

THE PRESIDENT HAS SEEN

5-5-97

THE WHITE HOUSE

WASHINGTON

April 22, 1997

'97 APR 24 PM 1:46

MEMORANDUM TO THE PRESIDENT
FROM RAHM EMANUEL
SUBJECT ELIZABETH DREW'S BOOK

I have attached an analysis on Elizabeth Drew's book "Whatever It Takes", and an AP story that came out on April 21 that I think you will find interesting.

copied
Emanuel
CS

Chen

ELIZABETH DREW'S "WHATEVER IT TAKES"**New Book Paints Picture Of Coordination Between NRCC & Outside Groups**

NRCC Chairman Paxon Said The Christian Coalition & NRA Were GOP's "Most Important Allies." In Drew's book, NRCC Chairman, Congressman Bill Paxon (R-NY) said, "The NRA and the Christian Coalition are our two most important allies, bar none." ["Whatever It Takes", p. 41]

NRCC Shared Information With NRA's Tanya Metaksa. Drew writes of the NRA's Tanya Metaksa, "Metaksa or her colleagues also kept in close touch with Bill Paxon or Maria Cino, of the National Republican Congressional Committee. Smiling, fully aware of the import of what she was transmitting, Metaksa said to me, 'People in the political process want you to support certain candidates. They're willing to share polling and other information.'" ["Whatever It Takes", p. 40]

NRA's Metaksa Said NRA "Worked Very Closely" With NRCC & NRSC In 1994. The NRA's Tanya Metaksa said "We worked very closely" with the Republican Senatorial and House Committees in 1994. Metaksa said that the NRCC's executive director Maria Cino, "will talk to anyone who will listen about her top priority campaigns." Cino was in close contact with the campaigns. This allowed the NRA to make "independent expenditure" ad campaigns without actually coordinating with the campaigns. ["Whatever It Takes", p. 42]

Christian Coalition's Reed Said His Organization Cooperated With NRA, NFIB. In her book, Elizabeth Drew writes, 'Ralph Reed acknowledged that cooperation goes on between his groups and its allies -- but said most of it takes place at a lower level. 'There is no formal, structured cooperation... The big question is, Are the NRA, the NFIB, and the Christian Coalition in the same districts? If they are, there's a synergy there that's very powerful.'" ["Whatever It Takes", p. 28]

NRCC's Paxon & Cino Often Discussed House Races With NFIB's Nuttle. In her book, Drew writes that Marc Nuttle of the NFIB "said that he and other NFIB officials talk to Bill Paxon and Maria Cino, the executive director of the National Republican Congressional Campaign Committee about the status of House races, 'but quite frankly, we know as much about it as they do.'" ["Whatever It Takes", p. 34]

Beer Wholesalers Rehr Had "Regular Contact" With NRCC's Paxon, NRA, Christian Coalition. Drew writes that David Rehr, the president for public affairs of the National Beer Wholesalers Association, "kept in regular contact with Bill Paxon and his staff, in particular the NRCC's very smart executive director, Maria Cino." Rehr also kept in close touch with representatives of the NRA and Christian Coalition. Rehr said, "The Federal Election Commission says you can't coordinate, but everybody talks to each other. We make a practice of not talking specific amounts with each other. We talk about who's targeted, how somebody's doing, but not in terms of 'Why don't you throw in three thousand and we'll throw in five thousand.'" ["Whatever It Takes", p. 18]

Norquist Held October 1996 Emergency Election Meeting With NRA, Christian Coalition, NRCC. During 1996, Grover Norquist, the leader of Americans for Tax Reform -- a supposedly non-partisan 501(c)4 organization -- held Wednesday morning meetings of conservative activists. These meetings were sometimes attended by GOP candidates. After one of Norquist's meetings in early October, there was an "emergency meeting" to "assess" the Congressional races. The meeting was attended by Norquist, Heidi Stirrup of the Christian Coalition, Joe Phillips of the NRA, an NRCC representative, and a few other activists. ["Whatever It Takes", p. 184]

