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THE WHITE HOUSE

WASHINGTON

December 13, 1992

MEMORANDUM FOR GREGG PETERSMEYER

FROM: HANNS KUTTNER *H*

SUBJECT: Final Briefing

While I should be sending you a note thanking you for coming up here and giving freely of your thoughts for how to make the transition from here to what is next, I'm not.

Instead I'm sending you a memo to suggest that the Office of National Service organize a briefing in room 450 for White House staff and perhaps interested Bush appointees elsewhere in the Administration, say in early January. The points to cover would be:

- What has been accomplished in the areas of service/voluntarism during the Bush Administration;
- What the ongoing legacy will be (work of the Points of Light Foundation, etc.)
- What individual Bush team members might do in their post-government lives to advance the cause of service.

I look forward to receiving my copy of the EOP-wide memo you send out announcing just such a briefing.


THE WHITE HOUSE

WASHINGTON

November 19, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

HANNS KUTTNER 

SUBJECT:

Early Issues for the New Administration

There are two issues in my area that may require decisions by the new Administration in its early days.

White House Conference on Aging. This is the lesser of the two. The Congress provided an authorization in the Older American Act amendments the President signed in October. Funds are also available. The early decision is a go/no go decision on whether to hold the conference, and, if so, whether to do so within the timetable required by Congress.

Further details on this will be forthcoming from HHS, and I will put them into a document laying out the situation.

Pesticides/Delaney Clause Implementation. You may recall that the government lost a case in the Ninth Circuit that brings to an end our argument that there is an implicit "de minimis" to the Delaney Clause with respect to pesticides. At some imminent moment, EPA will need to publish a plan of action. Because this plan would take seriously a zero cancer risk, important agricultural chemicals would be threatened.

I do not think it would be appropriate for me to contact EPA or Justice to ascertain the details because I have supplied my resume to an entity recruiting on behalf of a firm that, among other things, makes pesticides. I have had no further contact, but as I understand the Counsel's office's guidance, only after six weeks of no interest have passed can this be considered dead. I have placed a call to the recruiter, but have thus far received no response.

I will let you know when this is resolved, but if attention is required here and now, I recommend that you ask another staff member to complete the task.

THE WHITE HOUSE

WASHINGTON

November 19, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

HANNS KUTTNER

SUBJECT:

Medicaid Donations and Taxes Rule

All is poised to go tomorrow (Friday) for an interim final rule to go on display at the *Federal Register* to implement the donations and taxes legislation the President signed last year. Once the rule is on display, HHS will issue a press release, a copy of the latest draft of which is attached.

Substance of the rule

The rule implements legislation that limits the amount of "donations" and provider-specific taxes states can use to obtain federal Medicaid funds.

The rule limits these sources to more than 25 percent of a state's non-federal share of Medicaid expenditures. When the National Governors Association met in August, the governors made a push to get a final rule published. The internal consensus that developed at that point was to postpone until after the election because the rule would be adverse to some states.

Perhaps the adverse effects have been worked out. Perhaps they have not. I called Tom Scully to ask, but he did not call me back. (I am contemplating looking for work on Capitol Hill where I can not return his calls.)

Arkansas situation

As I understand Arkansas' situation from news reports, the state Medicaid budget is almost out of money. (It appears that running out of money is something that states actually face.) The state will mail notices to recipients on December 1 saying that benefits may cease.

Thus the state legislature will be called into special session in December to address the situation.

What we have done

I called Kevin Moley, the deputy secretary of HHS, and asked me what would be done to brief the states on the final rule. In particular I thought it would be a good thing to

brief the Arkansas state Medicaid director so that he could brief the Governor of Arkansas on the effects of the rule on Arkansas.

Kevin told me that this was a Tom Scully show and that he awaited word from Tom about what to do.

Then I placed another unreturned phone call to Tom. If you have any further questions, you too might try to call Tom.

Also, Dan Casse told me he has brought the press release to Godlick's attention. I would assume Godlick is one person Scully has briefed.

HHS NEWS

Revised
DRAFT
#203
LHCF-405/MB-062-IFC)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOR IMMEDIATE RELEASE

Contact: Bob Hardy
202-690-6145

A federal regulation published today will assist states struggling with their Medicaid budgets, HHS Secretary Louis W. Sullivan, M.D., announced today.

The regulation, which implements legislation enacted by Congress in December 1991, defines special tax revenues and donations from health-care providers that enable State Medicaid programs to qualify for federal matching grants.

It includes provisions to the effect that the federal government will match Medicaid funds raised from health-care-related taxes that are broad-based, applying uniformly to all providers in a class, and are not guaranteed refundable to the providers.

Secretary Sullivan stated: "With this regulation, we believe we have achieved a balanced and equitable solution for the states and the federal government."

Before enactment of the law, all special tax revenues and donations from health-care providers, such as hospitals and nursing homes, could be used in state Medicaid programs and counted for federal matching grants.

Under the 1991 law, federal payments matching provider tax revenues and donations are estimated to be \$11.3 billion in fiscal year 1993, up from an estimated \$8.7 billion in FY 1992, and from an estimated \$2.5 billion in FY 1991.

- More -

Forty-five states are currently obtaining federal Medicaid matching funds for revenue raised by provider taxes and donations.

The regulation filed today followed lengthy discussions among White House, federal legislators, HHS, and governors and other state officials.

Prior to the enactment of the legislation, discussions included: the National Governors' Association, the National Conference of State Legislators, the National Association of Counties, the National Association of State Budget Officers, and the American Public Welfare Association.

Commenting on the impact of the regulation, William Toby, Jr., acting administrator of the HCFA, said, "We trust that the federal matching funds will help states cope with rising Medicaid budgets, and permit them to improve services to the poor, disabled, and medically indigent, who make up this nation's Medicaid population."

The law provides a transition period for states allowing them to adjust their Medicaid financing to comply with it. That transition period varies according to states' differing fiscal years and legislative meeting schedules. For most states that period expired on September 30, 1992.

The regulation also provides the following:

- o A state may obtain a waiver from the requirement that taxes be broad-based and uniform if it can show that the tax is "generally redistributive," having less impact on providers serving proportionately more Medicaid patients than on other providers in the same class.

- o Permissible donations are defined and limited. Donations that pay for stationing Medicaid eligibility workers in "disproportionate-share" hospitals and other health-care institutions are permissible to a limited extent. Donations from providers may have no direct or indirect relationship to Medicaid payments to those providers.
- o Generally, federal funds cannot be used to match provider donation and tax revenues that exceed 25% of a state's non-federal share of Medicaid expenditures.
- o Total payments to "disproportionate-share" hospitals that exceed 12% of the national Medicaid expenditures will not be matched with federal funds.

Disproportionate-share hospitals receive extra Medicaid payments because they serve large numbers of poor people. Some states have coupled generous definitions of DSH hospitals with provider tax and donation strategies as a means of raising federal funds for those institutions.

The regulation is an interim final rule that invites comments from interested parties. Comments should be mailed to the Health Care Financing Administration, Attention MB-062-IFC, P. O. Box 26676, Baltimore, Md. 21207

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EDITOR'S NOTE: HCFA, an agency of the U. S. Department of Health & Human Services, directs the Medicare and Medicaid programs, which help pay the medical bills of more than 62 million Americans. HCFA's estimated FY 1993 expenditures are \$230 billion, the 12th largest governmental budget in the world.

THE WHITE HOUSE

WASHINGTON

November 17, 1992

MEMORANDUM FOR DENNIS ROSS
ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Two Remaining Issues: HIV-Infected Travelers and
Immigrants; Convention on the Rights of the
Child

There are two issues that I want to bring to your attention. Both arose during the Bush Administration. Both can be brought to resolution during the Bush Administration or can be left to the Clinton Administration.

While I understand the desire to be cooperative with the new Administration, I doubt whether this extends to leaving around loose 2" x 4"s which can easily be grabbed to club the recently departed Administration. On both issues the President-elect disagrees with this Administration's stance. On both issues our de facto policy is not a policy reached at the conclusion of any policymaking process but instead the result of the process never coming to closure. I would suggest that the President is owed the opportunity to decide whether he prefers to resolve these issues or leave them for the new Administration.

1. HIV-Infected Immigrants and Travelers

The interagency dispute between Justice and HHS on when and why HIV-infected immigrants and travelers should be barred from entering the United States has never been settled. To meet a statutory deadline, HHS published an interim rule in May, 1991, and had negotiated with Justice through this summer. HHS plans to ask Justice to resume the discussion. Secretary Sullivan would like to get this settled before leaving office. Absent a decisionmaking process that allows for a decision here or a strong hint to the agencies to settle this, this will be left for the new Administration.

The issue emerged from the 1990 immigration law. That law changed the standard for health-based exclusions to bar those with "communicable diseases of public health significance." The controversy turns on the meaning of "public health significance." HHS interpretations focus on the history of health-based exclusions, as exclusions of individuals with contagious diseases, which HHS says HIV is not. Justice points to the word "significant" and says that with a 100 percent

fatality rate and high treatment costs HIV is surely "significant."

2. U. N. Convention on the Rights of the Child

The United Nations General Assembly adopted the Convention on the Rights of the Child on November 20, 1989. While the United States participated in the preparatory committee activity, we have not become a signatory to the Convention.

Consideration has been caught in a Catch 22. Justice Department sentiment is that "rights" have a heightened meaning in our Constitutional structure. Reservations required to harmonize the convention and Justice's concerns may violate the convention's prohibition of reservations inconsistent with its object and purpose. State has been unwilling to send the convention forward without a signal that the President wants to do this.

This issue was last raised at the time of the World Summit for Children in 1990. At that time the decisionmaking process culminated in a meeting in Andy Card's office where Andy said a few weeks before the mid-term election was not a good time to decide the issue. As it has turned out, there has not been a good time since, either.

Please let me know your thoughts on what, if anything, more should be done with these issues during the Bush Administration.

THE WHITE HOUSE
WASHINGTON

October 28, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Comment on "Military Health Care Initiatives Act
of 1992"

Attached is a memorandum for Phil Brady on the Military Health Care Initiatives Act of 1992, an enrolled bill currently awaiting Presidential action.

This is the legislation to which I previously alerted you as a case where it would not be wise to issue a memorandum of disapproval. The memorandum for Phil Brady advances that argument.

Recommendation

That you sign the attached memorandum for Phil Brady.

Attachment

THE WHITE HOUSE

WASHINGTON

October 28, 1992

MEMORANDUM FOR PHILLIP D. BRADY

FROM: ROGER B. PORTER

SUBJECT: S. 3144, "Military Health Care Initiatives Act
of 1992"

While I concur in the recommendation of the agencies involved that the President not approve S. 3144, I do not concur in the recommendation that a memorandum of disapproval be issued.

The President's views on abortion are well known. The draft memorandum of disapproval is not necessary to make those views known.

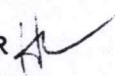
A memorandum of disapproval is not required by the Constitution for post-adjudgment vetoes. If some documentation of the President's decision is required, I suggest that a decision memorandum on whether to issue a memorandum of disapproval be forwarded to the President with the enrolled bill, and I would draft such a memo if you want such a memo.

cc: Ron Geisler

THE WHITE HOUSE
WASHINGTON

October 27, 1992

MEMORANDUM FOR DENNIS ROSS
ROGER B. PORTER

FROM: HANNS KUTTNER 

SUBJECT: Enrolled Bill: Military Health Care Initiatives
Act of 1992

One of the bills remaining for Presidential action is the Military Health Care Initiatives Act of 1992. All agencies involved recommend disapproval. The remaining question is whether there a memorandum of disapproval should be issued.

This legislation would allow elective abortions to be performed in overseas military facilities. Without these facilities, military personnel and their dependents who wish to obtain an elective abortion must obtain one in a non-military facility, either locally or by returning to the United States.

OMB circulated for review a draft "memorandum of disapproval." I told the OMB staff I thought a memorandum of disapproval would not be helpful. A disapproval memorandum is not Constitutionally required for a pocket veto. OMB staff said they felt obliged to prepare one so that the option could be exercised.

I strongly recommend that no memorandum be issued and as little notice as possible given to the fact that the President will not approve the bill. The President's best interests do not rest in issuing a statement that calls attention to the legislation.

When the enrolled bill memorandum is circulated, I will make this argument; I wanted you to have some advance notice on the situation.

cc: Andrew Carpendale

THE WHITE HOUSE

WASHINGTON

October 22, 1992

MEMORANDUM FOR RGOER B. PORTER

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Nutrition Labelling -- STATUS

You may recall my raising this issue in staff meeting on Tuesday. Since then, Ede Holiday has sent Bob Zoellick a note on the issue, and Zoellick has tasked this to Tom Scully.

Scully held a meeting today with HHS and USDA which Gary Blumenthal and I attended. The meeting ended with both sides agreeing to think about some of the ideas that emerged about ways to address the tough issues.

