
Chron

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

THE PRESIDENT HAS SEEN
8-24-96

22-Aug-1996 01:07pm

TO: Nancy V. Hernreich

FROM: Jock Gill

SUBJECT: Looking to Washington

1. cc (Rahm)
2. President
This is great.
On the drug abuse stats —
GS/McCurry/Leon
Ann Lewis —
BC

Nancy,

I think the President would enjoy this item.

Hope to see you in Chicago.

Regards,

Jock

>From: JeffReport@aol.com
>Date: Thu, 22 Aug 1996 09:46:55 -0400
>To: JeffReport@aol.com
>Subject: Looking to Washington
>
>"The Jefferson Report" -- 8/22/96
>
> Looking to Washington
>
>You people who are so desperate to blame President Clinton for
>the increased drug use by teenagers ought to be embarrassed.
>What happened to your cries about cutting Federal spending?
>Didn't you cheer when Congressional Republicans shut down the
>Federal government during last year's budget process and didn't
>you brag that no one even missed it?
>
>Aren't you the same people who want Washington to get out of the
>way and let the states run social programs? What happened to all
>those wonderful Republican Governors and state general assemblies
>that came into power in the last four years? The teenagers using
>drugs are living in their states and going to their schools. And
>speaking of schools, the religious right has taken over school
>boards across the country in the last few years, why haven't they
>made drug prevention programs a priority? Am I hitting to close
>to home now?
>
>What has your church done to stop drug use? What have you done
>as a parent? What ever happened to the big GOP talk about
>personal responsibility? As for me, I do believe that the
>Federal government should be more involved financially and
>otherwise in trying to prevent teenage drug use. But if you
>devout critics of the President agree--shame on you.
>

file

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
8-24-96

August 23, 1996

MR. PRESIDENT:

Geraldine Ferraro celebrates her ~~56~~ 61st birthday on Monday, August 26th – coincidentally also the 76th anniversary of women's suffrage.

Bella Abzug celebrated her 76th birthday in July and is being honored on the 26th for her lifelong commitment to women's rights.

You have proclaimed Monday Aug 26th as Women's Equality Day.

Betsy Myers has asked that you inscribe copies of your proclamation. She will present them to Bella and Geraldine at separate celebrations in Chicago.

Phil Caplan
Phil

Geraldine Ferraro

To Geraldine Ferraro
What a visionary!
It was in the stars —
Bill Clinton

WOMEN'S EQUALITY DAY, 1996

By the President of the United States of America

A Proclamation

Since America's earliest days, our citizens have engaged in a passionate struggle to create a Nation where all can enjoy the benefits of democracy in equal measure. In 1920, we took a great step toward that noble goal by declaring that the right to vote could not be denied on the basis of gender. This 76th anniversary of the adoption of the 19th Amendment to the Constitution gives us an opportunity to celebrate the advances made in empowering women to fully participate in the political, cultural, social, and economic life of our country.

At long last we are seeing the fruits of our efforts to establish a society made strong by its vast diversity—a place where women not only make gains in traditionally male fields, but also use their talents and perspectives to enlarge the scope of public life. The extraordinary success of our female athletes at the Centennial Olympic Games in Atlanta is one stirring example of this progress. Historically excluded from so many arenas, today's women are carrying a shining torch of hope for younger generations to follow.

Now the challenge is to keep the doors of opportunity open and to build on the changes begun by the ratification of the 19th Amendment. We must continue to encourage women to pursue elected office and to contribute to the civil discourse. Every American stands to gain when women and men of all backgrounds participate in the political process and exercise their right to vote. This is a right that we must never take for

Bella Abzug

To Bella Abzug
With thanks for
your lifelong
commitment to
women's rights
Bill Clinton

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file

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 8-23

TO: Carol
Laura
Chris
Ben

FROM: Staff Secretary

This came back from OVP separated from the underlying memo to which it was attached. I'll let you know when the underlying memo comes back.

Rob

memo came back 8/24
all attachment

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 4-27

TO: Don Baer
Michael Waldman
Vicki Radd

FROM: **Staff Secretary**

FYI.

