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Jennings
Lambrew
HRC
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Reed
Sperling

To HRC

11-17-98

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THE WHITE HOUSE

WASHINGTON

98 NOV 13 PM 2:4

November 13, 1998

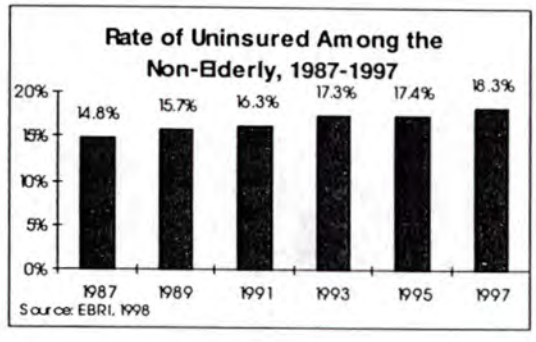
INFORMATIONAL MEMORANDUM TO THE PRESIDENT

FROM: Chris Jennings and Jeanne Lambrew

THROUGH: Bruce Reed, Gene Sperling

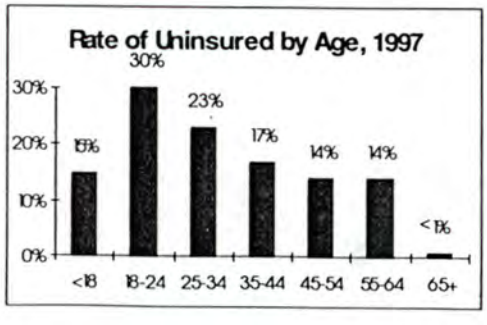
SUBJECT: Recent Uninsured Trends and Analyses

As you know, the Census Bureau recently estimated that 43.7 million Americans are uninsured -- an increase of 1.7 million from 1996 and nearly 5 million from 1992. Insurance coverage is one of the few social indicators that has not improved in the last several years. This contradicts the theory that a strong economy with low unemployment yields a high demand for workers, and thus better benefits like health insurance. It is even more disappointing given record-low health care cost growth in the last several years, which should make insurance more affordable and thus more common. This increase has important consequences since the uninsured are four times more likely to not receive needed health care, have hospitalization rates for preventable conditions that are 50 to 75 percent higher, and place growing uncompensated care burdens on the nation's providers.



Because of the importance of this problem and your expressed interest in these data, we are providing you an analysis of the numbers and recent insurance coverage trends, as well as a summary of their policy implications.

Uninsured by age: Most of the uninsured in America are young; over 80 percent are under age 45 (35.2 million). These uninsured are disproportionately ages 18 to 24 -- 30 percent of whom are uninsured compared to 15 percent of children. The number of uninsured children did not increase in 1997, remaining at 10.7 million. This contrasts dramatically with last year's data that showed that 800,000 of the 1.1 million additional people who were uninsured were children. The change appears to be the result of the unprecedented focus on children's health in 1997. Beginning with the State of the Union and ending with the establishment of your Children's Health Insurance Program (CHIP), the Federal Government and the states started taking actions to address this serious problem. Next year, after Census' data reflects a full year's operation of CHIP, we would expect the number of uninsured children to fall.



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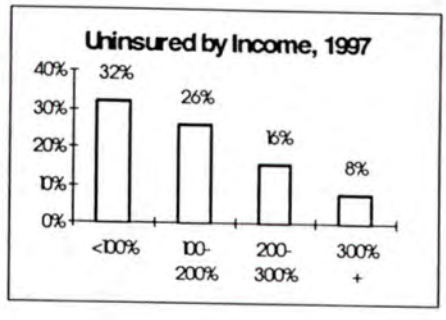
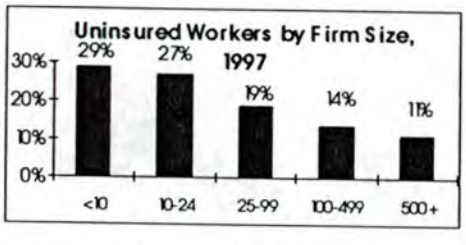
While the likelihood of being uninsured is higher among younger adults, the number of uninsured is growing faster among older adults. One million of the additional 1.7 million uninsured people in 1997 were age 35 or older. The increase is particularly concentrated among people ages 55 to 65: the number of uninsured people in this age group grew faster than all other age groups (7 percent growth). This trend is cause for concern because people ages 55 to 65 become more likely to develop a health problem and less likely to have employer insurance (because their spouses retire and join Medicare, they move to part-time or self-employment which typically does not offer insurance, or they retire). As a result, this age group is disproportionately relies on individual health insurance -- where premiums have been skyrocketing in recent years and underwriting practices remain prevalent. Because of the demographics, there is no doubt that the coverage problem will increase exponentially as the number of people in this age cohort is projected to rise by over 60 percent by 2010.