We will meet again tomorrow (Friday.) HHS still maintains that it must start moving paper to the *Federal Register* tomorrow lest the statutory hammer fall and the proposed rules become final. It is my assessment that these issues which have not been solved face to face between Madigan and Sullivan are unlikely to be solvable around Tom Scully's conference table (granted that he's a nice guy, as he keeps on telling us.) I will be pushing for temporizing solutions -- using interim final rules where necessary.

Meanwhile, there is some explosive potential if either party moves unilaterally. I will let you know if it seems the proceedings are moving towards our powder stores.

THE WHITE HOUSE
WASHINGTON

October 22, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: FDA User Fee Bill -- Talking Points

Talking points for you to use in returning Elsie Hillman's call on the FDA user fee bill are attached.

As I said, I know of no particular reason for her to be calling. Let me know if any follow up is required.

Attachment

Talking Points
FDA User Fee Bill

[OPTIONAL opener:

- Elsie, I thought Henry made his money in real estate. What occasions this interest in the FDA?]

Bill Status

- H.R. 6181, the "Prescription Drug User Fee Act of 1992," is among the bills the Congress cleared before adjourning for the year.
- It has been received at the White House. The ten days for Presidential action run out on October 30.
- There are more than 140 bills awaiting Presidential action right now. OMB is gathering agency views before sending to the President a recommendation that summarizes views.
- Neither OMB or HHS voiced objection when the bill was considered. While I would not want to foreclose the President's options, I would rate the likelihood that he signs it as very high.

Content -- User Fees

- Establishes drug application fee and an annual product fee. Application fee is \$100,000 in FY 1993 and \$150,000 in FY 1994. Annual product fee is \$6,000 per product in FY 1993 and \$9,000 in FY 1994.
- Total fee revenue is estimated to be \$36,000,000 in FY 1993 and \$54,000,000 in FY 1994.
- Fees are to be credited to the FDA; all revenue will be plowed back into the agency.

Other provisions

- Title II of the legislation is the "Dietary Supplement Act of 1992." (DSA)
 - It relates to vitamins, herbs, and minerals sold as dietary supplements by health food stores and others.
- DSA prohibits applying the new nutrition labels to supplements and requires the Secretary of Health and Human Services to issue by December 31, 1993, a rule on what may be said on the labels of supplements.
 - The rule will address the disputed territory of health claims (what can you say about the life extending properties of ginseng root, zinc tablets, etc.?)

THE WHITE HOUSE

WASHINGTON

October 22, 1992

MEMORANDUM FOR BETSY ANDERSON

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Child Care/Criminal Justice Interfact

With S. 1002 (child support enforcement) coming through, it occurs to me that we may want to host a meeting once the bill is signed with HHS and Justice represented to discuss what the federal government can do to assure the bill is effectively implemented.

HHS has a burden to bear to make sure information gets into the hands of the criminal justice system; Justice needs to tell HHS what the criminal justice system needs.

Let me know if and when we should convene such a gathering.

THE WHITE HOUSE
WASHINGTON

October 19, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Remarks to The Health Project

Attached are draft remarks for your brief presentation to The Health Project's first awards presentation. The event is on Tuesday morning.

You will follow Carson Beadle; he is expected to speak about how he was motivated to undertake The Health Project in the meeting he had with you two years ago.

Your remarks are, as called for, brief. The draft includes an anecdote from your American Foreign Service Association symposium. Given the nature of the event, two solid anecdotes seem the best way to leave the audience with a memorable message.

Attachment

DRAFT

Thank you for the opportunity to be here with you for a few minutes before the program gets underway. I appreciate the warm things Carson Beadle said about me. Given how often efforts are made to blame people in Washington for inspiring some new effort, I appreciate what he said even more.

I also appreciate the opportunity to offer brief remarks. President Reagan liked to introduce occasions which called for brief remarks by recalling what King Henry VIII said to his fourth wife: "I won't be keeping you long."

It is indeed a great pleasure to be here as you celebrate achievement in promoting health. Let me be among the first to congratulate the first recipients of the C. Everett Koop National Health Awards. No one person better represents the importance of personal behavior to improved than Chick Koop.

In disease prevention and health promotion we find something which brings agreement from all sides of the health care debate: personal responsibility must play a greater role in solving our health problems.

Whenever I speak on health issues, I recall what our Secretary of Health and Human Services, Louis Sullivan, has said about the link between personal responsibility and improved health: [quote] "Better control of fewer than 10 risk factors -- such as poor diet, infrequent exercise, tobacco use, alcohol and drug abuse -- could prevent between 40 and 70

percent of all premature deaths, one-third of all cases of acute disability and two-thirds of all cases of long-lasting disability."

Government is not well positioned to assure that behaviors change. We can lead, and government officials can exhort. We have done that in Secretary Sullivan's "Healthy People 2000," a set of health objectives for the nation to accomplish by the year 2000. But real change in those behaviors that are linked to health requires a broad effort throughout our society.

And what more likely place to start than with the employer.

The Growing Role of the Employer

Let me take the time I have with you to advance one proposition: the direction of economic change in our country means an increasing role for the employer in improving the health of the Nation.

Our economy is becoming ever more interdependent with the world economy. Never before has trade in goods and services accounted for so great a share of the American economy. Nothing is more central to our long-term competitiveness and thus our standard of living than the quality of our workforce.

At the President's Education Summit Conference with Governors in 1989 that led to the six national education goals, one Governor told of a conversation he had had with the Chairman of the Board of Toyota. During the conversation he

asked his guest: "How many of your workers are illiterate?" The Chairman of Toyota responded: "By American standards, none; by Japanese standards, 15 percent." Puzzled, the Governor asked him to explain. He replied. "All of my workers know how to read and write, but 15 percent of my workforce are not able to fully program a computer."

Disease prevention and health promotion are proving to be an important part of employers' investment in their employees. Employers who are investing in their human capital are more likely to appreciate the economic returns to assuring that the individuals in whom they are investing are in sound health.

Similarly, the costs experienced by employers who provide health benefits to their employees are coming to be understood by more and more employers as costs that can be managed. This is the exact opposite mindset of the time when employers first began to provide health benefits. In those post-World War II years, providing health benefits for employees meant buying an indemnity insurance plan. The costs experienced by the employer depended on forces beyond the employer's control.

That situation has changed. I am reminded of one business executive we met in the course of putting together the President's health care plan. This individual is the chief executive of a manufacturing firm near Cleveland. He related that historically his firm's biggest costs have been, first, wages and second, steel. Three years ago that situation changed. Wages remained the firm's largest cost, but health

benefits for workers and retirees exceeded the cost of steel. This was stunning fact to this CEO. He had a large staff devoted to getting the best deal he could on steel -- people who bought steel, people who evaluated how the steel could most economically be delivered, people to assure that the steel purchased was of the quality the firm needed. He could not say that he put equal effort into buying health care. So he made a decision to change his approach, to put greater effort into buying health care.

In looking at his health care costs, he will surely see that the demand for health care is not in the hands of his customers but of his employees. And that realization will be sure to bring him face to face with the questions The Health Project is wrestling.

Conclusion

Excellence is a quality that progressive leaders wherever they may be -- whether in business or government or the voluntary sector -- seek out. Surely the proven examples that you recognize will have an eager audience awaiting them.

And in following the examples of the organizations you recognize, a healthier nation can result. That will be especially true as you move on to consider what community-based programs have proven their effectiveness.

Thank you very much for inviting me here today, congratulations to those being honored, and best wishes for a successful program.

THE WHITE HOUSE
WASHINGTON

October 13, 1992

MEMORANDUM FOR ROGER B. PORTER
CHARLES E. M. KOLB

FROM: HANNS KUTTNER *HK*

SUBJECT: Anecdotes

Here is an anecdote about health insurance.

How does this relate to what we talked about this morning in staff meeting as anecdotal material about the President's policies?

Policy Anecdotes

Health Plan

- *Salvatore Risavalto*
- Small businessman; runs the Riverdale Texaco station in Morris County New Jersey. Employs 11 people.
- Sal provides health insurance to his employees.
 - How Sal puts it: "The health care system in this country needs more than a tune-up." The question is, who do you want to let under the hood?

Sal on Issue 1: "Global budgets" to control costs

- Sal doesn't like the "global budget" for health care promoted by Governor Clinton.
 - Sal remembers the 70's: "They once tried to control the price of a gallon of gas. ...[I]t was a mess."
 - Now Governor Clinton is back with the same kind of thinking: we'll control the cost of health care by setting a budget here in Washington.
 - Sal is skeptical that anybody in Washington knows enough to know what is going on in Riverdale, NJ.
 - He knows that "global budgets" is an effort to turn the gas lines of the 70s into the health care lines of the 90s.

Sal on Issue 2: "Market reforms"

- Sal supports the kind of insurance market reforms the Administration supports.
- He's worried that if he, or one of his employees, or one of their family members gets sick, his insurance company could drop his coverage or raise his rates astronomically.
- He supports the insurance market reforms in the President's plan. The President's plan prohibits insurance companies from taking advantage of sick people. The President's goal: shift competitive pressures in insurance from looking for the healthiest, least expensive people to insure to providing health benefits in the most efficient, least costly manner.

THE WHITE HOUSE

WASHINGTON

October 7, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: AIDS Research -- Did the Congress Underfund the President's Request?

OMB printed a table in the President's FY 1993 budget that gives a government-wide AIDS research number. The staff person who compiles the table told Stephanie Fossan that it would be some time before they had a chance to pull all the scattered pieces together.

Nonetheless, AIDS research dollars are concentrated at HHS. The \$17 million dollars referenced in the attached memo represents what AIDS' "fair share" would be of the total amount the Congress underfunded the President's request for the National Institutes of Health. The steps that take the final FY 1993 number and feed those back into what agencies actually get to spend are just beginning. For now, the fair share number provided by Arnold Tompkins, the HHS assistant secretary for management and budget, seems appropriate.

No matter what, AIDS is a line item at CDC and the amount the Congress is under the President's request at CDC is clear.

Recommendation

That you sign the attached memorandum to the President on how the Congress treated his priorities in the Labor/HHS/Education appropriations bill.

Attachment

Information

THE WHITE HOUSE

WASHINGTON

October 7, 1992

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER

SUBJECT: Health and Education Appropriations

While the Labor/HHS/Education appropriations bill you signed yesterday was consistent with your overall request for discretionary spending, it provides less than you requested for certain Administration initiatives.

1. Less for education initiatives

The bill provides no funds for AMERICA 2000 or for State and local "GI Bills for Children." It also provides far less than you requested for education research and statistics, both important for measuring progress towards the national education goals.

2. Less for AIDS research; less for research on women's health.

The bill provides \$217 million less than you requested for the National Institutes for Health (NIH). This results in less than you requested for the two areas of research of greatest political interest: AIDS and health problems specific to women.

For AIDS research at NIH, the bill provides \$17 million less than you requested. For the Centers for Disease Control AIDS activity, the bill provided \$4 million less than you requested.

(The bill does provide more than you requested for the "Ryan White Act" that funds non-profit AIDS service groups and gives funds to cities with numbers of AIDS cases. The additional Ryan White dollars are greater than the deleted research dollars; overall the bill provides more AIDS dollars than you requested.)

THE WHITE HOUSE

WASHINGTON

October 6, 1992

MEMORANDUM FOR PHILLIP D. BRADY

FROM: ROGER B. PORTER

SUBJECT: Labor/HHS/Education Appropriations Bill -- H.R. 5677

The Labor/HHS/Education appropriations bill provides lower level of funding than the President has requested in several areas where the President has been criticized for not doing enough. We should not let the opportunity to set the record straight go without notice.

The attached signing statement would bring the facts to the public eye, and I recommend that it be forwarded to the President along with the enrolled bill.

Attachment

*Roger -
This is the statement which
I prepared after we discussed
this bill.
That Brady's office says
we missed the boat - the
bill is with the President
however this could be issued
as a STATEMENT
BY THE PRESS
SECRETARY.
What to
do?
HWP*

Today I have signed H.R. 5677, which provides funding for the Departments of Labor, Health and Human Services, and Education along with several other agencies for Fiscal Year 1993.

While this legislation is consistent with my overall request for discretionary spending, I regret some of the choices the Congress made. Important initiatives will not be pursued and progress not made because the Congress chose to allocate funds to lower priority, less effective programs.

The record should be clear on who had what priorities.

This legislation provides no funds for my AMERICA 2000 education initiatives or for State and local "GI Bills for Children" and less than I requested for important activities to improve education in America. I regret that the federal government will not be able to do what I considered its fair share in making excellence the hallmark of education in America.

This legislation provides less than I requested in areas of the fight against AIDS. For the AIDS-related activities of the Centers for Disease Control, I requested \$504.7 million; this legislation provides \$500.5 million. More disappointing is the level of support for biomedical research. The Congress has provided \$217 million less than I requested for the work of the National Institutes of Health. As a result, opportunities will be foregone in AIDS research and other areas of research, including women's health.

Despite these defects, I respect the choices the Congress has made, and I have signed H.R. 5677 into law.