Norquist Held One Of His Weekly Meetings In The Capitol Building. Gingrich Addressed Meeting.
On Wednesday September 18, 1996, Grover Norquist held his weekly meeting in a room in the basement of the Capitol -- on federal property. Gingrich addressed this meeting of conservative activists.
["Whatever It Takes", p. 168]

Norquist Attended Gingrich's Strategy Meetings On The House Of Representatives.
Grover Norquist attended a meeting in October 1996 in Gingrich's office in which the state of the House campaigns was reviewed and it was decided that the GOP would soon break free of Dole in favor of keeping the House. ["Whatever It Takes", p. 182-183]

From TJ

----- TOP -----

Date: 04/21/97 Time: 16:42

CSenate Democrat wants probe of big GOP contributor

WASHINGTON (AP) The Senate's investigation into campaign finance abuse should look into Republican assistance to a Japanese-American businessman who contributed \$500,000 to the party, a key Democrat said Monday.

Sen. Carl Levin, D-Mich., said Michael Kojima should be a focus of the investigation because a Republican campaign official in 1992 wrote Japan's prime minister on his behalf after he pledged \$500,000 to the party.

The donation embarrassed Republicans when it was learned Kojima had large unpaid debts and failed to make child-support payments.

Kojima, president of a Los Angeles company, got a seat near then-President Bush at a Republican dinner for his large contribution.

Levin handed out a March 9, 1992, letter from a Republican Party official to then-Japanese Prime Minister Kiichi Miyazawa on Kojima's behalf. The letter's author, Lisa DeGrandi, was head of the Presidential Roundtable a GOP senatorial campaign group for major party contributors.

Several weeks earlier, Kojima received a thank you letter from former Sen. Howard Baker, who was chairman of the dinner. He thanked the businessman "for agreeing to serve as a co-chairman by pledging \$300,000 to The 1992 President's Dinner." Dinner officials later said the contribution was \$500,000.

The Senate has approved an investigation into political fund-raising problems in both parties, and Levin is trying to ensure that the bipartisan scope turns into reality when hearings begin.

"We need a bipartisan investigation and a bipartisan remedy" to campaign finance abuse, said Levin, a member of Sen. Fred Thompson's Governmental Affairs Committee. Levin discussed the investigation with a group of reporters, even questioning whether the donated money could have originated with a loan from the Lippobank.

The bank is part of an Indonesian conglomerate controlled by the Riady family that is a focus of investigations into White House fund-raising.

DeGrandi wrote the Japanese prime minister on March 9, 1992, to thank him for meeting with Kojima while he was in Japan. She said his firm "does significant business throughout the international arena" and described him as "one of our executive members of the Presidential Roundtable, a business advisory group that advises members of the U.S. Senate, President Bush and the administration on business issues."

The letter also mentioned that Kojima "met with President Bush at the White House" and would soon meet with Chinese leader Deng Xiaoping.

Levin asked, "Were appointments made for Kojima in Japan by the U.S. embassy?"

Levin said the committee has been unable to locate Kojima. Attempts to find a telephone listing were unsuccessful.

The Associated Press reported from Tokyo in May 1992 that Kojima used his GOP connections to receive unusual assistance for a business consortium from U.S. diplomats.

Government officials and businessmen in Tokyo in 1992 said Kojima had carried with him a photo of himself with Bush at the White House and a sheaf of testimonial letters from Republican politicians.

The Republican Party placed Kojima's \$500,000 contribution in escrow following a report by the AP that Kojima was indebted for hundreds of thousands of dollars in child support and unpaid loans. In fact, after his donation, he was arrested for failing to make child-support payments.

The money became the subject of litigation, with creditors seeking the funds from the dinner committee.