Uninsured by income: Not surprisingly, people with less income are less likely to have health insurance. Although only 13 percent of the U.S. population, poor Americans (with income less than $16,000 for a family of 4) represent 26 percent of the uninsured -- fully one-third have no insurance. However, reflecting the strong economy, the poverty rate continues to fall and the number of uninsured below 100 percent of poverty did not increase between 1996 and 1997.



Despite the link between lack of insurance and low income, over 80 percent of the uninsured are in working families. The lack of insurance is growing among the middle class; all of last year's additional 1.7 million uninsured had income above the poverty level, with the greatest concentration of people between 100 and 200 percent of poverty. Inexplicably, although still small in number, the uninsured with income above 500 percent of poverty (over $80,000 for a family of 4) rose at an extraordinary 20 percent growth rate in 1997.

Job characteristics and the uninsured: Workers in small firms are less likely to have access to affordable, job-based health insurance. Nearly half of uninsured workers are in firms with fewer than 25 employees. Compared to over 95 percent of large firms, about half of firms with fewer than 10 employees and three-fourths of firms with 10 to 24 employees offer coverage. These facts underscore the need to find better ways for small businesses to pool resources and leverage to bargain for more affordable benefits.



The rate of being uninsured is also high among people who work full time but only for part of the year, most likely due to job change or loss (27 percent). A recent Census study found that over 40 percent of workers with at least one job interruption had a gap in coverage. Because most people are insured through work, insurance coverage often ends with employment changes -- underscoring the importance of the Kassebaum-Kennedy portability and COBRA protections.

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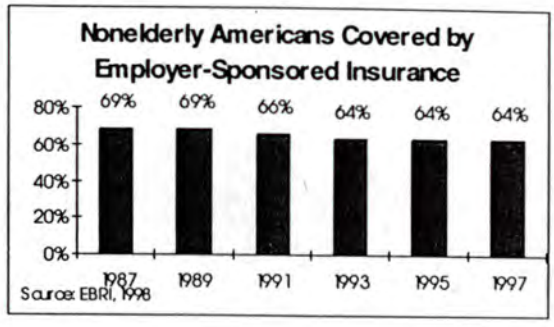
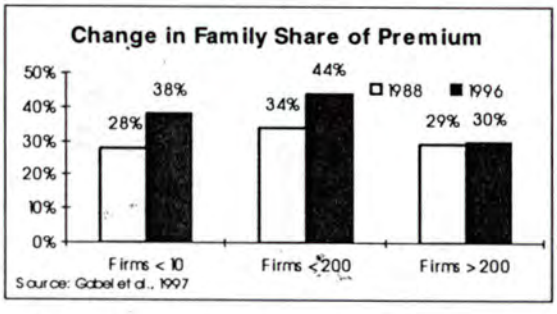
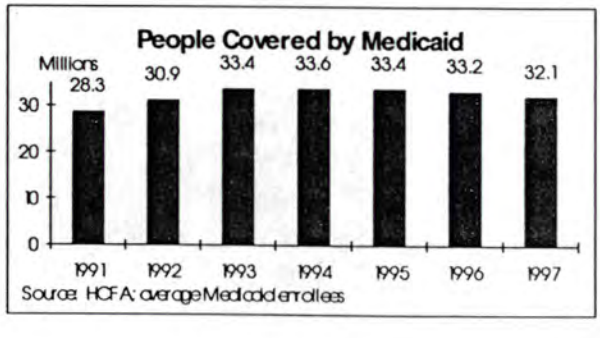
TRENDS IN EMPLOYER-SPONSORED INSURANCE. On the face of it, it does not appear that the increase in the uninsured is directly linked to a decline in employer-sponsored health insurance (ESI). The erosion that occurred in the late 1980s and early 1990s has ended. About 64 percent of nonelderly Americans had employer-based insurance in 1997, virtually unchanged from 1995 and 1996. In recent years, access to job-based health insurance has actually increased, even among small businesses. However, this has not translated into increased ESI coverage because a smaller proportion of people with access to ESI are purchasing it.