THE WHITE HOUSE

WASHINGTON

October 4, 1992

MEMORANDUM FOR DENNIS ROSS
ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: NIH Reauthorization -- UPDATE

As you may have noticed, the bill authorizing programs at the National Institutes of Health has taken up an extraordinary amount of Senate floor time. The Senate has been on this bill for much of Friday and Saturday. It will be back on this on Monday morning.

The bill is controversial because of provisions relating to fetal tissue research and abortion. It also contains an authorization of a series of research initiatives relating to women's health.

The White House legislative affairs staff reports they believe the Clinton campaign has asked the Congressional Democratic leadership to send a bill to the President before adjourning. This would put the President in the unwelcome position of sticking to the tough line he has taken on the abortion-related fetal tissue research provision and taking a hit for being anti-women's research OR flip flopping.

The opposition to the bill is down to a corporal's guard, and Senator Hatch, as he often is in such moments, is spending his time looking for a compromise rather than protecting the President's interests.

Legislative Affairs' assessment is that if the bill does not make it through the Senate Monday, the session would have to last until Thursday for a cloture petition to mature and the bill to pass.

THE WHITE HOUSE

WASHINGTON

October 4, 1992

MEMORANDUM FOR ANDREW CARPENDALE

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Letter to Martha Holdridge

Holdridge has forwarded a plan for restructuring social spending and the tax code. You asked if there is anything interesting in her proposal. Her proposal is broad and expansive, with thoughts that would be interesting if we were thinking of overhauling the tax code and eligibility levels for means-tested programs. In some points it reflects conventional ideas advanced about what ought be done in the tax code or social programs; elsewhere it is in left field.

A one-page summary is attached.

Holdridge fits into the ranks of those who think they have ideas that should be a prominent part of the Bush agenda and wonder why the recipients of their letters have not thought the same thing. (She says her earlier letters forwarding her plan brought "appreciative but non-substantive responses.")

Let me know if any further follow up is needed.

Attachment

HOLDRIDGE PROPOSAL

The proposal would:

- Include many things now excluded from the tax code's definition of personal income and include the value of employer-provided health benefits and government transfers;
- Replace the standard deduction, personal exemption, and itemized deductions in current law with a set of deductions for food, shelter, medical costs, and retirement savings. Costs for these areas would be fully deductible to defined limits; excess costs would be deductible to the extent they did not exceed 50 percent of income;
- Subject income, after adjusting for deductions, to two tax rates.
- Redefine eligibility for social benefit programs, including Medicare, to make eligible those with incomes below the sum of basic needs deductions.

Best features

- Allows replacing many social programs with subsidies administered through the tax code.
- Redirects the tax code subsidy for housing. Current law helps most those with highest incomes and highest mortgages. The proposal would provide an equal subsidy to all, whether they rent or own. (Carried one step further, into a refundable credit for high rent, low income individuals and families, it would allow for eliminating much of HUD.)

Worst features

- Both less progressive and less favorable to capital formation than current law.
- Adverse effects on capital formation: taxes gains on capital held less than five years as ordinary income.
- Political cost of capping mortgage interest deduction and employer-provided health insurance exclusion.

THE WHITE HOUSE

WASHINGTON

October 2, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

for BETSY ANDERSON
HANNS KUTTNER HK
for RAE NELSON

SUBJECT: Staff Draft Recommendations: Commission on
America's Urban Families

As requested, we have reviewed the draft policy recommendations of the National Commission on America's Urban Families. Our detailed review of the recommendations is attached, along with a summary indicating which we believe you should support, which you might support provided the Commission clarifies or expounds further on the recommendations, and which you would be better off not supporting.

We offer the following general observations:

- The package is thin.
 - We hope this represents a portion of the Commission's working recommendations, and if it does not, we strongly urge you to suggest they address these other areas.
 - ▶ For example, there are recommendations on divorce but nothing relating to never-married parents. Never-married parents are probably more of an issue than divorced parents in America's urban areas.
 - ▶ The recommendations cover some issue areas that touch up against families (schools) but miss some that are equally important (violence, drug use.)
- There is no framework. (The terms "family," "strategy," etc. are not defined.) If the document we reviewed is but a compilation of the ideas currently on hand, fine. But as the recommendations evolve, they need to come under the sway of some overall sense of the Commission's direction for America's urban families.
- Outstanding issues remain on virtually every proposal. Who does what, cost, results, and process are not addressed. We tried to identify these in our detailed comments on each recommendation.

Attachment

Summary Views¹

Proposals Supported in Principle or with Minor Clarification

- Proposal 4: School Choice
- Proposal 11: Service Integration for Families

Proposals which should be modified or need further work

- Proposal 1: Changing Current Divorce Requirements
- Proposal 12: School Based Services
- Proposal 9: Family Friendly Work Policies

Proposals not supported

- Proposal 2: Premarital Counseling Requirement
- Proposal 13: White House Office for Families

¹Not all participants in the review process agreed with all of the classifications.

POLICY RECOMMENDATIONS

Proposal 1: Changing Current Divorce Procedures

The proposal suggests three steps that states could take to discourage divorce:

A. Eliminate no-fault divorce when children are involved.

Pro

- Makes it more difficult for individuals to divorce because "irreconcilable differences" would no longer be grounds for divorce.
- Encourages parents to try to stay together and work out their differences, rather than face divorce proceedings where fault must be assigned.

Con

- Returns divorce proceedings to the days when one spouse would have to prove infidelity, desertion, physical abuse or other forms of cruelty against the other to obtain a divorce, with lying the only option if these elements are not present.
- May cause greater long-term injury to relationship between parents and children to require adversarial, divisive break-up rather than no-fault, mutually agreed divorce.
- Gives one spouse leverage to force other spouse to stay in unhappy marriage if the limited circumstances above do not exist.

B. Mandate waiting periods for parents with children

Note: The Commission's proposed recommendation here is very vague. Divorce proceedings already take time; one cannot obtain a divorce overnight if children are involved. As the draft recommendations note, some States that permit no-fault divorce require waiting periods already. It appears this a recommendation for a mandatory waiting period beyond the time divorce proceedings usually take.

Pro

- Requires the parties to stop and think about the seriousness of their actions.
- Consistent with our support for waiting periods before obtaining an abortion.

Con

- The length of divorce proceedings, especially when children are involved, already accomplishes the stop-and-reflect goal; the parties can reconcile at any time during the process.
 - Imposing an additional waiting period for adults who have determined that they wish to divorce beyond the necessary delay occasioned by legal proceedings may simply prolong what is often a painful process for all involved, including the children.
- C. Provide marital counseling and planning sessions for divorcing parents to evaluate custody issues, potential parenting issues and to formulate solutions to potential problems.

Pro

- Helps parents think through the best interests of the children in arranging their lives post-divorce.
- Could provide opportunities for reconciliation
- Could help alleviate some of the stress of the divorce process.

Con

- Costs could be significant. No discussion of who pays.
- Not clear whether counseling is mandatory or voluntary.

Modification: Could make one planning session mandatory to ensure issues concerning the children have been discussed, and make marital counseling optional.

Proposal 2: Premarital Counseling Requirement

The proposal is to promote mandatory premarital counseling with a one-month waiting period before couples can apply for a marriage license.

Pro

- Underscores seriousness of undertaking a marital relationship.
- Might help couples identify and acquire skills to avoid potential problems in the relationship.

Con

- Once couples have decided to get married, it is a little late to try to tell them they are incompatible. No evidence that requiring premarital counseling will have any effect on either (1) decision to marry or (2) couples' ability to change their risk factors for divorce.

Modification: This leaves until the last minute a discussion of the seriousness of undertaking marriage. These discussions should occur earlier -- in school, in churches, in the community or in the home. Could perhaps be part of a general civics/individual responsibility course for junior high school students.

Proposal 3: Recognition of Community Programs

The staff draft states that certain programs "should serve as national models for the importance of involving parents and children" through "national recognition."

Pro

- Consistent with the President's commitment to recognize and encourage "what works" and the parental involvement message the Administration has promoted through such programs as Head Start.

Con

- Recognition programs may encourage unintended results if criteria and recognition design are not consistent with strengthening families.
- Some will argue recognition programs alone may not strengthen families unless tied to technical assistance and funding.
- Recognition programs of effective community programs already are in place (e.g., Points of Light) -- some will charge "just rhetoric."

For your consideration: The proposal is vague. Outstanding issues include:

- Is the intent to establish a "national" or "Federal" recognition program?
- What is the purpose of the program (just recognition, drive improvement, encourage duplication?) Who is being

recognized (program or families)?

- How would the criteria for selected programs ensure they are successful in strengthening families (e.g., defining elements of a worthy program may be problematic). What is the process for recognition (e.g, recommendation, application?) What is the incentive or reward?
- Is this a one-time "certificates" award or a new program to promote parental involvement (perhaps modeled on the "community partnerships" funded as anti-drug programs)?
- If Federal, should this be tied to a more comprehensive effort to identify, disseminate, and duplicate "what works" (e.g., technical assistance, information source, possible demonstrations/waivers)?

Proposal 4: Promoting School Choice

Pros

- The staff draft correctly points out that promoting school choice empowers parents, promotes competition in education, promotes parental involvement in education, and encourages flexibility for educators.

Cons

- The draft does not specify whether the Commission supports "public only" or "public, private, or religious" school choice. This may be important, particularly as the [Commission for Children] supported "public school" choice only.
- The draft refers to a "national education strategy" to implement school choice. A "national strategy" implies a top-down mechanism that contradicts a "policy" that promotes state and local control. This should be clarified.
- Does the Commission suggests promoting choice through legislation? Disseminating information and research on effective choice programs through media and other vehicles? Evaluating existing choice programs?

Proposal 5: State welfare reform demonstrations

The proposal talks of demonstrations testing marriage-related welfare incentives.

Pro

- As the narrative notes, the effect of removing all family-forming disincentives has not been tested.

Con

- The track record of this research field suggests that any effort to find family-forming disincentives is a dry hole.
- The usual solution to end disincentives is to make more people eligible for welfare by removing the disincentive in a way that does not financially harm recipients.
 - The inescapable policy choice is clear without conducting any demonstrations: either radically cut back welfare (a la Charles Murray) or make many more people eligible.

Proposal 6: Federal income tax adjustments

A: Relationship of married couples and standard deduction. Standard deduction for singles is 55 percent of the level for married couples. Proposal is to equalize.

Pro

- Tax code should send a pro-family message.

Con

- Standard deduction disparity currently may simply be taking into account the economies achieved when two are one household.
- Tax code does not distinguish between level of needy. Families with children need it more; more appropriate to target resources to increase the per-child exemption.

B: Increase value of per-child exemption.

Pro

- Pro-family

Con

- Costs.
- Effect on credibility of the Commission's report if it contains many unfunded proposals.

C: Make the exemption for children a refundable credit.

Pro

- Provides direct financial assistance for families with children.
- Helps intact families as well as broken families helped by welfare.

Con

- Adds to tax code complexity
- Costs. How will it be paid for?

For your consideration: There might be some value to integrating the "refundable exemption" with the EITC so that the implicit marginal rate in the EITC phase out range is reduced.

Proposal 7: Trusts for recipients of need-based benefits

The proposal calls for using trusts to shield assets that would otherwise cause an individual or family to be eligible for means-tested programs. This would build on the "assets for the poor" approach in the budget which was narrowly targeted at AFDC recipients.

Pro

- Interesting approach to advance the assets-based approach to reducing welfare dependency.

Con

- The marginal propensity to save of individuals with incomes below \$10,000 per year is not high; this group is hard to motivate to save.
- Who would bear the significant (relative to assets involved) costs of administering the trusts?
- Horizontal equity: creates a better deal for low income households that apply for benefits than for those that do not.

Proposal 8: Funding for Sesame Street PEP

A Dallas-generated proposal from Mayor Strauss.

Pro

- Supports a program that has been very successful (it is alleged) in helping preschool children start school ready to learn.

Con

- Very narrow; singles out one of many worthwhile programs for funding outside of any overall sense of strategy.

Thought to consider: Could be strengthened if it is broadened to include more than one idea from Dallas; perhaps it could be a call for research and evaluation of an array of programming of which the Dallas example is one type.

Proposal 9: Family-Friendly Work Policies

Hortatory recommendation to private employers to have family-friendly policies, including flexible work schedules, family leave policies, dependent care assistance, etc.

Pro

- Acknowledges difficulties many two-income families and single parents have in accommodating the intersection between professional responsibilities and family obligations.
- Furthers goal of protecting the needs of children while increasing our economic competitiveness and productivity by encouraging qualified individuals to stay in the workforce.

Con

- Some critics may perceive even recommendations as undue government influence in private contractual relationship between employer and employee.

Modification: Go beyond mere exhortation by:

- Making the Federal government a model employer with family-friendly policies. (Complements Wednesday's initiative making the Federal government a model employer in cracking down on overdue child support payments.)
- Providing technical assistance, particularly to small businesses, to help implement such policies. Act as

clearinghouse for what has worked for similar-sized companies.