THE WHITE HOUSE

WASHINGTON

August 17, 1996

Bill Hall

MEMORANDUM FOR THE PRESIDENT

THE PRESIDENT HAS SEEN
8/22/96

FROM: TODD STERN

SUBJECT: Rasco/Tyson Health Care Policy Memo

Laura and Carol have prepared a lengthy memo that reviews your health care achievements, discusses pending proposals you have already put forth, and suggests three options for new initiatives.

Fifteen achievements to date. Five from Kennedy-Kassebaum: (1) portability reforms, so workers won't be locked into jobs for fear of losing insurance due to pre-existing conditions; (2) elimination of discriminatory tax treatment of self-employed; (3) strengthening fraud and abuse prevention; (4) tax incentives for private long-term care policies; (5) reduced paperwork. Other accomplishments: (6) extended solvency of Medicare Trust Fund by 3 years; (7) protected Medicaid against GOP attack while increasing state flexibility; (8) contributed to substantial reduction of health care inflation (1995 rate was lowest in 23 years and first half of 1996 is running below 2%); (9) 16% increase in biomedical research at NIH including breast cancer (up 76%) and AIDS (up 25%); (10) major increases in funding for AIDS treatment and prevention; (11) childhood immunization effort contributed to record 75% immunization rate for 2-year olds in 1995; (12) expedited FDA review of new drugs; (13) protected kids from tobacco products; (14) increased funding for VA health by nearly $2 billion; (15) cut regulatory burden of HHS for providers and consumers.

Nine pending proposals. ***Extending Medicare Trust Fund to 2006*** -- provided for in your FY 1997 budget. ***Modernizing Medicare*** -- your budget would increase choice of plans; add preventive benefits (e.g., for mammography); take first step toward long-term care benefit by establishing "respite benefit" for families of beneficiaries with Alzheimer's; include competitive bidding initiatives. ***Increase State flexibility re Medicaid*** -- your budget would eliminate waiver process for managed care and for home/community based alternatives to institutionalization and make it easier for states to spend money to expand coverage. ***Workers' Transition benefit*** -- proposal would build on Kennedy-Kassebaum by helping those who lose their jobs *afford* health insurance. Cost: $2 billion/year. ***Increase small business access to voluntary health purchasing cooperatives (HPCs)*** -- opening up the FEHBP to outside purchasers would be a bad idea as it would be a magnet for poor risk employers, increasing FEHBP costs. Your budget proposal is much better. It would require health plans that participate in the FEHBP in a given region to offer coverage (in a separate risk pool) to private or state HPCs. ***Provide mental health parity*** -- GOP blocked this in Kennedy-Kassebaum negotiations, but issue may come to Senate floor again in Fall.

48 hour rule for new mothers -- on Mothers' Day you endorsed rule requiring health care plans to allow new mothers to remain in hospital for 48 hours. ***Open VA to Medicare-eligible vets*** -- allowing VA to get reimbursement from Medicare. ***Eradicate global polio*** -- by contributing to WHO's initiative to end polio by 2000.

Three options for new initiatives:

Increased oversight of managed care -- In view of rising concern that cost containment may be coming at expense of quality, (i) support "gag" rule law preventing health plans from restricting what doctors can tell their patients about alternative treatments. OMB and HHS support; (ii) establish public/private advisory board to evaluate managed care shortcomings and recommend appropriate role for federal government. VP, OMB, HHS, DOL support, as do Sweeney and McEntee; (iii) host Presidential forum on problem of managed care's role in declining research and training funds, challenging managed care industry and research community to work together on solutions.

Provide children greater access to affordable insurance -- Four options: (i) legislation for targeted investments to help community health centers and school-based clinics provide preventive and other services (wouldn't increase insurance coverage much); (ii) small tax subsidy for working families who pay for kids' insurance if employers don't contribute to dependent coverage (addresses affordability more than coverage); (iii) provide subsidy to help low-income families purchase insurance for their kids (would significantly increase coverage, but would be costly, inefficient, duplicative of Medicaid and would create incentives for employers to drop kids who have coverage); (iv) increase state flexibility to design programs to expand Medicaid coverage to more children. NOTE -- Options (ii-iv) would require new spending of $15-20 billion over 7 years.

