developed by 3M arranged services into Ambulatory Patient Groups (APGs).

In the mid-1990s, HCFA funded several limited experiments of

*Lee E. Mortenson, D.P.A., is ACCC executive director. Lane Koenig, Ph.D., is senior associate with The Lewin Group in Washington, D.C. Dean Rossiter is principal with Orion Consulting. Stephen Chan is ACCC director of program development. Allen Dobson, Ph.D., is senior vice president at The Lewin Group.*

the APG concept. These demonstration projects were significantly different from the current OPPS proposal, exempting drugs and including a stop-loss provision that assured participating hospitals at least 95 percent of their existing compensation. Working from 3M's APGs, HCFA modified the payment groups using more recent Medicare data to create the APC system. The OPPS sets a single payment rate for the group of procedures under each APC.

Throughout the course of 3M's work on APGs, much attention was given to the issue of chemotherapy. Commentators from ACCC and the American Society of Clinical Oncology noted that any proposal for chemotherapy drug compensation was likely to become quickly outdated.

The cancer community's concern about APGs, and now APCs, stems, at least in part, from its experience with attempts by commercial insurance plans to capitate drug benefits. Physicians and insurers who attempted to develop capitated chemotherapy benefits in the early 1990s often found their attempts thwarted by rapid changes in chemotherapy drug use. New drugs were constantly introduced and a steady stream of proven off-label uses altered the utilization of drugs and the cost of chemotherapy. This made budgeting for the costs of drugs nearly impossible and caused severe cash flow problems for both insurers and physicians.

Direct evidence of the rapid introduction of new drugs is illustrated by data from ACCC's *Compendia-Based Drug Bulletin*, a quarterly update of oncology drugs and their indications. A recent review documented the introduction of 43 new drugs with 49 FDA-approved indications since 1992. Over that same time period, the three (now two) reference compendia that are the standard setters for Medicare, Medicaid, and the thirty-seven states that have passed legislation on the topic, added 171 new off-label indications.

Given the difficulties in developing a commercially capitated sys-

tem of cancer drug reimbursement with data that were often only one-year old, ACCC leadership was wary of the potential negative impacts of a federal system that was based on data that are several years old. This concern was amplified when the proposed regulations were issued. Noted within the proposed regulations were HCFA's estimates that ten hospitals dedicated to cancer care would lose 29.2 percent of their revenues if the rule were implemented.

#### THE LEWIN-ORION ANALYSES

ACCC contracted with The Lewin Group and Orion Consulting to conduct a series of analyses of OPPS. This work included evaluating HCFA's methodology and estimating the impact of OPPS at the CPT level. ACCC requested that The Lewin Group-Orion Consulting team look at chemotherapy drugs, supportive care drugs, chemotherapy administration, and radiation oncology. In constructing the analytic database, The Lewin Group-Orion Consulting team used 1996 HCFA data files and, to the extent possible, HCFA unit edits.

In addition, The Lewin Group-Orion Consulting team examined the impact of eliminating the formula-driven overpayment (FDO). The elimination of FDO was required by the Balanced Budget Act (BBA) of 1997. Under the law, Medicare must subtract the full co-payment due from beneficiaries (i.e., 20 percent of billed charges) rather than 20 percent of Medicare allowable costs. According to preliminary work by The Lewin Group, the full effect of eliminating FDO is expected to reduce hospitals' Medicare compensation by roughly 8.5 percent. The effects of eliminating FDO are crucial in considering the full impact of outpatient payment regulations on cancer care, especially radiation oncology.

#### FDO REDUCTIONS: A SEVERE BLOW TO RADIATION ONCOLOGY

The analysis shows that the FDO reduction affects radiation oncology and chemotherapy payments in

distinctly different ways. For chemotherapy, there is no difference in the payments from the FDO reduction. Current chemotherapy payments before and after FDO remain the same, at \$111 million, compared with reported costs of \$93.5 million, with the difference covering the hospital's general operating costs, bad debt for uninsured patients, or uncollectible co-payments. For radiation oncology, however, the FDO reduction drops reimbursement from \$585 million to \$461 million, compared with reported costs of \$685 million. Thus, the FDO reduction leaves radiation oncology with Medicare reimbursements that are \$224 million below reported costs.

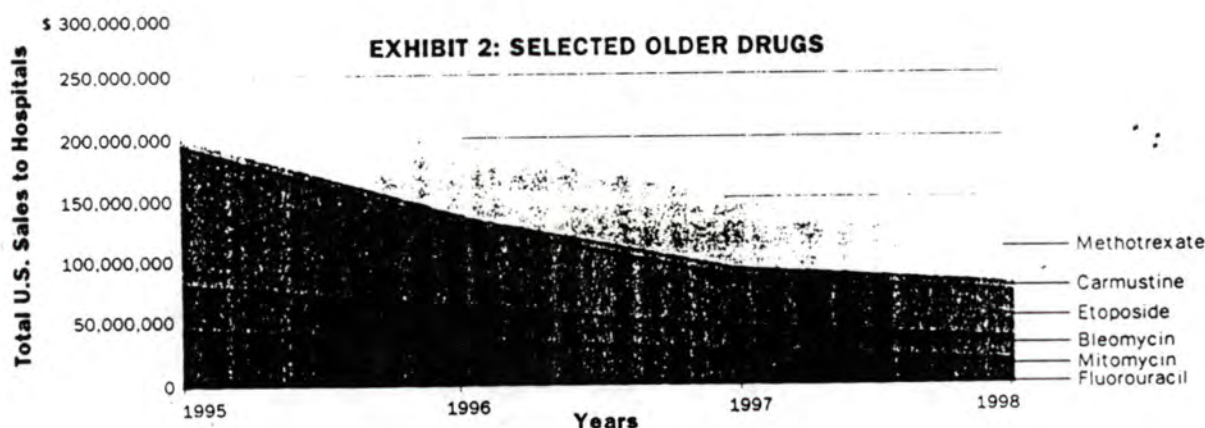
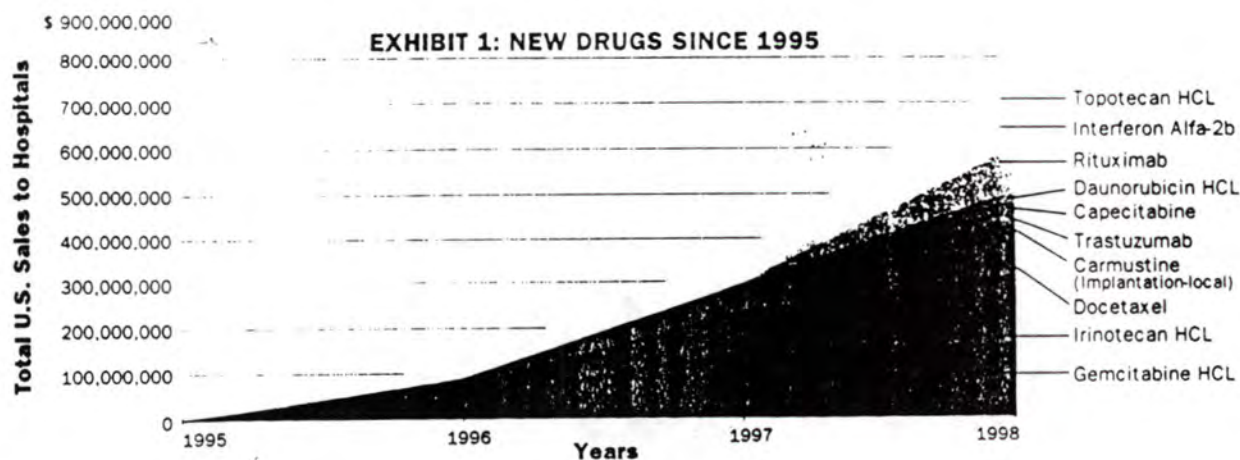
The significant and differing impacts of FDO stem from the different reimbursement formulas used by HCFA for radiation oncology and chemotherapy. The FDO reduction affects only those services paid under the blended payment formulas. Blended rates are a mixture of actual costs and federal fee schedules, in this case the physician fee schedule. Because chemotherapy payments are not based on the blended payment method, the elimination of FDO had no effect on these payments. In contrast, radiation oncology reimbursements, which are based on blended payment methods, are far short of reported costs, fully 32.7 percent below Medicare-allowed costs.

#### THE EFFECT OF OPPS ON CHEMOTHERAPY DRUGS

APC categories are an attempt to group various procedures into categories and pay a predetermined price for each category. These categories are quite different from the Diagnosis Related Group (DRG) system that covers inpatient care for Medicare patients. The DRG system provides hospitals with a payment for a clinically cohesive set of treatments that affect a patient with a specific diagnosis. The DRG system gives hospitals wide latitude to treat patients with a variety of different approaches and encourages them to look for critical pathways

<sup>1</sup>In all our analysis, "costs" are allowable costs as justified on the Medicare cost reports by submitting hospitals, "current payments prior to FDO" are the payments hospitals received for services before the implementation of the FDO provisions, and "current payments after FDO" are the payments that hospitals would receive in years after the elimination of FDO.





each product and its effect on volume, costs, current payments, and APC payments under OPPS. According to this analysis, the four chemotherapy APC categories, which would have been only slightly affected by OPPS in 1996, would generate significant losses in 1998. If OPPS had been in place in 1998, hospitals would have been reimbursed at \$25 million below Medicare-allowed costs. Ignoring changes in the patterns of care, cost increases, or further introductions of expensive new agents, we estimate that the drug products in APCs 061 and 062 will cost hospitals at least \$37.6 million more than Medicare will reimburse for these drugs in 1999 and 2000. The other two chemotherapy APC categories do little to ameliorate these losses, with all four categories losing \$25.7 million relative to costs.

Another methodological issue that adversely affects radiation, medical oncology, and chemotherapy drugs is the method HCFA used to simplify their estimation of

cost at the procedure level. HCFA chose to eliminate all those claims that included more than one procedure. While this practice reduced all claims to one-quarter of their original number, The Lewin Group-Orion Consulting team found that oncology claims were reduced to roughly one-eighth of their original number. Under this approach, many claims that included supportive care drugs likely were eliminated, as were most batch bills. Consequently, the data used by HCFA to develop the OPPS payments may not be representative of therapeutics or supportive care drugs. Indeed, our thinking is that HCFA's data may be highly nonrepresentative in that single bills for oncologists are the exception, not the rule. Most likely the bills remaining after excluding multiple procedure claims would be error correction bills, or an occasional drug not given as part of the more common multi-drug chemotherapeutic combinations.

#### MISSING SUPPORTIVE CARE DRUGS GENERATE SIGNIFICANT LOSSES

One of the most significant findings of The Lewin Group analysis was the extremely small amount of supportive care drugs in the HCFA database. In 1996, only \$2.8 million of supportive care drugs (based on average wholesale price) were identified by a J-code in the HCFA database. During this same year IMS Health reported there were \$822 million in supportive care drugs sold to U.S. hospitals. Using a variety of step-down assumptions (that 64.6 percent of oncology drugs are given outpatient [IMS Health, Trinity Partners, Inc.]; that Medicare is the payer 21 percent of the time [Tamden Research]; that the ratio of supportive care drugs in the outpatient area is the same as hospital and office ratios of use [ELM Services, Inc.], one would expect \$89 million in supportive care drug costs in hospital outpatient settings during 1996.



to minimize costs. In some cases, DRGs have encouraged the use of new treatment protocols, especially if these shorten the length of stay or lower other costs in the standard treatment pattern.

APCs, on the other hand, do not provide this type of latitude. Under APCs, the focus on combining specific procedures into categories serves primarily to control costs, not to encourage better or more efficient treatment planning. Thus, while it could be argued that DRGs encouraged better and more efficient care, APCs are likely to encourage only the use of low-cost care. In fact, if certain groups of procedures are inappropriately priced, hospitals may reduce or even eliminate entire categories of care. APCs for chemotherapy illustrate the difficulties of devising a universal methodology for setting single payment rates for groups of procedures.

The Lewin Group-Orion Consulting simulation of 1996 hospital outpatient data shows that overall payments under OPPS for the four chemotherapy drug APCs (061, 062, 063 and 064) are 3.2 percent less than current payments. Despite this apparent modest reduction in payments for chemotherapeutic agents, a careful look at the findings indicates a number of areas of concern. Specifically, within each APC category, the analysis found drugs with very different costs. In addition, different dosages of the same drug are grouped into more than one APC category and have payment-to-cost ratios that will significantly alter reimbursement margins. New drugs, which are assigned to the APC with the lowest level of reimbursement, are likely undercompensated to the extent that newer drugs cost more than existing products.

Other negative incentives also appear in the proposed APC categories. For example, APC 061 includes drugs with wildly different cost-to-payment ratios, from 28 percent of costs to 1,595 percent of costs. APC 062 has a similar range of costs to payments, from 29 percent of costs to 1,167 percent of costs. Likewise, in APC 063, payment-to-cost ratios range from 55 percent to 374 per-

cent. And in APC 064, payment-to-cost ratios range from 37 percent to 764 percent.

These wide variations imply that HCFA's APC categories are not cost homogeneous and likely do not reflect comparable clinical meaning. This has far-reaching implications for use of drugs in these four key APC categories. In particular, in each of these APC categories, newer drugs, which typically cost more, are likely to lose significant amounts of money. While this loss might be offset by gains from some older drugs that make money, the economic incentives are strong and unbalanced. Payment systems should be incentive neutral across clinical options, and this is clearly not the case.

This lack of balance in economic incentives can lead to perverse outcomes. Cyclophosphamide in one dosage is assigned to APC 061 and is reimbursed at 179 percent to 494 percent of its costs. The same drug in different dosages was also assigned to APC 062, where reimbursement ranges from 229 percent to 1,167 percent of costs. Reimbursement for cisplatin in APC 062 is 161 percent of its costs, while the same drug in different dosages in APC 063 is reimbursed at just 98 percent of costs.

In addition, we note that all the new drugs since 1995 are assigned to APC 061, the chemotherapy category with the lowest reimbursement. Using 1996 costs, the reimbursement for these drugs would be 58 percent of costs, on average. This same category of payment is proposed by HCFA for use with all future drugs as they are introduced.

Obviously, older drugs are overcompensated and newer drugs, presumably more costly yet more effective, are undercompensated. These facts suggest that OPPS would provide strong incentives for hospitals either to use older drugs or to sharply control the provision of new chemotherapy drugs in the outpatient setting. Neither of these possible outcomes is in the interest of Medicare beneficiaries or promotes the new beneficiary-centered Medicare program.

## **ADDITIONAL ANALYSIS INDICATE SHARP DROP IN CHEMOTHERAPY COVERAGE BY 1998**

To further determine the effect of the OPPS, ACCC obtained actual sales data from IMS Health on each of the therapeutic products in each of the four APC categories for 1995 through 1998. IMS Health is a nationally recognized source of actual sales data, which is used by the pharmaceutical and biotechnology industry to track sales to hospitals and other locations. Since these data are available in significant detail, staff were able to compute specific percentage changes in drug utilization for each product at each dosage for each year. This information allowed a determination of which products increased in use between 1996 and 1998 and which decreased in use.

It was then determined how those changes in drug utilization would have affected hospital cancer program reimbursement within each APC chemotherapy category if the OPPS had been in place.

As Exhibit 1 illustrates, a number of new drugs with significant sales entered the market in 1995. Exhibit 2 suggests that, while new drugs accelerated in use, some older drugs declined in use. Indeed, on a volume basis, between 1996 and 1998, those drugs that were "winners" (i.e., those that were reimbursed at greater than cost) in the four APCs increased in utilization by 41 percent. On the other hand, those drugs that were "losers" (i.e., reimbursed at less than cost) increased in use by 311 percent.

This kind of clinical cycle is exactly what one would expect. Indeed, some older drugs increase in use after a new multidrug regimen suggests that their use may be effective. On the whole, however, use of older drugs is likely to remain stable or decline over time. New drugs, however, which are presumably of equal or greater efficacy than existing drugs, should see a rapid increase in use as oncologists become aware of their availability and clinical efficacy.

Using data from IMS Health on actual product sales within each APC category for each year, a team from ACCC and ELM calculated the increase or decrease in use of



Thus, the HCFA records directly account for just 3 percent of the expected supportive care drug use.