Proposal 10: Flexibility in Federal Programs

The proposal calls for more flexibility in federal programs.

Pro

- We've always been in favor of flexibility.

Con

- Some advocacy groups will see a call for flexibility in existing programs rather than new programs as a sign that the Commission was just another way to sell the Administration's programs.

Point to consider: The commission might serve a more useful role if it focused on concrete examples where flexibility would be helpful. This would advance the debate (by creating examples that skeptics need to refute).

Proposal 11: Service Integration for Families

The staff draft proposes that "local governments work with community-based organizations, other local institutions, and families to develop a coordinated, community-wide approach to supporting families."

Pros

- Consistent with principles of emphasizing local solutions and flexibility/accountability.
- Consistent with community-wide collaborative efforts encouraged through AMERICA 2000, National Drug Strategy, and Job Training 2000.

Cons

- Should address Federal-state-local linkages as well as those in community.
- Currently, community-based strategies with the same groups are encouraged for education, drugs, job training, and other initiatives -- perhaps consideration should be given to how these may be integrated.

- Risks putting "local government" at center of effort instead of "families."

For your consideration:

This proposal leaves a number of outstanding issues:

- There should be some good research or evaluations of service-integration efforts -- what do they show about characteristics of effective efforts?
- What are current barriers, if any, to community-based services integration?
- What "outcomes/results" are desired regarding families? What accountability should be in place?
- Should there be protections for special populations in such programs? What programs would be included?

Proposal 12: School-based Services

Pros

- The President's AMERICA 2000 strategy recognizes that schools in many communities are "underutilized resources" that can be used to benefit families if awareness about flexibility in existing regulations is disseminated or flexibility in law is granted.
 - The Administration's flexibility/accountability proposals would grant communities the opportunity to pursue this option.
- Many schools and communities are moving in this direction with effective results.

Cons

- The proposal as drafted is limited to "public schools" -- but whether these are the primary or only "underutilized" community resource varies from community to community -- flexibility should leave up to each community choice of primary vehicle (e.g., school, community center, health facility, workplaces, library ...)
- May be perceived as inconsistent with our commitment to include private/parochial schools in education policy.
- Potential for criticism from those conservative groups who believe that any services in the schools will lead to

contraception in the school.

Proposal 13: White House Office for Families

The staff draft recommends establishing a White House Office for Families to review and assess all proposed and existing Federal regulations, legislation, programs and policies for potential to strengthen or weaken families.

Pro

- Demonstrates strong continuing commitment beyond life of Commission to taking into account impact of Federal actions on the family.

Con

- Executive Order 12606 already requires Federal agencies to scrutinize regulatory and legislative proposals to determine whether they have substantial impact on the family. The Commission notes that it is not clear that OMB and the agencies are strictly complying with the Executive Order.
- Will create a precedent for every interest group that wants its own representative in the White House.

Modification: Consider issuing a Presidential memorandum to agencies affirming commitment to E.O. 12606 and directly OMB to ensure that all regulations and legislation coming through clearance contain a written statement of the potential impact on families.

THE WHITE HOUSE
WASHINGTON
September 30, 1992

[Rogn signed this
but may not have
submitted to the
staff secretary
for forwarding to
the President when
he learned Darman
would be at a briefing
where the President
could have pulled
this
out.]

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Paying for the Health Plan

You are frequently asked how your health plan will save costs and how you will pay for your proposals. The attached one-page document summarizes the principal means of reducing costs for the health care system in general and the Federal cost of health care programs in particular.

Your tax credit and tax deduction cost an estimated \$100 billion during the 5-year phase-in period.

Federal disproportionate share payments over this five year period will amount to \$85 billion. Moving Medicaid to a per person fixed payment as you propose will save significant sums. The exact amount depends on how fast one permits these fixed payments to increase. But it will clearly be less than the current fee-for-service payment system.

In addition, the Federal Government will save money as administrative reforms reduce paperwork, tort reforms reduce litigation, and defensive medicine declines.

I am also attaching a comparison between your health care plan and the Clinton plan that may prove useful.

Attachments

September 30, 1992

Paying for Bush Health Care Plan

1. Reducing defensive medicine/Attacking fraud and abuse.

- Much of the over \$800 billion we spend a year on health care involves defensive medicine -- doctors ordering tests and performing procedures that are unnecessary in order to protect themselves from being sued. Defensive medicine costs are estimated at over \$20 billion a year.
- Changing tort laws will reduce litigation and malpractice insurance premiums.
- We have shifted 50 FBI agents to investigate health fraud.

2. Providing what health care is needed more efficiently.

- Administrative reforms to sharply reduce the \$67 billion a year spent on paperwork costs.
- Move toward much more coordinated care which is substantially less expensive than fee-for-service care. Coordinated care in Federal programs including Medicaid (see below) will reduce Federal health care outlays.

3. Achieving savings in government programs

- Ending duplicate payments for indigent patients. We currently make payments to hospitals to compensate them for uninsured patients. Our plan will provide insurance to the uninsured making these payments redundant.

Note: Disproportionate share payments for medicare and medicaid over the next five years will total \$135 billion (\$85 billion Federal and \$50 billion State).

- Shift Medicaid from open-ended fee-for service program to fixed per person Federal payments without reducing services to beneficiaries. States will shift to coordinated care to keep within per person amounts.

Access

	Bush	Clinton	Comment
Goal	Universal access to health insurance	Universal access to health insurance	
Approach	Incentives	Mandates (taxes by another name)	Clinton plan means job loss; slower rate of small business creation.
► Methods	<ul style="list-style-type: none"> - Tax credits and tax deductions - Reforms of the health insurance market to make insurance more affordable. 	<ul style="list-style-type: none"> - Employers must provide health insurance to their employees ("play or play") - Endorses similar market reforms 	<ul style="list-style-type: none"> - Clinton says employers will be eligible for tax subsidies; says nothing about what they would be. - While Clinton offers few details, he endorses proposals similar to the President's; both "take on the insurance companies."
► Paying for the plan	<ul style="list-style-type: none"> - We have identified sufficient savings to meet the \$100 billion, five year implementation cost <i>without raising taxes.</i> 	<ul style="list-style-type: none"> - Cost controls from "global budgeting" would pay for increased coverage. 	<ul style="list-style-type: none"> - Clinton offers no timetable for implementing access provision nor any details on the size, scale, or composition of his financing package.
Small business	<ul style="list-style-type: none"> - Guarantee that all small employers can get coverage; rate bands to make sure prices are affordable. - Help for low income workers in small firms through tax credits. 	<ul style="list-style-type: none"> - Mandate that employers provide health care; provide "tax credits to protect businesses." 	<ul style="list-style-type: none"> - Mandates would make it more difficult for small businesses to form; increased labor costs would send more jobs overseas.

<p>Middle class</p>	<ul style="list-style-type: none"> - Credit and deduction available for all families with incomes up to \$80,000. - The deductible amount is \$3,750 for families and \$1,250 for individuals, minus the value of employer contributions. - 44 million middle-income individuals would receive some help. 	<ul style="list-style-type: none"> - No help for middle-income families with low employer contributions (the 44 million who would be helped under the Bush plan.) - Where employers are hit by the new mandate to buy insurance, employees would be required to pay a share -- all dollars flowing from employees' pockets. 	
<p>Insurance security</p>	<ul style="list-style-type: none"> - Guarantee that workers can move from job to job offering health insurance without losing coverage because of pre-existing conditions (e.g., already pregnant, having cancer.) - State laws that mandate benefits would be pre-empted. 	<ul style="list-style-type: none"> - Appears similar; no details provided. 	
<p>Choice of benefits</p>	<ul style="list-style-type: none"> - Health insurance credits/deduction available for insurance plans that provide care as consumers want: through private physicians; HMOs, etc. 	<ul style="list-style-type: none"> - A new "National Health Care Board" will prescribe minimum benefits that all employers must provide. 	<ul style="list-style-type: none"> - Clinton plan could raise costs for employees by requiring them to buy more insurance than they do already. - Clinton plan will create a floor under the cost of plans all employers must provide.
<p>Choice of doctor</p>		<ul style="list-style-type: none"> - Rhetoric of "allow consumers to choose where to receive care." 	<ul style="list-style-type: none"> - Eliminating the "pay" option of "pay or play" in the Clinton plan defuses charge that Clinton approach leads to nationalized plan/loss of consumer choice.

People not working and their families

- 10 million of the uninsured do not work.

- Eligible for credit/deduction.
- Credit/deduction would be phased in over 5 years.
- Those who use credit are guaranteed coverage through at least one plan the state must make available through a private insurer.

- Private coverage for non-workers would be guaranteed private insurance coverage that would be arranged through government run purchasing cooperatives (similar to Bush-proposed "HINs.")
- Non-workers will pay a sliding scale premium based on income.
- Those now receiving Medicaid would be transferred to this plan.
- Savings from cost controls would pay for expansions in coverage; no timetable provided.

- Bush plan is for a five year phase in; Clinton plan may never phase in.
- Both plans would leave some uninsured; those uninsured would be those who choose not to buy insurance.

Controlling Costs

	Bush	Clinton	Comment
Goal	Highest quality at the lowest cost	Reduce costs no matter what the quality.	
Approach	Deliver care more efficiently; end causes of waste and abuse	"Global budget;" arbitrary limits on how much can be spent on health care. Annual increase limited to rate of increases in wages.	Clinton plan calls for unprecedented government involvement in health resource allocation decisions.
Role of government	Run government programs more efficiently; address forces that drive costs -- malpractice, market failure, etc. No price regulation.	A National Health Care Board would decide total health spending and set ceilings for each state. States will decide prices for all health services.	"Global budgets" only squeeze the health cost balloon; squeezing through price fixing will lead to shortages (thus rationing) and lower levels of new technology.
Malpractice	<ul style="list-style-type: none"> ▶ Requirement for arbitration before going to court; if you then go to court and don't do better by more than 10 percent, you are liable for the other side's attorney fees. ▶ Tort reform. 	<ul style="list-style-type: none"> ▶ Wants to make alternative to courts <i>available</i>; no requirement to use alternatives. ▶ No support for tort reform. 	

<p>Administrative savings</p>	<ul style="list-style-type: none"> ▶ Use "electronic cards" and automation to reduce the amount of paperwork patients and doctors complete. ▶ Introduce a single, standardized claims form. ▶ No proposal. 	<p>▶ Similar.</p>	<p>Clinton borrows from the Bush list.</p>
<p>Prescription drugs</p>	<ul style="list-style-type: none"> ▶ No proposal. 	<ul style="list-style-type: none"> ▶ End certain tax preferences for pharmaceutical companies that raise prices faster than the rate of inflation. ▶ No proposal. 	
<p>Information for consumers</p>	<ul style="list-style-type: none"> ▶ Require states to make information about the cost of health plans and providers (hospitals, etc.) available for comparison shopping. 		

THE WHITE HOUSE
WASHINGTON
September 16, 1992

{RBP-
edited
final}

MEMORANDUM FOR ROBERT B. ZOELLICK
DENNIS B. ROSS

FROM: ROGER B. PORTER *RBP*
SUBJECT: Welfare Waivers

Since the President's statement in his January State of the Union Address that the Administration would work with states that seek waivers for welfare reform, we have approved nine waivers for eight states.

Two remaining waivers that are likely to be approved before the election, Utah and Missouri. Ohio may submit an application that could be approved before November.

A description of the President's involvement in each previous waiver announcement is attached.

The Utah waiver restructures how the state tries to link welfare recipients with jobs. The Missouri waiver is a "learnfare"-type waiver.

Utah wants to go ahead with an announcement as soon as possible; we are told Governor Bangerter is holding time next Monday for an announcement. Missouri wants an announcement held until after the legislature adjourns from a special session, most likely later this week.

We have at least three options:

1. Hold both waivers for a Presidential welfare-related event.
2. Allow Utah to go ahead; hold Missouri for a Presidential event. It is unlikely that the President will be in Utah again before the election; a statement would be issued from the White House when it is announced.
3. Hold neither for a Presidential event. Secretary Sullivan will be in Missouri late next week and could announce the waiver with Governor Ashcroft; a Presidential statement could be issued from the White House.

Option 2 strikes me as the most promising. It would accommodate Utah now and preserve the option for a Missouri event if that is helpful. Governor Ashcroft called on another

matter and I raised this question with him. He indicated that he thinks it would be good for an event in Missouri, but he did not press the matter and I sense would be pleased with whatever way we want to handle it.