Increase independence of people with disabilities -- (i) to address problem of disabled people who choose to remain on SSI or SSDI rolls rather than risk loss of health insurance, allow disabled to purchase Medicaid or Medicare coverage on sliding scale linked to their income; (ii) evaluate options to address problem that home- and community based care services are "optional" Medicaid services, while nursing home coverage is "mandatory" -- a distinction disabled community hates.

THE PRESIDENT HAS SEEN
8/23/94

Bass

Those underlined
would be good for accomplishments
+ goals speech at convention

RL

THE PRESIDENT HAS SEEN
8-24-96

THE WHITE HOUSE

WASHINGTON

96 AUG 16 P3:11

August 16, 1996

MEMORANDUM TO THE PRESIDENT

FROM: Carol Rasco and Laura Tyson

SUBJECT: Health Care Policy Achievement and Initiatives Update

You may want to highlight health care reform achievements and unveil "next-step" initiatives concurrent with, or soon after, the signing of the Kennedy-Kassebaum bill and the Democratic Convention. This memo outlines: **Health Reform Achievements, Pending Proposals, and New Reform Options.** These could be highlighted as part of any major health message.

I. Health Reform Achievements: Because the Health Security Act was not enacted, there has been a perception that the Administration has had few health care achievements. As the following summary attests, this perception is a mistaken one. The enactment of the Kennedy-Kassebaum bill and a more forceful effort to highlight our achievements will help turn this perception around. In the first term, you have:

- **Passed portability, guarantee issue and guarantee renewal insurance reforms.** In response to your State of the Union challenge, the Congress finally passed long-overdue insurance reforms that will benefit as many as 25 million Americans. As a result, workers will no longer be locked into "second-choice" jobs because their (or their families') pre-existing condition make them live in fear of losing health insurance. Similar insurance reform provisions were included in the Health Security Act and your balanced budget proposals.

- **Eliminated the discriminatory tax treatment of the self-employed.** You have advocated eliminating or reducing the 100 percent vs. 30 percent disparity between large employers and the self-employed for years (the 1992 Campaign, the Health Security Act, and your two balanced budget proposals). The Kennedy-Kassebaum bill increases the deduction to 80 percent for the 3 million self-employed Americans now purchasing health care, (which is close to parity since most employers do not pay for

- **Strengthened fraud and abuse prevention and enforcement initiatives.** The Kennedy-Kassebaum legislation included provisions long sought by Secretary Shalala that strengthen our ability to target and prosecute "bad apple" health providers who are bilking the system of billions of dollars from Medicare, Medicaid, and private insurance. The bill expands penalties and provides for permanent funding to build on our already successful efforts to combat fraud. The Congressional Budget Office conservatively estimates that these provisions will save over $3 billion.

- **Provided tax incentives for private long-term care policies and consumer protections to go along with them.** The Kennedy-Kassebaum bill included the tax clarifications for private long-term care policies and many of the basic consumer protections that were in the Health Security Act. These provisions should increase the sales of private long-term care policies, which should reduce future financial burdens on our public programs caused by an fast aging population.

- **Provided the tools to simplify the health care system and reduce paperwork, while still protecting the privacy of patient records.** The Kennedy-Kassebaum bill included provisions you have long called for that would modernize, streamline and cut the costs of insurance paperwork by providing standards for a common electronic system for paying health claims that most private insurers would use. The bill also provides the Secretary the authority to establish Federal privacy protections that would prohibit inappropriate disclosure of information.

- **Strengthened Medicare Trust Fund by 3 years.** Your 1993 economic package included policy and structural changes that extended the life of the Trust Fund by three years and were enacted without one Republican vote.

- **Preserved and protected the Medicaid guarantee of health coverage, while providing more flexibility to states to expand coverage.** You successfully defeated the Republican Leadership's proposal to block grant the Medicaid program, thus assuring that millions of vulnerable Americans would not lose guaranteed health care coverage or benefits. At the same time, you presided over the rapid approval of 12 thoughtful Medicaid waivers that, when completely implemented, will provide health coverage to 2.2 million previously uninsured Americans.