The case was settled out of court, with Republican campaign organizations keeping \$215,000. The remainder went to three creditors: a former wife of Kojima, a limited partnership and Lippobank, which had a two-year judgment against him for nearly \$600,000. A bank attorney had stated the loan and the contribution were several years apart and not related.

Levin said a committee subpoena asked Republican Party officials to turn over any information on Lippo and Kojima to determine whether the bank's loan was related to the contribution.

APNP-04-21-97 1654EDT

----- BOTTOM -----

April 16, 1997

TELEFAX TO BETTY CURRIE FOR HILLARY RODHAM-CLINTON

RE: CHILD ABUSE SUGGESTION

FROM: HANK HANNIGAN--DNC TRUSTEE

'97 APR 17 PM 1:49

DEAR HILLARY:

HOPE YOU BOTH COME TO HAWAII AGAIN SOON. IT WAS GREAT GOLFING WITH THE PRESIDENT AGAIN. HOPE HE RECOVERS QUICKLY. IT MUST BE TOUGH GOING THROUGH THE THERAPY AS ACTIVE AS HE IS.

THE ENCLOSURE WAS SENT TO GOVERNOR CAYETANO LAST WEEK AND I THOUGHT YOU WOULD BE INTERESTED. AWARENESS OF CHILD ABUSE AND THE DAMAGES CAUSED IN LATER LIFE SHOULD BE MADE AVAILABLE TO EVERY POTENTIAL PARENT. SAVINGS COULD BE TREMENDOUS.

ALOHA FROM HAWAII,

Hank Hannigan

HANK HANNIGAN
FAX (808) 941-4634

P.S. I MARRIED THE LADY YOU MET LAST NOVEMBER, ATTORNEY ERLINDA DOMINGUEZ-HANNIGAN

4/17/97

Enclosure: Gov Cayetano Ltr.

Send to Doylenid?

Yes ☒
No ☐

Alice
Alice Pshtar



Todd -

OK

I checked with ~~Craig~~ Smith.
They have no one capable
of doing correspondence... 2
support staff for entire office.

This letter should be sent to
Alice Pushkar for FLOTUS response...
letter is to her. Phil

TO Alice Pushkar
for response.

(Don't send my
note to Todd)

April 16, 1997

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ALOHA FROM HAWAII,



HANK HANNIGAN
FAX (808) 941-4634



P.S. I MARRIED THE LADY YOU MET LAST NOVEMBER, ATTORNEY ERLINDA DOMINGUEZ-HANNIGAN

Enclosure: Gov Cayetano Ltr.

4/17/97

Send to Denslow?

Yes ☒ _____
No ☐ _____

C

April 10, 1997

TELEFAX TO HONORABLE GOVERNOR BEN CAYETANO

RE: CHILD ABUSE SUGGESTION

FROM: ATTYS ERLINDA DOMINGUEZ-HANNIGAN & HANK HANNIGAN

WE BOTH RECOGNIZE THAT EDUCATION AND AWARENESS CAN PLAY A ROLE IN REDUCING CHILD ABUSE. AS SUCH, RECOMMEND A VERY SIMPLE TEST BOOKLET BE GIVEN AND TEST ADMINISTERED BEFORE ANY MARRIAGE LICENSE IS ISSUED. SAME SEX PARENTS (there is no implication of any endorsement) AND GRANDPARENTS ARE CAPABLE OF RAISING CHILDREN ALSO, THEREFORE, ANY MARRIAGE LICENSE ISSUE WOULD DEPEND ON COMPLETION OF A SIMPLE TEN QUESTION TEST AFTER READING THE TEST BOOKLET SIMILAR TO HOW DRIVERS' LICENSE WRITTEN TEST BOOKLETS ARE GIVEN.