It is important to consider the consequences of this apparent lack of data for supportive care drugs. Given that the amount of supportive care was minimal, HCFA decided that it could "bundle in" the costs of supportive care. HCFA might argue that somewhere in the outpatient hospital reimbursement formula the missing supportive care drug payments are covered.

However, given the level of payments for chemotherapy administration and chemotherapy drug APCs, it is not apparent that the bundling of supportive care drugs appreciably affected payment rates for chemotherapy. In the real world of hospital decision making, the inability to be directly compensated for this expensive group of drugs could quickly label the oncology area as a "loser."

Given the significant variance between the expected volume of supportive care drugs and the volume found, we are concerned that the majority of supportive care cost claims were unaccounted for in the payment calculations because of the elimination of bills with multiple procedures. If we conservatively assume that the costs of supportive care drugs are only 30 percent of the cost of chemotherapy drugs, the total cost of chemotherapy and supportive care drugs would have been \$290 million in 1998. (The cost of chemotherapy drugs in 1998 was estimated by projecting 1996 IMS cost data using actual 1996 to 1998 growth rates for each drug.) Based on an estimated payment for the chemotherapy drug APCs of \$197 million, the loss to hospital cancer programs would have been \$93 million, or 32 percent of the cost of chemotherapy and supportive care drugs. (APC payments for chemotherapy drugs were estimated by projecting The Lewin Group-Orion Consulting estimated payment using IMS drug cost growth rates.) Using a more likely assumption, based on IMS data, that the cost of supportive care drugs was 79 percent of the cost of chemotherapy drugs, the loss to hospital cancer programs would have been \$202 million, or 51 per-

cent of the cost of chemotherapy and supportive care drugs in 1998.

### CONFLICTS WITH NEW TECHNOLOGY

According to our analysis, chemotherapy and supportive care drugs, radiation oncology, and chemotherapy administration all generate losses below cost. The next key questions are how does this happen and is there a solution that would allow the OPPS and its APC system to go forward as planned?

Oncology treatment is an area of rapid technologic change. The APC system does not appear to provide an easy approach to new technologies. In the case of chemotherapy drugs, HCFA's regulations suggest that new therapies be assigned to the APC category that receives the least reimbursement, hardly a viable approach if new technology is valuable to Medicare beneficiaries. But even if they were assigned to the chemotherapy APC with the highest reimbursement, many new technologies would still be underpaid. For instance, if four treatments of Rituxan significantly alter life expectancy, but cost \$9,000, a system whose highest priced reimbursement category is \$211 will severely undercompensate hospital providers. From a disease management perspective, since the use of drugs such as Rituxan lead to reductions in direct costs, morbidity, and mortality, APCs become especially problematic.

Moreover, since HCFA by necessity must continue to use data that are several years old to develop its APC relative prices, HCFA's approach to drug reimbursement will continually lag far behind the innovation curve. As we noted previously, in seven years more than 40 new drugs were introduced and more than 220 new indications listed. The Pharmaceutical Manufacturing and Research Association lists more than 300 new cancer drugs currently under development, suggesting that drug use in oncology is likely to continue with a high degree of variability. New drugs will be released, drugs midway through their life cycles may be rejuvenated with new indications for use, and older drugs may continue, decrease, or even radically increase. Thus, as many oncolo-

gists and companies found while trying to capitate oncology drugs during the last decade, oncology drug use is volatile, and highly unpredictable.

### CAN APCS MANAGE INNOVATION?

The magnitude of the losses predicted by our study in the oncology area is certainly a major concern for the field. However, of equal concern is whether the OPPS is capable of responding to areas of high technologic advancement. Unlike the DRG system, the OPPS has little room for altering the pattern of care by using a high-cost technology that lowers the overall cost of care. If the HCFA database cannot be altered to capture appropriate information, such as supportive care drugs, and if its methodologies cannot be altered to accommodate the wide variability of drug pricing, efficacy, and use, there will be significant problems going forward for oncology drug delivery and other high technology areas.

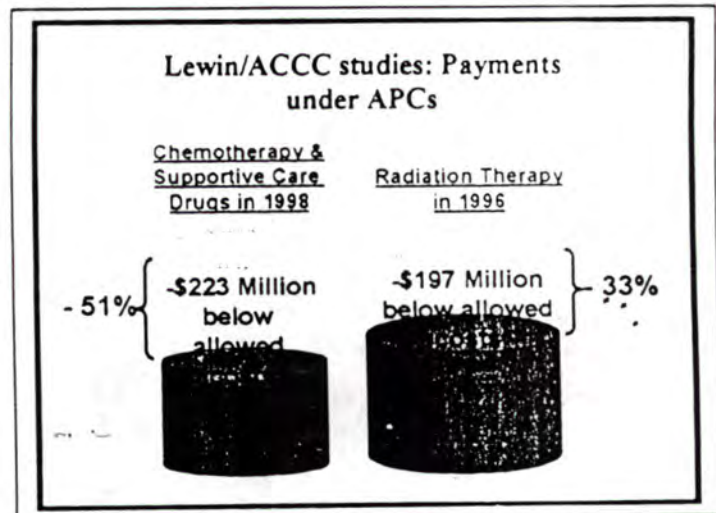
Together these issues constitute a significant problem that will require considerable research to solve. In the meantime, Congress may have to take action to assure that Medicare patients receive adequate care in hospital outpatient settings. Certainly in a time of budget surpluses, this is no time to cut benefits to Medicare patients in critical areas such as oncology.

It is our conclusion that the APC system will not work for oncology drug and rapid innovation. Recalculation of the existing APC payments is not a workable solution. Given the continuous innovations in cancer care, HCFA's data will always lag behind reality in significant ways. Additionally, a methodology that excludes multiple procedure bills will, by its very nature, miss important areas of care that are frequently, or always, billed as a multiple procedure, such as many supportive care drugs and the seeds for brachytherapy. Thus, chemotherapy drugs, supportive care drugs, and other areas of ongoing innovation should be exempted from APCs. To do otherwise is to threaten the quality of cancer care available to Medicare beneficiaries. ■



## The Negative Impact of APCs on Hospital Outpatient Cancer Care

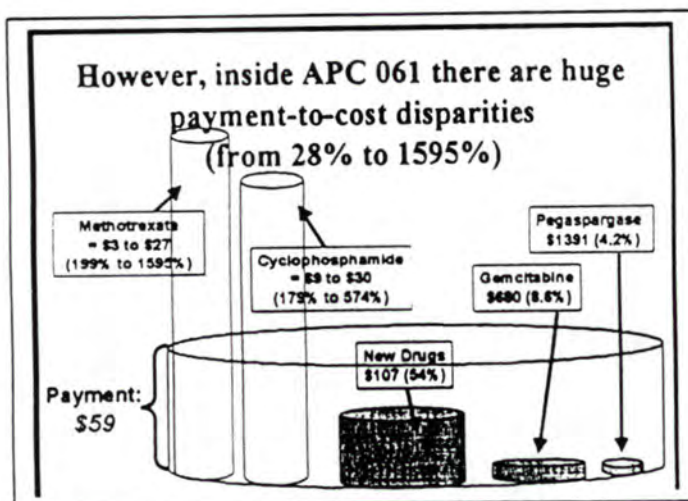
A recent study by The Lewin Group for the Association of Community Cancer Centers (ACCC) shows that the proposed Ambulatory Payment Classifications (APCs) for cancer will reimburse cancer care delivered at community and university hospitals substantially below Medicare-allowed costs. Cancer drugs (chemotherapy and supportive care drugs) are **reimbursed at less than half of their cost**. Radiation oncology services are reimbursed at **66 cents on the dollar**. These losses will cause hospital-based cancer programs to close, affecting Medicare populations in especially vulnerable locations, such as inner-city hospitals and rural hospitals. They will also cripple the NCI-designated cancer centers, seriously damaging the cancer research infrastructure.



The Lewin Group study suggested that the APCs are an inappropriate way for Medicare to reimburse highly innovative areas like cancer, where there is substantial and continuous change in treatment technology.

### Perverse incentives to use older drugs and less effective technologies

One of the key findings of The Lewin Group study was the wide range of cost-to-payment variations within each of the APC categories. This variability means that new drugs are reimbursed at significant losses, while older, less effective therapies are reimbursed at significant margins.



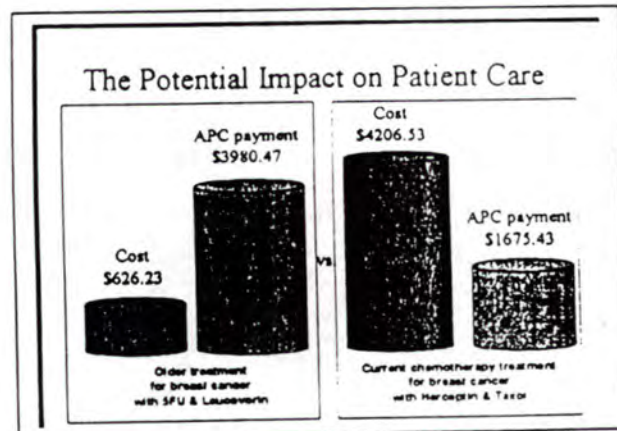
For example, APC 061, the chemotherapy category with the least reimbursement, pays amounts that are up to 1500% of costs for older drugs, like methotrexate and cyclophosphamide while, at the same time it reimburses for all new drugs since 1995 at less than 54% of their cost. Each of the four APC categories for chemotherapy have similar imbalances. The study by



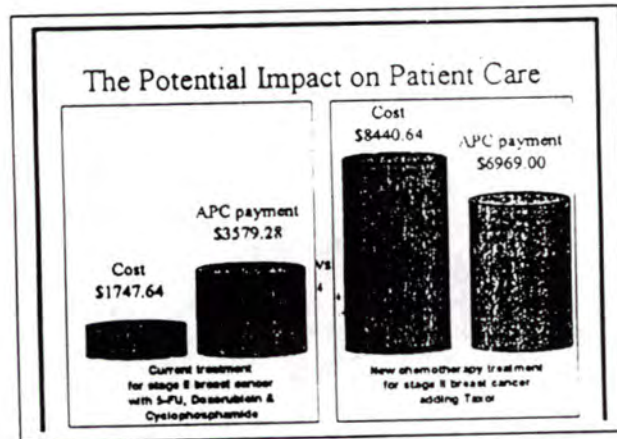
The Lewin Group suggests that these APC categories do not make clinical sense and will rapidly develop incentives for perverse outcomes. The study documents the inability of APCs to reflect the rapid changes in new drug development. The paper concludes that a simple adjustment in the payments for cancer therapies will not work, since there is a continuous stream of new innovations in cancer care technology.

### Impact on Cancer Patient Care

Several examples of the perverse incentives are illustrated here. For example, using 5FU and Leucovoran (an older treatment) for breast cancer would give hospitals a significant profit, while the using the current standard of care (Herceptin and Taxol) would cause substantial losses.

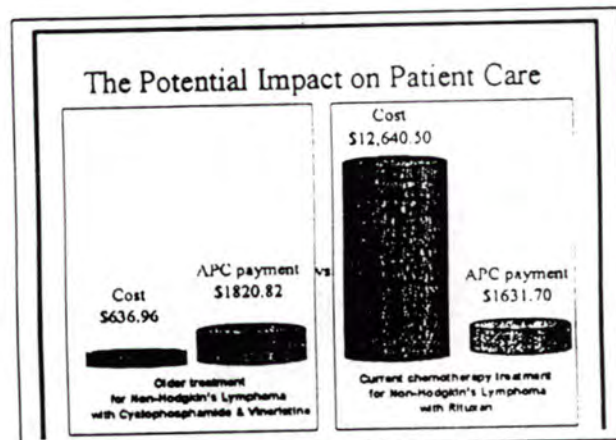


Recently, the Food and Drug Administration approved the addition of the drug Taxol to the current treatment regimen, because it had a significant impact on survival in Stage II breast cancer patients.



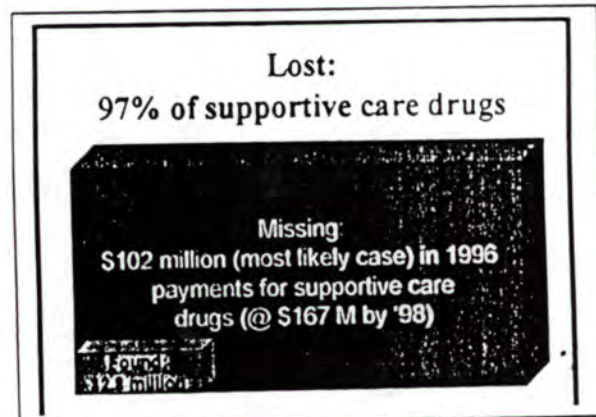
A new treatment for Non-Hodgkin's Lymphoma (using Rituxan) substantially increases survival, but will be given at huge financial losses to the hospital.

Because new drugs are constantly being developed, and since research is constantly showing how existing drugs can be used for new purposes, HCFA data continue to lag behind reality by substantial amounts.



HCFA's data are poor, missing hundreds of millions of dollars in supportive care drug payments

The Lewin Group study found that supportive care drug payments were missing from the HCFA database. It is likely that data on the overwhelming majority of these drugs were lost when HCFA eliminated those claims with more than one procedure, or because of other coding problems. Because they did not find many supportive care drugs, HCFA decided it was not necessary to pay for them. However, these drugs (such as Neupogen, a colony stimulating factor), keep cancer patients out of the hospital. Supportive care drugs include those that keep patients from feeling nauseous, and that eliminate anemia and fatigue.



The loss of supportive care drugs means that oncologists will need to hospitalize patients more frequently, many patients will need to suffer through their treatment with nausea and vomiting, and some may not be able to tolerate the full dosage of therapy. This is a serious blow to patient care.

The APC system will have severe consequences for Medicare patients. Hospitals are most likely to decide to discontinue outpatient cancer care (both chemotherapy and radiation therapy) rather than provide patients with inadequate, antiquated therapies or risk the potential of losing substantial amounts of money by providing state-of-the-art therapies.





# UPMC HEALTH SYSTEM

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October 7, 1999

The Honorable William J. Clinton  
President of the United States  
The White House  
Washington, DC 20500

Dear Mr. President:

On behalf of the University of Pittsburgh Cancer Institute (UPCI), I write to convey our concerns regarding the Health Care Financing Administration's (HCFA) plans to implement a prospective payment system (PPS) for hospital outpatient services. We believe that the proposed regulations will seriously hinder the ability of cancer centers like ours to provide the most medically appropriate and effective cancer treatment to Medicare beneficiaries.

UPCI is the only National Cancer Institute-designated Comprehensive Cancer Center in western Pennsylvania, serving a population of more than 6 million. UPCI is committed to developing and delivering new and effective prevention and treatment modalities for cancer prevention, diagnosis and treatment. In FY 1999, UPCI outpatient patient visits totaled 85,000 with 78,000 patients receiving outpatient chemotherapy treatment.

Under the proposed outpatient PPS, multiple services are grouped under a given Ambulatory Payment Classification (APC) and reimbursed at a flat rate regardless of the actual cost of the services. In particular, HCFA proposed only four APCs for chemotherapy drugs of wide-ranging cost, resulting in a few low cost drugs being overpaid while many other high cost drugs would be underpaid. Our calculations indicate that eight of the nine chemotherapy drugs currently used at UPCI would be reimbursed at less than actual cost to the center. To obtain quality care, Medicare beneficiaries will thus be forced to seek treatment in the hospital rather than on an outpatient basis, which would undoubtedly result in a considerable increase in costs rather than the intended savings.

The regulation also assigns chemotherapy drugs recently approved by the Food and Drug Administration to the lowest-paying APC while the actual cost of such new drugs is likely to be substantial. Consequently, this payment methodology provides better



A Comprehensive Cancer Center designated by the National Cancer Institute

The Honorable William J. Clinton

October 7, 1999

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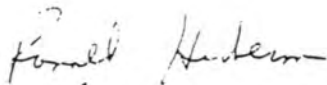
reimbursement for older, less effective cancer treatments and poses serious financial losses when state-of-the-art cancer therapies are administered in an outpatient setting. This is a highly paradoxical situation, in view of the strong and generous support from the National Cancer Institute to develop new and more effective therapies for cancer.

In addition, the proposed regulation fails to pay for supportive care drugs under a separate APC. Supportive drugs are administered in conjunction with chemotherapy drugs to minimize side effects. None of the supportive care drugs currently used at UPCI to improve cancer patients' quality of life would be reimbursed under the APC system.