- **Contributed to getting health care inflation under control.** Your efforts to assure that all Americans have affordable, quality health care focused the nation's attention on the problem of health costs. This attention expedited the private sector's interest in implementing approaches to slow cost growth. This, along with the improvements in the economy, helped slow medical inflation to 3.9 percent in 1995 -- the lowest rate in 23 years. In the first 6 months of 1996, medical inflation is running at less than 2 percent and may actually grow below the general inflation rate for the year.

- **Increased investment in biomedical research at the National Institutes of Health (NIH) by an impressive 16 percent at a time when many other programs were being cut.** Funding for breast cancer research at NIH has increased by 76 percent and support for AIDS research funding has increased by 25 percent.

- **Funding for AIDS prevention and treatment has been increased to historic levels.** Support for AIDS prevention programs has increased by 19 percent, and support for treatment programs, primarily through the Ryan White Care Act, has increased by an extraordinary 95 percent. In addition, earlier this year, the Congress responded to your request to increase the Federal commitment to the State AIDS drug assistance programs (ADAP) by $52 million. This funding will be used to help AIDS patients buy expensive, new protease inhibitor drugs. Combined with the increases in our AIDS research investment, total funding for HIV/AIDS programs in fiscal year 1996 was $2.86 billion; this represents a nearly 40 percent increase since you took office.

- **Established a comprehensive childhood immunization initiative to ensure vaccinations and healthy futures for all children.** The proposal includes: a major community-based outreach effort to educate parents and providers about the need for vaccination; better detection of vaccination levels and outbreaks of infection; and a standardized immunization schedule to make it easier for parents to know when vaccinations are due. This program contributed to the immunization rate of 75 percent of 2-year old children in 1995 -- an historic high. What was it in '92?

- **Expedited the FDA review and approval of new drug products.** U.S. drug approvals are now as fast or faster than in any other industrialized nation. Average drug approval times have dropped since the beginning of the Administration from almost three years to just over one year. In 1997, virtually all breakthrough drugs will be approved within 6 months.

- **Protected kids from tobacco products and advertising.** Issued a proposed regulation to eliminate easy access to tobacco products by children and to prohibit companies from advertising to make tobacco appealing to kids. The goal is to reduce smoking by children by 50 percent within seven years after the plan goes into effect.

- **Increased funding for the VA health system by nearly two billion dollars.** This support will provide the resources necessary for the treatment of 94,000 more veterans.

- **Significantly reduced the regulatory burden of the Department of Health and Human Services for providers and consumers.** The Vice President's reinventing government initiative has resulted in the elimination of 1,600 pages of regulations, a 23 percent reduction.

II. Currently Pending Health Care Proposals: Unnoticed by much of the public, you unveiled an extraordinary number of substantive health reform proposals which in any other Congress would have been viewed as aggressive and quite ambitious. No other President has put as many public (Medicare and Medicaid) health savings dollars on the table, and no other President has proposed to so significantly alter and modernize the Medicare and Medicaid programs. However, relative to the Republican proposals, your proposals have been mistakenly viewed by the media (and thus the general public) as modest. Despite the fact that anyone who knows these programs knows better, the media has either ignored your proposals or has chosen to classify them as protecting the status quo.

We have never strongly promoted the private insurance reform initiatives you advocated that go beyond the Kennedy-Kassebaum bill because we feared they had the potential to undermine our Hill negotiations on the bill. The good news about this is that these initiatives will appear to be new to the public and the media, and -- with the exception of the $1 billion over seven years mental health parity initiative -- they are paid for in the context of your previous omnibus balanced budget proposals. Your major currently pending proposals include:

- **Extending the life of the Medicare Trust Fund until 2006.** Your Medicare savings ($124 billion/CBO estimates it to be $116 billion), combined with the home health care expenditure transfer (previously passed by the House), extends the Trust Fund for ten years from today while also making a significant deficit reduction contribution. It is a responsible savings package that would hold the Medicare per person growth rate just under what CBO numbers assume is equivalent to the private sector growth rate. [NOTE: Because the Medicare baseline is increasing, we may be able to squeeze more savings from the program in next year's budget.]