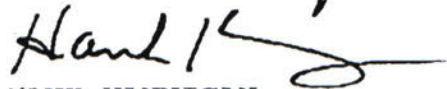
THE SIMPLE BOOKLET WOULD MAKE POTENTIAL PARENTS AWARE OF BASIC CHILD ABUSE PREVENTION ISSUES AND PERHAPS HELP START THE DECREASE OF CHILD ABUSE. THE BOOKLET WOULD SHOW WHY YOU SHOULDN'T BEAT UP KIDS, LOCK THEM IN DARK ROOMS AND RIDICULE THEM TO MENTION A FEW.

IF WE ARE REALLY SERIOUS ABOUT REDUCING CHILD ABUSE, LET US TAKE THE LEAD IN THIS COUNTRY AND REQUIRE TESTING. PUBLIC POLICY ISSUES SHOULD FAR OUTWEIGH ANY CONSTITUTIONAL CONCERNS AND THERE MAY BE NONE. WE BELIEVE OUR SOCIETY IS BASED ON THE FAMILY UNIT AND THAT IS WHERE ENLIGHTENMENT SHOULD BEGIN. PASSING THE TEST WOULD NOT BE REQUIRED AS AWARENESS IS OUR GOAL.

SINCERELY,



ERLINDA DOMINGUEZ-HANNIGAN



HANK HANNIGAN

1804 ALA MOANA BLVD. #17A
HONOLULU, HAWAII 96815
(808) 599-7741
FAX-(808) 941-4634

5-2-97

Send to Dorskind? 

Yes  _____

No _____

Coordinate w/ Marcia Hale? 
+ Chris Jennings Yes 
no _____

Sacramento Address:
State Capitol
Sacramento, CA 95814
(916) 445-8514
(916) 324-7129 FAX

**Assembly
California Legislature**
CRUZ M. BUSTAMANTE
Speaker of the Assembly

District Address:
State Building
2550 Mariposa, Room 5008
Fresno, CA 93721
(209) 445-5532
(209) 445-6006 FAX

FACSMILE TRANSMISSION

'97 MAY 2 PM3:09

DATE: 5-2-97

TO: Staff Secretary

FAX NUMBER: (202) 456-2215

FROM: Speaker Cruz M. Bustamante

☒ Sacramento

(916) 445-8514

(916) 324-7129

☐ Fresno

(209) 445-5532

(209) 445-6006

COMMENTS: _____

TOTAL NUMBER OF PAGES (INCLUDING THIS PAGE): 3

CALIFORNIA LEGISLATURE

SACRAMENTO, CALIFORNIA 95814

BILL LOCKYER
PRESIDENT PRO TEMPORE
OF THE SENATE
STATE CAPITOL, ROOM 205
SACRAMENTO, CA 95814



CRUZ M. BUSTAMANTE
SPEAKER
OF THE ASSEMBLY
STATE CAPITOL, ROOM 219
SACRAMENTO, CA 95814

May 1, 1997

The Honorable Bill Clinton
White House
Washington, D.C.

Dear Mr. President:

Our visit to Washington this week ended with a talk with Vice President Gore. He reaffirmed your often stated pledge to consider California issues a priority, letting us know that California is never far from your minds. We write today to bring to your attention two issues of enormous concern to us in the current budget negotiations: the proposed cuts in disproportionate share hospital payments and the proposed Medicaid per capita cap.

The Administration's proposal would cut disproportionate share hospital (DSH) funding by \$16.6 billion over five years first freezing 1998 federal spending at 1995 levels and then shrinking the program over five years by 43%. This will cost California \$200 million the first year alone. The effect on our safety net -- already burdened almost to the breaking point by welfare reform -- will be disastrous.

When our Congressional and state legislative delegations met together this week, we agreed on a bipartisan basis that these cuts cannot be justified. The outrage expressed focused particularly on the fact that the proposed cuts are not fairly distributed throughout the nation. We are aware that the Administration believes that the DSH program has been abused by some states, draining Medicaid dollars to non-health uses and subsidizing hospitals that do not serve the low income population in any substantial way.