I urge you to ask HCFA's Administrator to remove cancer treatment in the outpatient setting from the PPS and to continue to reimburse the costs associated with cutting-edge cancer care under the current payment methodology until a fair and equitable system is identified. Such a reimbursement system should more closely match the actual costs of chemotherapy and supportive care drugs and encourage research and innovation in the development of new treatment modalities. Medicare patients would ultimately benefit by receiving the most effective and technologically advanced cancer care in the proper hospital setting.

Thank you for your attention to this important matter.

Sincerely,



Ronald B. Herberman, M.D.  
Director, University of Pittsburgh Cancer Institute  
Associate Vice Chancellor for Research, Health Sciences  
Hillman Professor of Oncology  
Professor of Medicine and Pathology  
University of Pittsburgh School of Medicine



UNIVERSITY OF PITTSBURGH CANCER INSTITUTE  
 OUTPATIENT SERVICES  
 DRUG REIMBURSEMENT ANALYSIS BASED ON APC'S  
 06-Oct-99

| CHEMOTHERAPY DRUGS       | HCPCS CODE | Doses  |        | Doses        |       | Cost/mg  | Cost/Patient | APC                       | APC                      | Reimbursement Deficit/Patient |
|--------------------------|------------|--------|--------|--------------|-------|----------|--------------|---------------------------|--------------------------|-------------------------------|
|                          |            | per M2 | 1.75M2 | (mg)/Patient |       |          |              | Reimbursement/<br>Patient | Reimbursement<br>Formula |                               |
| Paclitaxol 30mg/5ml vial | J9265      | 175    | 1.75   | 306.25       | 4.92  | 1,506.75 | 873.43       | 85.63/30mg                | (633.32)                 |                               |
| Carboplatin 50mg vial    | J9045      | 350    | 1.75   | 612.50       | 1.60  | 978.53   | 1,793.77     | 146.43/50mg               | 815.24                   |                               |
| Topotecan HCL 4mg/4ml    | J9350      | 1.5    | 1.75   | 2.63         | 95.79 | 251.45   | 52.70        | 52.70/4mg                 | (198.75)                 |                               |
| Docetaxel 20mg/2ml       | J9170      | 100    | 1.75   | 175.00       | 10.94 | 1,914.85 | 461.13       | 52.70/20mg                | (1,453.73)               |                               |
|                          | J9206      | 125    | 1.75   | 218.75       | 2.72  | 594.23   | 576.41       | 52.70/20mg                | (17.83)                  |                               |
| Gemcitabine 200mg/5.26ml | J9201      | 1000   | 1.75   | 1750.00      | 0.34  | 592.64   | 461.13       | 52.70/200mg               | (131.51)                 |                               |
| Trastuzumab Loading dose | J9999      | 4      | 70     | 280.00       | 4.08  | 1,141.28 | 52.70        | 52.70/440mg               | (1,088.58)               |                               |
| Trastuzumab maint. dose  | J9999      | 2      | 70     | 140.00       | 4.08  | 570.64   | 52.70        | 52.70/440mg               | (517.94)                 |                               |
| Rituximab 100mg/10ml     | J9310      | 375    | 1.75   | 656.25       | 3.15  | 2,067.98 | 52.70        |                           | (2,015.28)               |                               |

Chemotherapy: doses for an 70kg patient; 1.75 M2 BSA



600 North Wolfe Street / Room 157  
Baltimore, MD 21287-8943  
410-955-8822  
FAX 410-955-6787  
Email: [abeloma@jhmi.edu](mailto:abeloma@jhmi.edu)

Martin D. Abeloff, M.D.  
Eli Kennerly Marshall, Jr. Professor of Oncology  
Professor of Medicine, and Director of the  
Oncology Center

October 6, 1999

President William Clinton  
The White House  
Washington, DC 20501

Dear President Clinton:

It is with deep concern that I write to you regarding the plans to implement the HCFA's proposed outpatient prospective payment system for hospital outpatient department services. As Director of the Johns Hopkins Oncology Center, an NCI-designated Cancer Center, I must express my conclusion that the implementation of these proposed APC regulations will seriously compromise a Medicare patient's access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

Although our organization is exempt from APCs at the present time due to Maryland's Medicare Waiver, we recognize that Maryland's hospital rate regulatory agency, the Health Services Cost Review Commission (HSCRC) normally follows the general methodologies adopted by the Medicare program. We are very concerned about the consequences that proposed APCs are likely to have on the provision of the highest quality cancer care in our state and region.

Our staff has analyzed these regulations, and modeled how this reimbursement would affect existing patients if they had been seen under the proposed APC methodology. The results are quite concerning. Under APCs, our average patient reimbursement for radiation oncology would fall by approximately 43%, and our reimbursement for outpatient medical oncology/hematologic malignancies would fall by 40%, with a drop of approximately 44% in reimbursement for chemotherapy and related drugs. It would be very difficult for us to continue to deliver this type of hospital-based cancer care with such a significant reduction in payment. In fact, this plan will result in preferentially better reimbursement for older less effective cancer treatments and serious financial losses when new state-of-the-art cancer therapies are administered on an outpatient basis.



A Comprehensive Cancer  
Center Designated by the  
National Cancer Institute



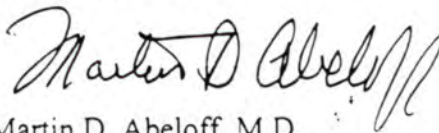
Cancer care is a very specialized form of treatment. Many patients today are receiving the same advanced, highly complex cancer care in the hospital-based outpatient settings that they were receiving in an inpatient bed only a few years ago. However, applying a general grouping payment scheme to this high complexity care does not work. There needs to be recognition of the complexity of these patients. Medicare payment amounts need to adequately cover the costs of this important medical care.

Here at Johns Hopkins, we serve over 4,000 new cancer patients annually. The impact of these regulations will force thousands of seniors in Maryland and across the country out of outpatient cancer centers and into hospitals in order to receive quality cancer care. We anticipate that many hospital-based cancer programs would be forced to close or reduce levels of service for financial reasons if these regulations are enacted as proposed. I ask you to consider these concerns and to ask that you advise the HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies.

It is my hope that you recognize the potential impact this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will have for patients by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of more effective agents in the future.

Thank you in advance for your consideration of this very important issue.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Martin D. Abeloff". The signature is fluid and cursive, with the first name "Martin" being the most prominent.

Martin D. Abeloff, M.D.

# ONCOLOGY NURSING SOCIETY

501 Holiday Drive Pittsburgh, PA 15220-2749 (412) 921-7373 Fax (412) 921-6565 [customer.service@ons.org](mailto:customer.service@ons.org)



October 15, 1999

The Honorable William J. Clinton  
President of the United States  
Executive Office of the President  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear President Clinton,

The Oncology Nursing Society (ONS) is the largest oncology group in the United States composed of over 29,200 nurses dedicated to improving the care of oncology patients and oncology health services. ONS is very concerned about certain regulations proposed by the Health Care Financing Administration (HCFA) which, if implemented, would deny and/or restrict Medicare beneficiaries access to the appropriate cancer treatments in the most clinically appropriate and widely-used settings.

HCFA has created four Ambulatory Payment Classification groups (APC's) for the many cancer therapies used in an out-patient setting. The classifications contain all the drugs and treatments used in treating cancer, such as chemotherapy, supportive care drugs to assist with treatment complications, radiation therapy and other treatments. We cannot believe that this is what Congress had in mind when it ordered that payment groups be organized so that services within each group "are comparable clinically and with respect to the use of resources." As Congress has declared a renewed assault on the war on cancer, this will put cancer care back years with patients being hurt by the use of less than effective regimens, less support, fewer services in their communities and fewer qualified staff to care for and educate them.

First, in the proposed regulation, chemotherapy agents are grouped into four classifications for reimbursement purposes. The current proposed reimbursement amounts for some of the classifications are extremely low, particularly for certain chemotherapy agents. Many of the "older" and less used chemotherapy agents receive the highest reimbursement amount under the proposed regulation. Yet, many of the newer and most widely-used chemotherapy agents are reimbursed at an extremely low rate or at the lowest rate. Thus, a disincentive is created for using the newer, more effective cancer treatments. HCFA responded to a lack of data regarding a particular drug by placing it in the lowest paying APC. Many of these "newer" drugs now represent the standard of medical care. The payment structures do not reflect true costs or even come close to the cost for providing the drug and thus the treatment regimen.

ONS worries that under this system, older drugs may be substituted for the newer, more widely-used chemotherapeutic agents that have been shown to be more effective against particular cancers. This change will ultimately compromise patient care, cancer morbidity and mortality outcomes. It will make individual co-payments very high as well for my patients.

Secondly, supportive care drugs, such as anti-emetics, blood, drugs to stimulate white cell growth to prevent infection and other drugs are "bundled" into the payment for the chemotherapeutic agent. Thus, supportive care drugs are not "reimbursed" directly. Many supportive care drugs are expensive. This reimbursement system discourages the use of them.



ONS is very concerned that supportive care drugs will not be used when indicated or used more sparingly because of cost concerns. Supportive care drugs have made chemotherapy regimens tolerable for patients with cancer and have decreased the amount of time they spend in a clinic setting or hospitalized. If supportive care drugs are used sparingly or not at all, patients with cancer may need to be hospitalized more frequently due to severe vomiting and dehydration, neutropenia, febrile states and severe fatigue. ONS is extremely worried that patients will also be less willing to seek treatment for cancer; seek less aggressive treatments that could provide cures; and cause more difficulties and real frustrations from family members trying to cope with their loved one's cancer and side effects from chemotherapy. This effect would be a direct result of reimbursement and would turn back the clock on the oncology community's efforts to make cancer treatment effective and tolerable.

Third, ONS is extremely concerned that if reimbursement amounts decrease to out-patient oncology centers, oncology nurses will be used less frequently in these care settings. Oncology nurses are specially educated in the administration of chemotherapy. These agents, if given inaccurately, can have grave results and even death. Oncology nurses provide the majority of the teaching that oncology patients receive about their chemotherapy, possible problems and complications. If other personnel are substituted for oncology nurses, patient care may be greatly compromised.

Fourth, the reimbursement rates for radiation centers will compromise patient care or close centers. Radiation centers may have to increase their patient load dramatically in order to remain financially solvent. Oncology patients will have to wait long hours, be seen late into the evening or have to travel long distances and will no longer be able to have their care coordinated with other needed services.

Lastly, this regulation affects access to care. Many small rural out-patient cancer programs would be affected by the elimination of viable chemotherapy and supportive care reimbursement if rural centers can no longer afford to cover their costs for providing cancer treatment to local patients. Patients with cancer many times cannot endure long car rides each day or a number of times per week for treatment. Access to care is already threatened in many rural areas due to locations of care points. This proposal would further threaten care and result in patients having to drive far distances to reach care or seek treatment in large cities. This places further financial burdens on families and patients to pay for hotels, meals and gas. This also has significant psychological ramifications as people are separated from loved ones and must find caregivers that can be with them for significant periods of time. Patients' families are many times not able to take off from work for long periods which further complicates care and prevents access to care.

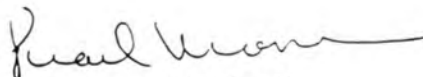
Mr. President, ONS urges you to ask HCFA's administrator, Nancy Ann MinDeParle to remove cancer treatment in the outpatient setting from the prospective payment system, and to continue to reimburse the costs associated with state-of-the-art cancer care under the current system methodologies.

ONS hopes that you will give this matter careful consideration and would be happy to provide any additional information about these issues that you or your staff may need.

Sincerely,



Roberta Strohl, RN, MN, AOCN  
President



Pearl Moore, RN, MN, FAAN  
Chief Executive Officer



# Cold Spring Harbor Laboratory

Bruce Stillman, Ph.D., F.R.S.  
Director

William J. Matheson Professor  
of Cancer Biology

October 7, 1999

President William Clinton  
The White House  
Washington, DC 20501

Dear President Clinton:

As Director of Cold Spring Harbor Laboratory, one of the National Cancer Institute-supported cancer centers, I write to you on behalf of thousands of cancer patients, their families, the nation's cancer centers and countless cancer researchers. We are deeply concerned about certain regulations proposed by the Health Care Financing Administration (HCFA), which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) will prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective



therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

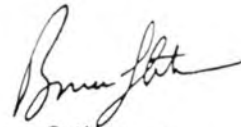
The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of research funds to develop new therapies, but then recommend a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. Vice President, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will lead to patients being harmed by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

With warm regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Bruce Stillman", with a stylized, flowing script.

Bruce Stillman

University of Colorado Cancer Center

---

Campus Box B188  
4200 East Ninth Avenue  
Denver, Colorado 80262  
Administrative Office: (303) 315-3007  
Administrative FAX: (303) 315-3304

October 6, 1999

President Bill Clinton  
The White House,

Dear President Clinton:

I am writing to you today on behalf of thousands of cancer patients and their families, hundreds of cancer centers and countless cancer researchers. As Director of the University of Colorado Cancer Center, one of the nation's National Cancer Institute-designated comprehensive cancer centers, I am deeply concerned about certain regulations proposed by HCFA. These regulations, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) will prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

Founding Institutions:

University of Colorado Schools of Medicine, Nursing, Dentistry and Pharmacy, University Hospital, AMC Cancer Research Center, American Cancer Society - Colorado Division, Cancer League of Colorado, The Children's Hospital, Colorado Department of Health, Colorado Medical Society, Denver Health Medical Center, Denver Department of Veterans Affairs Medical Center, Eleanor Roosevelt Institute for Cancer Research



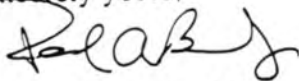
These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use the older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. Vice President, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will lead to patients being harmed by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

Sincerely yours,



Paul A. Bunn, Jr., MD  
Director  
University of Colorado Cancer Center

# UNIVERSITY OF MINNESOTA

---

*Twin Cities Campus*

*Division of Hematology, Oncology  
and Transplantation*

*Department of Medicine  
Medical School*

*Box 480  
420 Delaware Street S.E.  
Minneapolis, MN 55455  
tel 612.624.0124  
fax 612.625.6919*

October 15, 1999

President Bill Clinton  
Washington, DC 20501

Dear Mr. President:

I am writing to you today on behalf of thousands of cancer patients and their families, hundreds of cancer centers and countless cancer researchers. I am specifically concerned about patients from the State of Minnesota and the surrounding Upper Midwest region who receive care through our NCI-sponsored Comprehensive Cancer Center at the University of Minnesota. We are deeply concerned about certain regulations proposed by HCFA which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) will prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available. I am particularly concerned that such patients will be denied investigational therapy for a variety of currently incurable malignancies.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, the HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue and prolonged suppression of blood counts and immune function were unavoidable, rather than controllable adverse effects of chemotherapy.

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.



Mr. President, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will lead to patients being harmed by being denied access to the newer, more effective therapies available today and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

Sincerely yours,



Philip McGlave, M.D.  
Director, Division of Hematology, Oncology and Transplantation  
Ceol J. Watson Land Grant Chair in Medicine  
Department of Medicine  
Associate Director for Experimental Therapeutics  
University of Minnesota Cancer Center



October 7, 1999

Office of the Director

The Honorable William J. Clinton  
President of the United States  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Dear Mr. President:

I am writing to address the proposed Medicare regulations which will reduce the availability of appropriate cancer care to senior citizens. The flat rates proposed by the Ambulatory Payment Classifications for chemotherapy and supportive care drugs, for specialized treatment planning for radiation therapy, and for multidisciplinary outpatient care will reduce our ability to provide appropriate cancer care for our senior citizens.

Each year the average life span of Americans is increasing, and many aging experts believe that within the next two decades the average life span will reach 100 years. We know that with advancing age the incidence of cancer increases, and beyond 65 reaches an incidence of one in three persons. We are now seeing and treating this increasing epidemic of cancer.