- **Modernizing the Medicare program and beginning to prepare it for the retirement of the baby boom population.** Your Medicare plan would increase choice of plans for beneficiaries (by adding a new Medicare Preferred Provider Organization option, a new Provider Sponsored Organization alternative, and a new HMO with a point-of-service option). It also would add important and potentially cost-effective preventive benefits (by providing for full coverage of mammography screenings, adding a colorectal screening benefit, and providing for diabetes case management.) It takes the first step toward providing for a long-term care benefit by establishing a respite benefit for families of Medicare beneficiaries afflicted with Alzheimer's Disease. Lastly, it includes a number of market-reform-oriented "competitive-bidding" initiatives that would make Medicare a more prudent and effective purchaser of health care services.

- **Liberating the states in their desire to have more flexibility to manage Medicaid.** Your Medicaid proposal (which provides for $59 billion/CBO estimates $54 billion in deficit reduction through a per person cap) would eliminate the burdensome waiver process for managed care, eliminate the waiver process for home and community-based care alternatives to institutionalization, and eliminate the Boren requirement. It would also make it easier for states to spend money in an attempt to expand coverage. [NOTE: Because the Medicaid baseline is declining, the fiscally aggressive policy we are now advocating would likely be scored lower on both the CBO and OMB baseline next year; in other words, it will be difficult to get the same deficit contribution from Medicaid next year.]

- **Building on Kennedy-Kassebaum by providing for a "Workers' Transition Insurance" benefit.** This proposal would help assure that previously insured people who are looking for a new job could afford to keep their health insurance and thus retain their portability protections. It would cost about $2 billion a year, would annually help approximately 3 million temporarily unemployed Americans, and would illustrate our resolve to still expand coverage within a balanced budget context.

- **Empowering small businesses to gain market-leverage to access more affordable insurance through the use of voluntary health purchasing cooperatives (HPCs) by providing access to FEHBP plans, overriding restrictive state laws, and giving financial assistance for the establishment and operation of HPCs.** We have been studying a series of options about how best to use the FEHBP and the limited political and financial resources we have available to empower voluntary HPCs to purchase more affordable, accessible health insurance for small businesses.

  Based on extensive conversations with public and private sector insurance analysts, we continue to believe that, in the absence of universal coverage, the potential for serious risk selection is too great to recommend that FEHBP's current insurance pool be opened to other purchasers. Since the Kennedy-Kassebaum bill does not include rating/price bands, there will continue to be significant premium price variation in the insurance market. As a result, a health plan that charges average premiums for larger populations -- like FEHBP -- would become a magnet for poor risk employers who are currently charged higher than average premiums in the market place. This would increase FEHBP plan costs as well as Federal employee hostility towards us. If we held Federal employees harmless, this could significantly increase the Federal costs of running FEHBP. Whether the Government picked up these costs or not, opening up the FEHBP insurance pool would attract extremely loud Government union opposition.

  The risk selection issue could be addressed by requiring OPM to administer a separate insurance pool in FEHBP for the non-Government employees. While this could be done, we are hesitate to recommend this option primarily because we are skeptical that OPM could administer an effective FEHBP alternative without a significant and politically risky infusion of money and talent. Second, based on what people in the field are telling us about what is actually happening in the marketplace, it seems much more likely that private, locally-administered HPCs (perhaps certified by the state) are better positioned to negotiate more effectively than an OPM employee who has little knowledge of plan rates within a particular geographic area. And finally, without a large number of small group enrollees in a particular geographic area, it is highly unlikely that FEHBP would negotiate attractive arrangements with insurers.

