From Larry Haas

Approved by: George
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Talking Points:

***Washington Post* Story About a Second Clinton Budget**

June 2, 1995

- The President has already said that he believes we can balance the budget in about 10 years.

- He also has said that he thinks that balancing the budget in 7 years is too fast:

  -- It would require massive tax increases or spending cuts.

- The President clearly is committed to building on his success in reducing the deficit.

  -- His 1993 economic plan will bring a cumulative $1 trillion in deficit reduction over 7 years.

  -- The deficit, which was $290 billion in 1992, dropped to $203 billion in 1994 and will drop further to about $193 billion this year.

- He has also said, however, that we must understand the purpose of budget policy -- to raise living standards.

  -- One way to do that is to reduce government borrowing.

  -- Another way, however, is to continue investing in programs that will help average Americans get the skills they need for high-wage jobs.

- Thus, it makes no sense to balance the budget in 7 years, if that requires massive cuts in the very programs that will help average Americans.

- The President has laid out a set of principles:

  -- no huge tax cut that's skewed disproportionately to the wealthy, as in the House budget resolution,

  -- no Medicare cuts outside the context of health care reform, and

  -- no cuts that would make the "education deficit" worse.

- The President has said that, at the appropriate time, he is eager to seriously engage with the Republicans.

  -- To do so, he obviously wants to have credible proposals.

- He has not decided, however, precisely when he will engage or what form his proposals will take.

-- **Cut Education, Training and Employment Services**. We are reforming programs the right way, by consolidating over 70 programs and putting funds directly into workers' hands as Skill Grants. Representative Kasich's "illustrative"c cuts include **over $10 billion** from job training and adult education. This would **eliminate over 3 million training opportunities and Skill Grants.**

-- **Cut School-to-Work**. These funds support a 50-state movement that is creating thousands of paths out of high school and into jobs with good wages and a future. The rescission cuts school-to-work some, and Rep. Kasich would cut an additional $723 million from School-to-Work and Goals 2000. **This proposal would delay reforms in 22 states not already receiving support.**

3. National Service

Gut AmeriCorps. Republicans in the House would effectively shut AmeriCorps down. This year and next, 30,000 people would be sent home or prevented from serving, and over 100,000 people would lose the chance to serve over the next 5 years.

4. K-12 Education

Cut School Lunches and Breakfasts. Republicans in the House cut $2.3 billion from their school nutrition grant, capping it at a rate that will not keep up with inflation and increases in the number of school children. Had this block grant been in place in 1989, **over 1 million children who received nutritious free lunches in 1994 could not have gotten them.**

Cut Goals 2000. The House rescission alone ($174 million) would cut off funds for 4,000 schools to raise academic standards and improve teaching. Eliminated are initiatives to make sure that parents play a strong role in improving schools.

Eliminate Drug-Free Schools and Communities Funding ($472 million rescission). These funds help 94% of school districts prevent drug use and violence, through efforts that include buying metal detectors and hiring security personnel.

SOCIAL SECURITY, MEDICARE, AND MEDICAID

They haven't yet come up with this proposal

Q: MEDICAID AND MEDICARE: What do you think of Republican proposals to cap the growth in Medicare and Medicaid ~~at a fixed percentage~~?

Unfortunately, for too many Republicans in Congress, "health reform" has turned into a code word for slashing Medicare and Medicaid to pay for tax cuts for the wealthy. Capping the rate of growth in Medicare and Medicaid in the way

that some Republicans have suggested would **cut Medicare by about $300 billion and Federal Medicaid spending by ~~at least $180 to~~ $190 billion between now and 2002.** more than

It's not hard to figure out what that means for the doctors and hospitals who treat patients receiving benefits under these programs, and for the patients themselves. These cuts would:

- **Shift a large financial burden to elderly and disabled Medicare beneficiaries, or to small businesses and families who will pay higher premiums and fees if these programs are slashed without overall reform.**

- **Cause mothers and children on Medicaid to be dropped from coverage or see their benefits severely reduced.** Alternatively, states would have to pick up the tab to preserve the Medicaid program, and in doing so, be forced to raise taxes or slash spending for services like education and public safety.

- Result in deep cuts in payments to hospitals, physicians and other providers.

I have consistently said that we cannot get a hold of the deficit without passing meaningful health reform. Over the next five years alone, almost 40 percent of the growth in total Federal spending will come from rising costs in Federal health care programs. We must contain costs in these programs. But we must do it as we reform our health care system as a whole -- not by arbitrarily cutting programs that serve the most vulnerable Americans.

Q: MEDICARE TRUST FUND: The recent Medicare Trustees' report indicates that Medicare is in significant trouble. Would you endorse any cost-saving measures?

The Medicare HI Trust Fund actually shows modest improvement due to the actions taken in our 1993 budget plan and the strong 1994 economy. Just 2 years ago, Trust Fund depletion was projected for 1999, now it has been delayed to 2002.

These problems are not new.
The financial problems faced by the Medicare HI Fund reflect the problems affecting the entire health care system. I look forward to working with the Congress on developing lasting solutions to the Medicare fiscal problems in the context of broad-based health care reform.

We need to do broad-based health reform, not simply slash Medicare, because deep cuts in Medicare will hurt the elderly and our entire health care delivery system:

-- For example, (in the absence of reform) as the number of uninsured continues to grow, significant cuts in Medicare would **severely strain, if not decimate, many of our fragile health care delivery systems in rural and inner-city communities.**

-- In addition, large Medicare cuts are likely to result in **cost-shifting to many small businesses and individuals** -- to those Americans who are already paying the highest insurance premiums in the nation.

HEALTH CARE FOLLOW-UP: Then what does the Administration plan on doing about health care?

Clearly our health care system still has problems that we need to address. Nearly forty million Americans have no health insurance and millions more are just one pink slip or illness away from losing it. Eighty-four percent of the uninsured in 1993 were in working families, and more that 55 percent lived in families headed by full-time workers. And while health care costs have begun to slow down, ~~they are continuing to rise at three times the rate of inflation.~~ it is unclear whether this represents a long-term trend, and health care costs are still growing faster than inflation.

I believe that we should take a step-by-step approach. Congress has already passed legislation that I support ~~which would level the playing field for the~~ for the self-employed by giving them the same tax treatment as other businesses. This is a good start, but Congress can and should do more. which will make insurance more affordable

This year we can also:

-- Reform the insurance market -- so that people don't lose their insurance when they lose their job or change jobs or a family member falls ill, and so that small businesses can afford to buy insurance for their workers.

-- Make coverage affordable for and available to children.

-- Help workers who lose their jobs keep their health insurance.

-- Help families provide long-term care for a sick parent or a disabled child.

-- I look forward to working more with Congress this year on these steps.

SOCIAL SECURITY: There is a great deal of talk about the insolvency of the Social Security Trust Fund and the need to change the system. Do you oppose any changes in Social Security?

Short Answer: Social Security is a vital American institution that has enabled millions of Americans to stay out of poverty and live in dignity for decades. To the degree that there are long-term issues about its solvency, we have to take them up in a serious, bipartisan way--just as we have done in the past. I strongly oppose using

Social Security as a bank to pay for anyone's campaign promises -- whether large tax cuts or a balanced budget amendment.

Detail: In any event, the situation of Social Security is not as dire as you make it sound. The Social Security Trust fund is now in surplus, collecting more than is needed to pay today's benefits. Those surpluses are projected to continue through 2013, and the trust fund will be able to pay out all promised benefits until 2029. So in the near future, Social Security is in sound financial shape.

Social Security does have a deficit over 75 years, and in the longrun we will have to deal with this with a bipartisan, longterm approach. The Quadrennial Social Security Advisory Council is now studying this issue and will report to Secretary Shalala this summer.

Follow-Up: Would you consider means-testing Social Security?

Social Security is already a progressive program--with higher-wage workers receiving relatively smaller benefits. I've supported counting some of the benefits of the most well-off recipients as income for tax purposes, but I believe that it would be wrong to erode benefits further for any recipients. Means-testing would put Social Security on the road to becoming a welfare program rather than a universal American institution. And, it would also reduce the benefit from saving privately for retirement, discouraging some from saving as much.

SCHOOL LUNCHES AND BLOCK GRANTS

Q: 4.5% GROWTH: Speaker Gingrich has called your statements on school lunches "grotesque." Doesn't the Republican bill allow the school lunch program to grow by 4.5% per year?

A: **First, when it comes time to pay for their tax cuts for the wealthiest, the Republicans themselves acknowledge that they are cutting $2.3 billion from school nutrition.** In their official budgeting--the official "scoring" by the Congressional Budget Office--the Republicans show $2.3 billion in savings from school lunches over 5 years.

Second, the 4.5% figure is just plain wrong. It's based on informal worksheets--not the real legislation. The truth is, their block grant doesn't rise quickly enough to keep pace with food prices and the growth in the number of students. When you don't provide enough funding to keep up with the number of young people who are eligible or food prices, then your only choices will be cutting students out of the school lunch programs, or cutting the quality of lunches--or both.

THE WHITE HOUSE

WASHINGTON

April 12, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Gene Sperling, Robert Gordon, Theo Lubke

SUBJECT: Q&A for CNN Interview

The following includes Q&A in the following subject areas:

1. Flat Tax/Tax Pledge/Veto
2. Budget and Entitlements
3. Education
4. School Lunches and Block Grants

An addendum on the dollar from the Department of Treasury is attached.

FLAT TAX/TAX PLEDGE/VETO

Q: FLAT TAX: What do you think of current proposals, like the flat tax or a broad consumption tax, that would significantly reform the tax code to make it less complex and burdensome?

A: I'm willing to consider any serious proposal to simplify the tax code and make doing income taxes easier while still keeping it fair for working families. I fear, however, that some of these attempts are nothing more than **a veil to cover a shift in tax burdens which will make the tax code more regressive and balloon the deficit.** Because these proposals are much more complicated than their advocates claim, they must be seriously analyzed and subjected to a thorough national debate before we can take any action.

Flat taxes tend either to explode the deficit or to make the tax code far less fair. For example, when the Treasury Department analyzed one recent proposal, it found that the effect would be either to explode the deficit or to require that taxes for every taxpayer earning under $200,000 go up so that those earning over $200,000 could get a tax break averaging over 25 percent.

In addition, many of these proposals would eliminate the home mortgage deduction or the deduction for charitable giving, while raising the burden for middle-income families. They are not likely to be popular.

Flat tax proposals tend to have the same distributional effect as the Contract with America--requiring cuts for the middle class in order to help the wealthy. The more closely you examine the fine print, the worse the flat tax proposal looks.

Q: NO NEW TAXES: Bob Dole just signed a "No New Taxes" pledge. Would you sign that pledge? Are you planning any tax reforms or changes for 1996?

Q: We don't have to debate hypothetical tax plans, we need to debate the clear choice that is presented right now to the American people. A responsible tax cut targeted to help working families invest in education and their future, versus a plan to cut education to pay for a tax cut that gives the top 1% a $20,000 tax cut. What I will say about any future is that I will continue to focus on fighting for tax fairness for working families, and not cuts to working families to pay for tax cuts for the most well-off. I stand behind our record on taxes to date. We have:

- Implemented a rewarding work tax cut called the Earned Income Tax Credit, a $21 billion tax break averaging $1,000 per family for 15 million working families earning up to $28,500.

- Offered tax relief to millions of small businesses.

- Now, I have proposed a Middle Class Bill of Rights that offers targeted tax relief to the middle class in order to help them invest in themselves and our future--education, a first home, and the like.

- We have raised income taxes only for the very wealthiest taxpayers--the top 1.2% of taxpayers, those earning over $180,000. Given the tax breaks we've given to millions of working families and small businesses--and the further breaks we're proposing for the middle class--that's something I'm very proud of.