I believe that the proposed Medicare regulations are to a great extent based on the bias that cancer therapy in an aging population is not worthwhile or appropriate. This view is sadly mistaken. From the statistics cited above, it is obvious that many Americans at age 70 can look forward to 20 or more years of enjoyable and productive life. We have demonstrated that older Americans tolerate and benefit from cancer therapy. Many Cancer Centers, including ours, are studying the treatment of cancer in the older population and working to develop more specific and effective therapies for the cancers which arise in this population. The implementation of the proposed regulations will dramatically reduce our ability to treat these patients effectively and to continue to improve our therapy. It will be unfortunate, indeed, if an increasingly important and dynamic part of our population is deprived of health and survival by the misguided and incorrect assumptions of a federal agency. Our senior citizens deserve better.

I would encourage you to ask the Health Care Financing Administration to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state of the art cancer care under the current method. If I can respond to any questions you may have or be of assistance in any way, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "O. Michael Colvin". The signature is written in a cursive, flowing style.

O. Michael Colvin, M.D.

Director, Duke Comprehensive Cancer Center





# HERBERT IRVING COMPREHENSIVE CANCER CENTER

Columbia-Presbyterian Medical Center

Karen Antman, M.D.  
*Wu Professor of Medicine*  
*Chief, Division of Medical Oncology*  
*Director, Herbert Irving Comprehensive Cancer Center*

Dear Mr. President,

Our cancer center which serves thousands of cancer patients and their families is deeply concerned about certain regulations proposed by HCFA, which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a prospective payment system (PPS) system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate and unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not even cover the wholesale cost of most of the newer and more effective therapies for cancer. Thus, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and a disincentive to use the newer, more effective but still patent protected and thus more costly therapies.

Furthermore pharmaceutical companies would have a further disincentive to develop effective cancer drugs since about half of cancer patients (those on medicare) would have less access to them.

Moreover, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The regulation's probably unintended effect would move us back to an era when nausea, vomiting, and transfusions were unavoidable.

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. Vice President, please ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies.

This prospective payment policy for chemotherapy, biologic therapy and radiation therapy will deny older patients access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I would be happy to provide any additional information you would request.

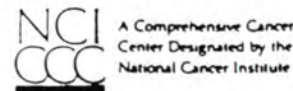
Sincerely,

Karen Antman, M.D.

College of Physicians & Surgeons, Columbia University  
MHB-6-435, 177 Ft. Washington Ave., New York, NY 10032  
Phone (212) 305-8602 • Fax (212) 305-3035 • Email: kha4@columbia.edu  
*An NCI Designated Comprehensive Cancer Center*



Kaplan Comprehensive Cancer Center (NCI Designated)  
550 First Avenue, New York, NY 10016  
(212) 263-5349 Fax: (212) 263-0715



October 5, 1999

President William Clinton  
The Whitehouse  
Washington, D.C. 20500

Dear President Clinton:

The Healthcare Financing Administration (HCFA) has been discussing a prospective payment system for hospital outpatient services that threatens to set back the prompt implementation of cancer research advances for the benefit of our patients. A number of these advances rely on the administration of new drugs together with established treatment modalities such as radiation. As an example, the *New England Journal of Medicine* earlier this year documented a 40% reduction in mortality in women afflicted with cancer of the uterine cervix by treating with radiation and platinum compounds simultaneously. These treatments, worked out in our Cancer Centers outpatient services nationwide, could not be given were the HCFA payment system be implemented. Surely, a payment system that discourages treatment innovation relying on the addition of new drugs to current treatments **must not be adopted** without making major changes in its provisions.

As the Program Director of our National Cancer Institute-designated Cancer Center, and a physician directly caring for patients with advanced cancer requiring treatment beyond surgery, I have been most excited at the prospect of continuing to bring scientific advances from the bench to the bedside. Our Cancer Center treats approximately 800 such patients annually in clinical trials (such as the ones that demonstrated the benefit in uterine cervix cancer), and a large percentage of these treatments rely on reimbursement from Medicare. The end results of our research when applied to patient care, therefore, require a sound system of reimbursement, and **this is not what HCFA proposes**. I plead for you to look into this matter, especially in what pertains to cancer treatment since arbitrary solutions applied across the board put in jeopardy many years of dedicated research and sound investments by the National Cancer Program.

Sincerely,

Franco M. Muggia, M.D.  
The Anne Murnick and David H. Cogan Professor of Oncology  
Director, Medical Oncology





October 1, 1999

President William J. Clinton  
Old Executive Office Building  
White House  
Washington, D.C. 20501

Dear Mr. President,

At the Lineberger Comprehensive Cancer Center, the NCI designated Center for the University of North Carolina, we are acutely aware of the need to reign in unnecessary health care costs. However, HCFA's proposed ambulatory patient classification groups (APCs) for cancer therapy goes beyond the realm of unnecessary tests or ineffective, costly therapies and strikes at the financial underpinning of appropriate, effective and supportive cancer care.

Thanks in large part to one of the federal government's best investments, the National Institutes of Health, we are making great strides in understanding cancer causation, rigorously testing new means of cancer prevention, and instituting more effective and better tolerated cancer therapies. These advances are just now being reflected in reduced death rates, and from the patients perspective, new methods of supportive care are greatly reducing the human costs and side effects. New use of biologics, rationally designed drugs, monoclonal antibodies and even gene targeted therapy make it highly likely that we are turning the corner; translating research into better care.

Unfortunately, the institution of the APC reimbursement schedule by HCFA would curtail use of many advances. Over three-quarters of our first-line chemotherapeutic drugs would be reimbursed at inappropriately low costs. Perhaps, even more deleterious to the patient well-being, supportive care agents controlling nausea, vomiting, anemia and fatigue would be financially precluded. Paradoxically, older, less effective therapies and ineffective supportive care methods are those that would be financially available. At UNC Hospitals/Lineberger Comprehensive Cancer Center we have ~55-60,000 outpatient cancer visits per year. Patients come or are referred to us because of a superb multidisciplinary approach. The institution of the APCs will result in a loss of between \$1.5 and \$2.0 million at our institution creating a financial imperative to return to cheaper, but less efficacious therapy. The paradox of the world's best cancer center's creating innovative therapies, yet not allowing those to be delivered to the Medicare population would truly be a shame.

The American people have clearly indicated that they want effective, technologically innovative and humanely delivered medical care. The diagnosis of cancer, which strikes one in three, is an area that they feel particularly strongly about. The proposed HCFA guidelines provide a financial disincentive for forward-looking, humane supportive cancer care; e.g., guidelines curtailing use of new generation anti-emetics were certainly not made up by someone undergoing chemotherapy. We, at the University of North Carolina, are dedicating our professional careers to better prevention and treatments of cancer; we hope the HCFA guidelines, as they are now proposed, will be reconsidered.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "H. Earp, III M.D.", written over a horizontal line.

H. Shelton Earp, III, M.D.  
Lineberger Professor and Director  
Professor of Medicine and Pharmacology

School of Medicine, The University of North Carolina at Chapel Hill, Campus Box 7295, Chapel Hill, NC 27599-7295  
Phone: (919) 966-3036 • Fax: (919) 966-3015

*Designated a Comprehensive Cancer Center by the National Cancer Institute*



October 4, 1999

Judith C. Gasson, Ph.D., Director  
Jonsson Comprehensive Cancer Center  
Louis Factor Health Sciences Building, Room 8-684  
Box 951781  
Los Angeles, Ca 90095-1781  
Telephone (310) 825-5268  
FAX (310) 206-5553

President Bill Clinton  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Clinton:

Cancer patients will certainly be denied appropriate, life-saving treatments under the Health Care Financing Administration (HCFA) proposed regulations for hospital outpatient payments. Please do all in your power to have those regulations revised.

The proposed outpatient prospective payment system (PPS) for hospital outpatient department services (HOPD) would prevent Medicare patients from getting the best possible care and compromise doctors' abilities to treat cancer with the most effective therapies.

The regulations would create physical pain and deterioration, in some cases leading to unnecessary death for cancer patients, half of whom are cured through medicine today. The rules would also create extraordinary emotional pain for patients and their families.

Despite the fact that in the Balanced Budget Act of 1997 Congress gave the HCFA authority to exclude cancer chemotherapy drugs, biologics and radiation treatments from the PPS system, the HCFA has not implemented those exclusions.

The HCFA has, instead, created four ambulatory patient classification groups (APCs) for cancer therapies, all of which fail to pay adequately for many of the newer and most effective cancer treatments.

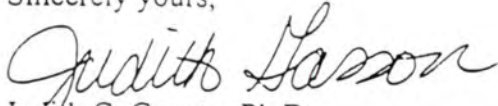
In fact – and this is important – the APCs would create a strong incentive to use older, less effective therapies rather than the newer, more effective, and more expensive treatments.

On behalf of UCLA's Jonsson Comprehensive Cancer Center and, indeed, on behalf of cancer patients throughout the U.S., I ask you to urge strongly HCFA Administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the PPS, and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment systems.

You have the opportunity to save lives. Please take it.



Sincerely yours,

A handwritten signature in cursive script, reading "Judith C. Gasson". The signature is written in dark ink and is positioned above the printed name and title.

Judith C. Gasson, Ph.D.

Director, UCLA's Jonsson Comprehensive Cancer Center

Professor of Medicine and Biological Chemistry, UCLA School of Medicine

cc: Bruce Reed  
The Honorable Nancy-Ann Min DeParle  
Mrs. William McCormick Blair, Jr.  
Robert C. Young, M.D.



October 8, 1999

President William Jefferson Clinton  
1600 Pennsylvania Avenue  
Washington, DC 20501

Dear Mr. President:

As the Director of the E. Bronson Ingram Cancer Center at Vanderbilt University, one of the nation's National Cancer Institute-supported cancer centers, I am writing on behalf of the thousands of cancer patients seeking treatment at our facility. I am deeply concerned about certain regulations proposed by HCFA, which if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a Prospective Payment System (PPS) for Hospital Outpatient Department Services (HOPD). Congress, recognizing the complexity and variety of cancer chemotherapy and radiation services, gave HCFA the authority to exclude those services from the PPS rules in the outpatient setting. However, HCFA's proposal will actually prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening disease like cancer with the most up-to-date therapies available.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four Ambulatory Patient Classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

649 MEDICAL RESEARCH BUILDING II, NASHVILLE, TN 37232-6838

PH. 615.936.1782 FX. 615.936.1790

E BRONSON INGRAM CANCER CENTER AT VANDERBILT UNIVERSITY  
a National Cancer Institute-Designated Cancer Center



President

10/8/99

Page two

The implementation of the APC pricing scheme will discourage pharmaceutical companies from developing and marketing new agents, and cancer researchers and physicians from pursuing the development and clinical investigation of these new exciting therapies. It is ironic that that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. Vice President, on behalf of the 2500 new cancer patients we care for each year, and the 30,000 outpatient visits they make yearly to the E. Bronson Ingram Cancer Center at Vanderbilt University, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will harm patients by denying access to the newer, more effective therapies available today.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

Sincerely,

A handwritten signature in dark ink, appearing to read "H. L. Moses", with a stylized flourish at the end.

Harold L. Moses, M.D.  
Director

HLM:mmc



# VERMONT CANCER CENTER

University of Vermont, Burlington, Vermont 05405

Phone: (802) 656-4414, Fax: (802) 656-8788

Web Page: [www.vtmednet.org/vcc/index.html](http://www.vtmednet.org/vcc/index.html)

David W. Yandell, Sc.D., Director

Hyman B. Muss, M.D., Associate Director

October 15, 1999

President William J. Clinton  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear President Clinton:

As Director of one of our nation's 35 NCI-designated Comprehensive Cancer Centers, I am profoundly concerned by HCFA's proposed plan to implement Ambulatory Payment Classification (APC) regulations for outpatient cancer treatments. This proposed payment system for chemotherapy and supportive care medications, specialized multidisciplinary outpatient care, and certain treatment planning for radiation therapy will have a severe and adverse impact on Cancer Centers, the cancer patients we care for, and on our collective research mission toward eradicating cancer by developing more effective treatments. More specifically, HCFA's Prospective Payment System will seriously compromise our ability to provide state-of-the-art care to our Medicare beneficiaries in the most clinically appropriate setting.

The Vermont Cancer Center of the University of Vermont College of Medicine, in close alliance with Fletcher-Allen Health Care, together represent the only academic medical center in the state of Vermont. We serve as the main tertiary referral center for much of Vermont and a significant part of upstate New York. Our clinical catchment area contains a high percentage of patients who are Medicare beneficiaries as well as rural poor and elderly persons who have limited access to state-of-the-art cancer care. For many in our region, we provide the only opportunity for cutting edge treatments that may be most effective for their cancer.

The proposed APC regulations will clearly limit our ability to deliver state-of-the-art care to this group. Under this system, Medicare would pay flat rates for cancer treatments and supportive care drugs in hospital outpatient departments regardless of cost to the institution. The data I have seen indicate that a majority of the state-of-the-art anticancer medications currently used by Vermont Cancer Center and Fletcher-Allen Health Care physicians would be reimbursed at less than actual cost under this system. Not only would older and less effective cancer treatments receive preferentially better reimbursement, but there will be serious financial consequences to all Cancer Centers



when state-of-the-art cancer therapies are delivered in the outpatient setting. In our area, this will have serious consequences for many of our patients.

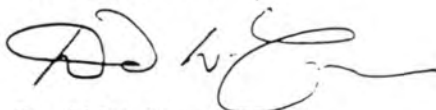
Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a prospective payment system for hospital outpatient services. HCFA was clearly given the authority to exclude certain services from the system if implementation of these regulations would cause undo harm. Clearly, in doing this Congress recognized that the complexity and vast variety of these services – particularly in the example of cancer chemotherapy and radiation treatment – might preclude reasonable application of the Prospective Payment System rules to cancer care in the outpatient setting.

I join the majority of Cancer Center Directors nationwide in viewing it as inappropriate, and indeed unreasonable, that HFCA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups for the vast array of cancer therapies used in the outpatient setting. The APC's proposed will have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed provide a disincentive to use newer and more effective but more costly therapies. These newer therapies are often the only hope for some of our cancer patients. Likewise, the categories that have been established would not allow coverage at all for supportive care drugs which have been demonstrated to dramatically improve the quality of life for a majority of cancer patients. Most of the severe side effects of cancer treatments such as uncontrollable nausea and vomiting, anemia and fatigue can now be controlled or diminished through the use of drugs. These regulations will move us back to an era when cancer patients suffered immeasurably in the course of their treatment.

Mr. President, I urge you to ask HFCA's Administrator, Nancy-Ann Min Deparle, to remove cancer treatment in the outpatient setting from their Prospective Payment System and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see this Prospective Payment Policy as what it is – a detrimental step that would provide a disincentive to research and development of the chemotherapeutic agents of the future. Although our ability to treat, and manage the symptoms of, cancer has improved dramatically since war was declared on cancer more than 25 years ago, we still have far to go. I appeal to you not to allow this harmful step in an already difficult health care environment.

Let me thank you for your consideration of this very important issue.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'D. W. Yandell', with a long horizontal flourish extending to the right.

David W. Yandell, Sc.D.  
Director



Thomas  
Jefferson  
University

Jefferson  
Medical  
College

Office of the Director  
Kimmel Cancer Center

233 South 10th Street  
BLSB, Room 1050  
Philadelphia, PA 19107-5799

215-503-4645  
Fax 215-923-3528

October 14, 1999

President William J. Clinton  
Washington, DC

Dear President Clinton,

I am writing to you in my capacity as the Director of the Kimmel Cancer Center of Thomas Jefferson University in Philadelphia, a National Cancer Institute-designated cancer research center. I wish to express my deep concern that certain regulations proposed by the Healthcare Financing Administration (HCFA) may, perhaps quite unintentionally, have extremely deleterious and unconscionable effects on vulnerable members of our citizenry, those afflicted with cancer. The Balanced Budget Act of 1997 directed the HCFA to implement a payment system for hospital outpatient services. However, Congress recognized the wisdom and necessity of maintaining appropriate flexibility. Consequently it gave the HCFA authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system because of their complexity and the multitude of services involved. However, HCFA has not excluded cancer chemotherapy drugs, biologicals or radiation treatments from the prospective payment system, but has established four ambulatory patient classification groups for reimbursement purposes. The effects of these regulations will be to inhibit both the delivery of first-rate care to our citizens now and the development of new and innovative approaches to cancer therapy in the future.