  Having said this, using FEHBP and other changes to the law to empower small businesses can and should be done. We would suggest that you strongly promote a proposal that would give private or state-run HPCs the ability to require that health plans participating in FEHBP (who also operate in the small market) must also offer coverage (in a separate risk pool) in HPCs. In addition, since one of the greatest hurdles HPCs face in becoming viable is their difficulty in attracting capital for their formation and operation, Federal grants would be made available to either state or private run HPCs who met certain standards (including that they are regulated by the state.) This proposal also would incorporate the Kennedy-Kassebaum purchasing cooperative provisions, which were dropped in conference, that: (1) Override state "fictitous group" laws (which prevent non-associated employers from purchasing insurance together), (2) Allow HPCs to negotiate price reductions even in states where community rating laws would preclude them from doing so, and (3) Allow HPCs to offer the same insurance packages for small businesses that bypass state benefit mandates that the state has authorized other insurers to sell.

- **Providing mental health parity across health insurance products.** The Republican Leadership rejected all attempts by Senator Domenici to come up with a compromise on the mental health parity issue and dropped it from the Kennedy-Kassebaum conference. They would not even support an Administration-endorsed Domenici alternative that dropped all parity provisions other than those related to lifetime and annual caps. This approach reduced the proposal's costs by 90 percent and would have assured that premium increases to pay for this benefit would not exceed .4 percent. This issue may come before the floor of the Senate again this Fall.

- **Protecting mothers and their newborn babies from premature discharges from hospitals.** You endorsed this proposal in your Mothers' Day Radio Address. Similar to legislation sponsored by Senator Bradley, it requires health care plans to allow mothers to remain in the hospital for at least 48 hours. There have been cases where plans have required a discharge within 8 hours of birth. Premature discharge can lead to serious health consequences for both mothers and children. Like the mental health parity provision, this popular initiative may come up for a vote in September.

- **Expanding health care options for older veterans.** This summer you proposed the "Veterans Medicare Reimbursement Project of 1996," a proposal to open the VA system to Medicare-eligible veterans at a number of cities. This measure, sometimes known as Medicare "subvention," would allow VA to receive reimbursement from Medicare, improving access to care for older veterans while lowering VA costs.

- **Contributing to the World Health Organization's initiative to eradicate global Polio by the Year 2000.** This proposal -- advocated strongly by Rotary International --would increase spending on global polio eradication efforts by $20 million. The Centers for Disease Control (CDC) has estimated that adequate funding and intervention could achieve the goal of eradication within one or two years. If successful, the United States alone could save more than $230 million per year after polio eradication is achieved and vaccinations are no longer needed. It appears that your request may well be included in the FY '97 Appropriations bill.

III. Options for New Health Reform Initiatives: There are three additional health care reform issues that we believe merit particular consideration for possible future Administration involvement. The initiatives are: (1) Appropriate oversight over managed care and other health plans; (2) Proposals aimed at providing children with greater access to affordable insurance; and (3) Initiatives designed to provide more independence for people with disabilities. With the exception of the managed care/health care delivery oversight issues, these proposals are quite preliminary and have yet to be formally scored and fully reviewed through normal interdepartmental process.

The public, consumer advocates, health care providers (academic health centers in particular) are increasingly fearing that the cost containment successes of managed care are the result of cuts in quality care, research and training, and questionable financial incentives between insurers and providers. The trick for developing politically viable policy alternatives is to strike the balance between the desire to enhance consumer protections with the need to avoid micromanagement of the health care system. What follows is a package of proposals that we believe achieves the appropriate balance.

Because the House Democratic Leadership and a number of health policy advocates are very interested in children's insurance coverage initiatives, we are also including a range of potential policy options. And finally, we believe that there a couple of disability empowerment initiatives that are worth seriously considering. As you know, people with disabilities have a heavy reliance on public health programs, particularly Medicare and Medicaid. As a result, since the only way to retain benefits is to stay eligible for SSI and/or SSDI cash benefits, they have overwhelming incentives to not seek gainful employment. In addition, there is a growing frustration within the disability community that the institutional bias of the Medicare and Medicaid programs are also undermining the potential for people with disabilities to be more independent.