Even though more employers are offering health insurance, fewer employees are taking this coverage, primarily because they have to pay more of the premiums. The employee share of premiums has risen, especially in smaller firms. As a result, fewer employees are purchasing this coverage. For example, in 1987, 90 percent of workers in firms with fewer than 10 workers who had access to employer-based coverage took it, compared to 85 percent in 1996. These take-up rates drop as the share of the premium paid by the employee increases. This trend clearly affirms that health insurance affordability plays the most significant role in people's likelihood of buying health insurance.



TRENDS IN MEDICAID. The most notable drop in insurance coverage in 1997, reported by both the Census Bureau and HCFA, appears to come from the number of people covered by Medicaid. There are three possible explanations for this trend. The first and likely most significant factor is that, as the economy has strengthened, fewer people are eligible for Medicaid. This is supported by the fact that the poverty rate has declined, the number of poor covered by ESI has increased, and there was no increase in the number of uninsured children eligible for Medicaid (still 4.7 million). Second, there may be fewer people aware of their continuing Medicaid eligibility in the wake of state and Federal welfare reform. Third, it is becoming more likely that Medicaid beneficiaries misreport that they are covered by private insurance in the Census survey. States have been taking actions to "destigmatize" Medicaid by changing the name of their programs (e.g., TennCare, MinnesotaCare). Also, about 50 percent of Medicaid beneficiaries are enrolled in managed care plans, which are usually private plans. Thus, beneficiaries can easily mistake their coverage for private coverage.



FUTURE TRENDS IN THE UNINSURED. Given the complexity of these trends, it is unclear whether the rise in the number of uninsured will continue. Several compelling factors suggest that it will not and may actually decrease modestly. The Office of National Health Statistics projects that the proportion of Americans covered by employment-based insurance will rise as continued low unemployment will make employers more likely to use insurance to attract workers. Medicaid coverage may increase as well as additional low-income parents become eligible because of the "100-hour rule" welfare-to-work regulation you instituted this past summer and/or due to the states' continued use of Medicaid waivers, which have already covered over one million Americans. We also expect to see a decrease in the number of uninsured children beginning to showing up in next year's Census Report as the effects of CHIP take hold.

As the baby boom generation ages, however, more people will move into the 55 to 65 year old age bracket -- where the proportion of people with ESI is declining and uninsured is increasing. Furthermore, significant premium increases for next year, as some recent reports have projected, may make insurance unaffordable to greater numbers of Americans. While these conflicting trends make it extremely difficult to predict the future with any sense of confidence, it seems unlikely that we will see another significant increase in the uninsured next year.

IMPACT OF ECONOMIC AND EDUCATION SUCCESSES ON THE NATION'S HEALTH. This problem of the uninsured contrasts with tremendous improvements in other national health indicators. Your impressive economic accomplishments have had an impact on the costs of health insurance. For the first time in well over 30 years, health inflation was below general inflation in 1995 and 1996, thus actually reducing the real costs of health insurance. Moreover, gains in education, income and employment have contributed towards record high life expectancy (76.5 years for those born in 1997), a record low infant mortality rate (7.1 deaths per 1,000 live births), an AIDS death rate that is half of what it was in 1992, and a record-high immunization rates. And, historic increases in the investment in biomedical research during your Administration offer real hope for new (and hopefully cost-effective) treatments and cures for the diseases that will otherwise place unprecedented burdens on the nation's economy and health care system when the baby boom retires.