I am confident that we are standing at the threshold of a new era in cancer detection and therapy in which the advances of the past forty years in genetics and molecular biology will continue, with ever increasing speed, to be translated into effective treatments. Indeed, the confluence of recent advances in immunology, structural biology and rational drug design have brought an unprecedented number of new therapies to the clinic in the past decade. Implementation of the HCFA regulations, which would not provide adequate compensation for the use of newer and more effective therapies, would have a chilling effect on the commitment of pharmaceutical companies to pursue development of innovative approaches, and on the ability of cancer research and treatment centers to participate in their development and clinical evaluation. Consequently, we request that you ask the administrator of the HCFA to exclude ambulatory cancer patient treatment from the prospective payment system and to develop an equitable and appropriate plan for reimbursement for state-of-the-art care.

Thank you for your longstanding interest and concern; they are deeply appreciated.

Sincerely,

Carlo M. Croce, M.D.  
Director



UNIVERSITY OF  
**ROCHESTER**  
MEDICAL CENTER

CANCER CENTER

14 October 1999

Office of the Director

The Honorable William Jefferson Clinton  
President, United States of America  
1600 Pennsylvania Avenue  
Washington, D.C. 20501

Dear President Clinton:

As Director of the University of Rochester Cancer Center, one of only sixteen National Cancer Institute-supported Clinical Cancer Centers, I write to express my concern about the implementation of the proposed Ambulatory Payment Classifications (APCs) for chemotherapy and supportive-care drugs, for specialized treatment planning for radiation therapy, and for multidisciplinary care in outpatient settings.

If these regulations are implemented, Medicare will pay flat rates for cancer treatments and supportive care drugs in hospital outpatient departments regardless of their actual costs. These regulations will result in significant financial losses to Cancer Centers if new state-of-the-art cancer therapies are needed on an outpatient basis. They will impact on all cancer centers in our nation and will obligate physicians to admit their senior patients into the hospital to receive quality cancer care. It has been appropriately estimated that at least one third of the hospital-based community cancer centers will close as a result of the implementation of these regulations. Particularly affected will be those in rural areas.

The language in the 1997 Balanced Budget Act clearly allowed HCFA the authority to implement the hospital outpatient prospective payment system that exempted certain categories if implementation would cause undue harm. This is precisely the circumstance in cancer therapy where an enormous number of promising new drugs have been developed that have resulted from extraordinary scientific advances in understanding the causes of cancer. Also, it is occurring when exceptional advances in innovative and new approaches to treating cancer are being developed at an unprecedented rate. The implementation of the APC pricing system will be a disincentive for pharmaceutical companies to develop and market new agents, and for cancer centers and community outpatient cancer treatment centers to participate in the development, clinical investigation and ultimate use of these new and exciting therapies.

Most importantly, these regulations will compromise our ability to deliver state-of-the-art care to our senior citizens, and will increase the difficulty, inconvenience and anxiety already being experienced by Medicaid patients with cancer. On behalf of the 3000 new cancer patients and the 10,000 outpatients we treat each year at the University of Rochester, we urge you to ask HCFA's administrator to remove cancer treatment in the outpatient setting from the prospective payment system and to identify an equitable way for reimbursing the state-of-the-art cancer care that would encourage continuation of the development of new, innovative and more effective cancer therapies.

On behalf of all physicians who are involved in the war on cancer and our patients who will benefit from your help, we plead for your careful and thoughtful consideration of this issue.

Sincerely,

*George N. Abraham, M.D.*

George N. Abraham, MD  
Director, University of Rochester Cancer Center

601 Elmwood Avenue, Box 704  
Rochester, New York 14642  
(716) 275-4911  
A National Cancer Institute Designated Cancer Center

# **UAB** COMPREHENSIVE CANCER CENTER

Office of the Director

September 28, 1999

President Bill Clinton  
The White House  
Washington, D.C. 20501

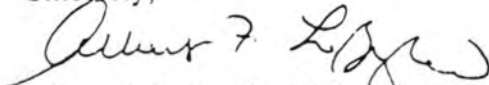
Dear Mr. President:

I am writing today on behalf of the 3,000 new cancer patients seen annually at the UAB Comprehensive Cancer Center. We are concerned about regulations proposed by HCFA, which, if implemented, would deny or restrict Medicare beneficiaries access to the most current and appropriate cancer treatments available today.

The UAB Comprehensive Cancer Center is a national leader in the development of novel biotherapies for cancer. It is our mandate to serve the elderly and rural poor – the medically underserved of the State of Alabama. The HCFA's proposed outpatient payment system (PPS) for hospital outpatient department services will prevent Medicare patients from receiving the highest quality medical care and will compromise the physician's ability to treat this life-threatening disease with the most up-to-date therapies available. The cancer community views it as inappropriate and unreasonable that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system. This artificial grouping will have the unintended effect of creating an incentive to use older, less effective therapies and will be a disincentive to use newer, more effective (but more costly) treatments. We in oncology services will be forced backward to an era where cancer patients experience uncontrolled nausea, anemia and fatigue – not the controllable, manageable side effects they are today.

It is critically important to the elderly and rural poor of Alabama that you ask Nancy-Ann Min DeParle, the HCFA administrator, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment policy. Thank you for your consideration of this important matter.

Sincerely,



Albert F. LoBuglio, M.D., Director  
Comprehensive Cancer Center  
*Evalina B. Spencer Professor of Oncology*  
Associate Dean, School of Medicine

AFL/jk

The University of Alabama at Birmingham  
237 Lurleen B. Wallace Tumor Institute • 1824 Sixth Avenue South  
Birmingham, Alabama 35294-3300 • (205) 934-5077 • FAX (205) 975-7428  
Alabama's Only National Cancer Institute-Designated Comprehensive Cancer Center



Revised 10/1/98



THE UNIVERSITY OF TEXAS  
MD ANDERSON  
CANCER CENTER

October 18, 1999

Office of the President

The Honorable William Jefferson Clinton  
President of the United States  
1600 Pennsylvania Avenue  
Washington, DC 20500

Dear Mr. President:

I am writing you today on behalf of thousands of cancer patients and their families, their physicians and cancer researchers. We are deeply concerned about certain regulations proposed by the Health Care Financing Administration (HCFA), which if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (OPPS) utilizing ambulatory patient classifications (APC) for hospital outpatient department services will prevent Medicare cancer patients from receiving the highest quality medical care and will compromise a physician's ability to treat the life-threatening diseases of cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement an OPPS system for outpatient services. Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the OPPS rules to cancer care in the outpatient setting.

The University of Texas M. D. Anderson Cancer Center views it as inappropriate, and indeed unreasonable, that HCFA has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

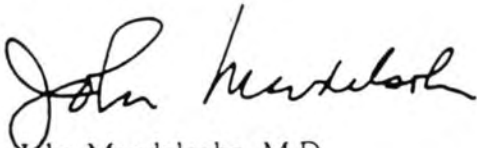
It seems ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and then HCFA develops a reimbursement system that effectively denies access to these breakthrough treatments.

Mr. President, HCFA's administrator, Nancy-Ann Min DeParle, or acting administrator Michael Hash can remove cancer treatment in the outpatient setting from the prospective payment system and continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies in the final regulations to be issued early in 2000. This will provide patients with access to the newer, more effective therapies available today, and would provide an incentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

With warm regards,

Sincerely,

A handwritten signature in black ink, appearing to read "John Mendelsohn". The signature is fluid and cursive, with the first name "John" being more prominent and the last name "Mendelsohn" written in a continuous script.

John Mendelsohn, M.D.  
President





Comprehensive  
CANCER CENTER  
UNIVERSITY OF MICHIGAN

Max S. Wicha, M.D.  
*Distinguished Professor of Oncology  
and Director*

October 18, 1999

President William J Clinton  
1600 Pennsylvania Avenue  
Washington, DC 20500

Dear Mr. President:

We are poised to enter a new millenium while on the threshold of major advancements in the treatment of cancer. The past decade has seen, for the first time in recorded history, a decrease in cancer mortality in the United States.

However, at the same time, the Health Care Financing Administration (HCFA) is proposing new Ambulatory Payment Classification (APC) regulations. These rules would change the ways in which university-based cancer centers and community hospitals are reimbursed for medical care.

These high levels of cuts are in addition to other cuts in clinic fees and supplies that will cripple our ability to serve our patients and their families. Hospitals cannot sustain this level of revenue loss and continue to support their cancer programs.

In addition, the proposed system gives hospitals and cancer centers perverse incentives to use older, less effective therapies. It also saddles hospitals with huge losses every time important supportive care techniques are used to protect patients from nausea, vomiting, bone breakage, risk of infections, the requirement for blood transfusions and from unnecessary hospitalizations.

Some HCFA staff have stated that the agency believes it cannot pay for "quality of life", but these are measures that will seriously affect the ability of patients to endure therapeutic treatments and to minimize unnecessary risk.

Drops of 30 percent in total revenues for Medicare patients will also have a significant impact on the ability to maintain radiation oncology facilities. Hospital-based facilities with the national average of 35 patients per day are likely to have difficulty maintaining appropriate staff. Estimated financial losses will mean we cannot replace or update existing equipment. At both of our facilities, the Barbara Ann Karmanos Cancer Institute, and the University of Michigan Comprehensive Cancer Center, chemotherapy and radiation oncology services would be impossible to support.

6-302 Cancer Center, 1500 East Medical Center Drive, Ann Arbor, Michigan 48109-0942  
P: 734/936-1831 F: 734/647-9271

*A Comprehensive Cancer Center Designated by the National Cancer Institute  
A Member of the National Comprehensive Cancer Network*

M Wicha to President Clinton  
Healthcare financing 10/18/99

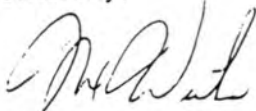
The proposal does not recognize the difference in costs associated with operating a teaching facility versus a regular hospital program. In the proposal, there is no adjustment to account for teaching and other related costs. Without this adjustment, we will no longer be able to train physicians and other health-care professionals to provide care. If this were implemented it would be catastrophic for Michigan.

Also, the severe reduction in payments for chemotherapy and other drugs will eliminate much of the research that takes place in our institutions. We will simply not be able to provide the new, more effective drugs that are most commonly used in our research, or the clinical research studies – often the best approach for patients – which require a “control arm” for comparison of two therapies.

Cancer patients deserve access to the latest innovations in treatment and supportive care. Establishing a system that rewards the use of older drugs and inadequate therapies is inappropriate and counter to everything on which our centers are based.

It is clear that the current APC concept does not work. Hospital-based cancer programs will be economically unable to continue, forcing patients to seek care elsewhere and receive suboptimal care. With new innovations continually emerging through the pharmaceutical, biotechnology and radiation oncology pipelines, the APC system will stop us from bringing these advances to cancer patients and their families.

Sincerely,



Max Wicha, MD

Director, University of Michigan Comprehensive Cancer Center

MW/bss





H. LEE MOFFITT  
CANCER CENTER  
& RESEARCH INSTITUTE

*At the University of South Florida*

A NATIONAL CANCER INSTITUTE  
DESIGNATED CANCER CENTER

October 12, 1999

Robert C. Young, M.D.  
President  
Fox Chase Cancer Center  
7701 Burholme Avenue  
Philadelphia, PA 19111-2412

John C. Ruckdeschel, M.D., F.A.C.P.  
*Center Director & CEO  
Professor of Medicine  
University of South Florida*

Dear Bob:

Thank you for asking me to send you a note about the issues related to the extraordinarily negative impact that the proposed system of ambulatory payment groups will have on the care of cancer patients. While the economic impact to cancer centers is obvious, what is less obvious is the creation of a whole series of perverse incentives that will lead not only to poorer quality patient care, but to a total breakdown in the process of evaluating newer therapies.

Let me be reasonably precise about this. I think we can address issues related to participation in formal clinical trials. What I am talking about are all of the many innovations that come about through day-to-day clinical experience, and only are later translated into potential clinical trials.

In the area of lung cancer, I would cite the transition that has occurred from the use of cisplatin to carboplatin. Carboplatin is enormously less toxic than cisplatin with respect to a whole myriad of side effects, including neuropathy, fatigue, anemia and kidney damage. When carboplatin first became available, we used it in those patients whose renal function would not permit cisplatin dosing, and eventually broadened its utilization in the clinic to those individuals who were having a poor time tolerating cisplatin toxicity. The anecdotal evidence that there did not seem to be a great deal of difference in outcome led, eventually, to several studies here and abroad looking at the relative impact of carboplatin and cisplatin. In the area of lung cancer they show no essential difference in activity. If the ambulatory payment groups had been in effect at the time carboplatin first became available, its much higher acquisition cost would have made it economically infeasible, and therefore would have led both physicians and clinics to continue with the much cheaper, but much more toxic cisplatin.

I know that you will receive many descriptions of how the wrong chemotherapeutic compounds and the wrong supportive care drugs will be used for patients with chemotherapy. I would like to touch on a couple of areas that are unlikely to be covered because they do not involve, in general, pharmaceutical agents. These are spinal cord compression due to cancer, and malignant pleural effusions.

When I initially began training in medical oncology, most oncology wards had a large number of patients who were paralyzed due to spinal cord compression from their cancers. These patients were not rehabilitation candidates and hence languished on medical wards, or were sent to

12902 Magnolia Drive  
Tampa, Florida 33612-9497  
(813) 979-7265  
(800) 456-3454  
FAX: (813) 979-3919

Robert C. Young, M.D.

Page 2

October 12, 1999

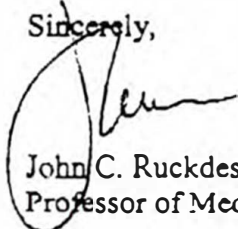
alternate nursing facilities. The standard means of diagnosing spinal cord compression in the early 1980's was a neurologic examination, plain x-rays of the spine, a bone scan, and eventually a myelogram. The various algorithms for treatment of this disease resulted in the abysmal outcomes described in numerous papers in the early 1980's. While still in Albany we published a paper that showed this complication of cancer could be detected much earlier by employing myelograms (and later MRI) earlier in the process, when the patient was having pain in the back only, rather than waiting until they developed neurologic changes. This changed the outcome dramatically for these patients and that data was presented at one of the plenary sessions at ASCO in the mid 1980's.

More recently we noted that patients were going through a multi-day work-up in order to obtain a plain film, and then a bone scan if that were negative, and eventually an MRI of the spine. These were equivocal and the patient still had pain. For many of the common solid tumors, the percentage of patients receiving MRI's was 60%-80%. We devised a new procedure called a scanning MRI in which "sagittal only" views are done with T1, non-contrasted images. This allows examination of the entire spine and can be done for about one-third the cost and one-quarter the time of a standard full MRI of the spine. We would have never been able to afford to do these kinds of explorations in the clinical setting. Ultimately these led to retrospective and prospective studies that confirmed this approach. However, the incentive would be for individuals to do plain films or bone scans rather than to proceed with early usage of magnetic resonance imaging.

Malignant pleural effusions are a common accompaniment of lung cancer and other common solid tumors in adults. We, and others, are in the process of moving the treatment of this disorder from the inpatient setting to the outpatient setting. One of the agents commonly used, bleomycin, can be given readily in the outpatient setting but costs almost 100 times more than a simple antibiotic or talc. However, patients receiving talc and the antibiotic need to be admitted to the hospital in most instances. Again, what would be easiest and best for the patient would be deflected into unnecessary hospital admissions and these kinds of clinical explorations would not happen.

It is clear that not all advances in clinical medicine are going to come from preconceived clinical trials. Many of our advances in patient care come about as a result of careful observation of patient outcomes and an ongoing "tinkering" with our current practices. The current proposals for coverage in the ambulatory setting would regiment virtually all of our care to the least expensive approach and would have a chilling impact on the quality of patient care. Please let me know if I can provide any further information for you.

Sincerely,



John C. Ruckdeschel, M.D.  
Professor of Medicine and Center Director

jmw





LOMBARDI CANCER CENTER  
*Research • Education • Treatment*

Director of Clinical Affairs  
Robert D. Warren, MD, FACP

Lombardi Cancer Center  
Georgetown University Medical Center  
3800 Reservoir Road NW  
Washington, DC 20007-2197  
Telephone: 202-462-0339  
Fax: 202-687-2684

October 18, 1999

President William Clinton  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20501

Dear President Clinton:

The Lombardi Cancer Center, part of the Georgetown University Medical Center, is the only cancer treatment facility in the Nation's Capital designated a Comprehensive Cancer Center by the National Cancer Institute. As the Director for Clinical Affairs, I am deeply concerned about current plans to proceed with implementation of Ambulatory Payment Classifications (APC's) for cancer chemotherapeutic agents and other supportive care drugs, as well as specialized treatment planning for radiation therapy. With 43,000 outpatient visits annually including over 4600 new patients per year, the adverse impact of the APC regulations on our patients cannot be overstated.