These concerns about DSH abuse do not apply to California. California has required its DSH hospitals, as a matter of state law, to serve a population that is at least 25% Medicaid and/or uncompensated. Other states have reportedly required a share as low as 1%. In addition, California has not used these funds for non-health purposes.

We believe that it is fundamentally unfair to penalize California with these DSH cuts. If there are abuses, the solution is to curb those abuses by imposing eligibility criteria and/or other restrictions targeting the abuses. The solution should not be to destroy California's safety net.

The Honorable Bill Clinton
May 1, 1997
Page 2

In addition, we are also gravely concerned by the Administration's other proposed Medicaid cut: the per capita cap. Our reasons are quite similar.

California has been a model of efficiency in reducing Medicaid costs. We have led the move to enrolling this population in managed care. We have held reimbursement rates to the lowest tolerable level for many years.

Through these efforts, we have held our cost-per-recipient rate to the second lowest in the nation — despite our high cost of living. California's rate is about \$2,000 per poor patient. Other states' rates are as high as \$7,000 per patient.

The Administration's budget proposal to limit Medicaid payments to a base-year per capita amount will penalize states like California that already have imposed effective cost reduction measures by locking in our smaller share of federal funding. States which have not sacrificed to contain costs will be rewarded. This result cannot be justified.

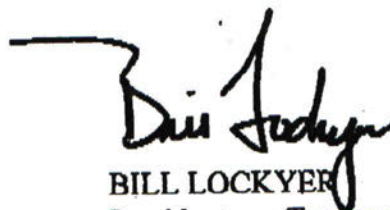
California taxpayers should not be asked to subsidize Medicaid payments in other states which have not moved energetically to contain costs. This is the heart of the concern expressed by our bipartisan delegation.

We believe that your genuine commitment to protect California will not allow these cuts if their impact is made clear. We look forward to working with you to solve these problems.

Sincerely,



CRUZ M. BUSTAMANTE
Speaker of the California Assembly



BILL LOCKYER
President pro Tempore of the
California Senate

CMB:dgi

5-5-97

Send to ~~Donskind~~ ✓

Yes ✓

No _____



330 East 43rd Street
New York, N.Y. 10017, U.S.A.
Telephone: 1-212-972-9000
Telefax: 1-212-972-9005

April 30, 1997

'97 MAY 10:39

Ms. Betty W. Currie
Personal Secretary to the President
Office of the President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Room 1/WW
Washington, DC 20500

Dear Ms. Currie,

We are pleased to provide background information on the American Flagship project to aid in your understanding of the national implications of proposals being advanced by the foreign-flag cruise industry and some of its allies to repeal, change, or waive the U.S. cabotage laws as they affect the passenger ship industry.

We include two from a series of flyers which we have published on the subject, and which are also running as advertisements in the *Journal of Commerce*, *Roll Call*, and a number of other publications.

Can the United States build passenger ships on time and on budget, if motivated to do so by significant market-driven opportunities and the economic realities associated with the end of the Cold War? We say YES and can prove it; Bob Dickinson, President of Carnival Cruise Lines — the largest of several cruise lines which dominate the U.S.-based cruise industry using foreign-built ships which do not hire Americans or pay state or federal taxes on their record \$7.5-billion annual revenues — says NO.

Can young professionals from across the land — professionals that have chosen a career in our booming hospitality, culinary, and tourism industries — serve their fellow Americans as well as *foreigners* who do not have green cards, do not earn a minimum wage, and have no professional training (such as the entire service crew on board the 130 foreign-flag cruise ships which earn 90% of their \$7.5-billion annuals revenues from American passengers)? We say YES and are prepared to hire 2,400 such young professionals a year on the first of several American-flag city-ships we will be putting into service over the next decade, and starting in the year 2000. Carnival Cruise Lines[®] says "NO, Americans don't want to serve".

Can our world-class U.S. naval officers and merchant marine apply their experience and skill to market-supported passenger ships, just as they have to container ships, tankers, and America's fleet of high-tech warships? We don't have any doubt; do you?