Q: BILLIONAIRES TAX ESCAPE: Democrats have tried to make a big issue out of the tax on expatriates. Why is this important to you?

A: **In defending the tax loophole for billionaires who renounce their citizenship to avoid taxes, Republicans showed us the Contract at its worst: tax breaks for the very wealthiest at the expense of everyone else.** The Republicans eliminated a tax proposal in my budget that would simply stop billionaires and multimillionaires from evading their taxes by renouncing their U.S. citizenship. That proposal would have raised $3.6 billion over 10 years--money we could have used to reduce the deficit or invest in education. And the provision would have applied to very few, very wealthy people--about 24 per year--simply making them pay taxes like ordinary Americans. Yet the Republicans had that proposal removed. That is wrong, and I hope they will restore the proposal and stop engaging in special interest politics for the rich.

Q: CONTRACT TAX BILL. You have said you would veto the Contract tax bill. You yourself have proposed some of its provisions in some form, such as the child tax credit and the IRA expansion. Are there particular elements of the Contract tax bill that you will veto in any form?

I support targeted tax cuts that help working families invest in their future and particularly in education. The Contract tax bill cuts education to pay for a huge tax cut that largely benefits upper-income taxpayers and far too little to the middle class.

- It costs too much--with 72% of costs totalling $630 billion over 10 years in the second 5 years--and will be almost impossible to pay for without raising the deficit.

- It is not targeted at the middle class working families that need tax relief most. The Contract provides more than half of its benefits to families making over $100,000.

- There are more benefits for the wealthiest 1% than the bottom 60%--a $20,000 tax break for the top 1% (those making over $350,000), compared to a $267 tax break for 65 million families in the bottom 60 percent.

- **Even using the Republicans' own numbers--produced by the Joint Committee on Taxation, without distributing the corporate tax cuts, which primarily benefit the wealthy -- the Republican proposal provides more tax relief to the top 10% of taxpayers than the bottom 80% in the year 2000.**

- **The tax breaks targeted for the wealthy and large corporations are larger than the child tax credit.** These are among the most objectionable parts of the Contract tax bill:

1. A capital gains tax cut ($92 billion) with 46% of benefits for the top 1% of Americans;
2. A "neutral cost recovery system" that will encourage distorting, tax-sheltering activities ($120 b);
3. Repeal of the corporate Alternative Minimum Tax, designed to prevent major companies from paying no taxes ($36 b); and
4. Cuts in the gift and estate tax ($23 b), which only benefit families with gifts or inheritances of over $600,000.

BUDGET AND ENTITLEMENTS

Q: BALANCED BUDGET: Speaker Gingrich has asked you to present a balanced budget proposal and offered to present it for a vote if you do? Why won't you take him up on the offer?

A: Across three years now, I have offered detailed budgets with hard choices that have turned the deficit around--and without hurting education, raiding Social Security, or slashing Medicare.

As a result of those efforts, we are bringing the deficit down in a historic way. We are cutting over $616 billion; we have had the largest two-year drop in the deficit in history; and we are now bringing the deficit down to one half what it would have been as a percentage of the economy. A lot of people in the other party said we'd have a recession; instead, the economy has created 6.3 million jobs over the last two years. And we are expanding the investments in education and training that will keep the economy growing.

My current budget will pay for a targeted middle class tax cut while adding nearly $100 billion more in deficit reduction to what was already the largest deficit reduction plan in history. And, as I have long said, I believe we can bring the deficit down further by cutting the growth in the health care entitlements--in *the context of health care reform.*

Republicans have disagreed. They have proposed a plan to give $630 billion in tax cuts targeted at the wealthy, increase military spending, and then to balance the budget -- without meaningful health care reform. **Now that they are faced with coming forth with the details of making good on their own plan, they are looking for us to bail them out rather than meeting their own legal responsibility to come forth with a budget.** They did many things in the first 100 days, but one thing they did not do was meet their legal obligation to pass a budget resolution by the middle of April.

Q: FUTURE DEFICITS: Are you satisfied with deficits that are over $200 billion for as far as the eye can see?

A: Let's put this in the context and look at the record. When I took office, the deficit was projected to go to anywhere from $600 to $800 billion early in the next century. We turned the situation around and did so without a single Republican vote. The deficit is now headed to its lowest level as a percentage of our economy since the 1970s, tied for lowest among the G-7 countries, and even in absolute terms, it has had the largest two year drop in history.

Now, as I have long said, **I believe we can bring the deficit down further by reducing the growth of entitlements in the context of health care reform.** I want to work together with the Congress to do that over the next two years.

But to simply slash Medicare and Medicaid by $400-$500 billion over seven years, would not only cause hardship to many elderly Americans and young children, but it would shift costs back to small businesses and consumers, increasing premiums, reducing investment and hurting savings. That may help people meet campaign promises, but it won't reduce the deficit in a way that actually helps the overall economy and the living standards of average American working families.

Q: Follow-up: Are you not for balancing the budget -- without a constitutional amendment?

A: We do believe in working hard each and every year to move in the direction of balancing the budget. We believe -- and have shown -- that you can move in that direction without punishing seniors, raiding Social Security, or gutting investment in education. But we are not going to support getting there through an arbitrary time schedule unless we and the American people have our right to know that are the specifics and whether we can do in a way that helps -- not hurt the economy -- and promotes not punishes working families and seniors and education.

Q: REPUBLICAN BUDGET: You have challenged the Republicans to come up with a specific budget. What if they do? Will you simply criticize it or will you then be willing to work with them?

A: When they come up with a detailed, line-by-line budget proposal, we will give it full and fair consideration.

I must say that what we have seen so far is not encouraging. They are proposing $630 billion in tax cuts for the wealthy, paid for by cuts in education and training for kids. And now there is much talk of dramatic cuts in Medicare that could lead to seniors paying as much as a $1000 more a year in out of pocket cost by the year 2002.

So if they come forward with a proposal that cuts education and student loans while slashing Medicare and letting billionaires avoid their taxes, we will criticize and fight those parts of their budget. But I am hopeful that they will decide that our approach -- reducing health care entitlements in the context of serious health care reform -- is the right way to go and that we will be able to work together on serious health care reform that brings down the deficit further.

Spending on

Q: CORPORATE WELFARE. The Cato Institute, the Progressive Policy Institute, and your own Labor Secretary Robert Reich have all issued calls to cut "corporate welfare." What's your view?

A: **We've already taken historic steps to cut corporate subsidies, and we would be happy to work with Congress to do more.** The truth is, we have already done a great deal--although at different times in different places, so it hasn't always been obvious. Here are a few examples:

- In our 1993 budget, we eliminated tax deductions for lobbying expenses ($1 billion over 6 years) and cut the share of corporate entertainment expenses that are deductible ($4.6 billion over 6 years)

- We cut specific subsidies such as wool and mohair ($1 billion over 5 years) and honey ($16 million).

- Through NAFTA and GATT, we have eliminated tariffs and quotas that were effectively subsidies to businesses yet raised prices for consumers.

In our current budget, we are taking more steps to cut corporate welfare. Our budget eliminates 130 programs and cuts 271 others. Cuts include:

- Privatizing the power marketing administrations. ($2.9 billion)

- Other examples:

    - Eliminate the tree planting program ($15 million)--Republicans have called for eliminating this program, when we have already proposed doing it.
    - Eliminating the REA Rural Telephone Bank ($10 million)
    - Eliminating naval petroleum reserves ($0.9 billion)

Unfortunately, Republican tax proposals actually *increase* corporate welfare. Some of these tax breaks would effectively create new tax subsidies and loopholes for particular businesses that really don't need them. They are a step backward for the tax code, not only in terms of fairness, but in terms of simplicity. Two examples:

- The "neutral cost recovery" tax provisions will encourage companies to set up tax shelters, and could enable many large companies to escape taxes altogether (Cost: $120 billion).

- The repeal of the corporate Alternative Minimum Tax. designed to prevent major companies from paying no taxes (Cost: $36 billion). A study has shown that prior to the 1986 reforms including the AMT, over half of the nation's largest and most profitable corporations **paid no federal income tax** in at least one full year--on profits totalling over $72 billion in that one year.

Q: 3% GROWTH: What do you think about Speaker Gingrich's view that you can balance the budget simply by holding budgetary growth to 3% per year?

A: There are two big flaws with that argument. First, it only works if they do not take into account massive tax breaks for the wealthy, like the $630 billion tax cut proposed by the House Republicans.

Second-- is that it that figure is misleading because it tried to pretend that is an easy answer to reducing the deficit and paying for their tax cuts and there is not. First, that figure does not come close to working if they have to pay for their $630 billion tax cut. But even if you did try to just balance the budget by capping all programs at 3% growth, the only reason that a 3% growth rate saves significant funds is that it amounts to a huge cut in three programs: Medicare, Social Security and Medicaid -- nearly $1 trillion combined over seven years. Indeed, it would amount to over $700 billion in Medicare and Social Security cuts alone.

Background: A 3% growth rate means deep cuts in Social Security ($258 billion over 7 years), Medicare ($468 billion), and Medicaid ($252 billion) using the CBO baseline. ($978 billion) If Social Security really is off the table, then their 3% argument does not work and they would have to cut even more deeply everywhere else.

FOLLOW-UP: Why is Social Security Cut so Much?

While 3% may be close to the COLA needed for Social Security, it does not offer a single penny for the 5 million new recipients that are being added as Social Security beneficiaries. If the 3% cap was enforced across-the-board, Republicans would either have to simply drop 5 million people, give everyone about a 15% across-the-board cut, or do nothing and cut more deeply elsewhere.

Q: EFFECT OF SLOWING GROWTH: What is really wrong with just holding down the rate of growth of Medicare and Medicaid by 5%?

A: I believe that if we have serious health care reform that really allows us to help control costs, increase competition and expand coverage, you could bring down the costs of federal health entitlements without hurting coverage and benefits. Indeed, we have seen some real improvement in lowering the growth rate under our watch.

But simply capping at rates like 5% can have very negative effects on coverage if we are simply slashing and not reforming. Capping at 5-6% can lead to cuts of $400-$500 billion over seven years.

-- The cap on Medicare that Republicans are considering could force elderly Americans to pay **several hundred more out of pocket a year -- and a few thousand over seven years.**
-- In the absence of reform, as the number of uninsured continues to grow, significant cuts in Medicare would **severely strain, if not decimate, many of our fragile health care delivery systems in rural and inner-city communities.**

In Medicaid, over two-thirds of the costs come from elderly Americans and the disabled. We can do more on managed care, but the savings will be limited from these groups. The only way the Republicans can meet their proposed caps would be to cut off millions of children from Medicaid and to substantially reduce benefits for millions of elderly and the disabled.

In addition, if we simply slash Medicare and Medicaid to pay for tax cuts or campaign deficit promises, we will end up increasing the number of uninsured while shifting costs to the private sector and increasing premiums for average families and small businesses.

Q: HEALTH CARE: Administration officials keep saying that they want to balance the budget in the context of health care reform. Yet, we have yet to see a health care plan from you. What is it? When will we see it, or is this just a cover for a political strategy to simply let the Republicans take the heat for cutting medicare?

A: No one can question this Administration's willingness to come forward with bold and specific steps on how both to fix health care and to find savings in the context of health care reform that could lower the deficit.

Last year, we may have bit off a bit more than we could chew, but the concept--bringing down health care entitlement costs in the context of serious health care reform--was the right one. This year, we have tried to reach out to the Republicans by laying out several serious steps for expanding coverage, containing costs and fixing our health care system so that it does not discriminate against people who get sick or lose their jobs.