The enactment of these regulations will most severely effect our Medicare patients, currently comprising 30% of our total patient population. Unfortunately, if APC regulations are implemented, the Lombardi Cancer Center and all other cancer treatment facilities will no longer be able to provide the most effective, highest quality care available to our patients. The proposal for Medicare to pay flat rates for cancer chemotherapy and supportive drugs in hospital outpatient departments will actually result in better reimbursement for older, less effective chemotherapy agents. When newer, more efficacious treatments are administered, our hospital outpatient oncology centers will suffer profound financial losses under APC-based reimbursement.

An additional consequence of APC implementation will be the admission of Medicare beneficiaries to an acute care inpatient hospital to receive cancer care formerly provided in the outpatient hospital setting. Many hospital-based community cancer centers, especially those serving patients in less well-populated areas of our country, will be forced to close their doors when they can no longer sustain insurmountable financial losses. At a time when our Medicare patients are facing a life-threatening illness, with APC regulations they may also have the inconvenience of hospital admission, the potential for travel of some distance to be treated, and the substantial fear of being denied access to state-of-the-art treatments.

The Balanced Budget Act of 1997, while directing HCFA to implement a hospital outpatient prospective payment system, also gave HCFA the authority to exempt certain treatment categories and services if the implementation would cause significant harm to patients. Current treatment options available to cancer patients include some of the most effective new drugs thus far developed; to preclude the use of these agents and at the same time place a major obstacle to the development of even better therapies will cause undue harm to our patients. There is absolutely no doubt that the APC reimbursement schedule will hamper the process of translational research, whereby new cancer therapies are first investigated in the laboratory, then in clinical trials by cancer centers, including the Lombardi Center, eventually becoming best available treatments.

On behalf of our Lombardi Cancer Center patients, the thousands of patients cared for in other centers across the country, and the legion of dedicated professionals who provide their care, I urge you to request the administrator of HCFA to remove cancer treatment in the outpatient setting from the prospective payment system. Further, I hope you will also ask that either the current method of reimbursement be continued or that an alternative method of reimbursement be developed, one which provides for state-of-the-art cancer treatment and encourages the development of even more effective cancer therapies.

I know you share my concern for the well-being of our Medicare patients being treated for cancer. Thank you for your consideration of my comments.

Sincerely yours,

Robert D. Warren, MD, FACP



# UNIVERSITY OF CALIFORNIA, SAN DIEGO

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

DAVID TARIN, M.D., Ph.D.  
Dean for Cancer Affairs  
Director, UCSD Cancer Center &  
Chugan Chair in Cancer Research

SCHOOL OF MEDICINE  
9500 GILMAN DRIVE  
LA JOLLA, CALIFORNIA 92093-0658  
(858) 822-1222 FAX (858) 822-0207  
EMAIL: [dtarin@ucsd.edu](mailto:dtarin@ucsd.edu)

October 12, 1999

President William J. Clinton  
The White House  
Washington, DC 20500

Re: Changes in HCFA funding

Dear President Clinton,

The Health Care Finance Administration intends to implement changes that will impact disastrously on cancer patients. Such people are exceptionally vulnerable because receipt of the diagnosis has already made them feel that they are staring down both barrels of a gun. The proposed Ambulatory Payment Classifications (APC's) for chemotherapy and supportive care drugs now threatens to throw the treatment of our citizens back into the dark ages, with regard to cancer care and thus increase their burden. *This is because the new APC system, if allowed, will so drastically reduce reimbursement for state-of-the-art cancer therapies, that these valuable treatments will immediately become unavailable to Medicare patients.* We write to ask you to intervene to find a better solution because responsible and compassionate leadership should not allow such overwhelming difficulties to be imposed on those who are mortally ill.

Since Federal expenditures within HCFA's Clinical Practice Expense Pool (CPEP) for oncology are fixed, overall healthcare costs will remain unchanged; however, the quality of care will revert to less reliable methods. It will make getting safe and effective cancer care more difficult, frustrating, and *hazardous* under the new APC's.

Under the new APC system, we clinicians will be forced to give our patients less effective treatments for cancer and its complications. For example, intractable nausea and pain will once again dominate the landscape of cancer therapies, even though effective options exist to control these frightening symptoms. Patients and doctors will not understand why, on the one hand, their elected officials and tax-supported institutions sponsor drug development to eliminate these problems, yet, on the other hand, they keep these therapies out of reach of the public they serve! Can you explain this disturbing irony?

As the Clinical Service Chief for Oncology (cancer patients), and the Director of the NCI-designated Cancer Center at the University of California, San Diego, we jointly ask you to urgently re-examine this critical issue, and delay the implementation of HCFA's new APC regulations until a better and more equitable approach is found. This country is founded on



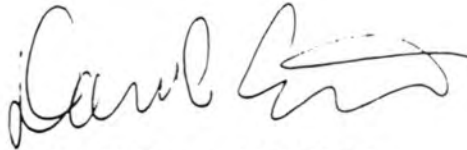
the proposition of equality of opportunity and it seems to be fair and just that this should include reasonable access to healthcare for all citizens.

On behalf of the thousands of cancer patients we treat annually, we respectfully offer to provide more detailed information on this difficult problem, if this would be deemed helpful to you or your staff.

Sincerely,

A handwritten signature in cursive script that reads "David Tarin".

David Tarin, MD PhD FRCPATH  
Director,  
UCSD Cancer Center

A handwritten signature in cursive script that reads "David W. Easter".

David W. Easter, MD, FACS  
Clinical Service Chief for Oncology  
UCSD Cancer Center

October 19, 1999

The President of the United States  
The White House  
1600 Pennsylvania Avenue  
Washington DC 20500

Dear Mr. President:

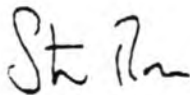
We are writing today on behalf of the thousands of patients, their families and the hundreds of cancer researchers at The Robert H Lurie Comprehensive Cancer Center of Northwestern University that look to us for leadership. We are deeply concerned about regulations proposed by HCFA which, if implemented, would certainly deny or restrict senior citizens access to appropriate cancer treatments.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a prospective payment system (PPS) for hospital outpatient department services. Congress allowed HCFA to exclude certain services, such as cancer chemotherapy and radiation therapy, from this system. In doing so, Congress recognized that the complexity and variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting. There have been an enormous number of promising new drugs introduced in the last several years and many more innovative treatments are under development. The implementation of this pricing scheme will provide a disincentive for pharmaceutical companies to develop and market new agents, and will create a disincentive for cancer centers to participate in the development and clinical investigation of new exciting therapies.

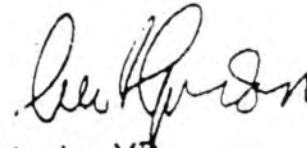
We urge HCFA to remove outpatient cancer treatment from the prospective payment system and to identify an equitable and fair way of reimbursing for state of the art cancer care while encouraging innovation and the introduction of newer, more effective therapies.

Thank you very much for your careful consideration of this important issue. Our senior citizens with cancer have a tremendous stake in this decision.

Sincerely,



Steven T Rosen, MD, FACP  
Director  
Robert H Lurie Comprehensive Cancer Center  
Northwestern University



Leo J. Gordon, MD  
Professor of Medicine  
Chief,  
Division of Hematology/Oncology  
Northwestern University







*Office of the President*

October 11, 1999

The Honorable Albert Gore  
Vice President of the United States  
The White House  
1600 Pennsylvania Avenue  
Washington, DC 20500

Dear Mr. Vice President:

I am writing to express my concern regarding the adverse effect that the implementation of the Medicare Outpatient Prospective Payment System (OPPS) will have on the freestanding National Cancer Institute-designated comprehensive cancer centers. Because of the unique service intensity devoted exclusively to the treatment of cancer and the level of patient severity, these centers were exempted by Congress from the Prospective Payment System in 1983. There are ten such centers including the Memorial Sloan-Kettering Cancer Center.

Currently, these ten center are sustaining financial losses on Medicare outpatient services exceeding \$20M per year. The proposed new OPPS would greatly exacerbate these losses. According to HCFA, the Medicare outpatient payments to these ten centers would decline by more than 32 percent-- more that five times the average reduction for all hospitals. We project that the ten freestanding centers would have an aggregate annual loss of more than \$43M (about 47%).

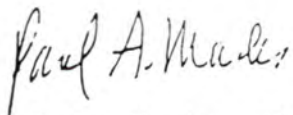
In the Balanced Budget Act of 1997, HCFA was directed to consider establishing a separate payment methodology in implementing OPPS that would recognize the special mission of the ten centers. In the Proposed Rule implementing OPPS, HCFA has declined to establish such a separate payment scheme for these centers.

The practice of medicine at Memorial Sloan-Kettering and the other nine centers is fundamentally incompatible with a prospective payment system that does not account for the singular characteristics of our patients and the intensity of the sophisticated services provided.

*Memorial Sloan-Kettering Cancer Center*  
1275 York Avenue, New York, New York 10021  
212 639-6561 Fax: 212 717-3299

I am hopeful that HCFA will reconsider its proposed method of payment for Medicare outpatient services provided at the freestanding centers such as Memorial Sloan-Kettering.

Sincerely yours,

A handwritten signature in cursive script, reading "Paul A. Marks".

Paul A. Marks, MD

PAM/js





UNIVERSITY OF  
PENNSYLVANIA  
MEDICAL CENTER

University of Pennsylvania School of Medicine  
Hospital of the University of Pennsylvania

John H. Glick, MD  
Director

University of Pennsylvania  
Cancer Center

October 11, 1999

President William Clinton  
The White House  
Washington, DC 20500

Dear President Clinton:

As the Director of the University of Pennsylvania Cancer Center, one of the nation's National Cancer Institute-supported Comprehensive Cancer Centers, I am writing to express my deep concern about the plans to implement the proposed Ambulatory Payment Classifications (APC's) for chemotherapy and supportive care drugs; for specialized treatment planning for radiation therapy; and for multidisciplinary care in outpatient settings.

I am writing to you today on behalf of thousands of cancer patients and their families, hundreds of cancer centers and countless cancer researchers. We are deeply concerned about certain regulations proposed by HCFA, which, if implemented, would unquestionably deny or restrict Medicare beneficiaries access to the most appropriate cancer treatments (drugs, biologics and radiation therapy) in the most clinically appropriate settings.

HCFA's proposed outpatient prospective payment system (PPS) for hospital outpatient department service (HOPD) will prevent Medicare patients from receiving the highest quality medical care and will compromise a physician's ability to treat life-threatening diseases like cancer with the most up-to-date therapies available.

Under the Balanced Budget Act of 1997, HCFA was directed by Congress to implement a PPS system for HOPD services. Congress gave HCFA the authority to exclude certain services, such as cancer chemotherapy and radiation treatment, from this system. In doing so, Congress recognized that the complexity and vast variety of such services might well preclude reasonable application of the PPS rules to cancer care in the outpatient setting.

The cancer community views it as inappropriate, and indeed unreasonable, that HCFA has not excluded chemotherapy drugs, biologics and radiation treatments from the prospective payment system, but rather has created only four ambulatory patient classification groups (APCs) for the vast array of cancer therapies used in the outpatient setting.

These four groups do not adequately pay for most of the newer and more effective therapies for cancer. Quite to the contrary, the APCs would have the unintended effect of creating an incentive to use older, less effective therapies for cancer and indeed a disincentive to use the newer, more effective but more costly therapies. Moreover, because of the way the categories have been established, supportive care drugs, which have dramatically improved the quality of life for most cancer patients, would not be covered at all. The effect, again no doubt unintended, would be to move us back to an era when uncontrollable nausea and vomiting, anemia and fatigue were unavoidable, rather than controllable side effects of chemotherapy.

University of Pennsylvania  
**CANCER CENTER**



A Comprehensive Cancer  
Center Designated by the  
National Cancer Institute

6 Penn Tower • 3400 Spruce Street • Philadelphia, PA 19104-4283 • 215-662-6334 • Fax: 215-349-5326

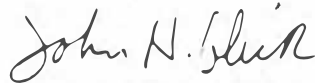
UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM

The cancer community sees it as remarkably ironic that the Federal government and the private sector are investing large sums of money to develop new therapies, and the very government that supports this research would then develop a reimbursement system that would effectively deny access to these breakthrough treatments.

Mr. Vice President, I urge you to ask HCFA's administrator, Nancy-Ann Min DeParle, to remove cancer treatment in the outpatient setting from the prospective payment system and to continue to reimburse the costs associated with state-of-the-art cancer care under the current payment methodologies. I trust you will see that this prospective payment policy for chemotherapy, biologic therapy and radiation therapy will lead to patients being harmed by being denied access to the newer, more effective therapies available today, and would provide a disincentive to the research and development of ever-more-effective agents in the future.

I am confident you will give the information provided in this letter your most careful consideration and will be happy to provide any additional information you would request.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "John H. Glick". The signature is fluid and cursive, with the first name "John" and last name "Glick" clearly distinguishable.

John H. Glick, M.D.  
Director  
University of Pennsylvania  
Cancer Center

JHG:shs





UNITED STATES  
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the  
Regional Director

233 North Michigan Avenue, Suite 1300  
Chicago, Illinois 60601  
(312) 353-5160  
(312) 353-4144 FAX

December 1, 1999

Incoming  
Fax

12-3-99

5

President William Jefferson Clinton  
White House  
1600 Pennsylvania Avenue NW  
Washington DC 20500

Send to Burkhardt for reply?

Yes ☒

No ☐

Dear Mr. President:

I am very proud to be part of your Administration. Four years ago, you appointed me to be Midwest Regional Director for the Department of Health and Human Services in the Chicago office. I have enjoyed the job as well as the opportunity to serve your goals and your vision for the improved health and social services for all in our country. But after four full years, it is time for me to go "home", since I have been commuting during my tenure.

In February, I will be returning to Wisconsin and to an empty nest, since both of Rick and my daughters are now in college. I know you can relate to the profound reality that presents!

There is no way I can thank you enough for the opportunity to serve in your Administration. I have been impressed with your deep dedication to improving the lives of all people in this country, but mostly, those in need. I have seen that dedication throughout welfare reform, health care reforms, anti-smoking strategies, anti-violence efforts and programs, child welfare, child support, mental health improvements, combating racial health disparities and barriers, asthma community health strategies, research on old and new diseases, protecting reproductive health and rights for girls and women, reducing teen pregnancies, expanding AIDS research, outreach and treatments, the patient's bill of rights, improving hospital and nursing home care, Medicare and Medicaid changes and expansions, improving immunization rates, expanding Head Start and child care, targeting early childhood development opportunities, focusing on women's health as well as fatherhood initiatives, building an emergency preparedness infrastructure, enhancing substance abuse treatments and access issues, ensuring quality programs at all levels of government and in as many communities as possible.

You have remained true to the vision I remember hearing you discuss way back in 1991. I have been proud to work with you because you have kept faith with what you promised to do. Your legacy in all these matters will be felt for longer than we can imagine. It has truly resulted in improving the lives of families and communities.

I have been impressed with the wonderful work and partnership I have enjoyed with members of the White House staff in addition to the great staff of DHHS.

So from the bottom of my heart, thank you for your trust in me. Thank you for the opportunity to make a difference in the lives of people throughout the region. And thank you for the chance to work with such excellent colleagues. It has been an honor.

Sincerely,

A handwritten signature in cursive script, reading "Hannah Rosenthal".

Hannah Rosenthal

cc: Donna Shalala  
DHHS Regional Directors  
Bob Nash  
Hillary Clinton





ההסתדרות הציונית העולמית  
World Zionist Organization

הסוכנות היהודית לארץ-ישראל  
The Jewish Agency for Israel



Sallai Meridor, Chairman of the Executive

סלי מרידור, יו"ר ההנהלה  
כ"ג כסלו תש"ס  
02 December 1999

The Honorable William Jefferson Clinton  
President of the United States  
The White House  
Washington, D.C.  
USA

*Very  
Stuff Secretary*

Dear Mr. President,

On behalf of the Jewish Agency for Israel, the global partnership of the Jewish People with Israel, I wanted to thank you personally for your invaluable assistance in bringing the Jewish students from the Ukraine to study in Israel. Without your active involvement, it is very likely that the students would still be in the Ukraine.