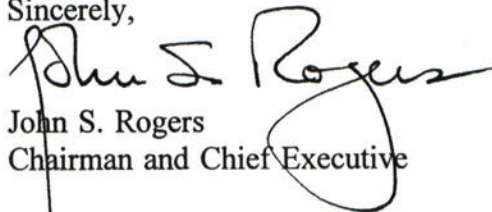
Actually, Bob Dickinson of Carnival Cruise Lines (the majority of which is owned by billionaire-founder Ted Arison who avoided even *personal taxes* on hundreds of millions of dollars in profits by renouncing his American citizenship), didn't just say NO -- he summed up America's ability to enter the passengership industry with the patriotic prediction: "**WHEN PIGS FLY**".

America's markets — including coastal markets — should be preserved for American jobs and for American tax-paying businesses. It's not only an economic issue, but also a national security issue. It's a common sense issue which we hope you will use your office to research, evaluate, and understand.

It's more than the flag — but, in a sense, even that would be enough of a reason to pay attention to this important issue.

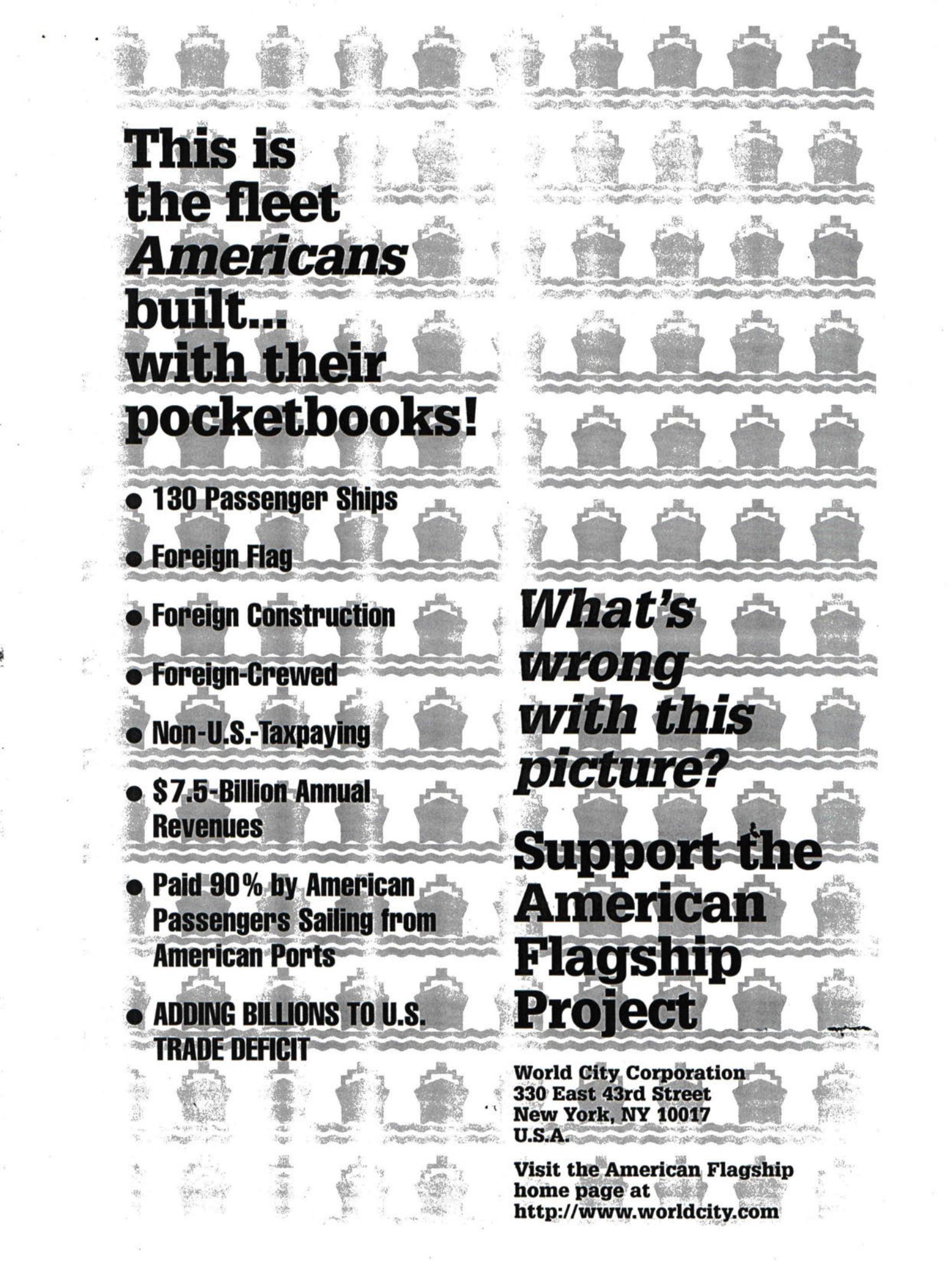
Thank you for your consideration.