Clearly our health care system still has problems that we need to address. Nearly 40 million Americans have no health insurance. Millions more are just one pink slip or illness away from losing it. Eighty-four percent of the uninsured in 1993 were in working families, and more that 55 percent lived in families headed by full-time workers. While health care costs have begun to slow down, it is unclear whether this is a long-term trend, and they are still growing faster than inflation.

I believe that we should take a step-by-step approach. I oppose Republican efforts that would simply slash Medicare and Medicaid without real reforms in health care. These proposals will just lead to reductions in benefits and cost-shifting ~~to everyone else.~~ But Congress also has already passed legislation that I support which will make insurance more affordable for the self-employed by giving them the same tax treatment as other businesses. This is a good start, and Congress can and should do more:

- Reform the insurance market -- so that people don't lose their insurance when they lose their job or change jobs or a family member falls ill, and so that small businesses can afford to buy insurance for their workers.
- Make coverage affordable for and available to children.
- Help workers who lose their jobs keep their health insurance.
- Help families provide long-term care for a sick parent or a disabled child.

I look forward to working with both Republicans and Democrats in Congress on meaningful health reform.

Q: MEDICARE TRUST FUND: The recent Medicare Trustees' report indicates that Medicare is in significant trouble. Would you endorse any cost-saving measures?

The Medicare HI Trust Fund actually shows modest improvement due to the actions taken in our 1993 budget plan and the strong 1994 economy -- but it is the case that there is a real problem that we will have to work together to deal with through health care reform. [Just 2 years ago, Trust Fund depletion was projected for 1999, now it has been delayed to 2002.]

The problems are not new--they reflect the problems affecting the entire health system. I look forward to working with the Congress to develop lasting solutions to Medicare's fiscal problems in the context of ~~broad-based~~ health care reform.

Q: SOCIAL SECURITY: There is a great deal of talk about the insolvency of the Social Security Trust Fund and the need to change the system. Do you oppose any changes in Social Security?

Short Answer: Social Security is a vital American institution that has enabled millions of Americans to stay out of poverty and live in dignity for decades. Furthermore, the program is in surplus to day and will remain so until 2030. To the degree that there are long-term issues about its solvency, we have to take them up in a serious, bipartisan way--just as we have done in the past. I strongly oppose using Social Security as a bank to pay for anyone's campaign promises -- whether large tax cuts or a balanced budget amendment.

Detail: Social Security is in sound financial shape for the near future. The Social Security Trust fund is now in surplus, collecting more than is needed to pay today's benefits. Those surpluses are projected to continue through 2013, and the new Trustee's report shows that the trust fund will be able to pay out all promised benefits until 2030 -- while it had previously been 2029.

Social Security does have a deficit over 75 years, and in the long-run we will have to deal with this with a bipartisan, longterm approach. The Quadrennial Social Security Advisory Council is now studying this issue and will report to Secretary Shalala this summer.

Follow-Up: Would you consider means-testing Social Security?

Social Security is already a progressive program--with higher-wage workers receiving relatively smaller benefits. I've supported counting some of the benefits of the most well-off recipients as income for tax purposes as a means of strengthening the Medicare Trust Fund, but I believe that it would be wrong to erode benefits further for any recipients. Means-testing would put Social Security on the road to becoming a welfare program rather than a universal American institution. And, it would also reduce the benefit from saving privately for retirement, discouraging some from saving as much.

Q: TAX CUTS CONTINGENT ON DEFICIT. What do you think about proposals to make any tax cuts contingent on hitting targets for balancing the budget?

A: I am very sympathetic with the notion of ensuring that you have deficit reduction prior to calling for tax cuts. That is what we have done--by passing the largest deficit reduction plan in history *first in 1993,* and only then coming back with a middle class tax cut to extend our Rewarding work tax cut (EITC).

Certainly, there is legitimate worry that the Republicans' tax cuts would explode in cost and drive the deficit up in the out-years -- just when they are supposed to be guaranteeing a balanced budget. The Contract includes a number of corporate tax breaks whose costs explode over 10 years. These tax cuts cost $189 billion over 5 years, but $630 billion over 10 years. **This means that 70% of the costs are in the second 5 years, outside the budget window.** Even if Republicans pass spending cuts to pay for their tax cuts over 5 years--which they have not done--they still won't have paid for the exploding 10 year costs. There will be a very real danger of repeating the mistake of the early Reagan years, when Congress passed huge tax cuts without the spending cuts to pay for them, and the result was the massive deficits of the 1980s.

Q: TAX CUTS VERSUS DEFICIT REDUCTION. There seems to be more enthusiasm in the country today for deficit reduction than for tax cuts. Would you give up your tax cut in order to reduce the deficit more?

A: I have long said that I believe that we can bring down the deficit while still making our tax code more fair to the middle class and giving working families incentive to invest in their economic futures. In 1993, we were able to pass the largest deficit reduction plan in history while still passing the largest increase ever in the Earned Income Tax Credit -- a rewarding work tax cut that helps over 15 million working families. economic problems: one is the deficit, and the other is the long-term stagnation in middle-class incomes. We are now bringing the deficit down by over $600 billion. **I believe it is now possible to continue reducing the deficit while also offering tax relief targeted to those in the middle class who have not felt the benefits of the economy.**

What I believe the public clearly does not support is the sort represented by the Contract: a huge tax break targeted at the wealthiest. Over 50% of the benefits of the Contract tax cuts go to the wealthiest 12% of Americans, and more go to the top 1% than the bottom 60%. I don't think the American people want to risk exploding the deficit in order to provide tax relief targeted at upper-income Americans.

I do believe, however, that they support a targeted tax cut to help working families invest in their futures while still making further progress on the deficit.

EDUCATION

Q: EDUCATION CUTS. You have often said that Republicans are cutting education very deeply. Rep. Goodling and others have said that they have no plans to cut student loans or Pell Grants, that he was talking about "pennies" at most in the in-school subsidy, and that you are engaging in scare tactics on education. What's your response?

A: If you look at the Republican proposals on education--in every area, from pre-school to higher education--you see a comprehensive effort to cut investments in kids and the middle-class that are key to our future. A *New York Times* news story called these "the deepest cuts proposed for education spending in more than a decade."

Background: Republican Cuts

1. Higher Education

-- Cut the In-School Interest Subsidy: Republicans have actually confirmed the fact that Republicans are in fact planning on eliminating the in-school interest subsidy, a grace period that allows **4.5 million students** to defer interest charges while still in school. This proposal would increase the costs of college for many students by $3,150--18 percent. That's hardly "pennies."

-- Roll Back Loan Reforms: Republicans also have explicitly proposed legislation to **Cut Back the New Direct Lending Program.** By cutting out middlemen, the initiative has saved $6.8 billions for taxpayers, lowered costs for students, and given borrowers flexible repayments options like pay-as-you-earn. We are now cutting the level of defaults from $2 billion per year to $1 billion per year. Yet leading Republicans want to limit the program and keep thousands of schools and millions of students from reaping its benefits.

2. Job Training and National Service

-- Cut Education, Training and Employment Services. We are reforming programs the right way, by consolidating over 70 programs and putting funds directly into workers' hands as Skill Grants. Representative Kasich's "illustrative"c cuts include **over $10 billion** from job training and adult education. This would **eliminate over 3 million training opportunities and Skill Grants.**

-- Cut School-to-Work. These funds support a 50-state movement that is creating thousands of paths out of high school and into jobs with good wages and a future. The rescission cuts school-to-work some, and Rep. Kasich would cut an additional $723 million from School-to-Work and Goals 2000.

-- **Gut AmeriCorps.** Republicans in the House would effectively shut AmeriCorps down. This year and next, 30,000 people would be sent home or prevented from serving, and over 100,000 people would lose the chance to serve over the next 5 years.

3. K-12 Education

Cut School Lunches and Breakfasts. Republicans in the House cut $2.3 billion from their school nutrition grant, capping it at a rate that will not keep up with inflation and increases in the number of school children. Had this block grant been in place in 1989, **over 1 million children who received nutritious free lunches in 1994 could not have gotten them.**

Cut Goals 2000. The House rescission alone ($174 million) would cut off funds for 4,000 schools to raise academic standards and improve teaching. Eliminated are initiatives to make sure that parents play a strong role in improving schools.

Eliminate Drug-Free Schools and Communities Funding ($472 million rescission). These funds help 94% of school districts prevent drug use and violence, through efforts that include buying metal detectors and hiring security personnel.

SCHOOL LUNCHES AND BLOCK GRANTS

Q: **4.5% GROWTH: Speaker Gingrich has called your statements on school lunches "grotesque." Doesn't the Republican bill allow the school lunch program to grow by 4.5% per year?**

A: **First, when it comes time to pay for their tax cuts for the wealthiest, the Republicans themselves acknowledge that they are cutting $2.3 billion from school nutrition.** In their official budgeting--the official "scoring" by the Congressional Budget Office--the Republicans show $2.3 billion in savings from school lunches over 5 years.

Second--and most importantly--the real question is: **Will this block grant cut off support for kids who would get help right now? Their funding level does not provide enough funds to buy food for the children who will need it -- plain and simple.** ***If the Republican plan had been in place starting in 1989, one million children could not have received nutritious free lunches through the program in 1994.***

[Optional. **The 4.5% figure is just plain wrong.** The truth is, their block grant doesn't rise quickly enough to keep pace with food prices and the growth in the number of students. When you don't provide enough funding to keep up with the number of young people who are eligible or food prices, then your only choices will be cutting students out of the school lunch programs, or cutting the quality of lunches--or both.]

Q: RICH KIDS: Won't the Republican plan just cut off lunches for wealthier kids?

A: **No. Almost the opposite.** The block grant eliminates the guarantee that poor children receive free lunches and allows states to target less of their lunches to poor children. In addition, the bill provides a perverse incentive by providing states the same for lunches regardless of quality or whether they are served to poor children. This gives states a financial incentive to reduce the number and quality of meals to poor children in order to serve more meals total.

Q: ADMINISTRATIVE SAVINGS: Aren't the Republicans reducing waste?

A: Administrative savings under the Republican plan will be minuscule. **Federal administrative savings come to about 2% of the total savings that CBO projects from child nutrition cuts.** For States, this grant actually authorizes **higher** administrative costs than now--2% in the future compared to 1.5% now.

My Administration cut 1,200 Department of Agriculture Field offices. That's the right way to save money--not cutting kids.

Q: BLOCK GRANTS: Isn't it true for all the welfare block grants that they are not cutting at all, but are simply reducing the rate of growth in programs?

A: **No. The Republicans' own official budget estimates--the estimates of the Congressional Budget Office that use methodology they accept--these show $65.4 billion in savings from their welfare block grants. The Republicans need real savings here to pay for tax cuts.**

When you look at the number of people in addition to the number of dollars, you see that all of these block grants will lead to fewer people being served or lower quality services. The reason is that the block grants do not keep pace with inflation and expected growth in participation.

Additional Example:

Food Stamps. They explicitly admit in their tax bill that they are cutting $20 billion from Food Stamps to pay for a tax cut bill in which 20% goes to the top 1% of taxpayers. **This cut will lower the purchasing power of food stamps for more than 14 million children.**

[The Republicans explicitly cut the adjustment for inflation in the Food Stamps program to 2%. But over the last 20 years, growth in food prices has risen by 4.6% per year on average.]

Anti-fraud savings will not suffice: CBO data show that only 0.1% of savings over the next five years come from fraud reduction.

EXCHANGE MARKETS

Question: Are you concerned about the weakness of the dollar?

Answer:

- Yes. A strong dollar is important for the United States. No country can be indifferent to a fall in its currency.