POLICY IMPLICATIONS. The uninsured in America remains one of the most challenging domestic social problems. Not only is the problem large in size, it is complex, crossing income, age and geographic boundaries. Despite its complexity, one fact is clear: making health insurance affordable is and always will be the key to significantly expanding coverage. Even for an employee whose employer pays for 80 percent of the premium, the family share of the premium is typically over $1,100 per year -- more than one out of every $10 of income for a minimum-wage worker. This cost is obviously much higher for people without access to employer-based insurance, especially if they have a history of illness. While traditional insurance regulation can help reduce insurance premium variation and discrimination, independent analysts will not project any substantial coverage expansions resulting from these interventions. In a non-mandate environment, they believe that only significant subsidies can induce a substantial reduction in the uninsured.

Ironically, our ability to propose policies to make insurance more affordable is limited by our success in reducing national health spending. In the last 5 years, hundreds of billions of dollars in excess Medicare and Medicaid spending have been squeezed out of these programs and used productively to help eliminate the deficit, finance children's health coverage, extend the life of the Medicare Trust Fund, and to make the Medicaid program a much more predictable and affordable safety net. However, substantial reductions in Medicare and Medicaid mean that these traditionally utilized funding sources cannot be relied on as offsets for major coverage expansions, let alone long-term Medicare reforms. With this in mind, outside funding sources from the tax code, tobacco, or elsewhere would be needed for a significant coverage expansion.

Administration & Republican coverage expansion ideas. The range of coverage options, currently being prepared through the traditional NEC/DPC/OMB budget process, will include some previous and new targeted coverage expansions. As this memo has documented, the most recent data validate the case for coverage expansions to the pre-65 and "workers-in between-jobs" populations. We also will continue to focus on administrative and possibly legislative outreach policies to encourage enrollment in CHIP and Medicaid to ensure your children's health initiative is a success. However, recognizing the questionable political and budgetary viability of these proposals, we are also reviewing options more likely to be well received in this Congress.

First, we are contemplating policies to encourage states to expand using existing options. With the 100-hour rule regulation, all states can now cover parents of children on Medicaid. Other states have used Medicaid 1115 waivers to cover all people up to certain income levels. Because this would likely require greater financial incentives, one option is making coverage expansions a priority on a short list of acceptable uses for the Federal share of state tobacco settlements.

As an alternative to coverage expansion options, we expect Secretary Shalala to advocate for a significant investment in public health infrastructure. This investment would be used to adapt the safety net to the rapidly changing health system. This idea would likely be better received than a coverage expansion by Republicans. However, if not a capped mandatory grant program, it would either require raising the discretionary caps or place a major strain on the current caps. Also, it would likely be perceived by some Democrats as giving up on coverage expansions.

Since there is bipartisan concern about small businesses' problem in accessing insurance, we are also considering enhancing our previously-proposed small business purchasing coalition grant initiative. We could more aggressively encourage these coalitions by directing OPM to provide technical advice for their establishment and operation, so that they more closely resemble FEHBP. We are also examining granting them non-profit status, to facilitate foundation support.

In 1999, Republicans, too, may consider small business group purchasing policies (although in the past, their versions have been significantly flawed). It is more likely, however, that, if Republicans decide to address the coverage issue at all, they will focus on the use of tax incentives for the purchase of individual health insurance. Encouraging individual insurance is intriguing because nation's reliance on voluntary, employer-based coverage has clearly not been an unqualified success. Moreover, if there is to be any significant investment in health care that the Republicans could possibly support, it would almost inevitably come from the tax code.

THE PRESIDENT HAS SEEN

11-17-95

While acknowledging that tax credits are at least initially appealing, they are no panacea. They are extremely inefficient and expensive, as many of the assumed recipients would already have coverage. For independent experts to validate that the previously uninsured would take advantage of this policy, the credit would have to be quite large. In addition, if used for individual (rather than employer-based) insurance, they would require the type of major insurance reforms that have been historically opposed by Republicans. The individual market is the least regulated, most expensive, most "cherry-picked" and most unstable insurance market.

