

FINAL

Testimony

Donna F. Shalala

U.S. Secretary of Health and Human Services

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Introduction

Thank you Mr. Chairman and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you to talk about the Contract with America and to begin what I believe is an important dialogue with each other and the American people.

In the last two major elections --

The presidential election of 1992 and the congressional elections of 1994 --

The American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

That is why we are here today.

To write a new chapter in bipartisan government.

One that begins with a conclusion -- And that is to make sure that at the end of the day we have taken action to improve the lives and prospects of every American.

I am here to pledge the commitment of the Clinton Administration to this approach.

We have already picked up the mantle of change and for the past two years we have been about the business of carrying out the will of the people.

We passed the largest deficit reduction plan in history -- nearly \$500 billion dollars over five years.

We created over 5 million jobs.

We worked with many of you on this committee to pass NAFTA and GATT -- historic legislation that will open up foreign markets for our products and open up lucrative job opportunities for millions of Americans.

We expanded the Earned Income Tax Credit -- which reduces taxes for 15 million working families and creates a powerful incentive to work and stay off welfare.

And as a next step, we have proposed the Middle Class Bill of Rights to reduce taxes for hard-pressed working families who are struggling to save money, send their children to college, and prepare for a better economic future.

We did one more thing that should not be overlooked or forgotten: We worked long and hard to put the American people first by addressing two of the great domestic policy challenges of the century: health care reform and welfare reform.

I want to begin today by talking about our vision for welfare reform and our view of the Personal Responsibility Act found in the Contract with America.

Welfare Reform

After consulting with members of Congress, people on welfare, business leaders, welfare experts, and governors all across the country, President Clinton honored his promise to the American people by introducing the Work and Responsibility Act of 1994.

This legislation would fundamentally change this country's approach to helping young parents move from dependence to independence, and it grew out of the President's long-standing commitment to welfare reform.

As governor of Arkansas, he worked closely with national and state officials from both parties to pass the Family Support Act of 1988.

That legislation served as the impetus for states to begin a major effort at changing the welfare system to one that encourages work, not dependency.

When he ran for President, he called for "an end to welfare as we know it."

Since the election, we have worked with governors and elected officials to give 24 states the flexibility to design welfare reform strategies that meet their local needs.

This is more waivers than all other previous Administrations combined.

Rooted in the bedrock American values of work and responsibility, the central focus of our approach to welfare reform is a few simple goals:

The first is to move parents off welfare and into jobs as quickly as possible so that they can support themselves and their families.

The second is to require absent parents to meet their responsibilities and pay child support.

And the third is to reduce teen pregnancy.

Mr. Chairman, I believe we all share these goals.

The President's approach to welfare reform emphasizes three important values: Work, responsibility, and reaching the next generation.

I think these are widely-shared values -- American values -- values that built this country in the past and are critical to our future.

Today, welfare has the values wrong: We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Yet, from our perspective, there are elements of the Contract with America that seem inconsistent with these values.

Let's talk about work first.

We strongly believe that welfare as we know it will not have ended until we fundamentally change the system: welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement will be provided to help people who are willing to work make the move to independence.

But time limits will ensure that welfare is seen as a hand up, not a handout.

We are committed first and foremost to ensuring that everybody who can work does work.

The American people want a government that honors their values and rewards people who play by the rules.

If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives -- and help them get ahead when they do.

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That's still the case: People who can work ought to go to work and earn a paycheck, not a welfare check.

That is what this great national debate on welfare reform must be about. More "something for nothing" is not the answer. More orphanages are not the answer. Work is the answer.

Our welfare reform bill puts work first, and in so doing, it differs from the Personal Responsibility Act in some important ways.

First, our plan sends an critical message to people from the very first day they go on welfare: You must work; we expect you to work; and we will help you prepare for work so you can stay off welfare for good.

To prepare people to work and support their families, we would require those who are employable and who would benefit from having more skills to move into work as quickly as possible by engaging in upfront job search, education, and training -- and we would expect states to hold up their end of the bargain.

Indeed, we believe that people on welfare ought to sign a personal responsibility agreement and develop an employability plan.

Most of them will welcome the opportunity to move rapidly to work. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences are clear: Cash assistance will first be reduced, then eliminated.