- We are monitoring developments carefully, and I know that Treasury and the Fed work closely on this.

Question: Do you agree the views attributed to Administration officials that there is basically nothing we can do to reverse the trend?

Answer:

- No.

- We are continuing to work hard in this country to strengthen the fundamentals that are ultimately important to maintaining a strong and stable currency.

  - We are committed to continued progress reducing the budget deficit as a share of GDP.

  - We have had a very good record on inflation and it is very important that we maintain it in order to sustain the expansion.

- We have acted in the exchange markets, in cooperation with the other major countries, when it has been appropriate, and we will continue to cooperate closely in the markets.

- We are working closely with the other major countries to promote the policies that will contribute to greater stability.

Question: The Administration has been accused of benign neglect and, at times, of encouraging the dollar's weakness to gain trade advantage. Isn't that a fair reading of your position?

Answer:

- No.

- The U.S. is in an extraordinarily strong competitive position. We have not and will not use the dollar as an instrument of trade policy. No nation can devalue its way to prosperity.

- Maintaining a strong and stable currency is in America's interest.

- The only enduring way to achieve that is to continue to do what we have been doing. To strengthen the fundamentals by bringing the deficit down and maintaining low inflation, by increasing our savings rate and improving productivity, and finally, by continuing to cooperate closely with other major countries on policies that will promote stability.

Question: European and Japanese officials have been blaming U.S. policies -- insufficient deficit reduction, large trade deficit, monetary policy that is too loose -- for the dollar's decline? How do you respond?

Answer:

- They are clearly under a lot of political pressure to explain recent developments and sometimes it's tempting to try and shift blame.

- If you look at inflation in the United States and our budget deficit, we have very strong economic fundamentals, both relative to past U.S. economic performance, and relative to the average of other industrial countries.

- And we are committed to continuing to strengthen those fundamentals and to cooperate closely with the G-7 to promote greater stability.

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HEALTH CARE REFORM - WHERE IS IT?

QUESTION:

Where is the Administration's reform proposal? Will it be in the budget? How will you pay for it?

ANSWER:

- The President is committed to working in a bipartisan fashion to begin putting America on the road to health security. As he stated in his December 27 letter to Congressional leadership, he believes that we should work in a step-by-step manner to achieve these goals. In the meeting with bi-partisan leadership on January 5th he again urged Congress to work together to address Americans concerns about the security of their health care. He will work with Congress as Democrats and Republicans develop proposals.

- The President remains firmly committed to providing insurance coverage for every American and containing health care cost for families, businesses, and Federal, State and local governments. He has made it very clear that he will NOT give up the fight for health security and affordable health care.

[On health care in the budget:] The budget is the President's and he will announce it at the appropriate time.

[A copy of the President's letter is attached]

THE WHITE HOUSE

WASHINGTON

December 27, 1994

Dear Newt:

While we could not achieve broad-based agreement on a health reform initiative last year, there can be little disagreement that we still face the enormous problems of increasing health care costs and decreasing coverage. We need to confront these problems on a bipartisan basis and address the insecurities that too many Americans have about their health care. I am writing to reiterate my strong desire to work with you in this regard.

I remain firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and Federal, State, and local governments. In the upcoming session of Congress, we can and should work together to take the first steps toward achieving these goals. We can pass legislation that includes measures to address the unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs, and reduce the long-term Federal deficit.

We look forward to talking with you in the upcoming weeks about a bipartisan effort to deliver health care reform to the American public. Hillary and I send our best wishes for a safe and happy holiday season.

Sincerely,

Bill Clinton

The Honorable Newt Gingrich
House of Representatives
Washington, D.C. 20515

HEALTH CARE REFORM - EXPANDING COVERAGE

QUESTION:

You say you want to expand coverage. How will you pay for it? Would you support Medicare cuts to pay for coverage expansions? particularly for children?

ANSWER:

- The Administration remains committed to expanding coverage for all Americans, including children. As you may remember, when we sent up our bill last year we provided funding to pay for it -- we want to work this year to continue to search for solutions and we will also want to share in the responsibility of identifying the resources to pay for it.

- As far as Medicare cuts are concerned, let me reiterate what the President has said -- he will not support the use of any new Medicare savings outside the context of health care reform.

- Once we all have a better sense of what kind of coverage expansions we are discussing and what other options might be there for funding then we all can discuss which options may be the most suitable.

FOLLOW-UP QUESTION:

Will the President insist on universal coverage?

ANSWER:

- The President is committed to providing insurance coverage for every American and containing health care costs for families, businesses, and Federal, State, and local governments. He believes that we should work together with Congress to take the first steps toward achieving these goals.

- Together we can work to pass legislation that includes measures to address the unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs, and reduce the long-term Federal deficit.

LONG TERM CARE - TAX CREDIT

QUESTION:

The President has said nothing lately about long-term care. Would you support the tax credit for caregivers we propose in the contract? [or--have you abandoned your so-called commitment to long-term care?]

ANSWER:

- This Administration continues to support assistance to states to develop home-and-community-care systems that help people with substantial disabilities, regardless of age or condition; strengthen families' ability to care for disabled family members; and allow states the flexibility to tailor services to their particular needs.

- We are delighted that the Contract too recognizes the importance of addressing our citizens' long-term care needs. We share the Contract's interest in extending preferred tax treatment to long-term care insurance. But we feel strongly that insurance should include information and be marketed in ways that help seniors understand the benefits and limitations of insurance policies.

  [If Mrs. Johnson or another member should ask about specific requirements for insurance policy, answer should be: We'll be happy to work with you.]

- We too share the Contract's concern about helping caregivers. However, we believe the proposed tax credits may not be the best way to target limited resources to caregivers and their chronically ill family members. We think a better approach to helping these Americans would be through grants to States for services tailored to community needs.

[Summary of long term care proposals within the Contract With America is attached]

LONG TERM CARE PROPOSALS IN THE CONTRACT WITH AMERICA

Overview:

There are two proposals for addressing long term care needs:

- A $500 a year refundable tax credit for taxpayers who have a parent or grandparent with a disability living with them in their home; and
- A modification of the tax code to permit favorable tax treatment for private long term care insurance premiums and expenditures.

Issues and comments:

The refundable tax credit is problematic:

- The credit is limited to the taxpayers who have a parent or grandparent living with them. It provides no assistance to older people living alone, to the millions of spouses who now care for a disabled wife or husband, or to the caregivers of disabled children and young adults.
- The benefit is too small to provide meaningful assistance to the families of older people with significant disabilities who are struggling to care for their loved ones without any help.

The Administration continues to advocate for a new long term care program of grants to states which is guided by the following principles:

- People with significant disabilities and their families should receive long term care assistance based on their needs not on their age or condition.
- To complement and strengthen the informal care giving system we must find ways to make home and community long term care services available in every state and community in this country. To make this happen we must work in partnership with government at all levels and with the private sector and voluntary groups.
- Public funding for long term care should be highly flexible so that states and communities can tailor the design of their service delivery systems to their unique needs and circumstances.

Private long term care insurance proposal needs improvement:

- This proposal is very similar to the administration's proposal. We support the need for tax clarifications so that private long term care insurance and private long term care expenditures can be deducted under the tax code in the same way that medical expenses can be deducted.
- However, we believe that the quid pro quo of granting private long term care insurance favorable tax treatment is the establishment of some minimum consumer protections .

ERISA - PREEMPTION

QUESTION:

As you know, states are limited in their ability to pursue health reform because of ERISA preemption. What is your position on giving states greater flexibility over employers?

ANSWER:

- States have taken a leading role in health care reform. They should be encouraged to continue their efforts to increase coverage and contain health care costs. At the same time, ERISA has permitted large employers to develop innovative health programs, free from state mandated benefits and anti-managed care laws.
- We are currently evaluating options on the best way to proceed in this area. We look forward to working with you on this important issue.

WAIVERS - MEDICARE SELECT

QUESTION:

Medicare Select has been successful in many States. It's about to expire. Would you support not only its extension but its expansion to all 50 States on a permanent rather than a demonstration basis?

ANSWER:

- While we believe that the SELECT demonstration has been successful on a number of fronts, we believe that before the program is made permanent and expanded to all 50 states that we should learn from our experience under the demonstration and make a number of program changes.
  - We should be assured that SELECT plans are actively managing care and that beneficiaries have the same level of assurance as to the quality of care and access to care that they receive under the other Medicare managed care options.
  - For example while Medicare SELECT plans are required to have procedures for evaluating quality and taking corrective actions, there is no after the fact determination through site visits that the plan has followed them or that they are effective. While we require that other Medicare managed care plans have active quality improvement committees that collect, analyses and act on data there is no such requirement for Medicare SELECT plans.
- We look forward to working with the Congress to learn the lesson from the SELECT demonstration and to make an improved SELECT option available on a permanent basis in all states.

BACKGROUND INFORMATION:

- In OBRA 90, Congress authorized a 3-year demonstration in 15 states for the sale of a hybrid managed care/Medicare product call Medicare SELECT. Unlike other Medigap policies which pay benefits without regard to where services are provided, Medicare SELECT policies may limit benefits to services provided through the plans' preferred provider networks.
- The demonstration would have expired in December 1994, but it was extended for 6 months in the Social Security Act Amendments of 1994, signed into law on October 31, 1994.

- Many members of Congress support making it a permanent, nationwide program; such a provision was included in several health care reform proposals. However, Congressman Stark opposed it. The 6-month extension was a compromise to buy additional time to decide what to do about a program with strong supporters and detractors.

WAIVERS - SAVING MEDICAID MONEY?

QUESTION:

What are you doing to save money in Medicaid?

Answer:

- To date, nearly 8 million Medicaid beneficiaries are enrolled in managed care plans, which is approximately a 40 percent increase in enrollment over the past year. Since January 1993, HCFA has approved 80 state applications to establish Medicaid managed care programs and 18 more applications are under review. Through the expansion of managed care, savings will be achieved through efficient program management, focus on primary and preventive care and effective case management of Medicaid beneficiaries.

- As more states apply and are approved for waivers, HCFA has set a budget neutrality cap for the five-year life of the project. This means that states must stick to their projected budget and the federal budget is protected from any unanticipated increases over the life of the waiver. The end result is savings for the state and the federal government if the waiver is managed efficiently.

MANAGED CARE AND SENIORS

QUESTION:

Would you support moving seniors into managed care programs? Isn't that the best way to promote efficiency in the Medicare program?

[CONVERSELY, you could be asked: How do we protect seniors and other consumers from being forced into managed care, which may not be in their best interests?]

ANSWER:

- This Administration has always supported choice. There is no question that managed care is working to keep costs down while keeping consumers happy and healthy. But while I support managed care, I also strongly believe that consumers, including seniors, need to have the choice as to whether or not to join a managed care program.

- As effective as managed care can be, it is not for everyone. As Chairman Archer said to me in October 1993 when I testified before this Committee, the freedom to choose one's health care providers is a "very, very special treasure to Americans today." I could not agree more, and giving Americans of all ages the ability to choose their health plan guarantees that choice.

- Seniors are increasingly choosing managed care at a rate of 1% per month.

MANAGED CARE AND MEDICARE

QUESTION:

What is the current status of managed care programs under Medicare? What specific things can we do to promote managed care in the Medicare program?

ANSWER:

- As of September 1994, nine percent of our Medicare beneficiaries were enrolled in managed care, which is an increase of 12 percent over the previous year. More importantly, the number of plans with Medicare contracts increased by 25 percent. So clearly, this is a growing aspect of the Medicare program.

- There are many ways, either through legislation or regulation, which we can expand and improve Medicare managed care programs, including:

  - Our present payment methodology needs to be improved and updated; the Department is currently examining the possibility of using a competitive bidding process to establish payment rates.