The relationship between the American people and the Jewish people and Israel is based on common values and true partnership. This bond made possible the freeing of Soviet Jewry and is essential for Israel's future. We salute your leadership in deepening and enhancing this special partnership.

While the children have arrived in Israel and the immediate crisis has been resolved, the long-term problem still awaits a solution. The education agreement, within which we are operating these programs, has not yet been extended by the Ukraine. Without this, our regular efforts to enlist candidates for this coming year programs which are expected to commence this month, may be again confronted with the kind of harassment we faced this year.

We trust that we can count on your continued personal leadership and the cooperation of the American government in ensuring the right of all Jews to reconnect with the Jewish people and to come to Israel.

Best wishes to you and Hillary for a happy and healthy, successful new year of accomplishments.

1213199

*Burkhardt*

*NSC*

Yours,

Sallai Meridor

02.07.99 02-6402080.70, 01000 ירושלים 02.7.99  
02 Jerusalem 91000, Tel. 02-6402080 Fax: 02-6252302

Stanley M. Chesley  
Attorney at law  
1513 Central Trust Tower  
Cincinnati, Ohio 45202  
Telephone: (513) 621-0267

December 2, 1999

President William J. Clinton  
The White House  
1600 Pennsylvania Ave. ,N.W.  
Washington, DC 20500-2000

Dear Mr. President:

The Jewish Agency for Israel, which is the global partnership of the Jewish People of Israel, is incredibly appreciative of what you have done to bring Jewish students from the Ukraine to study in Israel.

I have enclosed a copy of their letter, and will forward to you the hard copy upon receipt.

As you know, the Jewish Agency, is a *quasi* arm of the government, and is responsible for education, human services and absorption of immigrants.

Thank you.

Sincerely,

Stanley M. Chesley

VIA FACSIMILE



**WAITE, SCHNEIDER, BAYLESS & CHESLEY**

**Attorneys & Counsellors at Law**

**1513 Central Trust Tower**

**Fourth & Vine Street**

**Cincinnati, Ohio 45202**

**Telephone 513 621-0267 \* Fax 513 381-2375 \* Fax 513 621-0262**

**TELECOPY MESSAGE - COVER SHEET**

DATE: 12/2

FROM: Stan Chesley

NUMBER OF PAGES: 3 (Including Cover Sheet)

TO: Nancy Herrick

FIRM: \_\_\_\_\_

CITY, STATE: \_\_\_\_\_

Receiver's Telecopy Number: 202-456-6703

Message: \_\_\_\_\_

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Telecopied by: \_\_\_\_\_

## Kirkir International, Inc.

7302 Dartford Drive #2 Mclean, Virginia 22102  
Telephone: (703)827-8259 Fax: (703)442-9469

---

November 15, 1999

The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

*Cancel*  
?

Dear Ms. Betty Currie:

In reference to our recent telephone conversation about my letters to President Clinton, I have stated that I was an African diplomat who has been educated at Georgetown University, an institution which has a great tradition of educating future leaders.

I am confident that you will make every effort to make sure that the President personally receives my letters. Not only do I share the same alma mater with the president, but I also share his vision and concern toward Africa. In my opinion he is a genuine friend of Africa because he has placed Africa as one of his top priorities.

I believe that it is my generation's responsibility to help continue and preserve the close relationship that Africa and the United States have enjoyed since President Clinton assumed the Office of the Presidency of the United States.

Again, I would very much appreciate if you would bring these letters to the President's attention.

12-3-99  
Scheduling  
Send to Burkhardt for reply?  
Yes ☒  
No ☐

Sincerely,

*Abdi A. Dirie*

Abdi A. Dirie



## **Kirkir International, Inc.**

7302 Dartford Drive #2 Mclean, Virginia 22102  
Telephone: (703)827-8259 Fax: (703)442-9469

---

November 15, 1999

The President of the United States  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear Mr. President:

I was a young diplomat at the Embassy of Somalia in Washington before the civil war broke out in Somalia in 1991. Unfortunately, as a result, the Embassy was closed. Since then, I have been a consultant to both the Executive and Legislative branches of the United States Government regarding African affairs. (See attached letters).

Mr. President, I am politically ambitious. I believe that my family background (like the father of Kofi Annan, the Secretary General of the United Nations, my father is also an African tribal chief), my education at Georgetown University and my experience as a former diplomat will help me to attain my political goals in Somalia in the near future. I aspire to be one of the new generation of African leaders with the vision that you highlighted in your historic trip to Africa.

As an African diplomat who has been educated in the United States, I understand and share the basic values of American culture – democracy, free market, and respect for human rights. Moreover, I could also bring African perspectives and insights to the issues facing Africa. With this unique understanding of both cultures, I believe that I am in a position to help establish and maintain close ties between Africa and the United States of America.

Like yourself, Mr. President, I am a Georgetown University alumnus which has a great tradition of educating future leaders, and one never knows when another Georgetown alumnus will be the leader of the free world. Therefore, Mr. President, I strongly feel granting me the opportunity to meet with you, as you met with President Kennedy, will inspire me to achieve my political goals in order to help bridge a closer relationship between the people of two great continents into the next millennium.

Sincerely,

*Abdi A. Dirie*

Abdi A. Dirie

## **Family Background**

My grandfather was an African Tribal Chief in the early part of this century, when the Europeans (British and Italians) were in Somalia. He was a direct and official contact for the European Representatives (Governors) in our region. He maintained good ties with them and developed a relationship based on mutual respect and understanding between the Somalis and Europeans.

When my grandfather died in 1958, shortly before Somalia's independence in 1960, my father succeeded him since he was the eldest son and assumed his position as tribal chief. Following this succession, my father received a lot of support from the local people mainly because of his father's established reputation as a Tribal Chief. My father still holds the position today.

Though my grandfather died in the late 1950's, my father never ceased to follow in his footsteps. He became influential both politically and socially and always tried to solve any issues and disputes in a civilized and peaceful manner. As a result, thus gaining a great deal of respect from higher government officials, as well as the local tribal people.

Like the father of Kofi Annan, the Secretary General of the United Nations, my father also is an African Tribal Chief. As for me, I am the eldest son of my father's six children, thereby I am the first in line to succeed him. However, I want to be different somewhat from my father and grandfather, as they were active, traditional leaders in their century. As the World changes, and we approach the twenty first century, I need to be more sophisticated and have more global perspectives than my father and grandfather.

I have been a Somali Diplomat working at the Embassy of Somalia in Washington, D.C. until the Civil War broke out in Somalia. As a result, the Embassy was closed. Since then I have been a consultant to both the Executive and Legislative branches of the United States government including National Security Agencies, such as the Department State and Defense regarding African Affairs (see attached letters).

I am politically ambitious. I believe that my family background, (my father is a Tribal Chief) my education at Georgetown University and my experience as a Diplomat, will help me attain my political goals in Somalia in the near future. I aspire to be one of the new generation of African leaders with broad perspectives and global vision.

As an African Diplomat who has been educated in the United States, I understand and share the basic values of American culture - freedom, democracy, free market and respect for human rights. Moreover, I could also bring African perspectives and insights to the issues facing Africa. With this unique understanding of both cultures, I am in a position to help my country and continent become a viable member of the International Community and help bridge a closer relationship between the people of two great continents, Africa and the United States, into the next millennium.



# United States Senate

WASHINGTON, DC 20510-2101

May 16, 1995

Ms. Deborah Posey  
Examinations  
Arlington District Office  
Immigration and Naturalization Service  
4420 N. Fairfax Drive  
Arlington, VA 22203

Dear Ms. Posey:

I am writing in support of the application for adjustment of status of Mr. Abdi Aden Derie (A72 189 799).

Captain Derie, a national of Somalia, previously was a military attache at the Somali Embassy and was unable to return home once conditions in Somalia deteriorated. During his time in Washington, he has provided advice and insight regarding needs and developments in Somalia to leaders in both the executive and legislative branches of our government.

I would be grateful for any assistance that you could offer him in connection with his pending application for adjustment of status.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Kennedy", written over a horizontal line.

Edward M. Kennedy  
Ranking Member  
Subcommittee on Immigration

THE WHITE HOUSE  
WASHINGTON

DATE: 12-3-99

NOTE FOR: Jeff Bleich

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

12-3-99  
Ok to dispatch?  
Yes ☒  
No ☐

Thank you.

Staff Secretary  
(x6-2702)

cc:



THE PRESIDENT HAS SEEN

12-3-99



**DRIVE-BY AGONY**

*Life Learning Center  
Youth Victims Services*

**LORNA HAWKINS**

*Founder / CEO*

Tel. (310) 537-8018  
(310) 660-2662

3798 M. Luther King Blvd.  
P.O. Box 762  
Lynwood, CA 90262

Jeff Bleich  
Munger, Tolles & Olson, LLP  
33 New Montgomery Street  
19th Floor  
San Francisco, CA 94105

Pres. BZ,  
Have a happy happy  
holiday season!  
✓ Debbie Monticue

P.S. Proud to have you as  
"First BP" (black pres.)!  
Welcome!

P.S. I still wish you could  
run again - and against  
George W - Can you imagine?  
You'd massacre him! He's  
the political equivalent  
of Mini-Me!

P.P.P.S. How 'bout them  
Hogs?!? ARK 26, TENN 24!  
Your Razorbacks did a  
lot better than my  
Bruins this year. Oh  
well. There's always  
basketball! (Remember  
195??... ☺) me

SEE YA IN  
PRESIDENTIAL YR  
8

After you have seen, we  
will send to Burkhardt.

C. Cleveland

12-3-99

THE PRESIDENT HAS SEEN!  
12-3-99



Deborah Y. Monticue  
13701 Marina Pointe Dr, #444  
Marina Del Rey, CA 90292

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to



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*Young people*

*will like*

*to be involved in*

**Kidz Voice LA**

Ban the Sale of Bullets  
in Los Angeles

**Niko & Theo Milonopoulos**

Co-founders

Post Office Box 1671

Studio City, California 91614

Tel.: 323.654.3588

Fax: 323.654.3588

email: KidzVoice\_LA@hotmail.com

12-3-99

After you have seen,  
we will send to  
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THE PRESIDENT HAS SEEN

12-3-99

*See note  
on back of this*



TONI REINIS  
Executive Director

*Reply* →

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Admin. (310) 914-4045  
Fax (310) 914-5495

*Please come to  
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homeless veterans  
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who are changing  
their lives and  
their communities.  
and thank you.*

12-3-99

*After you have seen,  
we will send to  
Burkhardt for reply -*

✓  
*Carol*



December 7, 1999

I am proud to welcome to Washington, DC all those attending this National Assembly on Drugs, Alcohol Abuse, and the Criminal Offender. Your presence here today says we need to take a hard look at the way our criminal justice system deals with substance abusing juveniles and adults. It says that public health and public safety are tightly linked and mutually re-enforcing. It says that local, state, and Federal agencies must act in a consistent, collaborative manner. And it says that executive, legislative, and judicial branches must act to support sound practices and one another's efforts. In short, it says we know enough to reach consensus about what needs to be done and take actions to implement sound policy.

This Administration has worked hard, in a bi-partisan fashion with the Congress, to make our communities safer and healthier. We have implemented a National Youth Anti-Drug Media Campaign to educate our young people about the dangers of drug abuse. We have helped communities to hire thousands of new police to make our streets safer. We have provided matching grants to 215 community anti-drug coalitions, and increased funding for essential drug treatment and school-based drug prevention programs. And we have supported the creation of new drug courts, and instituted substance abuse testing and treatment for Federal and state prisoners.

These efforts are paying real dividends for America. Crime has declined for six straight years and drug use has begun to come down among our young people. But crime, drugs, and alcohol abuse continue to tear at our social fabric. We need a fresh, bottom-up approach. This assembly promises to move us a full step beyond simple coordination to a new level of local, state, and Federal collaboration. We have the opportunity to make real progress. I am grateful for the leadership of Director Barry McCaffrey, Attorney General Janet Reno, and Secretary Donna Shalala in melding the talents of their agencies to make this gathering possible. Best wishes for a successful National Assembly.

William J. Clinton

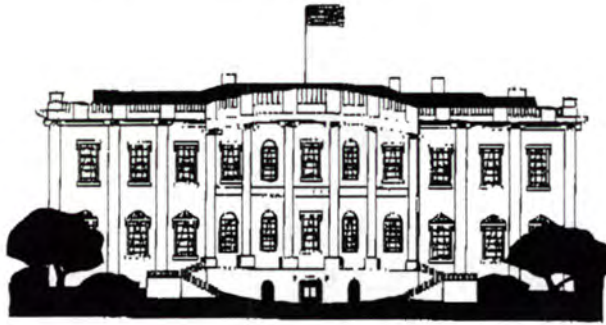
Send to Burkhardt for reply?

Yes ☒  
No ☐

# EXECUTIVE OFFICE OF THE PRESIDENT

Office of National Drug Control Policy  
Washington, DC 20503

99 DEC 3 PM 5:02



ONDCP, Office of Strategic Planning

## FACSIMILE MESSAGE

**TO: Sean Maloney**

**DATE: 12/3/99 TIME: 16:57:44 PAGES: 1 + Cover**

**FROM: Kiersten Todt**

**FAX: 202-395-6641**

**PHONE: 202-395-6370**

**Comments:**

**Mr. Maloney –**

Attached is a letter to be distributed at the National Assembly on Drugs, Alcohol Abuse, and the Criminal Offender next Tuesday, December 7. We are requesting approval by Monday evening.

Please call or email me to confirm receipt. Thank you for your assistance.



U.S. / M

THE WHITE HOUSE  
WASHINGTON

Copied  
Blumenthal  
Podesta

November 29, 1999

Mr. President,

Tony Giddens sent me this book to give to you. He was in attendance at the Florence conference and excited by the event. He wants the LSE to be one of the institutions to lend support in some way to the next conference.

147

The election of Helen Clark in New Zealand adds a new participant to the next conference, doesn't it?

15

On Seattle, I would emphasize that what you are doing is taking *first steps*. This lowers expectations on the immediate outcome, establishes you as the historic originator of these steps and suggests that there are many future steps to be taken. I would also coopt the opposition by showing how trade is linked to democracy. Trade today is an essential basis of opportunity--and expanding opportunity is an expansion of democracy. Expanding democracy in the 21st century must also include new standards for labor and the environment. These standards will enhance, not undermine, opportunity. Economic growth and democracy work together in building progress. If we see them as opposites and act as if they were, we will undermine both. On the other hand, if we see them as a whole we can advance both.

Bill Clinton

THE WHITE HOUSE  
WASHINGTON

*C. P. Roberts*  
*Good idea*  
*Good decision*  
*On New Year's*  
*PR*

*cc: Staff Secty  
for routing -*

December 3, 1999

The Honorable Bill Wilson  
United States District Court  
600 West Capitol, Room 149  
Little Rock, Arkansas 72201

Dear Bill:

Thank you for your note recommending  
commemorating the anniversary of George  
Washington's death with the half-mast flag.  
I appreciate that suggestion.

I've forwarded your letter to the appropriate  
members of my staff responsible for that  
decision.

Best wishes for the holidays.

Sincerely,

*BRW*

*Good idea*

The Honorable Bill Wilson  
United States District Court  
600 West Capitol, Room 149  
Little Rock, Arkansas 72201



UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF ARKANSAS

600 W. CAPITOL, ROOM 149

LITTLE ROCK, ARKANSAS 72201

(501) 324-6863

FAX (501) 324-6869

BILL WILSON  
JUDGE

November 30, 1999

President William Jefferson Clinton  
White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

BY FAX – 202-456-6703

My Dear Mr. President:

Oops! President Washington died on December 14, 1799 vice December 13.

Please excuse me.

Cordially,

A handwritten signature in black ink, appearing to read "Wm. R. Wilson, Jr.", written in a cursive style.

Wm. R. Wilson, Jr.