We also believe that people who can work should be treated differently from those who can't. And here is where I draw a sharp distinction between our approach and the Personal Responsibility Act.

In 1988, Congress passed and Ronald Reagan signed the Family Support Act, which established the important principle that welfare should be a transitional system leading to work.

Education and job training were to be required for most job-ready applicants.

Unfortunately, over one-half of the caseload was exempted, and, among those who were not, only twenty percent were required to participate. For example, broad exemptions were made for women with any child under age three, young mothers under age sixteen, and women in the second trimester of pregnancy.

We believe that these exemptions should be significantly narrowed, but we have suggested exemptions for people with disabilities or for those who need to care for disabled children.

Temporary deferrals also would be narrowed: twelve months for the birth of a first child, and twelve weeks for the birth of a second.

In addition, under our approach, once people reach their time limits, if they are able to work but can't find jobs, we require them to work for their benefits in temporary subsidized jobs.

This also sends an important message -- it says to people on welfare and to their children that work is an expected and necessary part of life and one of our society's greatest values.

In contrast, in the Personal Responsibility Act, all adults simply are cut off from assistance after two to five years, even if they are willing to work but can't find jobs, are providing full-time care for disabled children, or are unable to work because of disabilities.

Moreover, this is a lifetime limit: once adults reach their limits, even if they go to work for many years and then lose their jobs during a recession or due to illness, they cannot get aid.

The second key value in our approach is responsibility.

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We believe that because every child has two parents, both of them should be required to support their children.

That's why we have proposed the toughest child support system ever. Both parents must live up to their responsibilities -- and child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just \$8 dollars a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who've been financially abandoned.

These are shocking statistics.

Overall, the potential for child support collections is estimated at \$48 billion per year. Yet only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

We must close that gap -- and we will.

We have proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It includes a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would impose tough new penalties for those who refuse to pay: wage withholding, suspension of drivers' and professional licenses, and even property seizure.

In stark contrast, the Personal Responsibility Act includes few child support enforcement provisions and could actually reduce resources for enforcement by capping funding for child support enforcement and other low-income programs.

The Family Reinforcement Act does include some minor changes in the rules governing interstate enforcement processes, but, by themselves, these changes would do little to increase collections.

We must do much more. That is why child support enforcement is a central part of the President's approach. Governments don't raise children, parents do.

Moreover, attempting to implement welfare reform without strengthening child support enforcement sends the wrong message:

It says that the non-custodial parent who is one-half responsible for the birth of a child does not have any responsibility for supporting that child.

In addition, our approach would deny AFDC benefits to the mother only after the state has determined that she was not willing to identify the father.

Once the state determines that the mother has identified the father, then the responsibility properly rests with the state to establish paternity. We give the state one year to establish paternity or face penalties.

The Personal Responsibility Act denies benefits for any child for whom paternity has not been established -- whether or not the mother has identified the father, whether or not the state has made a serious effort to locate the father, and regardless of how long ago the child was born.

One of the most basic ways to reinforce responsibility is to hold the right person accountable:

What sense does it make to hold children accountable when, in fact, their mother has cooperated and the state has not done its part to establish paternity?

I hope we can work together to address this issue.

In our approach to welfare reform, we expect individual responsibility, but we also demand responsibility and accountability from government. That's why our approach requires states to work with the federal government in implementing new state-of-the-art anti-fraud measures.

These new systems are designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits.

These new systems also will help to locate absent parents who are not paying their child support.

The Personal Responsibility Act does not create any of these systems; in fact, it reduces funding for anti-fraud efforts.

The final bedrock value in our approach to welfare reform is the importance of reaching the next generation.

By that, we mean putting into place preventive measures to break the cycle of dependency and ensure that future generations don't pick up where their parents left off.

A key to doing that is taking a strong stand against teen pregnancy.

We recognize that welfare dependency could be significantly reduced if young people delayed childbearing until both parents were ready and able to assume the responsibility of supporting and raising children.

That's why our approach requires that a minor parent live at home, identify her child's father, and stay in school to get benefits.

Our plan of time limits and work requirements sends a strong message to young people that welfare will never be the same. From now on, welfare will be a second chance, not a way of life.