  - We believe that Medicare SELECT is a promising new option, and would like to work with you to find ways to expand that program.

  - We need to do a better job educating Medicare beneficiaries about managed care. Current choices between managed care options and Medigap can be confusing, and we'd like to move to an annual open enrollment process to make these choices more understandable.

MEDICAID ENTITLEMENT/BLOCK GRANTS?

QUESTION:

Why should Medicaid be an entitlement? What do you think about making Medicaid a block grant?

ANSWER:

- We are committed to protecting the population served by Medicaid, while working with states to promote cost containment and flexibility within Medicaid's current entitlement approach. That approach assures
  - states that federal matching funds will be available to pay for the health care needs of their vulnerable citizens, so that they do not bear these costs on their own;
  - providers that they will be paid for care to vulnerable populations, so that they do not have to shift these costs to other payers; and
  - low income children, people with disabilities and other vulnerable populations access to health care, so that they do not have to go without needed service.

MEDISAVE PROPOSAL

QUESTION:

What is the administration's position on the Medisave proposal introduced by Chairman Archer?

ANSWER:

- We support many of the goals that underlie MSAs -- we want to encourage families to save more and we want to make the health insurance market more competitive.

- However, we have looked at a number of MSA proposals, and we are concerned that they could cause serious problems in the insurance market because they move away from the concepts of pooling of risk and shared responsibility. Unless we are careful, we could undercut many of the insurance market reforms that states have enacted.

- These proposals could cause premiums to increase for many Americans. The combination of an MSA and a high-deductible insurance plans will be much more attractive to younger and healthier families than it is to older or less healthy ones. This would lead to adverse selection -- premiums for young and healthy people that are willing to enroll in high deductible plans will fall, while premiums for everyone else will rise. Risk adjustment can help some, but they are imprecise and would not eliminate effects of selection.

- I know that these proposals also raise serious questions related to administrative complexity, budget neutrality and tax equity. These issues are better addresses by the Treasury Department.

Medical Savings Accounts

NEC Conclusions:

- Medical Savings Accounts (MSAs) are politically appealing.
- MSAs may have an adverse effect on the health insurance market. As a result, premiums of the less healthy would rise, while premiums of the healthy would fall.
- MSAs would probably not produce much cost containment.

Background:

- Health reform proposals by Dole, Chafee, Michel, Santorum, and Gephardt include variants of Medical Savings Accounts (MSAs). The Bush Administration worked with several members of Congress towards developing an MSA proposal. Many Republicans and some Democrats favor MSAs. The Health Security Act did not include MSAs, but the proposal approved by the Ways and Means Committee did.
- MSA proposals allow taxpayers to place funds in a special tax-preferred account. Funds from MSAs that are used for specified medical purposes are not taxed, while funds used for other purposes may or may not be taxed depending upon the proposal.
- The intent of an MSA is to encourage employers and employees to switch from "comprehensive" health insurance to "catastrophic" packages that have higher co-payments and deductibles, thereby giving employees an incentive to reduce unnecessary medical care.
- In general, MSAs could provide a mechanism for tax-preferred saving for healthy individuals while causing premiums for less healthy individuals to rise. Adverse selection may result in healthy and upper income individuals joining MSAs, leaving less healthy and lower income individuals in the more comprehensive Fee-For-Service plans and HMO plans. As a result, premiums of the less healthy would rise, while premiums of the healthy would fall. This kind of reform would undermine community-rating. Risk-adjusters and taxes could be devised to reduce these effects. However, risk adjusters are imprecise; would be difficult to do correctly; and would be viewed as administratively burdensome.

- MSAs would reduce insurance premiums for participants but expose them to larger out-of-pocket costs. Some individuals who unexpectedly become sick may find themselves short of funds to cover their medical expenses.

- A Rand study of health insurance, conducted in the 1970's, suggests that if an individual switches from a plan with a $200 deductible to a plan with a $2,000 deductible that individual would reduce total health expenditures by 10 percent. Ten percent is an upper bound. Because there would be no savings for nonparticipants and for those who switch from cost effective HMOs to MSAs, aggregate savings would probably be much lower than 10 percent, depending upon participation. (Some people outside the Administration may believe that cost savings are greater than 10 percent, but some participants in the NEC meeting believe savings are close to zero.)

- Greater participation in catastrophic plans would reduce costs somewhat. However there are better ways to encourage the use of catastrophic plans. These include: (1) tax caps on co-payments and deductibles; or (2) expanded deductibility of medical expenses. Other health insurance market reforms might also be designed to encourage catastrophic plans or cost containment. However, cost containment will still be difficult to obtain.

- If MSA proposals go forward, they should be carefully designed to reduce adverse effects. Different MSA designs lead to different magnitudes of effects. Design features to be considered include: (1) limits on contributions; (2) tax treatment of earnings in the funds; (3) limits on and tax treatment of withdrawals for nonmedical purposes; and (4) tightening the definition of medical withdrawals. The limits and other design features should depend to some extent on other MSA design features such as risk adjustors.

HEALTH CARE REFORM

"Our families will never be secure, our businesses will never be strong, and our government will never again be fully solvent until we tackle the health care crisis." [President Clinton, Joint Session of Congress, 2/17/93]

THE CLINTON ADMINISTRATION CONTINUES TO FIGHT FOR REAL HEALTH CARE REFORM.

- As you know, last year the Clinton Administration fought hard for health care reform. While we could not reach agreement on legislation, there can be little disagreement that the problems remain. Nearly forty million Americans have no health insurance and millions more are just one pink slip or illness away from losing it. Eighty-four percent of the uninsured in 1993 were in working families, and more that 55 percent lived in families headed by full-time workers. And while health care costs have begun to slow down, they are continuing to rise at three times the rate of inflation.

- As the President said in his State of the Union address and in his December letter to the Congressional Leadership, we remain firmly committed to guaranteeing health security to all Americans and to containing health care costs for families, businesses and Federal, state and local governments.

- The President believes that we should take a step-by-step approach. This year, we can take the first steps. The Congress can and should:

    - Reform the insurance market -- so that people don't lose their insurance when they lose their job or change jobs or a family member falls ill, and so that small businesses can afford to buy insurance for their workers.

    - Make coverage affordable for and available to children.

    - Help workers who lose their jobs keep their health insurance.

    - Level the playing field for the self-employed by giving them the same tax treatment as other businesses.

    - Help families provide long-term care for a sick parent or a disabled child.

- Because their constituents are demanding action, some Republicans have begun to respond to the President's challenge by coming forward with proposals and bills. We look forward to working with them to take the first steps this year.

THE CLINTON ADMINISTRATION IS FIGHTING BACK TO PROTECT HEALTH CARE FOR MOTHERS, CHILDREN, THE DISABLED AND AGED AMERICANS.

- Unfortunately, for too many Republicans in Congress, "health reform" has turned into the code word for slashing Medicare and Medicaid to pay for tax cuts for the wealthy. Republicans in the House and the Senate have talked about cutting both Medicare and Medicaid by hundreds of billions of dollars.
    - Republicans have signaled their intention to cut Medicare by about $300 billion between now and 2002.
    - Republicans have suggested cutting Federal Medicaid spending by at least $180 to $190 billion between now and 2002.
- It's not hard to figure out what that means for the doctors and hospitals who treat patients receiving benefits under these programs, and for the patients themselves.
    - It means shifting a staggering financial burden to elderly and disabled Medicare beneficiaries. Or to small businesses and families who will pay higher premiums and fees if these programs are slashed without overall reform.
    - It means dropping coverage or shrinking benefits for mothers and children on Medicaid. Or it means asking States to pick up the tab to preserve the Medicaid program, and in doing so, forcing them to raise taxes or slash spending for services like education and public safety.
    - It means significant cuts in payments to hospitals, physicians and other providers.
- The President presented a responsible budget to Congress -- a budget that made tough choices to get our rising deficit under control, but a budget that protected hard-working Americans and investments in our children. Now it is Congress' turn to act. To detail where they will get the cuts they need to pay for their tax cuts for the wealthy. To step forward with *their* plan for deficit reduction.
- The President has consistently said that we cannot get a hold of the deficit without passing meaningful health reform. Over the next five years alone, almost 40 percent of the growth in total Federal spending will come from rising costs in Federal health care programs. We must contain costs in these programs. But we must do it as we reform our health care system as a whole -- not by arbitrarily cutting programs that serve the most vulnerable Americans.

March 6, 1995
Staff Contact: Jennifer Klein (6-2599)

Jen

MEMORANDUM

TO: Distribution
FR: Chris Jennings
RE: Talking Points/Background for Social Security Trustees Report
cc: Carol Rasco, Laura Tyson

March 31, 1995

Attached is the final draft of talking points, Q's and A's, and background information on the Monday, April 3rd release of the Social Security Trustees' Report. This information was produced by and cleared through the DPC/NEC budget and policy review process.

As you know, the report will provide an analysis of the financial health of the Social Security and Medicare Trust Fund. Since the Republicans have been and will continue to focus their attention on the Medicare program, the background materials that we are providing for your use primarily focus on the Medicare Trust Fund issue. On the last page, you will find talking points explicitly related to the report's findings on the Social Security program.

We hope you find this information to be useful. If you have any questions, please call Jennifer Klein (6-2599) or myself at 6-5560.

MEDICARE TRUST FUND TALKING POINTS

- The Medicare HI Trust Fund shows modest improvement due to the actions taken in OBRA 1993 and a stronger-than-expected economy in 1994. Just 2 years ago, Trust Fund depletion was projected for 1999, now it has been delayed to 2002. Even with these improvements, however, the Trustees foresee financial problems for the Medicare HI Trust Fund.

- The financial problems faced by the Medicare HI Trust Fund reflect the problems affecting the entire health care system. The Administration looks forward to working with the Congress on developing lasting solutions to the Medicare fiscal problems in the context of broad-based health care reform.

- We need to do broad-based health reform because:

  -- Severe and arbitrary cuts focused solely on Medicare will create major market distortions that will produce additional problems for the rest of our health care delivery system.

  -- For example, (in the absence of reform) as the number of uninsured continues to grow, significant cuts in Medicare would severely strain, if not decimate, many of our fragile health care delivery systems in rural and inner-city communities.

  -- In addition, large Medicare cuts are likely to result in cost-shifting to many small businesses and individuals -- to those Americans who are already paying the highest health insurance premiums in the nation.

POSSIBLE Q&As

Q: Why isn't the President proposing a specific health care reform initiative and/or when will he submit one?

A: The President remains committed to national health care reform. What we've learned is that any broad-based health care reform solution must be done on a bipartisan basis. The President has invited the Republicans to work with him on developing such a plan. We stand willing and ready to work with them.

Q: Congressional Republicans state that they are going to solve the problems of the Medicare HI Trust Fund through legislative initiatives. Is this believable?

A: It certainly is ironic that while Congressional Republicans talk about placing the Medicare HI Trust Fund on sound financial footing, both their "Contract" and tax bill now on the House floor calls for tax cuts for the wealthy that would further weaken the Medicare HI Trust Fund.

* (Avoid going into more detail, but if you must, do so on background):

The Republicans propose to roll back the limited taxation of Social Security benefits for the 13 percent of beneficiaries with the highest incomes. Since these revenues from higher income beneficiaries are deposited directly into the HI Trust Fund, this further undermines the Trust Fund.

Q: Would passage of the Health Security Act have solved the long-term financial problems of the Medicare HI Trust Fund?

A: The Health Security Act would have strengthened the Medicare HI Trust Fund (as would any responsible broad-based health care reform).