- **Building on your managed care/health care insurance oversight record** (mental health parity provisions, 48-hour rule and a recent Medicare/Medicaid regulation to monitor excessive financial incentives for physicians to underutilize health care), **consider becoming active on three visible fronts: (1) sign the "gag" rule; (2) further define the appropriate role of the Federal government in regulating managed care; and (3) develop approaches to protect the academic health center community in this period of unprecedented changes in health care delivery.**

  (1) **Push for and sign the "gag" rule into law.** Consider immediately calling on the Congress to move to pass the "Patient Right to Know Act." In response to concerns about health care plans prohibiting physicians from advising their patients about alternative treatments, Congressman Ganske (R-IA) and Congressman Markey (D-MA) introduced legislation prohibiting any health plan from restricting medical communications, oral or in writing, between health care providers and their patients. This bill was unanimously reported out of the Commerce Committee in late July and may well pass the House prior to adjournment. If you push the Congress, you may ensure that they pass the bill before they leave. OMB and HHS support this provision.

  The only possible downside of endorsing the bill is that it will strain our relationship with the managed care community, but even they are now beginning to accept the fact that this bill and the 48 hour rule proposal will likely pass with little to no opposition.

  (2) **Establish an advisory board to make recommendations about the appropriate Federal role in monitoring managed care, assuring quality, and protecting consumers.** Consider establishing a bipartisan working group of public and private appointees (with representatives of consumers, unions, providers, insurers, businesses, and the government) to evaluate the shortcomings of consumer/quality protections/access in managed care and other health delivery systems, and to make recommendations about the appropriate role of government in regulating these plans. You may recall that you and the Vice President discussed a similar initiative with John Sweeney and Gerry McEntee earlier this year. (They are particularly concerned about the impact of managed care on the workforce and would strongly support this proposal.) The Vice President, OMB, HHS and Labor support this initiative.

There are a number of advantages of this route. First, it would be an initiative that illustrates you want to act, but act thoughtfully in this area. Second, if controversial recommendations were made from the perspective of the insurer, managed care, and business community, there would be policy and political cover for proceeding. Third, the fact is we need better information to make thoughtful recommendations that do not unintentionally hurt the positive elements of managed care. And finally, if we are visibly associated with the "gag" rule bill and the 48-hour protection measure, we will have shown our commitment in this area without having to go further at this time.

The disadvantage of this approach is that it may appear we are either ganging up on the industry or, conversely, delaying necessary action. Some proponents of intervention would probably suggest that the delay in the report was nothing more than a stalling mechanism designed to stop necessary intervention.

(3) **Host a Presidential forum on the impact of managed care on the declining private sector financial contributions for research and training at academic health care centers and on possible approaches to reverse this trend.** The managed care community is being (fairly) charged with not adequately supporting its share of the new health care research that is necessary to sustain the nation's overwhelming lead in health care technology/research. We propose that you consider hosting a "challenge" event to get the managed care and the research community together to engage in constructive conversations about an issue that neither is effectively addressing. The event would be designed to discuss how centers of excellence can produce the type of research HMOs and other managed care plans are interested in seeing and, conversely, how these health plans can better financially support the work academic health centers are undertaking.

There are no disadvantages to this proposal as long as it is not the only managed care oversight initiative you pursue. (If that were the case, it might seem too insignificant a step relative to the perception of problems with managed care.)

- **Consider options that assist children in terms of access, affordability and/or coverage.** We are looking at four options: (1) investments in community health centers and school-based health centers; (2) health care financial assistance through the tax code; (3) premium subsidies; and (4) empowerment of states to design kid coverage programs. Cost and coverage estimates are unavailable, but are expected in short order. However, while all four options would increase access to care and -- to some extent -- affordability, it is clear that only the last two options would significantly increase coverage. Most importantly, with the exception of the modest public health investment outlined in option one, <u>they all will require significant investments -- probably in excess of $15-$20 billion over 7 years. Unless we drop some other priority, it is difficult to see "credibly" financing any significant proposal in the context of a balanced budget</u>.

(1) **Introduce legislation to invest in public health initiatives to expand access to children.** This proposal could be pursued on its own or in addition to any of the other three options. Targeted investments would be made to community health centers and school-based clinics to provide preventive and other services to children. Health centers participating would aggressively undertake outreach activities aimed at signing up eligible children for Medicaid.