But we strongly disagree with the approach taken in the Personal Responsibility Act, which would be to deny benefits to children born to mothers under age 18 -- whether or not their parents are able to work, and whether or not they're properly caring for their young children.

Ironically, under the Personal Responsibility Act, those mothers can receive aid for themselves and additional children if the children are born after the mothers turn 18 (or 21 at state option).

The question we have to ask ourselves is what would happen to the hundreds of thousands of children who would be denied aid by this provision -- and the millions more who could ultimately be denied assistance because of other sections of the Personal Responsibility Act.

The Personal Responsibility Act suggests sending them to orphanages. We are convinced that this proposal is both wrong and unworkable.

It will divide families when we should be strengthening them. It will let teen fathers off the hook when we ought to be holding them accountable. And it could lead to more poverty, more spending, and more bureaucracy at a time when we desperately need less.

According to the Child Welfare League of America, the average annual cost per recipient of orphanage care is \$36,500 per child. We estimate that the federal AFDC savings from the Personal Responsibility Act returned to the states could fund

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fewer than 9,000 orphanage slots for the entire country -- all fifty states!

Even if we add in all state and federal dollars for AFDC recipients on AFDC, Food Stamps, WIC, the school lunch program, and housing aid, the average benefit per recipient amounts to only about \$3,300 per year. The Personal Responsibility Act returns far less than that.

So, what will happen to the other children?

Of course, we're not suggesting that all of them will wind up in orphanages.

In fact, some parents will move on to lives in the mainstream.

But, for those who cannot do so, there are several things that could happen.

First, states could pick up the bill for orphanages at \$36,500 per child ...

... potentially a huge cost shift to states.

States could try to expand the already strapped foster care system -- but foster care costs \$10,950 per child per year and is four times the cost of caring for a child in the AFDC program.

Or, governors and citizens could hope and pray that private charities or the children's other relatives rise to meet the demand.

We don't believe that's right or realistic.

The solution to welfare is not to make children go to orphanages, it's to make their parents go to work.

We must take bold steps to tackle the problem of teenage pregnancy -- but that does not mean that we should give up on teenage parents.

To be eligible for support, we must insist that they stay in school, live at home, and prepare for work.

We know that there are abstinence-based programs that are working in communities all over this country.

We must give more of those programs a chance to succeed.

All of us must be part of a national effort against teen pregnancy, and make it clear that a young person should not get pregnant or father a child if both parties are not prepared to take responsibility for that child's future.

Teenagers must be discouraged from having children, but if they do, they must also get the help they need to become good providers and role models.

That is to say, welfare reform must strengthen families, not weaken them.

It should help young mothers and their children escape welfare, not support long-term dependency.

That is why the President's approach would require work, not encourage orphanages; put a two-year time limit on welfare benefits and then insist that recipients go to work; devote more resources to child support enforcement -- not less; and mount a new effort to fight welfare fraud.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I am hopeful that as these issues are debated we remain committed to seeking bipartisan solutions through an open dialogue that will benefit all Americans.

Mr. Chairman, as we join forces to move people from welfare to work, we will need to address the bureaucratic absurdity and human tragedy of "welfare lock," which occurs when people who want to work go on welfare or stay on welfare because they do not have health insurance and therefore need the services provided by our Medicaid program.

The way to address this tragedy is to make sure that all working families have access to affordable private health insurance.

This will require some reform of our health care system, which is another area where this Administration has taken up the people's call for change.

Health Care Reform

While we are disappointed that we could not achieve broad-based agreement on a health reform initiative in the 103rd

Congress, there can be no disagreement on the fact that we still face the enormous problems of increasing health care costs and decreasing coverage.

The Administration remains firmly committed to providing insurance coverage for every American and to containing health care costs for families, businesses, and Federal, State, and local governments.

As the President has said, in this session of Congress, we can and should take steps toward achieving these goals.

We can pass legislation that addresses the unfairness in the insurance market, makes coverage more affordable for working families and children, assures that the populations served by Medicare and Medicaid are protected, reduces the long-term Federal deficit, and strengthens tools available to combat health care fraud, waste, and abuse.

We stand ready to work with the 104th Congress in confronting these challenges on a bipartisan basis.

Long-Term Care

Another health challenge we must face is long-term care.