BACKGROUND ON MEDICARE TRUSTEES REPORT

On Monday, April 3, 1995, the Trustees reports for the Medicare Trust Funds will be released. The reports will conclude that the Medicare HI Trust Fund will be exhausted in 2002. This date represents an improvement over last year's report which predicted that the Trust Fund would be exhausted in 2001. (The conclusion is based on the Trustees' intermediate set of assumptions -- not too optimistic nor too pessimistic).

Problematic findings

- From 1996 on, the Medicare HI Trust Fund is predicted to pay out more in benefits each year than it receives in revenues.

- The financial problems faced by the Medicare HI Trust Fund are not new. In the 1982--84 period, the Trust Fund would have similarly failed the actuarial short-term solvency test (ten years solvency). Those problems were addressed with temporary solutions. The Trust Fund's short-range financial problems re-emerged in the early 1990s.

- While the short term (up to 10 years) solvency of the Trust Fund is the immediate focus of the Trustees Report, longer term projections (contained in this and previous years' reports) show the Trust Fund in serious long-term deficit. Right now, about 4 workers support every Medicare beneficiary. By the middle of the next century, this ratio will drop to about 2 workers for each beneficiary.

Moderating influences

- Actions proposed by the Administration and enacted in OBRA 1993 extended the life of the Medicare HI Trust Fund. These include:

  - Depositing tax revenues from the increased income taxation of Social Security benefits into the Medicare HI Trust Fund.
  - Repealing the wage cap for the Medicare HI payroll tax.
  - Imposing constraints on the growth of Medicare payments to providers.

Together, these actions postponed the date when the Trust Fund would be exhausted by about 3 years.

- Hospital cost inflation in recent years has been lower than expected. This has improved the financial situation of the Medicare HI Trust Fund. In 1994, stronger-than-expected economic growth also contributed to the health of the Trust Fund.

- The Trustees are proposing that the Quadrennial Advisory Council for the Medicare Program be re-established in order to recommend effective solutions to the Medicare problems.

SOCIAL SECURITY TALKING POINTS

- The 1995 Report indicates the financial status of the combined Old-Age and Survivors and Disability Trust Fund (OASDI) is virtually the same reported last year. The fund continues to be in surplus, collecting more in taxes than needed to pay today's benefits.

- The cash-flow surpluses are projected to continue through 2013, and the trust fund will be depleted in 2030, one year later than projected last year. Thus, social security is currently in good financial shape and benefits can be paid well into the next century without any changes in the program.

- The program is in deficit when looked at over 75 years (estimated to be 2.17 percent of payroll this year -- virtually the same as last year's estimate of 2.13 percent).

- The Quadrennial Social Security Advisory Council is scheduled to report this summer with specific recommendations to deal with the program's long-term deficit.

Jen

February 3, 1995

MEMORANDUM TO: MAP GROUP PARTICIPANTS

FROM: CHRIS JENNINGS
JENNIFER KLEIN

SUBJECT: Health Care Qs & As

Attached please find the most recent health care questions and answers. Also attached is a one-page final draft of the Medicare baseline document prepared by the Department of Health and Human Services. Lastly, you will find an excerpt from the President's December letter to the Congressional Leadership as well excerpts from his State of the Union speech relating to health care.

We hope that you will find this information useful for the budget roll out as well as to help prepare for upcoming testimony and other events on and off the Hill.

Please feel free to contact Chris (6-5560) or Jennifer (6-2599) if you would like any additional information.

MEDICARE AND MEDICAID SPENDING SLOWS UNDER THE CLINTON ADMINISTRATION

The Administration expects future costs of the Medicare and Medicaid programs to be significantly lower than projected just two years ago. The new price tag for these programs will cost $212 billion less for the years 1994 to 1998. The anticipated annual rate of growth for the two health programs combined fell from 12.7 percent a year to 9.5 percent, the first time this combined rate will drop below double digits since 1988.

Under the Clinton Administration, projected spending has dropped by $79 billion for Medicare and $133 billion for Medicaid. In fact, the growth rate for Medicaid spending is expected to slow from 13.9 percent per year to 8.7 percent. The anticipated growth rate in Medicare is reduced from an 11.9 percent rate of growth on average to 9.9 percent for the years 1994 to 1998.

The President's successful economic program, which curbed both general and health care inflation, provided the foundation for the improved future spending path.

- In the President's FY 96 Budget, announced today, the main contribution to lower Medicare spending is slower growth in Hospital Insurance (Part A) spending, driven primarily by a decline in forecasted hospital cost inflation.

- Lower estimates for Medicaid spending stem from the successful implementation of a 1991 law proposed by President Bush to limit States' use of inappropriate financing mechanisms (the bipartisan Provider Taxes and Donation Law) as well as from lower actual State spending, improved economic conditions, and fewer Supplemental Security Income (SSI) recipients.

In addition, the Clinton Administration has improved management of the Medicare and Medicaid programs by redoubling efforts to fight fraud and abuse, replacing contractors who performed poorly in accurately paying Medicare bills, promoting state flexibility through the Medicaid waiver program, and offering increased choice for Medicare beneficiaries. These endeavors will continue to help improve program efficiency and improve services to beneficiaries.

While we are encouraged by the slowdown in Medicare and Medicaid growth rates, health care costs for both private and public payers alike are still growing too quickly. We intend to work with the Congress in the years ahead to find ways that continue to strengthen the programs for beneficiaries by improving both service and cost-effectiveness.

PRESIDENT'S STATEMENTS ON HEALTH CARE

Excerpt from December 27, 1994, Letter to the Congressional Leadership

"While we could not achieve broad-based agreement on a health reform initiative last year, there can be little disagreement that **we still face the enormous problems of increasing health care costs and decreasing coverage. We need to confront these problems on a bipartisan basis and address the insecurities that too many Americans have about their health care.** I am writing to reiterate my strong desire to work with you in this regard.

I remain firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and Federal, State, and local governments. **In the upcoming session of Congress, we can and should work together to take the first steps toward achieving these goals. We can pass legislation that includes measures to address the unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs, and reduce the long-term Federal deficit."**

Excerpts from the State of the Union

"Now, my budget cuts a lot. But it protects education, veterans, Social Security and Medicare and I hope you will do the same thing. You should, and I hope you will."

"My budget pays for the Middle Class Bill of Rights without any cuts in Medicare. And I will oppose any attempts to pay for tax cuts with Medicare cuts. That's not the right thing to do."

Now, I still believe that our country has got to move toward providing health security for every American family. But I know that last year, as the evidence indicates, we bit off more than we could chew. So I'm asking you that we work together. **Let's do it step by step. Let's do whatever we have to do to get something done. Let's at least pass meaningful insurance reform so that no American risks losing coverage for facing skyrocketing prices. That nobody loses their coverage because they face high prices or unavailable insurance, when they change jobs and lose a job, or a family member gets sick.**

We ought to make sure that self-employed people in small businesses can buy insurance at more affordable rates through voluntary purchasing pools. We ought to help families provide long-term care for a sick parent or a disabled child. We can work to help workers who lose their jobs at least keep their health insurance coverage for a year while they look for work. And we can find a way -- it may take some time, but we can find a way -- to make sure that our children have health care."

Health Care Questions and Answers - February 3, 1995

HEALTH REFORM

Q. Why isn't health care in the budget? Doesn't this illustrate that the President is no longer committed to health reform?

In the President's State of the Union and in his December letter to the Congressional Leadership, the President strongly reiterated his fervent commitment to reform the nation's health care system. He indicated his willingness to tackle this task in a step by step manner, outlined his broad vision of what he felt could reasonably be achieved in this Congress, and stressed his desire to do so on a bipartisan basis.

Incorporating a specific health reform initiative within the budget would not enable the Congress to work jointly with the President to respond to the health care problems that confront this nation.

Q. Will the President introduce health care legislation?

Everyone knows where the President stands on health care. His goals have not changed. He believes that we must act now to take the first steps toward these goals.

As he said in the State of the Union, the President is committed to work in a bipartisan fashion to put America on the road to health security. He will work with Congress as Democrats and Republicans develop proposals. The President has made it very clear that he will not give up the fight to guarantee affordable, high quality health care for the American people.

The President believes Congress can and should:

- Reform the insurance market.
- Make coverage affordable for and available to children.
- Help workers who lose their jobs keep their health insurance.
- Level the playing field for the self-employed by giving them the same tax treatment as other businesses.
- Help families provide long-term care for a sick parent or a disabled child.

Q. The President says that he believes that we can make a start on expanding coverage. How will he pay for it?

The Administration wants to work with Congress to expand coverage and to ensure that any proposal can be paid for without increasing the deficit.

Q. What will the President do if the Congress does not act on health reform?

Because their constituents are demanding action, the President is confident that the Congress will be responsive. Republicans and Democrats have already begun to respond to the President's challenge though numerous statements and the introduction of bills. The President looks forward to reviewing their specific ideas and working together to address the health care needs of Americans.

Q. Will the President support any initiative labeled health reform?

The President has said that he will evaluate any health reform proposal in the context of whether it takes constructive steps forward toward his ultimate goal of providing affordable health insurance to every American. Using deep and destructive Medicare cuts as the cash cow for tax cuts is NOT health reform. He will not support new Medicare cuts outside the context of meaningful and needed health reform.

MEDICARE

Q. Did the President draw a line in the sand on Medicare?

The President will not allow Medicare to be cut to pay for tax cuts. The President has consistently said that he opposes new Medicare cuts outside the context of health care reform.

Q. The President opposes Medicare cuts to finance tax cuts. Is the President willing to support Medicare cuts for deficit reduction -- if it is in the context of "reform?"

The President has always said that an important component and outgrowth of meaningful health reform is long-term deficit reduction. Again, however, he opposes using Medicare as a cash cow for tax cuts or deficit reduction outside the context of reform.

Q. What is the harm of cutting the Medicare program outside the context of health care reform?

In order to achieve a balanced budget by 2002 (as called for in the balanced budget amendment), some in Congress are talking about capping growth of Federal programs at 5% or 3%. A 5% cap would require the Congress to come up with over $300 billion in Medicare cuts; a 3% cap would require over $400 billion in Medicare cuts over the 7 year budget window.

Cuts of this magnitude would simply mean that public programs would cost-shift onto the private sector -- particularly to small businesses that have been burdened by the highest insurance premiums for years. Cost-shifting could also result in unfunded mandates to the states, as public hospitals bear the burden of reduced Medicare payments. Lastly, cuts of this size might make health care providers less willing to see Medicare beneficiaries.

Q. What is your response to Newt Gingrich's and Bob Dole's comments about Medicare and their suggestion that the program needs to be restructured? What is the Administration's position on managed care?

We have always welcomed ideas that strengthen the Medicare program and provide more choices to beneficiaries. In fact, under our watch, the Medicare HMO (managed care) program has expanded at unprecedented rates. We think we can build on this success and, working with the Congress, further improve this part of Medicare with additional reforms.

We therefore look forward to reviewing any specific ideas the Speaker has. We sincerely hope, however, that terms like "restructuring" and "managed care" are not simply code words for deep and destructive Medicare cuts.

HEALTH CARE BASELINE

Q. The good news in your deficit reduction line seems to come less from new policies and more from just lowering your estimates of the Medicare and Medicaid baselines. The Administration has in the past bragged about using conservative numbers but now your health care estimates are so much more optimistic than CBO's. How can you call this conservative?

We believe that our numbers are conservative. Health care costs are slowing, the economy keeps improving, the Administration has increased efficiency in both Medicare and Medicare. The HCFA actuaries -- career staffers at HHS who estimate the baseline every year -- just took these new developments into account when doing

their baseline this winter. Their numbers are as conservative as they have always been.