Notwithstanding legitimate concerns, we believe that tax credits may be the only health coverage expansion vehicle that could be produced by this Congress. As such, we are reviewing possible options for your consideration. For example, it might be possible to merge policies to promote small group purchasing coalitions with tax credits for participating employers or employees. Limiting the tax credit to such entities could further encourage a long-overdue expansion of small business coops. However, such approaches also raise equity concerns (e.g., why discriminate against an employee/employer who does not have access to, or does not want to be in, a purchasing coop) and political arguments (e.g., isn't this too similar to the Health Security Act). DPC, NEC, OMB, Treasury and HHS are reviewing this purchasing coalition/tax credit idea and other tax incentive approaches. We will keep you apprised of developments in this area, as well as other coverage options, as the budget process unfolds.

→ Thank You Bill,
maybe best in long term care—

NATIONAL CONFERENCE OF CATHOLIC BISHOPS

Office of the President

3211 Fourth Street, NE Washington, DC 20017-1194 (202)541-3100 FAX (202) 541-3166

UNITED STATES CATHOLIC CONFERENCE

Most Reverend Anthony M. Pilla, D.D., M.A.
Bishop of Cleveland
President

'98 NOV 17 PM1:16

November 16, 1998

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

Dear Mr. President:

In the name of the Catholic bishops of the United States, I write to urge your Administration to designate the countries of Honduras, Nicaragua, El Salvador, and Guatemala for Temporary Protected Status (TPS). These four countries, devastated by Hurricane Mitch, which has left tens of thousands without the basic necessities to sustain life, are currently unable to handle the return of a large number of nationals and need and deserve special consideration.

We also ask that the designation period extend 18 months. While the immediate danger is temporary, a designation for anything less than 18 months would, in the view of the Catholic community, provide an insufficient amount of time for the countries to recover from this natural disaster. I was heartened to learn that consultations are well underway between the Department of State, the Immigration and Naturalization Service, and other federal offices on this question, and hope you will encourage them to make this designation swiftly.

The bishops of the United States appreciate the financial and other aid the United States has already given to these stricken nations and urge you to continue to provide all necessary additional support to the region. The Church in the United States and throughout Latin America is doing what it can to provide assistance to those in need. We stand ready to assist further the efforts of the United States and the global community in responding to this humanitarian disaster.

The Central American nations affected by this disaster are still in the process of identifying the dead and are just beginning to start the long process of rebuilding their countries. Considering the magnitude of their task, it seems to us to be unjust to continue to repatriate the nationals of these countries at such a time of crisis. A designation of TPS for at least eighteen months would, in our view, provide them the minimum amount of time needed to begin rebuilding their societies.

Thank you for your consideration of our views. I look forward to your response on this very important issue.

Sincerely yours,

+ Anthony M. Pilla

Most Reverend Anthony M. Pilla
Bishop of Cleveland
President

11-17-98

Send to TLSC? for reply

Yes _____

No _____

cc: Maria Echaveste C.

UNITED STATES CATHOLIC CONFERENCE

Migration and Refugee Services
3211 4th Street, N.E. Washington, DC 20017-1194 Tel. (202)541-3352 Fax: (202)541-3399

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FROM: Kevin Appleby
Director
(202) 541-3260

RE: _____

COMMENTS: FYI - Sent 11/16

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ACCOUNT NO.: _____

FAX

Date 11/16/98

Number of pages including cover sheet 3

TO: Nancy Hernreich

Phone (202) 456-6610
Fax (202) 456-6703

FROM: Ogden Reid '98 NOV 17 AM10:56
Council of American Ambassadors
888 17th Street, NW
Suite 901
Washington, DC 20006
Phone (202) 296-3757
Fax (202) 296-0926
E-mail council@his.com

CC:

REMARKS: ☐ Urgent ☒ For your review ☐ Reply ASAP ☐ Please Comment

Dear Ms. Hernreich:

The original letter and its enclosures will be forwarded tonight. We would appreciate it very much if you would bring the letter to the President's attention.