Sincerely,



John S. Rogers
Chairman and Chief Executive

We invite you to visit our web site at <http://www.americanflagship.com>



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the fleet
Americans
built...
with their
pocketbooks!**

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- Foreign Construction
- Foreign-Crewed
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- \$7.5-Billion Annual Revenues
- Paid 90% by American Passengers Sailing from American Ports
- ADDING BILLIONS TO U.S. TRADE DEFICIT

***What's
wrong
with this
picture?***

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- a quantum increase in **seagoing jobs** for Americans
- hundreds of millions of dollars a year in new coastal **economic activity**
- billions of dollars in new federal and state **tax revenues** (over the life of each ship)
- positive U.S. **trade balances** (vs. the billions a year in deficit generated by Americans sailing on foreign-flag cruise ships)
- large-scale, *genuine*, and ongoing commercial work for America's defense-dependent shipyards

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Build America



THE WHITE HOUSE
WASHINGTON

'97 MAY 5 AM 10:36

May 5, 1997

MEMORANDUM TO THE PRESIDENT

FROM:

John Hilley
John Hilley, Chris Jennings *ccs*

SUBJECT: Suggested telephone call to Congressman Bill Thomas

cc:

Gene Sperling, Bruce Reed

We believe that you should call Congressman Bill Thomas, the Chairman of the Ways and Means Subcommittee on Health, as soon as possible. He is a critically important player that can help or hurt us immensely in the upcoming drafting of the specific Medicare provisions of the budget agreement.

Background

Mr. Thomas is a highly intelligent, but mercurial Member of Congress. (Ironically, in many ways, he is the Republicans' Pete Stark). He will be the most influential Member in the House (and probably the entire Congress) in developing and finalizing the details of the Budget agreement's Medicare provisions. (The Senate Finance Committee is notoriously weak now, and Mr. Thomas' counterpart -- Senator Phil Gramm -- has already made himself of non-player by opposing the budget agreement.)

If Mr. Thomas is treated with what he believes is the appropriate respect, he can be a reliable and helpful team player. If he feels short-shifted, he can turn on anyone in the most unpredictable and damaging of ways.

We have received reports over the weekend that he may be furious with his Republican Leadership that he did not adequately get integrated in the final hours of the agreement. He is not completely satisfied with the Medicare home health transfer agreement, and he is reportedly particularly upset about the low income premium protections (up to 150 percent of poverty) that the Democrats insisted on during the Friday negotiations. (We recommend that if he raises ~~this~~ issue that you listen carefully to his ideas but do not engage in discussion.) We believe that he can get over these issues, but will not tolerate any more slights from either his side or ours.