Our difference with CBO over 5 years is only 4 percent of total spending for Medicare and Medicaid -- a pretty small variation when you're estimating the costs of programs that total $1.75 trillion over the 5 year budget window. It is not uncommon for the Administration and CBO to differ by about this much. In fact, the size of this year's difference is about average.

Q. How can you explain why the baseline has come down so much? Doesn't this contradict the Administration's past statements that Federal health care costs could only come down through comprehensive health care reform?

There are a number of reasons why the Medicare and Medicaid baselines continue to come down: first, the President's deficit reduction package and economic program have improved the economy and brought down inflation; second, there have been programmatic changes to both Medicare and Medicaid that have improved efficiency and brought down costs in the programs; and third, new data and empirical evidence have given the HCFA actuaries -- the career staffers at HHS who estimate the baseline every year -- a better picture of what's going on out there. As better information shows that Medicare and Medicaid costs are rising more slowly than was previously projected, the HCFA actuaries reflect these changes in their baseline estimates.

Growth in these programs is still too high. As we have stated in the past, cuts in the Medicare and Medicaid programs need to take place in the context of comprehensive health care reform in order to avoid cost-shifting to the private sector, particularly to small businesses. That is why the Administration remains committed to expanding coverage -- and has asked this Congress to take the first steps by covering children and helping workers who lose their jobs keep their health insurance.

As you know, last year this Administration fought for health care reform. While we did not reach agreement on legislation last year, there can be little disagreement that the problems remain. Nearly forty million Americans have no health insurance and millions more are just one pink slip or illness away from losing it. And, while health care costs have begun to slow down, they are continue to rise at three times the rate of inflation. I remain firmly committed to guaranteeing health insurance for every American and to containing health care costs for families, businesses, and governments. This year I will work with the new Congress to take the first steps toward these goals.

Jen

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

TO: Distribution February 13, 1995

FR: Chris J.

RE: Senate Democrats' Health Press Conference and Principles

As you may know, Senator Daschle led a large contingency of Democratic Senators to a press conference today challenging the Republicans to move on health care reform. The questions focused largely around the Daschle bill, which incorporates many of the priorities layed out by the President in his December Congressional Leadership letter and his State of the Union Address.

It is unclear how much press coverage the event attracted, but it has made the wires. Since the Democrats are not talking about how they would finance their package, their event may be viewed as largely political by a health care press corps that is cynical and tired of this issue.

What may be the most newsworthy development is that 19 Democrats -- including some moderate to conservative Dems like Ford, Breaux, Pryor, Conrad and Bryan -- have signed onto a set of "Democratic Health Care Principles," which also mirror the President's health care "vision." Attached is that set of yet to be released principles, along with the current list of Members who have signed on.

DEMOCRATIC HEALTH CARE PRINCIPLES

We are committed to continuing the fight for health care reform, because we believe hard working American families deserve quality health care at a price they can afford. We are encouraged that members of the Republican leadership have stated they share our views on the importance of beginning the process of health care reform, and we look forward to working with the Majority to ensure that a bill is considered and passed this year.

As a first step, we believe Congress should pass reforms that enjoyed wide bipartisan support last year, including measures that:

-- Reform the insurance market

-- Provide 100% health insurance tax deductibility for the self-employed

-- Make coverage affordable for and available to children

-- Help workers who lose their jobs keep their health coverage

-- Make a wider range of home and community-based options accessible to and affordable for families caring for a sick parent or a disabled child

Members who have signed on:

Daschle
Akaka
Breaux
Bryan
Campbell
Conrad
Dodd
Feingold
Ford
Harkin
Inouye
Kennedy
Leahy
Levin
Mikulski
Pryor
Reid
Rockefeller
Wellstone

Q. Why isn't health care in the budget? Doesn't this illustrate that the President is no longer committed to health reform?

Incorporating a specific health reform initiative within the budget would not enable the Congress to work jointly with the President to respond to the health care problems that confront this nation.

Q. Did the President draw a line in the sand on Medicare?

The President will not allow Medicare to be cut to pay for tax cuts. The President has consistently said that he opposes new Medicare cuts outside the context of health care reform.

Q. The President opposes Medicare cuts to finance tax cuts. Is the President willing to support Medicare cuts for deficit reduction -- if it is in the context of "reform?"

The President has always said that an important component and outgrowth of meaningful health reform is long-term deficit reduction. Again, however, he opposes using Medicare as a cash cow for tax cuts or deficit reduction outside the context of reform.

Q. What is the harm of cutting the Medicare program outside the context of health care reform?

Cutting without reforming makes our health care system weaker and creates more problems. Cuts of the magnitude now being discussed by some in Congress ($300 - $400 billion by 2002) would simply mean that public programs would cost-shift onto the private sector -- particularly to small businesses that have been burdened by the highest insurance premiums for years. They could also make health care providers less willing to see Medicare beneficiaries.

(over)

Q. What is your response to Newt Gingrich's and Bob Dole's comments about Medicare and their suggestion that the program needs to be restructured? What is the Administration's position on managed care?

We have always welcomed ideas that strengthen the Medicare program and provide more choices to beneficiaries. We therefore look forward to reviewing any specific ideas that any Member has. We sincerely hope, however, that a term such as "restructuring" is not simply a code word for deep and destructive Medicare cuts.

Q. The President says that he believes that we can make a start on expanding coverage. How will he pay for it?

The Administration is committed to working with Congress to ensure that any proposal will be paid for without increasing the deficit.

PRESIDENT'S STATEMENTS ON HEALTH CARE

Excerpt from December 27, 1994, Letter to the Congressional Leadership

"While we could not achieve broad-based agreement on a health reform initiative last year, there can be little disagreement that **we still face the enormous problems of increasing health care costs and decreasing coverage.** We need to confront these problems on a bipartisan basis and address the insecurities that too many Americans have about their health care.

In the upcoming session of Congress, we can and should work together to take the first steps toward achieving these goals. **We can pass legislation that includes measures to address the unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs, and reduce the long-term Federal deficit."**

Excerpts from the State of the Union

"My budget pays for the Middle Class Bill of Rights without any cuts in Medicare. And **I will oppose any attempts to pay for tax cuts with Medicare cuts.** That's not the right thing to do.

Let's do it step by step. Let's do whatever we have to do to get something done. Let's at least **pass meaningful insurance reform** so that no American risks losing coverage for facing skyrocketing prices. That nobody loses their coverage because they face high prices or unavailable insurance, when they change jobs and lose a job, or a family member gets sick.

We ought to **make sure that self-employed people in small businesses can buy insurance at more affordable rates** through voluntary purchasing pools. We ought to **help families provide long-term care for a sick parent or a disabled child.** We can **work to help workers who lose their jobs at least keep their health insurance coverage** for a year while they look for work. And we can find a way -- it may take some time, but we can find a way -- to **make sure that our children have health care."**

Jen

MEMORANDUM

To: Distribution

From: Chris Jennings
Jennifer Klein

Date: January 26, 1995

Re: Health Care Talking Points

cc: Secretary Rubin
Carol Rasco
Bill Galston
Gene Sperling
Sylvia Mathews
Jeremy Ben-Ami

Attached are the post State of the Union health care talking points. If you have any questions or concerns, please contact Chris (6-5560) or Jennifer (6-2599).

Health Care Questions and Answers - January 25, 1995

Q. How is the Administration going to proceed on health care reform?

The President remains firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses and Federal, State and local governments. While we did not reach agreement on legislation last year, there can be little disagreement that the problems remain. As the President stated in his December 27 letter to the Congressional Leadership and in the State of the Union Address, he believes that we should work and take a step-by-step approach to achieve these goals.

Q. Last year the Administration said that insurance reform could not really be achieved in the absence of universal coverage. Has the Administration backed away from this claim?

The Administration has not backed away from its commitment to provide Americans with real health security. As the President said in his State of the Union address, last year we bit off more than we could chew. This year we can and should take interim steps forward. We can address the unfairness in the insurance market, make coverage affordable for children and workers who lose their jobs, give self-employed workers the same tax treatment as other businesses, and help families get long-term care for a sick parent or disabled child. But all of this must be done in the broader context of eventually reaching universal coverage.

Q. The President says that he believes that we can make a start on expanding coverage. How will he pay for it?

The Administration wants to work with Congress to expand coverage and to ensure that any proposal can be paid for without increasing the deficit.

Q. Did the President draw a line in the sand on Medicare?

The President will not allow Medicare to be cut to pay for tax cuts. The President has consistently said that he opposes new Medicare cuts outside the context of health care reform.

Q. Will there be a health care reform proposal in the budget?

The President has not yet announced his budget.

Q. Will the President introduce health care legislation?

Everyone knows where the President stands on health care. His goals have not changed. He believes that we must act now to take the first steps toward these goals.

As he said in the State of the Union, the President is committed to work in a bipartisan fashion to put America on the road to health security. He will work with Congress as Democrats and Republicans develop proposals. The President has made it very clear that he will not give up the fight to guarantee affordable, high quality health care for the American people.

Q. What is the Administration's reaction to Senator Daschle's health care proposal?

Senator Daschle's proposal is consistent with the vision laid out by the President in his December 27 letter to the Congressional leadership. Both the President and Senator Daschle want to work with fellow Democrats and Republicans on health care reform. The nation's health care problems have not gone away and it is imperative that we move forward.

Q. How do you respond to the recent comments made by Senator Dole and Speaker Gingrich about health reform?

We welcome their desire to work together and look forward to discussing their ideas. We will be supportive as long as it moves our health care system toward the President's end goals of cost containment and insurance protection for all Americans.

TALKING POINTS ON HEALTH CARE REFORM -- January 25, 1995

Health reform is still the right thing to do. While there were honest differences of opinion on some issues last year, and while we know that mistakes were made, we are proud that we tried to pass meaningful health reform legislation. The problems remain. Without reform, health care costs will continue to rise and coverage will continue to decrease. American families, businesses, and governments will pay the price.

- The most recent data available indicates that the number of uninsured Americans rose by 1.1 million. 84 percent of the uninsured were in working families.
- By the end of the decade, health care costs per person will rise by more than 50 percent, from $3,300 in 1993 to over $5,000 by the year 2000.
- From 1970–1991, real wages and salaries rose a total of 0.4 percent while spending for health benefits increased 243 percent.
- In 1993, total health benefit costs per employee rose eight percent, nearly three times the rate of general inflation. And insurers charge small firms up to eight times more than large firms for administrative costs.

We remain firmly committed. We are firmly committed to guaranteeing health insurance for every American and to containing health care costs for families, businesses and Federal, State and local governments. The President reiterated this commitment in a December letter to the Congressional Leadership. In his letter, the President outlined his vision of how we can take the first steps toward reform.

We can take the first steps on a bipartisan basis. The President noted in his letter to the Congressional Leadership and in the State of the Union Address that Republicans and Democrats can and should:

- Reform the insurance market so that Americans no longer risk losing coverage when they change or lose a job, or a family member falls ill.
- Provide assistance to states to establish voluntary purchasing pools to help small businesses purchase affordable insurance.
- Make coverage affordable for and available to children.
- Help workers who lose their jobs keep their health insurance.
- Level the playing field for the self-employed, by giving them the same tax treatment as other businesses.
- Help families provide long term care for a sick parent or a disabled child.

No Medicare cuts to pay for tax cuts. The President will not allow Medicare to be cut in order to pay for tax cuts. In addition, the President has consistently said that he opposes new Medicare cuts outside the context of health care reform.