September 16, 1992

WAIVER APPROVALS - 1992

STATE	DATE APPROVED	PRESIDENTIAL INVOLVEMENT
Wisconsin I (parental responsibil- ity)	March 17	POTUS met with Governor Thompson, after which Governor Thompson and Secretary Sullivan briefed the press in the press briefing room. Fact sheet and statement by the President issued by the White House
Maryland	July 1	Statement by the President issued by the White House
California	July 14	No press announcement at Governor Wilson's request
Oregon	July 15	No White House involvement; press release issued by HHS
New Jersey	July 20	Statement by the President issued by the White House
Wisconsin (new arrivals)	July 27	President met with Gov. Thompson on arrival in Wisconsin to discuss; fact sheet issued by the White House.
Michigan	August 25	Statement by the President issued by the White House
Virginia	September 8	Statement by the President issued by the White House

[HIC draft]

THE WHITE HOUSE

WASHINGTON

September 16, 1992

MEMORANDUM FOR ROBERT B. ZOELLICK
DENNIS ROSS

FROM: ROGER B. PORTER

SUBJECT: Welfare Waivers

Since the President said in this year's state of the union address that we would work with states that seek waivers for welfare reform, nine waivers have been approved for eight states. This memorandum addresses the two remaining waivers that are likely to be approved before the election, Utah and Missouri. (Ohio is the one other state from which an application may be forthcoming.)

The attachment outlines the President's involvement in each previous waiver announcement.

The Utah waiver restructures how the state tries to link welfare recipients with jobs. The Missouri waiver is a "learnfare"-type waiver.

Utah wants to go ahead with an announcement as soon as possible; we are told Governor Bangerter is holding time next Monday for an announcement. Missouri wants an announcement held until after the legislature adjourns from a special session, expected September 23.

Options are:

1. Hold both for a Presidential welfare-related event.
2. Allow Utah to go ahead; hold Missouri for a Presidential event. It is unlikely that the President will be in Utah again before the election; a statement would be issued from the White House when it is announced.
3. Hold neither for a Presidential event. Secretary Sullivan will be in Missouri late next week and could announce the waiver with Governor Ashcroft; a Presidential statement would be issued from the White House.

I recommend option 2; this would accommodate Utah now and preserve the option for tying the Missouri approval to a Presidential speech or event.

Attachment

September 16, 1992

WAIVER APPROVALS - 1992

STATE	DATE APPROVED	PRESIDENTIAL INVOLVEMENT
Wisconsin I (parental responsibil- ity)	March 17	POTUS met with Governor Thompson, after which Governor Thompson and Secretary Sullivan briefed the press in the press briefing room. Fact sheet and statement by the President issued by the White House
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THE WHITE HOUSE

WASHINGTON

September 16, 1992

MEMORANDUM FOR ANDREW CARPENDALE

FROM: HANNS KUTTNER *HK*

SUBJECT: Child Care Spending

We have completed the tallying of federal spending for child care. A copy is attached.

Looking at spending by federal programs for child care, spending is up 158 percent since the President took office; on the broadest measure, federal support for child care now totals nearly \$12 billion. This tally does not include the value of the Earned Income Tax Credit (\$12 billion in 1993.)

Todd Buchholz has a copy of this for the materials he is providing to the speechwriting team for the Friday women's issues speech.

cc: Roger B. Porter
Tom Scully

FEDERAL SUPPORT FOR CHILD CARE AND HEAD START

The following table shows outlays and tax expenditures for Federal programs and tax provisions supporting child care. It also includes outlays for Head Start, a related child development program.

<u>Department and Program</u>	<u>FY 1989</u> (millions of \$)	<u>FY 1992 (est)</u>	<u>FY 1993 (est)</u>
<u>Agriculture</u>			
Child Care Food Program:	668.3	1,173.4	1,169.1
Dependent Care Deduction in Food Stamp Benefit Calculations:	82.7	134.6	160.2
Special Milk Program for Children:	0.2	0.2	0.2
Summer Food Service Program for Children:	146.7	189.3	203.2
<u>Defense</u>			
Child Care Centers at Military Bases and Referral Assistance:	89.9	199.0	205.8
<u>Education</u>			
Adult Education: Workplace Literacy Partnerships:	+	38.5	19.3
Pell Grants:	N/A	N/A	N/A
Other Student Financial Assistance:	N/A	N/A	N/A
Vocational Education:	0.9	2.2	1.7
<u>General Services Administration</u>			
Child Care Centers for Federal Civilian Employees:	5.8*	9.3	N/A
<u>Health and Human Services</u>			
AFDC Child Care Disregards:	44.5	61.2	61.4
AFDC Day Care:	+	290.0	325.0
Transitional Day Care:	+	50.0	56.0
At-Risk Day Care:	+	383.8	300.0
Child Care Development Block Grant:	+	573.7	786.6
AFDC Special Needs Allowance:	N/A	N/A	N/A
Child Development Associate Scholarships:	1.4	1.4	1.4
Community Services Block Grant:	0.8	0.9	0.3
Child Welfare Services:	N/A	N/A	N/A

Department and Program

FY 1989

FY 1992

FY 1993

Dependent Care Planning and
Development: N/A
Social Services Block Grant
(Title XX): 619.1
JOBS Program Child Care: 421.0

Housing and Urban Development

Community Development Block Grant: 29.1
Child Care Deduction in Rent
Calculations under Assisted
Housing Programs: 19.0**

Labor

Job Corps: 0.4
JTPA Block Grant: 5.4
JTPA Dislocated Workers: 0.1
Migrant & Seasonal Farm Workers
Training: 2.5

Treasury

Child & Dependent Care Tax Credit:
Employer Provided & Facilitated
Child Care: 4,875.0

Head Start:

1,234.9

2,201.8

2,801.8

COMPARISONS

Child Care Programs

1,705

4,208
(+147%)

4,395
(+158%)

Programs Plus Tax Subsidies

6,840

8,553
(+26%)

9,025
(+33)

Child Care, Tax, and Head Start

8,075

10,755
(+33%)

11,827
(+46%)

N/A = "Not Available"

* = 1992 Costs for 1989 Centers

** = Estimates to be verified

+ = Program not in existence

THE WHITE HOUSE

WASHINGTON

September 10, 1992

MEMORANDUM FOR DENNIS ROSS

FROM: HANNS KUTTNER *HK*

SUBJECT: Items from the "Other Potential Initiatives"
Package

This memorandum provides some more background on the attached one-pagers and explains where items on the list did not lead to one-pagers.

II. Family Values

Child Care

- Voucher programs - Two new child care programs were created in the implementing legislation for the budget deal, largely because of committee jurisdiction lines. One is a capped entitlement, with Ways and Means/Finance jurisdiction. The other is a domestic discretionary program under Education and Labor/Labor and Human Resources jurisdiction. The Education and Labor program requires that when states offer parents assistance, those parents be offered the option of having a voucher (in contrast to using the center which has a state contract.)

A one-pager outlining a proposal to extend the mandatory voucher concept to the Ways and Means/Finance grant as well as to other sources of federal payment for child care is attached.

- Reinsurance for firms that insure child-care facilities - The President proposed a four-part child care plan in his first package of initiatives, "Building a Better America," announced in February, 1989. One of the four was a study that would be conducted by the Secretary of Labor on liability issues faced by firms that offer on-site child care.

The Labor study found that liability issues were not a barrier to offering on-site child care. However, they were perceived to be a barrier by firms that had not investigated obtaining insurance coverage for this activity.

Based on the Labor study, there seemed to be no need for further federal policy steps. The Department of Labor

does make information about liability issues available through its Women's Bureau.

Unless you think otherwise, I believe no further action is needed on this idea.

- Publish a "wanted list" for dead-beat dads. A one-pager outlining how I would implement a "most wanted list" is attached.

Family-related

- Repeal of Social Security earnings test. A one-pager is attached.

Welfare

- CCC. A proposal that relates to the Civilian Conservation Corps was included in the recent job training package. It would seem unnecessary to do anything more on this.
- Presidential investigation on welfare failures. The Rosario case referred to in the document is a mother who saved for her child's education while she was on welfare. The savings were in excess of the current AFDC asset limit; the state, following federal regulations, sought to terminate the family's welfare grant and recoup amounts paid earlier.

We have already proposed legislation to remedy Rosario-like situations by allowing states to allow AFDC recipients to accumulate up to \$10,000 in liquid assets.

The Rosario case has been included in the President's speeches. What an investigation might find is difficult to say; I recommend that this one stay on hold for the time being.

- Financial disincentives for "irresponsible behavior" We have allowed to pursue this on a waiver basis; the attached one-pager would make certain disincentives available to states on a state option basis, without having to secure a waiver from the federal government.
- Housing

This bullet had three subparts:

- Initiatives to push for tenant ownership. The Administration has offered an ambitious agenda in this area; I have asked the person at HUD in charge

of pushing tenant ownership if he thinks there are concepts we have not yet advanced. Nothing attached on this point.

- **Support efforts to allow residents to vote on replacing management.** This is in our so-called "Perestroika for Public Housing" package. Since this is already an Administration initiative, nothing attached on this point.
- **Justice Department investigation of cases of tenant leadership harassment.** HUD has referred the matter to the Justice Department and Justice is investigating. Nothing attached on this point.
- Vin Weber Plan -- cut off benefits after four years. I understand you have discussed this with Gail Wilensky and agreed not to pursue it.

Health

The Heritage Foundation voucher plan is a more aggressive version of the President's plan, one that ends employer-provided health benefits. The Golden Rule Medicare plan is, I think, a reference to the health care savings accounts favored by the Golden Rule Insurance Company. A one-pager on this has already been forwarded to you.

Legal

- Allow terminally ill patients the choice of using experimental drugs. A one-pager on this is attached.

Attachments

cc: Roger B. Porter
Andrew Carpendale
Gail Wilensky

*Other Potential
Initiatives*

I. ECONOMIC GROWTH

Reduced Spending:

Balanced Budget Amendment*

Line-Item Veto* (consider unilaterally taking it)

Veto appropriations bills over a certain ceiling

Prepare and call for passage of a four-year budget

Taxes:

Reduction in Capital Gains to 15% *
- or tied to inflation

First-time home buyers credit *

IRAs

- for children's education
- for old-age care for parents
- IRA withdrawal for first-time home buyers *

Deductibility of student loan interest payments *

Enhanced depreciation for equipment free from Alt. minimum tax (Kemp)
- move to a Neutral Cost Recovery System
- Kemp argues for first year write-off of PP&E; wd. reduce tax burden.

Investment Tax Credit

Cut payroll tax one percentage point; or refundable credit of 15% of the employees payroll tax against income tax (Kemp)
- cut retirement portion by 1%; half on employer/half on employee.
- \$26bb loss in revenue wd. be offset in part by higher employment.
- real benefit to middle class; the wage base is limited to \$54,300.

Spur Growth of Small Businesses

Repeal Davis-Bacon (or Executive Order waiving it -- as Nixon did)

- '88 CBO estimated wd. result in savings of \$6.6 bb in 5 yrs.
- wd. allow small businesses to partake in Federal projects.
- law is obsolete as construction must pay "competitively" anyhow.

SBA initiatives to promote entrepreneurship among low-income persons.

- Micro-loan Pilot Project; \$15,000 loans to disadvantaged
- Cottage Capitalism Init. (w/ HUD) funds/training to hsing projects.
- Entrepreneur Training for Youth; focus on low-income youth

II. FAMILY VALUES

Safer Streets:

Set a ROTC-like Police Corps. (Republicans have added to our Crime Bill.)

Push aggressive prosecution, tough sentencing, blocking corruption.

Building more prisons (distinguish the disadvantaged from the deviant)

- privatization of prisons

Child Care -- focus on empowerment:

Voucher programs

Reinsurance for firms that insure child-care facilities

- insurance expense has been a key barrier for companies to have child care centers.

Publish a "Wanted List" for dead-beat dads.

- been used with some success in Massachusetts

Family-related:

Repeal of Social Security Earnings Test

- could encourage work; keep skilled people in work force
- reduce intrusion of govt. into lives of senior citizens

Restore the value of the personal exemption

- if indexed to inflation from '48, exemption wd be \$3,300.
- cd. be targeted; e.g., raise it for children under age 4 in families with income under \$24,000.

Provide family tax-relief to overly-burdened families

- same family who in the '50s didn't pay taxes now starts paying when close to the poverty line.
- 2/3 of avg. working mother's earnings go to paying for increases in federal taxes.

III. GOVERNMENT REFORMWelfare:**CCC**

- a clear answer for helping youth help themselves from poverty
- based on work, not entitlement (consistent w/ our key principles)
- effect use of military personnel during period of cuts
- build on example of some state's programs

Presidential Investigation (by HHS) on welfare failures (e.g., Rosario case)

- need to hold state agencies accountable (1/3 funds come from US govt)
- study not how to cut costs of old system, but how old system has failed.

Financial dis-incentives for "irresponsible behavior"**Housing**

- initiatives to push for tenant ownership
- Support efforts to allow residents in public housing projects to vote on whether their housing authority should be replaced.
- Support a DOJ investigation of cases of tenant leadership harassment.
 - o activists in 200 communities have begun to rid neighborhoods of violent drug dealers; create jobs, assets, home ownership.
 - o some have reported harassment complaints by housing authorities.