Thank you for your most kind consideration.

11-17-98

Send to NSC?
Yes ✓
No

COUNCIL OF AMERICAN AMBASSADORS

November 16, 1998

DETERMINED TO BE AN ADMINISTRATIVE

PERSONAL AND CONFIDENTIAL MARKING INITIALS: MM DATE: 1/31/22

2019-0403-S

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

Dear Mr. President:

As you perhaps know the Council of American Ambassadors has followed events vis-à-vis Iraq, the United Nations and the United Nations Special Commission (UNSCOM) somewhat closely in recent months. Ambassador Richard Butler has written two pieces for The Ambassadors REVIEW — "Iraq and Weapons of Mass Destruction" (Spring 1998) and "The United Nations, the Security Council and Iraq" a few days ago. Further, we heard detailed briefings by three UN Under Secretaries on the sanctions question, food and medicine at USUN this spring.

Four points seem relevant to me, at a distance, in this situation:

1. Ambassador Butler, in his piece published this spring, reported that Saddam Hussein was only six months away from producing a sophisticated nuclear weapon. Although the capability at that time was terminated, the inference was strong that Saddam is looking in a major way to develop and maintain biological and chemical weapons along with the means of their delivery as his new atomic bomb capability. There appears to be not the slightest indication that he is prepared to drop this program of weapons-of-mass-destruction as a major Iraqi priority.

2. A crucial requirement—reportedly—must be the capability of UNSCOM to conduct "no notice" or surprise inspections without restrictions. Here two thoughts may be pertinent: (a) intelligence may need to be more current, i.e. virtually overnight and (b) greater attention to "bugging" both in New York and in field offices in Iraq may well be indicated.

888 SEVENTEENTH STREET, NW • SUITE 901 • WASHINGTON, DC 20006-3939 • PHONE: (202) 296-3757 • FAX: (202) 296-0926
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PERSONAL AND CONFIDENTIAL

3. The UN presentation on sanctions and to some degree the press perception needs to be articulated in a much more balanced and accurate way. It is our understanding, based on off-the-record briefings by several UN Under Secretaries, that Iraq has done virtually nothing to modernize agricultural production while at the same time spending untold billions on construction, including palaces. Second, we were apprised of a number of instances where UN officials tried to speed up and/or increase food deliveries and medicines only to be met by Iraqi delays and intransigence out of context with protestations re the needs of children and the Iraqi people generally.

4. The credibility of the Security Council resolutions and of the UN itself will, I believe, be enhanced by your strong leadership. Should Iraq fail with regard to timely and "complete compliance," your commitment to be "ready to act" will help ensure that the UN does not go the way of the League of Nations which Anthony Eden talked to me about sadly on more than one occasion.

We are enclosing copies of the current issue of The Ambassadors REVIEW, and I thank you in advance for pièces written by leading members of your Administration, including Lawrence Summers, Stuart Eizenstat, Karl Inderfurth and Lyndon Olson.

With warm regard.

Sincerely yours,

Ogden Reid
President

Enclosures

PERSONAL AND CONFIDENTIAL

SANDRA MACKEY
Writer

3590 Cloudland Dr., N.W.
Atlanta, GA 30327
(404) 262-7176

November 17, 1998

President Bill Clinton
The White House
Washington, DC

'98 NOV 17 AM11:21

Dear Mr. President:

I just want to add my voice to those who think your handling of the latest crisis with Iraq was masterful. You exercised the patience to build the coalition so essential to the success of any American military strike on Iraq and you demonstrated wisdom and courage in deciding to pull back from military action that held the potential of causing more problems than it solved. The post crisis rhetoric that puts the United States on the side of the Iraqi people and plants a vision of a post-Saddam Iraq has also been excellent.

I know it is difficult with all of the talking heads on television but keep the American public focused on your strategic objective stability in the Persian Gulf and keep the Arabs focused on the need to address the Iraqis physical and political suffering under the heel of Saddam Hussein. It will serve you well in the next crisis.