On long-term care, we continue to endorse assistance to states to develop home and community-based care systems that support people with disabilities, regardless of age, condition, or income;

that strengthen families' abilities to care for their disabled family members;

and that allow flexibility so that states and communities can tailor services to their specific needs.

Such support is an essential component to assuring the availability of services for people with disabilities throughout our country.

Alongside promotion of home- and community-based care, we support changes in the tax code that would give long-term care insurance (and services) the same preferred tax status as standard health insurance, provided that insurance policies meet certain consumer protection standards.

While we agree with the notion of extending preferred tax treatment to long-term care insurance, we feel strongly that insurance should include information and be marketed in ways that help seniors understand the benefits and limitations of insurance policies.

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We also agree with the notion of helping caregivers, but the tax credits proposed in the Contract may not be the best way to target limited resources to caregivers and families in need. We may be better able to help caregivers and people with disabilities with grants to states for services tailored to community needs. We look forward to working with you on this.

Balanced Budget Amendment

All of the policy issues I have discussed today would be profoundly affected by the provision in the Contract with America that would require all federal budgets to be balanced in the year 2002 and afterwards.

Let me be clear: while we support the goal of a balanced budget, the proposal that is included in the Contract would require an unprecedented level of reductions in our programs -- including Medicare, Medicaid, SSI, Head Start, and NIH research.

This is because all of the savings likely would have to come from the domestic spending side of the federal budget.

If Social Security is protected as some have promised, and defense reductions and tax increases are not on the table, all other domestic spending programs, including those at HHS, would

have to be reduced by 28 percent. Such reductions would drive millions more families into poverty.

Analyses conducted for my Department by the Urban Institute suggest that even a 20 percent cut in our programs would reduce incomes for over seventeen million individuals and families and result in 3.7 million additional people being on the poverty rolls.

We should not forget that our Department also has responsibility to ensure the safety and health of all Americans through the work of critical HHS agencies charged with protecting the public health. The cuts that could be required under the Contract proposal for a balanced budget could seriously jeopardize our capability to meet these obligations.

Conclusion

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues in the new Congress.

We still have a big job ahead of us as we work to improve health care for the American people by promoting health insurance security and containing costs.

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And, in welfare, we must work together to put in place a system that moves people from welfare to work, that protects children, that rewards people who work hard and play by the rules, and that holds parents accountable.

I believe that we have a rare opportunity -- on welfare and many other issues -- to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it's time to end welfare as we know it, we also must end politics as we know it.

We're ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.

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We also agree with the notion of helping caregivers, but the tax credits proposed in the Contract ~~reach too few people with too few dollars~~. We ^{may be} can better help caregivers and people with disabilities with grants to states for services tailored to community needs. We look forward to working with you on this.

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This is because all of the savings would have to come from the domestic spending side of the federal budget.

If Social Security is protected as some have promised, and defense reductions and tax increases are not on the table, all other domestic spending programs, including those at HHS, would have to be reduced by 28 percent. Such reductions would drive millions more families into poverty.

Analyses conducted for my Department by the Urban Institute suggest that even a 20 percent cut of our programs would reduce incomes for over seventeen million individuals and families and result in 3.7 million additional people being on the poverty roles.

We should not forget that our Department also has responsibility to protect the safety and health of all Americans through the work of the National Institutes of Health, the Food and Drug Administration, and the Centers for Disease Control and Prevention. The cuts that could be required under the Contract

proposal for a balanced budget would not allow us to meet these obligations.

Conclusion

These cuts would also shift costs dramatically to our States.

Let me assure you, we have learned a great deal by working with states on both health reform and welfare reform.

States have made it clear that they need and want flexibility in designing local solutions to local problems, but they also want the federal government to play a role in setting broad goals, ensuring accountability, and protecting them from cost-shifting.

In health care, the federal government should do all it can to ^{promote health insurance security as well as to contain} ~~expand coverage and control~~ costs.

In welfare, the federal government should put in place a system that moves people from welfare to work, that protects children, that rewards people who work hard and play by the rules, and that holds parents accountable.

The President has invited governors and others to join him in a welfare working session later this month.

I believe that we have a rare opportunity -- on welfare and many other issues -- to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it's time to end welfare as we know it, we also must end politics as we know it.

We're ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.