Active pursual of Enterprise zones ***Modify unemployment insurance to allow benefits in a single payment.**

- empowers them to use funds to start own businesses

Vin Weber Plan -- cut off benefits after four years
- focus on values of welfare being temporary

Revamp the Public Employment Service (state-run/federally funded)
- focus from job placement to job training/counseling

Healthcare:

Heritage Foundation Voucher Ideas

Golden Rule Medicare plan

Privatization:

Government Institutions -- fighting bureaucracy:

Call for "quality" and "technology" czars and civil service reform.

Term limits

Campaign Reform (Eliminate PACS etc.)

Congress under same laws as the public (e.g., civil rights to FOIA)

Legislature reform (cut in number of committees/subcommittees)

- Embrace Michel plan
- Hire Big Six acctg. firm to audit Congress' books
- Eliminate all unnecessary perks
- Stamp out the frank except to answer constituents letters.

Executive branch reform (cut in federal employees/merge Cabinet agencies e.g., reduce overlap of Veterans/Defense/HHS.)

End draft registration -- reinforce end of Cold War.

Legal -- simplification:

- Attack laws that add unnecessary bureaucracy to business development
- call for "no net increases in regulation"
- especially in small business (taxicab licensing, barber licensing)

Allow terminally ill patients the choice of using experimental drugs.

Implementing the Beck Decision *

Aggressively attack frivolous law suits -- implement English rule

Target lawyers and lawyer malpractice reform plan.

Consumer-oriented tort reform

- e.g., consumers are locked by state regs. that prohibit parties from waiving their rights to sue in exchange for lower insurance premiums.

Education -- demand accountability:

Continue on real choice; raise prospect of \$5,000 per year "scholarships"

Call for longer school days

Attack federal laws that hinder discipline in schools

- Principal's are now routinely sued for searching lockers for drugs,

* Administration is already focusing on.

HK

THE WHITE HOUSE

WASHINGTON

September 7, 1992

MEMORANDUM FOR ANDREW CARPENDALE

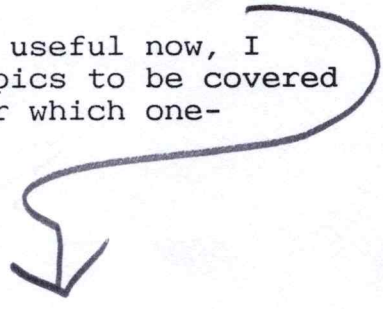
FROM: HANNS KUTTNER *HK*

SUBJECT: One Page Briefing Notes for the President

In the staff meeting last week, you noted that, as a means to increase the then-Vice President's knowledge level, you had found that sending several one page issue briefs each day worked better than sending in a single concentrated package of materials.

If you think a similar approach would be useful now, I would suggest devising a universal list of topics to be covered and then working backwards into a schedule for which one-pagers on which day.

cc: Roger B. Porter



*Hanns --
Thanks for the
note. ~~It's a good idea~~
In theory, a master list
would work, but
practically it is just
a non-starter for
now given the
 hectic campaign
schedule. But
if you have
certain topics you
feel need to be
explained better by
all execs put
them in a one-pager.
-AC*

HR

THE WHITE HOUSE

WASHINGTON

September 7, 1992

MEMORANDUM FOR DENNIS ROSS

FROM: HANNS KUTTNER *HK*

SUBJECT: President's Record on Child Care

In his Sunday interview with Tom Brokaw, the President was asked about government programs for families. Brokaw began a line of questioning by stating that families need family medical leave and more federal funds for child care. The President's response focused on family medical leave.

On child care, Brokaw's question appeared uninformed by what has happened in child care during the Bush Administration.

The Omnibus Reconciliation Act of 1990, implementing legislation for the budget deal, contained three new child care programs:

FY 1993, President's request

- "At risk" child care \$300 million

Pays for child care for families that without child care would be on welfare

- Child Care and Development Block Grant \$850 million

Some funds for state activities to improve the quality of care; funds used to pay for care must be available to parents in the form of vouchers.

TOTAL, new programs \$1.150 billion

In addition, the 1990 reconciliation act made a significant expansion in the Earned Income Tax Credit (EITC), increasing payments to families by \$16 billion over five years. An EITC expansion had been the focus of the Bush child care proposal made in the 1988 campaign.

Many other programs pay for child care or child care-like activity (Head Start, etc.) We are in the process of updating a table showing total resources and growth since the President took office.

*How-
Please
send this
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AL*

cc: Roger B. Porter

THE WHITE HOUSE

WASHINGTON

September 7, 1992

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THE WHITE HOUSE

WASHINGTON

September 7, 1992

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If you think a similar approach would be useful now, I would suggest devising a universal list of topics to be covered and then working backwards into a schedule for which one-pagers on which day.

cc: Roger B. Porter

THE WHITE HOUSE
WASHINGTON
September 7, 1992

MEMORANDUM FOR DENNIS ROSS

FROM: HANNS KUTTNER ✓
SUBJECT: Is "Pay or Play" a "Nationalized Health Plan"

Ann Devroy's story about the President's Saturday health speech said it was erroneous to allege that imposing a "pay or play" requirement on employers is tantamount to supporting nationalized health insurance. This memorandum reviews the facts that undergird equating the two.

The argument is based on two assumptions:

- Employers will do the rational thing and buy insurance from whomever will offer the less expensive plan -- the private market ("play") or the public plan ("pay.")
- Employer premiums for health insurance as a percent of payroll will continue to rise.

The Urban Institute (UI), under contract to the Department of Labor, simulated "pay or play." UI first determined what employers of different size would pay for a standardized plan. The UI analysis is attached, showing both current costs and if administrative cost savings of the kind anticipated in the President's plan were realized. For very small business, a pay or play plan with even a modest 7 percent "pay" option would send most workers into the government run plan -- instantaneous nationalization.

Among employers of all sizes, 52 million employees would switch to the public plan given the option of a government plan for a fixed 7 percent of payroll, and a total of 144 million or 58 percent of the population would be in publicly run insurance (including Medicare.)

Combined with the uninsured unemployed and their families, who would also presumably be enrolled in a government plan, 61 percent of the populace would be in government-run insurance plans. This number would increase as health costs rose relative to payroll, making the "pay" plan more attractive over time. More and more people would be in government run plans, and it is this ineluctable trend that makes "pay or play" and "nationalized health insurance" equivalent.

cc: Roger B. Porter
Gail Wilensky

THE WHITE HOUSE

WASHINGTON

September 5, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: One page explanation: Medical Savings Accounts

You had asked for a one-page explanation of Medical Savings Accounts.

It is attached.

I would note that some approaches to MSAs do not allow for purchase of long-term care coverage, largely on the theory that most long-term care costs are not medical but paying for ordinary activities of everyday life (room and board, cleaning, etc.) This exclusion appears to be true of "Action Now," the House Republican's approach.

Attachment

MEDICAL SAVINGS ACCOUNTS

A Medical Savings Account (MSA) is a trust that pays the medical expenses of the account holder and his/her family. It is for employers an alternative to providing conventional health benefits to their employees. It combines the tax excludable features of employer-provided health benefits with the accumulation potential of savings arrangements that are included in benefits plans. Under most approaches to MSAs, an individual uses a portion of his or her employer's MSA contribution to buy health insurance. The remainder accumulates in the MSA until used to pay health expenses. These costs are either costs below the insurance deductible or costs not covered by the insurance plan the employee had purchased.

MSAs represent an alternative approach to the tension between the economic rationality of higher deductibles and co-payments and the desire for greater economic security through lower deductibles and co-insurance. All insurance involves moral hazard: things insured against are more likely to happen. Lower deductibles make it more likely that an individual's health costs will exceed the health plan's deductible. While lower deductibles and co-insurance mean greater economic security, they also result in higher insurance costs.

MSAs allow an individual to purchase a less expensive insurance policy with a relatively high deductible and use remaining MSA amounts either to pay for costs below the deductible or accumulate funds for future needs.

-- For example, instead of paying \$3600 per year for a plan that has a \$250 deductible, an employer may make an MSA contribution of \$3600. An employee may then choose to pay \$1100 for a plan with a \$3000 deductible and save the remaining \$2500 in his MSA. The employee, when facing a \$50 office visit charge from a physician, can pay the amount from his \$2500 MSA balance or use post-tax dollars and allow the MSA to accumulate to the next year.

"Action Now," the package of legislative proposals relating to health put together by House Republicans, includes Medical Savings Accounts. The proposal was designed to be revenue neutral. Its features include:

- Ceilings on how much an employer may contribute to employees' MSAs;
- Taxability of both interest earned on MSAs and distributions from MSAs for non-medical expenses; and
- Employers who offer MSAs must offer them to all employees offered health benefits.

THE WHITE HOUSE

WASHINGTON

September 4, 1992

MEMORANDUM FOR ANDREW CARPENDALE

FROM: HANNS KUTTNER *HK*

SUBJECT: Poverty Measures -- Alternative Calculations

Betsy Anderson said you asked for alternative measures of poverty rates.

The 1991 poverty rate, counting the number of persons in households whose money income excluding capital gains was less than the poverty figure for a household of that size, was 14.2 percent.

This is the oldest definition the Census Bureau has used. In recent years Census has developed alternative definitions that take into account the effect of taxes and transfers.

The most inclusive definition, including the effect of taxes, cash transfers (AFDC payments), and value of means-tested noncash transfers (the value of having Medicaid as the equivalent of having health insurance) produces a 11.4 percent poverty rate.

The Boskin/CEA talking points call attention to this definition call attention to this definition which considers the effect of government assistance programs. While poverty was up .7 percent under the "money only" definition, it was up .5 percent under the definition that takes into account government transfers.

One further Census calculation imputes the value of home equity for poverty households who are homeowners. This calculation produces a 10.3 percent poverty rate.

THE WHITE HOUSE

WASHINGTON

September 4, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Presidential Letter to Charles Larkin

As the cover letter notes, Charles Larkin apparently left a note for the President while he was in Mr. Larkin's area of Connecticut.

Larkin wrote "A '40" after his name and refers to a visit from the President's brother Prescott and a "Y '40" reunion, references I decode as "Andover '40" and "Yale '44" and reference the same in the cover note. I assume these two facts add together to make for a "Dear Charlie" letter.

Recommendation

That you sign the attached memorandum to the President.

Dama —

Thanks for your help on this.

Royce

Attachments

THE WHITE HOUSE

WASHINGTON

September 4, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *A*

SUBJECT: Presidential Letter to Charles Larkin

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Recommendation

That you sign the attached memorandum to the President.

Attachments

THE WHITE HOUSE

WASHINGTON

September 4, 1992

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER

SUBJECT: Letter from Charlie Larkin

Charlie Larkin (Andover '40, Yale '44) sent a note to you while you were in Middlebury, Connecticut, after the Republican National Convention.

Larkin's note shares an idea for malpractice reform. He suggests that workers agree not to sue in defined circumstances in exchange for higher wages. He suggests insurance companies might be willing to reduce their health insurance rates contingent on the number of employees who sign up.

A similar proposal was included in your comprehensive health reform program. The response to Larkin notes the similarity. As a practical matter, most employers would realize any savings that this approach would produce. Almost all large employers (100 employees or more) pay premiums based on the costs their employees incur. As costs go up or down, employers experience a corresponding change.

Recommendation

That you sign the attached letter to Mr. Larkin.

Attachment

THE WHITE HOUSE

WASHINGTON

September 4, 1992

Dear Charlie:

Thank you for your warm words of greeting for my Middlebury visit. Its a great town, and I think my message was well-received.

Thank you as well for your thoughts about reforming the malpractice laws. As you note, we have a proposal pending before Congress to make meaningful change in that area. It is one of the many proposals I have made that the Democrats who control the Congress kept from moving.

You have an interesting idea about encouraging people to avoid going to court to resolve malpractice allegations. In the Comprehensive Health Reform Program I announced in February, we said we would seek to permit agreements between patients and providers of health care in which patients would agree not to sue. Instead they would agree to use arbitration to settle their differences.

It would be interesting to see if, as you suggest, insurance companies would be willing to reduce their charges to employers based on the proportion of employees who agree not to sue. If I am re-elected, we should have a chance to find out.

I too am sorry I could not stay for a game or two of tennis. I hope you won the match against whomever you found in my stead.

Sincerely,

Charles L. Larkin, Jr.
Wooster Road
Middlebury, Connecticut 06762

THE WHITE HOUSE

WASHINGTON

September 4, 1992

MEMORANDUM FOR DENNIS ROSS

FROM: HANNS KUTTNER *HK*

SUBJECT: Incremental Ideas

Gail Wilensky and I were not able to discuss the attached one-pagers outlining new policy proposals before she went out of town. Rather than delay, I am forwarding them to you.

The three, with titles underlined, are:

- Steps to give form to the teen parents focus for welfare reform announced July 31;
- Advancing the asset-accumulation strategy outlined by Secretary Kemp through welfare savings accounts for kids in families on welfare; and
- Making more concrete one of our earlier proposals to control health costs by implementing the proposal for federal employees.

cc: Roger B. Porter
Andrew Carpendale
Gail Wilensky

Teen Parents

Problem

- In the Administration's July 31 welfare reform paper, teen parents were identified as the group most likely to spend long periods on welfare. The paper said new ideas most needed to be tried and tested to advance the welfare agenda.
- No steps were offered to bring new ideas to fruition.