The advantages of this proposal are: it builds on an existing system that serves many of the most difficult to reach children; it is cost effective to provide health services in these settings; and it could be achieved with a relatively modest investment. The disadvantages are: it does not significantly increase health insurance coverage; school-based clinics have been controversial because they often provide family planning services, (but any proposal could be targeted at clinics in elementary schools); and States may oppose circumventing their own outreach efforts and undermining the control of their program.

(2) **Provide tax relief for families purchasing health insurance for their kids.** This proposal, fathered by the House Democratic Leadership, would require all health plans doing business with the Federal government to offer health insurance policies for uninsured children. Working families with incomes below a certain level would be given premium assistance through a tax deduction or credit if their employer does not contribute toward dependent coverage. To keep costs low and to prevent substitution of tax subsidized coverage for employer-sponsored coverage, the subsidy would be set at a low percentage of the premium. As a result, the primary benefactors of this option would be those who already have insurance. Therefore, this proposal can be best described as addressing affordability more than coverage problems.

The advantages of this proposal are: it is easy to administer because it uses the existing structure of the tax system and middle-class families will benefit the most. The primary disadvantage of the proposal is that initial estimates show that few uninsured children would gain coverage.

(3) **Provide Federal premium subsidy assistance.** This proposal would subsidize families below certain income levels (on a sliding scale) to purchase health insurance for their children. Eligible populations include uninsured and state optional Medicaid children. Because they would receive a full subsidy, the primary benefactors of this program would be lower-income children.

The advantage of this proposal is that it would significantly expand coverage for children. Old estimates projected that 6 million children would receive benefits, although only 2 million children would have been previously uninsured. The disadvantages of this proposal are that it would be costly, inefficient, difficult to administer, duplicative of Medicaid, and would create incentives for employers to drop children who currently have coverage.

(4) **Empower states to design an innovative program that supplements Medicaid to expand coverage for children.** This proposal would give states a Medicaid per capita amount to expand coverage to children. This could be done by: (a) giving states more flexibility to use different delivery systems, including managed care, without seeking waivers but leaving current benefit rules in place; or (b) allowing even more flexibility by permitting states to require contributions from higher income Medicaid eligibles. Using savings from these premium and cost-sharing requirements, states could expand coverage to additional populations of children. Populations eligible to receive benefits would be uninsured children in low-income working families.

The advantages of this proposals are: it builds on existing state structures; it limits Federal cost to the Medicaid matching amount versus a full premium subsidy; and it gives Governors much desired flexibility to increase coverage for children in working families.

The disadvantages of this proposal are: Although limited to lower-income populations, it will still likely induce some employer dropping of coverage; its cost-sharing requirements would impose burdens on some beneficiaries that have none now.

- **Consider options that increase the independence of people with disabilities,** including breaking the health coverage link to public cash assistance programs and creating more incentives to use home- and community-based services in lieu of institutional care.

(1) **Unveil a proposal to allow people with disabilities the opportunity to retain, or in return for a sliding scale premium, purchase Medicare or Medicaid.** Because private insurance is often not available or affordable to people with disabilities, many people choose to remain on the rolls rather than take the risk of working and losing coverage. This proposal, which we are designing with the Social Security Administration, would allow disabled social security clients the opportunity to purchase Medicaid or Medicare on a sliding scale as their income from employment rises. The primary potential downside is that this option might create unintended consequences of attracting many more people with disabilities to the subsidized Medicare/Medicaid programs than are currently being served. We are still waiting for final OMB estimates and will obviously rethink this option if it is cost prohibitive.

(2) **Consider additional ways to reorient the Medicaid program towards home- and community-based care and away from its institutional bias.** The disability community hates the fact that nursing home coverage within Medicaid is defined as a mandatory service, while home- and community-based care services are optional. We are currently evaluating options (that go even beyond your current proposal to eliminate the waiver process for States who wish to implement a home- and community-based service option). We will keep you informed of developments.