As of now, I am still planning to leave for Amman, Jordan on Friday, November 20 in order to arrive in Baghdad on November 23. My departure date from Baghdad will be no later than December 11. I am undertaking this difficult trip in order to do research on a book on Iraq. It is intended to put the country and the people in a historical and cultural context to explain why Iraq is as it is and how someone like Saddam Hussein has gained power and held on to it. The purpose of the book is to contribute to the dialogue on how the United States can best deal with the challenges posed by the inevitable post-Saddam era.

Again, thank you for your wise and capable leadership.

Sincerely,

Sandra Mackey

11-17-98
Send to Berkhardt -
yes ✓
no ___

Coord with NSC

THE PRESIDENT HAS SEEN
11-17-98

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

'98 NOV 13 PM5:40

November 13, 1998

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Sperling (pgl)
Reed

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE

CC: JOHN PODESTA

SUBJECT: OSTP WEEKLY REPORT

Information Technology (IT) Initiative

The public debate over FY 2000 spending on IT is heating up. Members of your Information Technology Advisory Committee (PITAC) fear you may commit resources only to DOE's Strategic Simulation Program (SSP) -- designed to buy supercomputers for application to mission needs -- in lieu of the programs they have recommended at NSF, DARPA and other agencies that will address IT research in software, high-end computing, and other research needed to ensure IT continues to grow our economy. As you know, I favor a balanced program of IT research and applications in the mission agencies, and I remain hopeful that we will find the resources to cover all of our needs in this vital area. But in a tight budget, I favor a balanced investment in IT research, as recommended by PITAC. I have initiated discussions with Jack Lew and Gene Sperling concerning my detailed recommendations for an IT initiative. Members of their staff have been very helpful in developing a good plan.

Human Embryo Stem Cell Research

Last week, two groups of privately-funded researchers reported advances in isolating and growing human stem cells. In these reports, stem cells were derived from two sources; embryos left over from successful in vitro fertilization cycles and aborted fetuses. Several newspaper articles noted the absence of Federal funding and regulation of embryo research. Your 1994 ban on using Federal funds to create human embryos for research purposes was not violated by either group. The 1995 Congressional ban on NIH embryo research funding would have been violated by the group using embryos, had they received public money. HHS General Counsel is reviewing the language of the Congressional ban to determine if NIH-supported scientists can *use* the stem cells already growing in the laboratory. Even if such use is does not fall under the ban, a policy decision as to whether or not to allow such use remains an open question. Harold Varmus would very much like to allow public sector scientists to use these promising cells for basic biological research.

In a front page story in yesterday's (11/12/98) NYT, a Massachusetts biotechnology company, Advanced Cell Technology (ACT), announced it has applied for a patent on technology resulting in the creation of human stem cells derived from fusing a human cell with a cow egg that had its

nucleus removed. This technique is similar to that used to produce Dolly, but in this case the intent was to produce human stem cells, not cloned offspring. Human stem cells have enormous potential to treat many diseases such as diabetes and Parkinson's. The human cell/cow egg hybrids, which result in what the company calls "embryonic stem cell-like" cells, add to the growing list of ethical issues resulting from recent advancements in biomedical research. Until this research is published in peer reviewed literature, many scientists will remain skeptical of the veracity of this claim. ACT's report links cloning with other new methods for obtaining human embryonic stem cells.

Late yesterday, the biotechnology trade organization issued a statement urging you to ask your National Bioethics Advisory Commission (NBAC) to consider issues raised by stem cell research. I am currently working with DPC, COS and NIH to prepare a letter for your signature to NBAC requesting that they review the ethical, social and legal issues raised by these two developments.

PCAST To Meet Next Week

Your Committee of Advisors on Science and Technology (PCAST) will next meet on Thursday, November 19 at the White House Conference Center. John Podesta and Secretary Richardson will meet with PCAST members in the morning for informal discussions. During the afternoon public session John Yochelson, President of the Council on Competitiveness, and Director Lew will discuss the S&T budget outlook for the 21st Century.