Solution

- Competition for program models to improve the chances of teen parents, especially single teens who have not completed high school and have no previous work experience, to become self-sufficient adults.

How It Would Work

- The intent to announce a competition would be announced.
 - The competition would call for design teams from government, the schools, academia, or the private sector to step forward with their ideas about the services and incentives needed.
- Proposals would be required to have the backing of the applicable units of government so they could be implemented if chosen.
- The five models found most promising would receive required welfare waivers without meeting budget neutrality requirements normally applied.

Cost

- None that would be recognized by the Budget Enforcement Act.

Advantages

- Brings new attention to the Bush approach to welfare reform.
- Also allows for a discussion of family values linked to doing something positive.

Disadvantages

- A useful, but not grand, step.

Welfare Savings Accounts

Problem

- Families receiving Aid to Families with Dependent Children (AFDC), the primary welfare program for families, have savings that average less than \$200 per household. Children who grow up in these households are unlikely to accumulate any savings toward education or training after high school.

Solution

- Require AFDC families to open savings accounts for their children's education.

How It Would Work

- Upon beginning to receive AFDC, each AFDC family head would receive information about saving for their children's future along with an application for a savings account in the child's name.
- The states could be allowed to penalize families that failed to open accounts for their children.
- Banks would be encouraged, as part of their Community Reinvestment Act responsibilities, to set up partnerships with local welfare agencies to assume responsibility for this function and make nominal (\$5) contributions to new accounts.

Cost

- Additional AFDC administrative costs for distributing applications, enforcing sanctions. These administrative costs are an entitlement with a 50/50 match rate.

Advantages

- Raises expectations of AFDC parents about the future of their children.
- Encourages mainstream values of thrift and accumulation among a population where these virtues are infrequent.

Disadvantages

- May not be cost effective; no data available.

Health Costs

Problem

- The Administration's assertion that market mechanisms can influence health care costs suffers from not being related to most Americans' experience of purchasing health care.

Solution

- Announce that the Administration is moving ahead immediately to make federal employees more sensitive to the variation in the cost of providers of health care.

How It Would Work

- The federal government, in negotiating contracts for the Federal Employees' Health Benefits Plan, would require health plans that offer a choice of providers to reflect the relative cost of providers in co-payments and deductibles.
- The program would begin for hospital services in the five largest market areas for the five most frequent hospital stays.
 - For example, if Blue Cross allowed patients to choose any of seven hospitals for open heart surgery, the inpatient hospital deductible would be required to vary to reflect the relative cost of the surgery in that hospital. How much variation would be at the discretion of the plan. Blue Cross could say the deductible was \$100 at four hospitals, \$500 at a fifth, and \$800 at the final two providing the services in the Washington area.

Cost

- None; potential for savings if employees follow price signals.

Advantages

- Shows a real example of what we mean by wanting market forces to play a role in health care.
- The federal government would be a pioneer in differentiating providers in a fee-for-service employee health benefit plan.

Disadvantages

- Not wholly consistent with expressed preference for coordinated care as opposed to fee-for-service.

THE WHITE HOUSE

WASHINGTON

September 3, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Health Care Speech: Painsville, Ohio

There are some additional valuable points to make:

1. Cleveland tie to Congress' delay. The President launched his health plan last February 6 in Cleveland. I am told Painsville is close to Cleveland. This linkage, being back in the Cleveland area, Congress not acting, Congressional Democrats posturing but doing nothing, should be linked together to provide a rationale for why the President is speaking on health care.

Language: At the top of page 3 --

We are back where we started in our campaign for health care reform. Last February 6, seven months ago tomorrow, I came to Cleveland to lay out my comprehensive health reform plan. Since then we've sent five legislative proposals to Capitol Hill. To have heard the Congressional Democrats last year, it was only the President's leadership that was keeping health care reform from moving forward.

Well, now we know the truth. Its partisanship by the Congressional Democrats that's keeping anything from happening. I know it's hard to do things in an election year, but let's do what we can. We've worked with Republicans in the House to develop a plan called "Action Now" and that's what it is -- a series of actions that we can take right now, steps that enjoy broad consensus, steps that are found in many of the bills proposed by Congressional Democrats.

When the Congress returns to Washington next week, we'll learn whether partisanship or action now to solve problems is at the top of the Democrats' agenda. I like Cleveland. Always like being here. But I don't like being reminded that the health reform plan I unveiled here is still awaiting action on Capitol Hill.

2. Entitlements. There have been some unfair accusations about the President's approach to containing costs. It might be worthwhile (unless this becomes the news) on page 8 to include the line, "But we must not -- and I repeat -- must not cut benefits for seniors and others who depend

on Medicare."

3. Personal tie in. Rather than the tax credit anecdote on page 7, I would suggest a personal tie in between the President and insurance security. The President can relate to someone who has a problem getting insurance because of his health status or that of a family member.

Language:

We want all working Americans to be able to buy health insurance. I think back to the time when I had a daughter who was very sick. It was when I was running a small business. Because of this child, an insurer wouldn't welcome my little company. And some would want to cancel the insurance policy our family depended on. And some would even say, well, we'll sell you insurance for everyone at your company and their families except for that sick daughter. Well, it shouldn't be that way. And under my plan, it won't. Every employer will be able to get health insurance for his or her employees.

Another approach would be to use the President's thyroid problem -- "I hate to think that because of this, some insurer would turn me down."

4. Cost. page 5. "whopping \$250 to \$500 billion dollars a year in new taxes." The campaign issued a health one-pager on August 11 that said "\$87 billion in new taxes." Somehow this discrepancy needs to be resolved.

In suggesting these additions, I realize something has to go. Perhaps the third and fourth paragraphs on page 8. The details of the President's plan have shown themselves time and time again to be like lead pancakes with audiences. That's where I would squeeze.

Also, Kevin Moley suggests that in lieu of the cereal analogy on page 8, a comparison be made between buying at a convenience store and buying in bulk at a Sam's Club or Price Club or similar type retail in the Painsvill^o area.

THE WHITE HOUSE

WASHINGTON

September 2, 1992

MEMORANDUM FOR DENNIS ROSS

FROM: HANNS KUTTNER *HK*

SUBJECT: New Ideas

Attached are one page descriptions of proposals to:

- Expand the Earned Income Tax Credit in the least costly ways;
- Offer adoption vouchers to encourage pregnant women to take the adoption route.
- Try incentives for high school students in problem-plagued schools to complete school, not get pregnant, not commit crimes and continue their education;
- Raise the new fiscal federalism debate once again;
- Retarget who we define as eligible for the early childhood services provided by Head Start;
- Target the street homeless who live on the streets and steam grates;
- Expand economic opportunity through a revised Community Services Block Grant proposal; and
- Take a new direction in domestic family planning programs.

The underlined words in the short descriptions are the titles at the top of the one-page descriptions.

cc: Roger B. Porter
Andrew Carpendale

Expand the EITC

Problem

- The Earned Income Tax Credit (EITC) was greatly expanded as part of the 1990 budget deal and its magnitude is not well-recognized.

Solution

- Propose a further expansion of the EITC.

How It Would Work

- The 1990 budget deal expansion, when fully phased in in 1995, will provide low income workers a credit of 23 percent of wages if they have one child and 25 percent if they two or more. In addition, there is an additional infant credit of five percent that applies in the year a child is born.
- The per child supplement would be expanded from two to five percent and made available for third and fourth children. The infant credit would be expanded from five to ten percent.

Cost

- Increase subject to pay-as-you-go rules of \$200 to \$400 million per year. By making changes after current phase in is complete, costs would not be encountered until FY 1996.

Advantages

- Additional assistance for families, targeting those in greatest need.
- Helping families without additional bureaucracy -- the argument used in advancing an EITC expansion as an alternative to the Democrats' child care grants in the '88 campaign.
- Popular with conservatives.

Disadvantages

- Cost.
- High marginal rates in phase out range of the credit.

Adoption Vouchers

Problem

- Women with unplanned pregnancies who decide not to abort have limited sources of support offered to them that lead to placing the infant for adoption.

Solution

- Offer service vouchers for pregnant women who choose to carry their children to term and place the child for adoption.

How It Would Work

- Women who choose to continue pregnancies and place the child for adoption would be eligible for adoption vouchers.
- Qualified providers would offer packages of services in exchange for the voucher. The voucher could cover housing and meals during pregnancy, training or education during and after the pregnancy, and health care services.
 - The most likely providers would be maternity homes that exist to help unwed mothers.

Cost

- Undertaking as a demonstration project involving a small number of sites would keep annual costs below \$10 million; could be carried out under a welfare waiver.

Advantages

- Offers a new approach in an area -- adoption -- the Administration has said it strongly favors.
- Warm reception by conservative pro-family and pro-adoption groups.

Disadvantages

- Appearance of trying to influence the decisions of pregnant women with money.
- Limited ability to assure that women who accept vouchers follow through with adoption placement.

Incentives for High School Students

Problem

- In some urban high schools, as much as eighty percent of an entering class drops out, becomes pregnant, or becomes involved with the criminal justice system.

Solution

- Experiment with incentives for graduation without becoming pregnant or involved with the criminal justice system.

How It Would Work

- In a small number of high schools with high rates of dropping out, pregnancy, and criminal activity by students, a reward program would be instituted.

The reward system would offer a guaranteed training opportunity after graduation to all students who graduated without becoming pregnant or involved with the criminal justice system. The training opportunity would consist of vocational education or a two or four year college education; continued support would depend on satisfactory progress.

- The initiative would be evaluated after three graduating classes to determine its cost-effectiveness.

Cost

- Much of the cost would be covered through existing programs: Pell grants, Job Training Partnership Act, "Upward Bound." If carried out under a welfare waiver, AFDC funds would be available (reasoning that some of those who seek education would otherwise be on welfare.)

Advantages

- Shows the President has new ideas about the problems of urban youth.
- Melds Republican penchant for incentives with the facts about the importance of education and delaying childbearing for improving life chances.

Disadvantages

- Conflict with push for school choice and its emphasis on voting with one's feet against the worse schools.
- Verifying success at avoiding pregnancy may involve abortion issues.

New Fiscal Federalism

Problem

- The division of labor among the federal government, state government, and local government has become fogged. This contributes to the federal government being overextended in terms of commitments relative to resources.

Solution

- Revive idea of turning over to the states programs at the end of their lifecycle, advanced in the President's FY 1992 budget.

How It Would Work

- The FY 1992 budget published a list of potential block grant programs, programs that would be consolidated and turned over to the states as flexible resources.
 - The National Governors Association responded with a series of broader purpose grants, for example a "school readiness" block grant combining Head Start, immunization, and WIC feeding programs.
- As an alternative, state "opt out" could be provided. Both sets of block grants would be proposed; states could chose which programs they wished to continue to receive as categorical programs and which they wished to opt out of and receive as a block grant.

Advantages

- Opportunity to emphasize the President's view that the federal government and its role are too large.
- Potential for conflict to be felt by governors between their own interests and Washington-based special interest groups.

Disadvantages

- Difficult to differentiate from a proposal already made and to say this is something new.

Early Childhood

Problem

- Head Start uses the crude proxy of poverty to determine which children are eligible while some poor children may start school ready to learn without Head Start and some above poverty children may need a Head Start-like experience to be ready for school.

Solution

- Allow AMERICA 2000 communities to serve children not ready to start school ready to learn, regardless of income.

How It Would Work

- All AMERICA 2000 communities agree to develop measures of progress toward each of the six national education goals. The first is, "By the year 2000, all children will start school ready to learn."
- Factors that are widely believed to affect school readiness include social skills (ability to interact peacefully with peers) and motor skills.
- Communities that develop means of assessing progress toward Goal One would be allowed to use those screening tools to determine who can participate in Head Start.

Cost

- None -- reallocation of resources.

Advantages

- Recasts the eligibility for Head Start to fit the conceptual framework of the national education goals.
- Makes a better use of Head Start resources in light of this framework.

Disadvantages

- Advocacy groups will continue to see all children in poor households as needing Head Start and press for serving all poor children plus all non-poor, non-ready children.
- Potential threat to credit the President has received for increasing funds for pure, unadulterated Head Start -- a program just like Lyndon Johnson left it.

Street Homeless

Problem

- Despite nearly \$3 billion in federal spending targeted to the homeless, the number of homeless living on the streets, on grates and in other public places has not noticeably declined.

Solution

- Retarget federal homeless assistance funds to a new effort to serve the homeless who do not seek shelter.

How It Would Work

- Make grants to organizations to carry out outreach programs to link to shelter the homeless who live on the streets, on grates, and in other public places.
- The organizations would send outreach workers onto the streets and to other areas with concentrations of homeless persons. Outreach workers would try to build a relationship of trust with these persons and convince them to take advantage of shelters, treatment, and rehabilitation programs that are available to them.