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF ARKANSAS  
600 W. CAPITOL, ROOM 149  
LITTLE ROCK, ARKANSAS 72201  
(501) 324-6863  
FAX (501) 324-6869

BILL WILSON  
JUDGE

November 30, 1999

EB  
Refer to  
Genealogical  
Per staff  
secty -  
"appropriate  
staff"

President William Jefferson Clinton  
White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

BY FAX - 202-456-6703

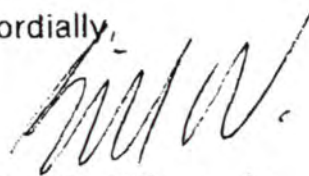
My Dear Mr. President:

December ~~13~~<sup>14</sup> will the 200<sup>th</sup> anniversary of the death of President George Washington.

To commemorate this event, and to honor our first President, I recommend that the American flag be flown at half mast on December ~~13~~<sup>14</sup>, 1999.

Thank you very much for your consideration.

Cordially,



Wm. R. Wilson, Jr.



THE WHITE HOUSE  
WASHINGTON

CS: [initials] BL intensity  
GN clearance

December 3, 1999

Richard Banchoff  
703 South Lee Street  
Alexandria, Virginia 22314

Dear Banch:

It was great to hear from you. Thanks for taking the time to share your perspectives with me -- I appreciate your kind and wise words.

Best wishes for the holiday season.

Sincerely,

Bob

Richard Banchoff  
703 South Lee Street  
Alexandria, Virginia 22314

Richard Banchoff  
703 South Lee Street  
Alexandria, VA 22314  
703-549-3835



Via FAX

November 21, 1999

Dear Bill,

I was glad to see that you started the process of setting the record straight in your interview with Carole Simpson--by defending your presidency you clearly did stand and fight for the Constitution and its principles.

The reaction of the Washington Post editorial staff was unfortunately predictable. They put too much of their reputation on the line in calling for your resignation to ever admit that they missed the whole point of what was happening to the country, then and now. It appears from the follow-up editorial that they have been reduced to hiding behind Judge Wright's robes and calling for more "apologies", but be assured that they will continue to do everything in their power to ensure that the historical record is skewed against you.

The failure of the media to question the sources of the attacks, or the motivation behind them, gave your enemies carte blanche to try to bring down your administration. I think that it is important that you connect the dots for the media, and encourage it to examine the anti-democratic tactics that have been used against you, and will be used against others in the future. That call you received when you were still governor about ruining you if you ran for president, the release of the draft letter during the primary, and the search of your passport files were the first examples of the methods they were prepared to use against you. There is an obvious linkage between those sorry ploys and the Bush White House, and the fact that they thought it was so important to hide their direct involvement is as good a reason as any to expose it.

How this ultimately is connected to Tripp, Starr, and company is still an open question, but I suspect that some digging will reveal more of a connection than just a shared desire to do whatever is necessary to destroy you. That will hopefully lead to a reappraisal by the media of how it covered the story, and an effort on its part to shed the cynicism and tell it straight. Although the individual smears and dirty tricks may seem insignificant by themselves, they ultimately led to a serious Constitutional crisis, and the historical record should include an analysis of the motives of those who so arrogantly pushed the country to the edge.

Best regards.



12-3-99  
for our  
website  
should work  
well  
celebration  
to Peabody  
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FB

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President William J. Clinton  
White House  
1600 Pennsylvania Avenue  
Washington, DC 20500

15, November 1999

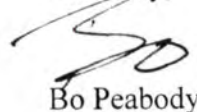
Dear President Clinton,

It was a pleasure to meet you at Senator Kerry's house in Washington on October 21<sup>st</sup>. The evening provided some great insight on the issues faced by the DNC as it ramps up its website...as well as some good fun.

1/ You asked me to follow up with you personally on my idea of creating a foundation where entrepreneurs could contribute founder's shares in their companies instead of cash in order to subsidize universal access to the Net. I am happy to report that there is a meeting scheduled for December 1<sup>st</sup> in Williamstown, MA, my hometown and a booming new high tech center, at which myself, Larry Weber and Senator Kerry will discuss a specific proposal to put this foundation together.

I will keep you apprised of developments while you continue the fantastic job you are doing leading our country.

Sincerely,



Bo Peabody

cc: Senator John Kerry  
Larry Weber  
Bob Davis



Copied  
HRC  
Podesta

THE PRESIDENT HAS SEEN

12-3-99

7023

THE WHITE HOUSE

WASHINGTON

'99 SEP 22 PM8:21

September 22, 1999

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: The Administration's Record on Terrorism

HRC - in can you  
mail this -  
with making  
absorbing back  
policy, H.S. Be

You asked for a comprehensive overview of our record on terrorism. What follows is a summary of the public record. As you know, our cooperation with other countries on counterterrorism matters has been highly successful and has prevented a number of terrorist attacks from being carried out. We have broken up terrorist cells in a substantial number of countries, assisted our partners in rendering terrorists to justice and deepened our counterterror efforts with numerous nations around the world. We will update you in a separate, classified memo on this subject.

The United States has mounted an aggressive response to terrorism -- tightening security for our diplomats, our troops, our air travelers, improving our ability to track terrorist activity, enhancing cooperation with other countries, strengthening sanctions on nations that support terrorists. Our strategy combines strengthened law enforcement and intelligence efforts, vigorous diplomacy and, as demonstrated in the strikes of last August, military force when necessary. In cooperation with other governments, we target terrorist finances, break up support cells, disrupt training and bring suspects to justice.

Achievements

- Since 1993, ten wanted terrorist fugitives have been apprehended overseas and turned over to the United States to answer for their crimes. Included in this group are the conspirators in the World Trade Center bombing, the attack on CIA Headquarters and a terrorist responsible for an attack on a Pan Am flight almost 15 years ago. Additionally, two suspects in the Pan Am 103 bombing have been delivered for trial by a Scottish court sitting in the Netherlands. No previous Administration's record comes close on this score.

cc: Vice President  
Chief of Staff



- As a result of the extensive criminal investigation of the bombing of U.S. embassies in East Africa, USG has filed indictments against Bin Ladin and 16 of his associates. Five of these suspects are currently in U.S. custody.
- We are putting the pressure on the Taliban in Afghanistan to deliver Bin Ladin to justice and shut down his terrorist network. The Executive Order you issued in July placing sanctions on the Taliban is deepening their isolation, cutting into their ability to support terrorists, and making clear to them the need to conform to international norms of behavior. We further ratcheted up pressure last month by designating Ariana, Afghan Airlines under these sanctions.

### Organizing to Fight Terrorism

You have issued three decision directives (39, 62, 63) to bring government agencies together at a senior level to counter international terrorism.

Cooperation between law enforcement and intelligence is at an all-time high; we now have a single, coherent budget process for anti-/counterterrorism; and you appointed a National Coordinator for counter-terrorism to keep the U.S. effort on track.

### Military Force

- Our military is better equipped and trained than ever before for counterterrorism missions.
- We have shown that we are prepared to use the means at our disposal to stop terrorist activity. The August 1998 military strike against training camps in Afghanistan disrupted operational planning/preparation by Bin Ladin's network. A simultaneous strike destroyed a Sudanese chemical plant associated with VX, a nerve agent sought by Bin Ladin.

### Legislation

The Administration has sought to adapt our laws so we can fight terrorism effectively.

- Signed the Anti-Terrorism and Effective Death Penalty Act (1996), which banned fund-raising in the United States for designated terrorist organizations, allowed for rapid

deportation without the release of classified information and made it easier to bar terrorists from entry into the United States. Under this law, the Secretary of State has formally designated 30 foreign terrorist organizations, making it illegal for U.S. citizens and institutions to provide funds or other material support to these groups.

### Funding

You have worked to ensure that we have the resources necessary to combat terrorism. In the FY00 budget, total funding for the fight against terrorism will exceed \$8.6 billion, a 12 percent increase over FY99 enacted level. (This does not include \$1.4 billion requested for critical infrastructure protection.) Comparative figures with earlier Administrations are not available because OMB only recently began consolidating counterterrorism figures, but in category after category, spending is up dramatically.

- Since 1993, the Administration has raised the FBI's counterterrorism budget by 283 percent, from \$78 million in FY93 to \$301 million in FY99. As a percentage of the overall FBI budget, counterterrorism has risen from 4 percent to 10 percent. The number of FBI agents assigned in this area have risen from 550 to 1,383 (from 5 percent of agents to 12 percent of agents).
- In September 1996, the Administration requested and Congress passed an unprecedented counterterrorism budget amendment for \$1.1 billion for FY97. Of this amount: \$430 million went to jump-start an ambitious aviation security program. Another \$437 million went to force protection for U.S. troops, relocation of units within Saudi Arabia and increased intelligence collection by DoD organizations. At the same time, funding for the CIA counterterrorism programs began increasing significantly.
- The FY99 budget (enacted) for all the anti- and counterterrorism programs just described is \$7.6 billion, a 14 percent increase over the FY98 enacted level.
- In addition, an emergency supplemental of \$2.06 billion was appropriated to strengthen U.S. embassies following the east Africa bombing. Counting this supplemental, the FY99 anti-/counter-terrorism budget was one third larger than FY98.



- The FY00 request of \$8.613 billion is 12 percent over the FY99 enacted base.

### Embassy Security

FY99 Supplemental provided almost \$1.5 billion for increased security. Included were: security enhancements for all posts (\$650 million), more local guard coverage, additional State security personnel and upgraded communications (\$384 million). In FY00, we are seeking to continue this effort to strengthen security and begin a five-year, \$3 billion program to construct more secure embassies.

### International Cooperation

We have worked hard to increase the level of international cooperation because the help of others is essential for our counterterrorism efforts to succeed.

- The United States initiated the effort in the P-8 to harmonize legislation on terrorist offences, cooperate in R&D and create data bases on terrorism.
- We have urged our G-8 partners to participate in the FBI's forensic data base project, and we are working with them to tighten export controls on explosives.
- This year, we will strengthen the international legal framework against terrorism by submitting legislation to Congress to ratify the international bombing convention. We are concluding work on a Russian-proposed convention on nuclear terrorism and a convention on terrorist fundraising.
- Over the last six years, we have made counterterrorism central to our diplomacy. We have accelerated negotiations on extradition and mutual legal assistance treaties. We have made a major effort to press all UN member-states to sign conventions that require them to prosecute or extradite terrorists to countries where they are wanted. By doing so, we are working to eliminate the safe havens that modern terrorism virtually requires.
- After the 1996 bombing attacks, we granted Israel \$100 million to upgrade its counterterrorism capabilities.

- We are seeking to improve immigration controls and information-sharing on the travel of suspected terrorists, as well as to prevent the abuse of the asylum process.

#### Renditions/Apprehensions/Extraditions

There have been a number of high-profile renditions, arrests, and extraditions that we can speak about publicly, though it is still necessary in some cases to omit mention of the nations where we apprehended the terrorists.

- East Africa Bombings: 5 arrests in UK, United States and other countries.
- Pan Am 103 (12/88): 2 Libyan suspects (Fihma, Megrahi) extradited to Scottish court (4/99).
- World Trade Center (2/93) and conspiracy to destroy up to 11 U.S. airliners over the Pacific (1/95): Ramzi Youssef (2/95) and three others indictees in the course of 1995.
- Attack Against Embassy Jakarta (5/86): Tsutomu Shiroasaki 9/96.
- Attack Against CIA HQ (1/93): Mir Aimal Kansi 6/97.
- Pan Am Flight 830 (8/82): Muhammad Rashid 6/98.

#### Aviation Security

We have made important strides in improving the safety of air travel. Among the key advances are:

- Deployment of additional security personnel overseas and at major U.S. airports and the hiring of hundreds of aviation security specialists.
- The creation of an automated passenger screening program along with an expansion of bag matching on domestic flights.
- An aircraft hardening program to reduce aircraft vulnerability to explosive devices.



- We are committed to purchasing and deploying approximately \$100 million worth of security equipment annually and make sure that operators will be properly trained.

### New Threats

The Administration has led the way in putting on the national agenda the threat of terrorist attacks either with weapons of mass or against our critical infrastructure.

### WMD

This year, the Administration proposes to spend almost \$1.4 billion on defense against weapons of mass destruction. A core part of this has been the five-year effort that began in fiscal 1997 to equip and train first responders in the 120 largest metropolitan areas in the nation.

- Last year, you proposed and Congress approved of more than \$300 million in additional funds for weapons of mass destruction preparedness. Initiatives begun include renovation of the public health surveillance system and establishment of the first ever civilian medical stockpile, which will contain necessary medication to treat those exposed to biological or chemical weapons.
- In the FY00 budget, this effort is being stepped up as HHS will receive an additional \$43.4 million for research and development to defend against biological weapons -- almost a 150 percent increase. The bulk of it -- \$30 million -- will go to research on new vaccines, including vaccines for smallpox and anthrax for eventual use in the national medical stockpile.

### Critical Infrastructure Protection:

You are proposing in the Fiscal Year 2000 budget spending of \$1.4 billion to defend against this emerging threat. This represents an increase of \$400 million from the FY 1999 budget proposal.

- The original FY2000 budget submission included funding for the following initiatives: Critical Infrastructure Applied Research Initiative (\$500 million); Intrusion Detection Systems to design and implement a system at non-DoD agencies, similar to that at DoD (\$2 million); Information Sharing and

Analysis Centers (ISACs) (\$8 million), Federal Cyber Service Training and Education Initiative (\$3 million).

- A Critical Infrastructure Budget Amendment was just submitted to accelerate funding for the Training and Education (\$17 million) and FIDNET (\$8 million) initiatives. It also provides funds to expand the ISAC concept to support state and local government efforts (\$2 million); and funds two new initiatives, a Public Key Infrastructure (PKI) pilot program (\$7 million), and an Expert Review Team to analyze federal agency CIP programs and identify vulnerabilities (\$5 million).





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## Opinion

# Clemency Deal Nearly Ruins Hil Senate Bid

**P**resident Clinton's decision to grant clemency to members of the Puerto Rican terrorist group FALN just may have destroyed his wife's chances of being elected senator.



First, she supported the President's action, then she retracted her support when the bricks hit the fan. Her vacillating gave her the worst of both worlds, politically speaking.

It would have been difficult enough for Hillary Rodham Clinton to win for Senate in New York even if the President hadn't taken this outrageous action. The election is a year away, however. Hopefully, she still will establish that she is far preferable to Mayor Giuliani.

What could have motivated President Clinton? His spokesmen says that he was correcting an injustice and that he first considered the idea five years ago, long before the First Lady thought of running. The President's credibility being what it is, few believe him.

Let's examine the alleged "injustice." Each of the prisoners released last weekend was convicted of seditious conspiracy, firearms charges and armed robbery or conspiracy to commit armed robbery. Many of them were linked to bomb factories in the Midwest.

They belonged to a terrorist group that was directly responsible for a series of actions, including more than 130 bomb attacks. These bombs killed six people and left more than 70 seriously injured, including several New York City police officers.

The defense offered by supporters is that those offered clemency were caught before they killed or injured anyone. If they had committed murder, they could have been sentenced to death. As it is, they were sentenced within the range permitted by law. Some appealed, and their sentences were

affirmed.

Supporters also say that these convicted criminals were "freedom fighters," not terrorists, fighting for Puerto Rican independence. In either case, they sought to impose their will on the people of Puerto Rico and the U.S. through acts of terror. Ironically, in a referendum earlier this year, the people of Puerto Rico overwhelmingly refused to vote for independence, an option that received only 2.5% of the vote.

✓ What would those who support clemency for the FALN members say to the armed militiamen who don't recognize the authority of the federal government and have committed acts of terror such as bombing a federal office building in Oklahoma City?

✓ What do they say about the Ku Klux Klansmen who killed or assaulted civil rights workers during the 1960s? The klansman who blew up a black church in Birmingham, Ala., died in jail, but if he were still incarcerated, would the President grant him clemency? Not a chance.

✓ Are left-wing terrorists more deserving of consideration than right-wing terrorists? I don't think so.

Until last week, the President had granted only three of the 3,042 petitions for commutation filed during his tenure in office. Why did he grant petitions filed by these terrorists?

→ Why shouldn't all the documents submitted to the President in support and in opposition to clemency be made public? Hopefully, Congress will get the facts by holding public hearings with all of the relevant witnesses. If the President claims executive privilege, Congress should test his right to do so in court.

We can be sure the President's obituary will include, along with the section on Monica Lewinsky, a major reference to his inexplicable granting of clemency to American terrorists.

Original Publication Date: 09/17/1999

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anything!



Sep

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