*Copied
Hilley
Jennings
COS*

It is for the above reason that we believe that it is critically important that you reach out to Thomas soon. Medicare is an issue that is too sensitive and too easy to use in destructive ways.

In short, if Mr. Thomas wants to create troubles with the Democrats and this plan, he knows well how to do it. If he knows early on that we will treat him with "appropriate deference," he may make the difference on pushing back right-wing attempts to place "poison pill" Medicare provisions (like broad-based MSAs or the elimination of balance billing protections or a "defined contribution" for the Medicare program).

Although Mr. Thomas may be feeling somewhat excluded from his Leadership, it is important to point out that the budget agreement reflects many of the concerns he consistently raised to us about Medicare in the budget negotiations. For example:

- **Thomas Position:** He agreed with us that it would not be advisable to increase the provider savings over our base \$100 billion package, and that the additional \$15 billion in Medicare savings had to come out of a combination of a reduction in new benefits and beneficiary contributions.
Budget Response: We did just that.
- **Thomas Position:** He felt that no home health reallocation could take place without beneficiaries paying their fair share of the transfer.
Budget Response: Although we phased it in, beneficiaries will eventually pay their fair share of this transfer.
- **Thomas Position:** He said that we should protect the preventive benefits package because it so closely resembled the bill you introduced (and attracted bipartisan support for).
Budget Response: We did just that.
- **Thomas Position:** He stressed that a new Alzheimer's respite benefit (however desirable) needed to be better thought out before being established.
Budget Response: We agreed to drop the proposal.
- **Thomas Position:** He pointed out that our proposal to lower the current 47 percent outpatient copayment was "laudable," but too expensive and unrealistic.
Budget Response: We agreed to cut the dollars allocated to the copayment buy-down by more than half. (We needed this investment to attract AARP's support).

In our conversations with the Subcommittee Chairman, we have found him to be thoughtful and generally constructive. He, for example, agrees that we are overpaying HMOs but would like to develop alternative ways to ensure that Medicare shares in the savings. He has repeatedly said, however, that his caucus will demand at least a MSA demo -- although it does not appear that important to him. He is much more interested in pushing a medical malpractice provision, which he seems to fully expect to be dropped out by the Senate (through the 60-vote Byrd rule requirement.)

Talking Points for Conversation with Congressman Bill Thomas:

- I want to thank you for your willingness to discuss Medicare policy options with us during the budget discussions. Although I know the process has been sometimes frustrating, you and your staff have been constructive from the beginning and I sincerely appreciate that.
- From what I am told, your influence can be clearly seen in the Medicare portions of the budget agreement. (See attached memo on the influence of Thomas on the final agreement.)
- We have a great deal of work to do to complete the budget agreement and I want to continue our positive working relationship to assure there are no surprises on either side. I also want to make clear that I well understand that the budget agreement did not and should not overly micromanage the normal Committee policy development process.
- I do want you to know that, to the extent it is helpful to you, I will make certain the experts within the Administration will be available to respond to any technical assistance you and your staff may have. I know you have met with Chris Jennings and Nancy Ann Min, and I will make sure that they as well as HHS are at your disposal.
- I have heard you have a number of ideas on the managed care front that are creative and thoughtful. I know you are also working on home health payment options. I am told that your work is promising and I look forward to hearing more.

- I am aware of your desire and commitment to add a medical malpractice provision and, perhaps, a Medical Savings Account (MSA) demo. I know you understand that these two provisions cause my Democratic caucus and myself heartburn. Having said that, I do appreciate your being up front with me on your intentions.
- I must tell you, though, that any movement on an MSA demo will create problems. Already the Democrats want me to write a letter suggesting I will veto anything with any type of a MSA in it. I would be willing to review suggestions about a MSA demo, but I cannot even consider anything until I can make sure it is extremely limited.
- I am directing John Hilley and the rest of the White House staff to keep in close touch with you. Please call John if you feel we are being unconstructive in any way. I look forward to working with you in the weeks to come.