POST-STATE OF THE UNION
HEALTH CARE TALKING POINTS

What role will health care play in the upcoming year?
As he stated in his December 27, 1994 letter to the Congressional Leadership, the President remains firmly committed to guaranteeing health insurance for every American and to containing health care costs for families, businesses and Federal, State and local governments. While we didn't succeed last year, that doesn't mean the problem of unaffordable health care and a lack health security have disappeared for millions of working families. The American people still want and need health care reform, and we owe it to them to see that it happens this year.

Does the President intend to introduce health care legislation?
The President wants this Congress to work together to take the first steps towards universal coverage. He feels that we should be able to pass measures we agree on: reforming the unfairness in the insurance market, making coverage available for children and people who lose their jobs, and ensuring the quality and efficiency of the Medicare and Medicaid programs. The President intends to work with Congress to see that these goals are achieved. He has made it very clear that he will not give up the fight for health security and affordable health care.

Has the President retreated on universal coverage with the steps he laid out tonight?

The President has not backed away from his commitment to provide Americans with real health care security. By realizing the goals laid out tonight in a step-by-step approach, America will be on the road to achieving universal coverage.

Will health care be in the President's budget?

The President will address that issue when he releases his budget.

Did the President draw a line in the sand on Medicare?

The President will not allow Medicare to be cut in order to pay for tax cuts for the wealthy. The President has consistently said that he opposes new Medicare cuts outside the context of health care reform.

For Internal Use

Health Care Questions and Answers - January 3, 1995

Q. How is the Administration going to proceed on health care reform?

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

* As he stated in his December 27 letter to Congressional leadership and during end-of-the-year interviews last week, he believes that we should work in a step-by-step manner to achieve these goals.

* The President wants this Congress to work with him in taking the first steps by passing measures to address the unfairness in the insurance market, making coverage available and affordable for children and the temporarily unemployed, assuring that the populations served by Medicare and Medicaid are protected and reducing the long-term federal deficit.

Q. What is the Administration's reaction to Senator Daschle's health care proposal?

* Senator Daschle's proposal is consistent with the vision laid out by the President in his December 27 letter to the Congressional leadership. Both the President and Senator Daschle want to work in a bipartisan fashion on health care reform. The nation's health care problems have not gone away and it is imperative that we move forward.

Q. Is the Daschle bill effectively the Administration's bill?

* No, but it shares the vision that the President outlined in his letter to the Congressional leadership last week.

* By including health care in his leadership package, Democrats are sending an important signal that health care reform remains a high priority for the nation. We hope to work with the Republicans in a bipartisan manner to enact health care reform this year.

Q. Did Senator Daschle consult with the President?

* Senator Daschle and his staff informed the Administration of the proposal and outlined the direction that it would take.

Q. Senator Daschle is challenging Senate Republicans to pass his bill within the first 100 days of the 104th Congress. Does the Administration support this challenge?

* Every day, American families are losing health care coverage. This Administration has been working hard to ensure that families have quality, affordable health care. Every day that we wait, more families live in jeopardy of being one job loss or one illness away from losing their coverage. We want to work with Congress to move health care reform forward as quickly as possible.

Q. What specifically does the Administration feel about Senator Daschle's insurance reform proposals (or any other specifics in the bill)?

* We haven't yet analyzed line-by-line every provision proposed. Senator Daschle's bill appears to be consistent with the vision outlined by the President last week. What the Administration feels is important is that both Democrats and Republicans work together to move forward on health care.

* As the President said last week, we can and should work together to take the first steps necessary to put us on the road to achieving health security and containing health care costs.

Q. Last year the Administration said that insurance reform could not really be achieved in the absence of universal coverage. Has the Administration backed away from this claim?

A. * This Administration has not backed away from its commitment to provide Americans with real health security. We believe, however, that this now should be done in a step-by-step approach. We can put America on the road to universal coverage by addressing the unfairness in the insurance market and beginning by expanding coverage to children and working families. But all of this must be done in the broader context of eventually reaching universal coverage.

Q. Last year the Administration said that everyone must be covered by 1997. Now you are saying eventually. What does eventually mean?

A. * We need to focus our energies now on putting America on the road to health security. Let's move forward in a step-by-step fashion to ensure that Americans have quality and affordable health care.

Q. Will health care be in the budget?

A. * There have not been any announcements made on the budget.

Q. Will the President introduce health care legislation?

A. * Everyone knows where the President stands on health care. His goals have not changed. He believes that we must now act in a step-by-step manner to achieve these goals.

* The President is committed to work in a bipartisan fashion to begin putting America on the road to health security. He will work with Congress as Democrats and Republicans develop proposals. The President has made it very clear that he will NOT give up the fight to for health security and affordable health care. We need to work with Congress and see what develops.

Q. The President says that he believes that we can make a start on expanding coverage. How will he pay for it?

* The Administration wants to work with Congress to expand coverage and ensure that any action taken is paid for and achieved without increasing the deficit.

For Internal Use

Health Care Questions and Answers - January 3, 1995

Q. How is the Administration going to proceed on health care reform?

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

* As he stated in his December 27 letter to Congressional leadership and during end-of-the-year interviews last week, he believes that we should work in a step-by-step manner to achieve these goals.

* The President wants this Congress to work with him in taking the first steps by passing measures to address the unfairness in the insurance market, making coverage available and affordable for children and unemployed workers, assuring that the populations served by Medicare and Medicaid are protected and reducing the long-term federal deficit.

Q. What is the Administration's reaction to Senator Daschle's health care proposal?

* Senator Daschle's proposal is consistent with the vision laid out by the President in his December 27 letter to the Congressional leadership. Both the President and Senator Daschle want to work in a bipartisan fashion on health care reform. The nation's health care problems have not gone away and it is imperative that we move forward.

Q. Is the Daschle bill effectively the Administration's bill?

* No, but it shares the vision that the President outlined in his letter to the Congressional leadership last week.

* By including health care in his leadership package, Democrats are sending an important signal that health care reform remains a high priority for the nation. We hope to work with the Republicans in a bipartisan manner to enact health care reform this year.

Q. Did Senator Daschle consult with the President?

* Senator Daschle and his staff informed the Administration of the proposal and outlined the direction that it would take.

Q. Senator Daschle is challenging Senate Republicans to pass his bill within the first 100 days of the 104th Congress. Does the Administration support this challenge?

* Every day, American families are losing health care coverage. This Administration has been working hard to ensure that families have quality, affordable health care. Every day that we wait, more families live in jeopardy of being one job loss or one illness away from losing their coverage. We want to work with Congress to move health care reform forward as quickly as possible.

Q. What specifically does the Administration feel about Senator Daschle's insurance reform proposals (or any other specifics in the bill)?

* We haven't yet analyzed line-by-line every provision proposed. Senator Daschle's bill appears to be consistent with the vision outlined by the President last week. What the Administration feels is important is that both Democrats and Republicans work together to move forward on health care.

* As the President said last week, we can and should work together to take the first steps necessary to put us on the road to achieving health security and containing health care costs.

Q. Last year the Administration said that insurance reform could not really be achieved in the absence of universal coverage. Has the Administration backed away from this claim?

A. * This Administration has not backed away from its commitment to provide Americans with real health security. We believe, however, that this now should be done in a step-by-step approach. We can put America on the road to universal coverage by addressing the unfairness in the insurance market and beginning by expanding coverage to children and working families. But all of this must be done in the broader context of eventually reaching universal coverage.

Q. Last year the Administration said that everyone must be covered by 1997. Now you are saying eventually. What does eventually mean?

A. * We need to focus our energies now on putting America on the road to health security. Let's move forward in a step-by-step fashion to ensure that Americans have quality and affordable health care.

Q. Will health care be in the budget?

A. * There have not been any announcements made on the budget.

Q. Will the President introduce health care legislation?

A. * Everyone knows where the President stands on health care. His goals have not changed. He believes that we must now act in a step-by-step manner to achieve these goals.

* The President is committed to work in a bipartisan fashion to begin putting America on the road to health security. He will work with Congress as Democrats and Republicans develop proposals. If he feels that adequate steps are not being taken, legislation may be introduced. The President has made it very clear that he will NOT give up the fight to for health security and affordable health care. We need to work with Congress and see what develops.

Q. The President says that he believes that we can make a start on expanding coverage. How will he pay for it?

* The Administration wants to work with Congress to expand coverage and ensure that any action taken is paid for and achieved without increasing the deficit.

Jennifer Klein

MEMORANDUM

TO: **Health Care "Map Room" Participants and Other Health VIPs**
FR: **Lorrie McHugh, Chris Jennings and Jennifer Klein**
RE: **Health Care Talking Points/Qs and As/Daschle Bill**
DT: **January 4, 1995**
cc: **Carol Rasco, Bob Rubin**

Attached you will find talking points/Qs and As to help Administration officials respond to questions regarding health care reform, in particular, Senator Daschle's bill that he will be introducing today. It is for internal use only. Please do not distribute.

Also enclosed is the latest two-page summary of the Daschle bill that his office just prepared. Although I have Monday night's copy of his bill language (and have given some of you copies), the bill was still being modified late into last evening and, I think, today. I hope to have a final version later today for those of you who are interested.

We hope that you will find these documents helpful. If you have any questions, please do not hesitate to contact either Chris Jennings (456-5560) or Jennifer Klein (456-2599).

For Internal Use

Health Care Questions and Answers - January 3, 1995

Q. How is the Administration going to proceed on health care reform?

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

* As he stated in his December 27 letter to Congressional leadership and during end-of-the-year interviews last week, he believes that we should work in a step-by-step manner to achieve these goals.

* The President wants this Congress to work with him in taking the first steps by passing measures to address the unfairness in the insurance market, making coverage available and affordable for children and unemployed workers, assuring that the populations served by Medicare and Medicaid are protected and reducing the long-term federal deficit.

Q. What is the Administration's reaction to Senator Daschle's health care proposal?

* Senator Daschle's proposal is consistent with the vision laid out by the President in his December 27 letter to the Congressional leadership. Both the President and Senator Daschle want to work in a bipartisan fashion on health care reform. The nation's health care problems have not gone away and it is imperative that we move forward.

Q. Is the Daschle bill effectively the Administration's bill?

* No, but it shares the vision that the President outlined in his letter to the Congressional leadership last week.

* By including health care in his leadership package, Democrats are sending an important signal that health care reform remains a high priority for the nation. We hope to work with the Republicans in a bipartisan manner to enact health care reform this year.

Q. Did Senator Daschle consult with the President?

* Senator Daschle and his staff informed the Administration of the proposal and outlined the direction that it would take.

Q. Senator Daschle is challenging Senate Republicans to pass his bill within the first 100 days of the 104th Congress. Does the Administration support this challenge?

* Every day, American families are losing health care coverage. This Administration has been working hard to ensure that families have quality, affordable health care. Every day that we wait, more families live in jeopardy of being one job loss or one illness away from losing their coverage. We want to work with Congress to move health care reform forward as quickly as possible.

Q. What specifically does the Administration feel about Senator Daschle's insurance reform proposals (or any other specifics in the bill)?

* We haven't yet analyzed line-by-line every provision proposed. Senator Daschle's bill appears to be consistent with the vision outlined by the President last week. What the Administration feels is important is that both Democrats and Republicans work together to move forward on health care.

* As the President said last week, we can and should work together to take the first steps necessary to put us on the road to achieving health security and containing health care costs.

Q. Last year the Administration said that insurance reform could not really be achieved in the absence of universal coverage. Has the Administration backed away from this claim?

A. * This Administration has not backed away from its commitment to provide Americans with real health security. We believe, however, that this now should be done in a step-by-step approach. We can put America on the road to universal coverage by addressing the unfairness in the insurance market and beginning by expanding coverage to children and working families. But all of this must be done in the broader context of eventually reaching universal coverage.

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