Cost

- Could be accomplished either by redirecting lower priority homeless-specific funds or by increasing domestic discretionary resources for the homeless.

Advantages

- Targets help to those who need it most and are least likely to seek services from those currently available.
- More likely than current programs to address the most visible symbols of homelessness in the US.

Disadvantages

- Experience with outreach programs thus far shows low yields as measured by proportion of individuals encountered who make sustained commitment to more orderly lives.
- Potential for criticism for advocacy groups if funded through reallocation.

Economic Opportunity

Problem

- The executive and legislative branches are at impasse over the Community Services Block Grant (CSBG). Recent President's budget's have requested zero funds but the Congress continues to provide \$380 million for the CSBG.

Solution

- Break the impasse by proposing support for the CSBG, contingent on program reforms to remake it into the kind of anti-poverty program the Bush Administration wants.

How It Would Work

- CSBG provides funds to states which must flow to the community action agencies that were created as a field structure for the Office of Economic Opportunity during the Johnson Administration.
- Instead of benign neglect, the Administration would seek to remake the CSBG into an agent for entrepreneurship by:
 - Requiring each agency funded by the CSBG to have at least one-third entrepreneurs on its governing board;
 - Moving from a formula to a competitive process for allocation of funds, with awards based on the applicant's track record in creating economic opportunity.

Cost

- Amount would be within the domestic discretionary cap.

Advantages

- Substitutes a performance-oriented approach for the current laissez faire approach for a significant amount of federal resources that target the poor economically.
- Buys the Administration back into the negotiation in next year's reauthorization of the CSBG.

Disadvantages

- Complicates keeping within the domestic discretionary spending ceiling.
- Grantee community will not welcome reform; lack of constituency for the proposal.

Family Planning

Problem

- The current family planning grant program (so called "Title X") has become immersed in abortion politics.

Solution

- Announce a new family planning program that circumvents the abortion-linked family planning issues, emphasizes serving those in greatest need such as substance abusers and women who have already had a child out of wedlock, and uses pro-active rather than passive methods to serve clients.

How It Would Work

- Rather than using Title X of the Public Health Service Act, a more general statutory authority would be used, one that would allow the executive branch to set the rules of the road on abortion upfront.
- HHS would solicit proposals that would serve the target population, avoiding broader populations that raise such questions as parental responsibility.
- HHS would make awards on a discretionary basis, allowing them to avoid the rebellious Title X grantee population.

Cost

- Discretionary; any amount could be used.

Advantages

- Allows the President to reaffirm his position of strongly supporting family planning but strongly opposing abortion.
- Likely to have greater effectiveness per unit of resource than additional resources devoted to Title X.

Disadvantages

- Polarization of the family planning community may mean positive response from none of the interest groups.
- Some pro-life, pro-family groups would oppose any federal family planning activity.

THE WHITE HOUSE

WASHINGTON

August 29, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: One Pager: Financing Health Care Reform

The attached one-pager covers financing of the tax credit and deduction in the President's health plan.

In going through my papers from the discussions that lead to the President's plan, I did not find a table showing the annual cost of the credit and deduction. It is my recollection that the fully phased-in cost estimated by Treasury is \$35 billion. Should I consult Glenn Hubbard on this point?

Looking at the information from December on Medicare and numbers provided Friday from the Medicaid estimators, the 1997 value of Medicare and Medicaid disproportionate share is \$21 billion (using the assumptions in the January President's budget.) That leaves a \$14 billion gap.

Moving the acute care portion of Medicaid to a per capita payment system and limiting growth to CPI plus 6/5/4/3/2 percent produces fifth year savings of \$13.4 billion. Throwing in the health insurance credit supplement to the EITC (no longer necessary) and a few odds and ends would make \$35 billion easily attainable. But it appears one can not get there with disproportionate share (DSH or "dish") payments alone.

I wanted to check this overall conclusion with Tom Scully, but he is not yet back from Florida.

Health

Proposal

Announce details of how the tax credit and deduction in the President's Comprehensive Health Reform Program would be financed. The \$35 billion, fully phased in annual cost could be met with two significant reforms: phase out disproportionate share payments to hospitals in the Medicare and Medicaid programs and move the acute care portion of the Medicaid program to a system of per capita payments, with growth in the per capita amount limited to a specified amount above increases in the consumer price index (CPI.)

Advantages

- Remove the one legitimate source of criticism of the President's plan not being a "real," fully fleshed-out plan.
- Reach a higher level of specificity than the Clinton plan.
- Define more sharply the distinction between the President's plan as one that does not require raising taxes or general revenue subsidies and the Clinton plan as one that does.
- Rationalize the massive growth in Medicaid disproportionate share payments (from \$4.5 billion in FY 1991 to \$18 billion in FY 1997) by converting them from back-door subsidies for the uninsured to explicit subsidies for insurance.

Disadvantages

- Financing approach will be criticized as exchanging one fantasy for another -- hospitals will not be able to get by without disproportionate share payments; states will not be able to break historical norms and bring cost growth to within a few points of CPI growth.
- States and hospitals will have a clear perception of themselves as the financing source for the President's plan and may be inspired to mobilize.
- Sixty percent of hospitals receive Medicare payments that are less than their operating costs. Ending disproportionate share payments will cause financial crises for hospitals unable to shift costs to private payors.

Site Visit Report: Atlanta
August 26, 1992

The site visit included a meeting with Atlanta Project leaders, a visit to the Atlanta Project offices under renovation, and a visit to Carver Homes, a public housing project.

Federal participants were Gregg Petersmeyer and Gretchen Pagel, Office of National Service, The White House; Hanns Kuttner, Office of Policy Development, The White House; Martin Gerry, Assistant Secretary for Planning and Evaluation, HHS; David Caprara, Director of the Office of Resident Initiatives, HUD; David Williams, Deputy Assistant Secretary for Employment and Training Administration, DOL; and Andrew Hornsby, Food and Nutrition Service, USDA.

The Atlanta Project (TAP) began last November. The picture that emerged in the course of briefings was of an undertaking poised to begin but still uncertain of what it will yield at the conclusion. TAP is at the threshold of a transition from a planning phase to an operational phase.

TAP has divided its target area into twenty clusters. Each cluster has a high school and cluster lines, while generally following high school attendance district lines, are defined by Census tract lines to assist in evaluation. Governing TAP is an advisory committee made up of senior figures in the Atlanta community. Each is assigned to a cluster, including President and Mrs. Carter. TAP is also negotiating to assign one major Atlanta-based corporation to each cluster.

At this point, TAP is:

- A group of staff who make up a secretariat, with sections for health, education;
- A five year budget with a fundraising goal of \$18.5 million cash and \$8 million in kind, of which the staff seemed confident of meeting;

TAP is about to become:

- Employer of a deployed staff that places a coordinator and assistant for each cluster, with the cluster's high school as the preferred office space;
- Operator of a collaboration center. We visited the collaboration center, part of a large building that once was a Sears distribution center and now is being converted for city and other offices (the JTPA PIC is next to TAP.) It is a form of services integration.

The collaboration center is hard to understand; it is being renovated to include space for the staff and lots of computer and telecommunications equipment. Among other things, it will support some form of teleconferencing among the sites. IBM is heavily involved, and the IBM representative told us about "decision support software" and "creating templates" that are portable. We smiled and pretended to understand what was being said.

Some of things we heard about in the course of are briefing were:

- The clusters are at different stages of organizing. A community coordinating group is being formed in each; most seem to be waiting for the coordinator to come on the scene before setting out on any course of action.
- There have been many expressions of interest from volunteers. TAP is anxious to reach the point where offers of help can be accepted.
- The Carnegie Corporation of New York has provided funds to expose TAP to "best practices" in a variety of fields. Several experts had come in the previous week; we are trying to obtain the meeting notes.
- There is a striking need to bring together things that are already happening. It appears TAP leaders have been surprised by the amount of activity underway already; the difficulty in understanding it all may be a source of interest in automated systems to keep track of programs and activities.

James Ledbetter, the secretary of the state department of human resources, spoke on what he meant by "welfare reform." He said waivers can be helpful for reducing administrative burdens for state agencies. He cited the food stamp example, where USDA/FNS waivers allowed 60 percent higher application levels in the last year to be handled using a constant level of staff.

Ledbetter said there were three reform efforts underway in Georgia:

- A governor's task force on welfare reform, due to report in November. (If the issues list the state staff provided can be a guide, the focus will be on administrative reforms.)
- A Casey Foundation grant to refocus foster care.

- A Pew Charitable Trust grant to plan restructuring services to children.

Later at Carver Homes, we met with a number of tenant leaders.

The most important issue to the tenant leaders was HUD's ceiling rent rule. Objections focused on the tension between the rule's linkage of rent to income, causing those who get good paying jobs to leave, and the effort to build stable communities in housing projects. The rule seeks to target assisted housing to those who need it most; tenant leaders would prefer to balance assistance and communities that include people with stable lives who can be role models.

Their second concern was what they termed economic empowerment. In short, there is no place to shop or work nearby. (Martin Gerry promised information about niche markets like separating recyclables as a job creation possibility and promised technical assistance.)

Finally, there was an earnest discussion of resident ownership. One tenant leader said that public housing is not what people want to own; those who want to own aspire to detached housing with its own lot, not the townhouse-type structures with common yards of public housing.

Before meeting with tenant leaders, we visited Granny House. Granny House is a unit in Carver Homes devoted to the care of children whose parents are absent for prison sentences or residential drug treatment or where child protective services have intervened in cases of abuse or neglect. Granny House offers a "granny," an elder from the public housing development on duty around the clock. Granny House allows children to be in safe situations outside their homes without being removed from their community.

THE WHITE HOUSE

WASHINGTON

August 15, 1992

MEMORANDUM FOR C. GREGG PETERSMEYER

FROM: HANNS KUTTNER *HK*

SUBJECT: Cabell Brand

You may recall my discussion with you about Cabell Brand, the voluntarism wizard of Roanoke (and YPOer emeritus.) He was disappointed that we have done nothing with the Community Services Block Grant.

The attachment describes what Cabell would like to see. I sent this to Clayton to see what he thought, but did not hear back.

What to do with the CSBG will be an issue come budget season, and you may want to think about whether you want to weigh in on this.

Attachment

THE WHITE HOUSE

WASHINGTON

August 16, 1992

MEMORANDUM FOR LINDA TARPLIN

FROM: HANNS KUTTNER *HK*

SUBJECT: Welfare Bill

The welfare package went -- see the attached.

I think we have to get copies up to the Hill ASAP. How do you want to divide the labor?

THE WHITE HOUSE

WASHINGTON

July 1, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER

SUBJECT: Information Memo on Malpractice

It occurred to me the obvious question about the new malpractice bill is, how is it different from last year's?

The attached memo lays out the principal differences for the President's information.

Attachment

Information

THE WHITE HOUSE

WASHINGTON

July 1, 1992

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER

SUBJECT: New Malpractice Legislation

The malpractice legislation you are sending to the Congress differs from the proposal you sent the Congress last year in two significant ways:

1. Requirement for nonbinding arbitration.

For any malpractice suit arising from care the federal government paid for or regulates, there would be mandatory nonbinding arbitration. After arbitration, a version of the "loser pays" rule would apply if the case was taken to court. The party that rejects the award would pay the other party's legal costs if the result is not more than 10 percent better than the arbitration award.

Self-insured health plans involve almost all large employers. This combined with federally-financed health care would mean close to 200,000,000 Americans would be covered by the nonbinding arbitration requirement.

2. Different incentives for states.

Last year's proposal withheld a small portion of Medicare and Medicaid payments. These payments were to be redistributed to states that made the tort and quality reforms we call for.

Under this year's proposal, a state that did not make the tort and quality reforms would be subject to loss of most federal grant dollars.

The effect of these changes is to make this year's proposal a much stronger proposal, both in reducing the role of litigation in resolving malpractice claims and increasing the incentive for states to make reforms.

THE WHITE HOUSE

WASHINGTON

June 30, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Statement on the Maryland Waiver

Note that this must be through the staff process and released today (Wednesday)!

Attached is a memo for Phil Brady and a draft statement on the Maryland welfare waiver.

Gail left before I drafted it and has not seen it. However, given the time sensitivity, I wanted to get this to you so that something could go to Phil Brady as quickly as possible.

The statement focuses on process rather than content. It portrays the President's role as facilitating change, not passing judgment on the value of the change itself. We could go off in the other direction -- praising the state for holding families accountable when they are recipients of public funds, the importance for children of the standards the waivers set, etc.

Attachments

THE WHITE HOUSE

WASHINGTON

July 1, 1992

MEMORANDUM FOR PHILLIP D. BRADY

FROM: ROGER B. PORTER

SUBJECT: Presidential Statement on Maryland Welfare
Waivers

The attached statement announces another set of welfare waivers. These waivers are for the State of Maryland. Because the state wishes to begin its waiver today, the statement needs to be released today.

For the information of reviewers, the Maryland waiver provides that:

- Pregnant women must obtain regular prenatal care or have their welfare grant reduced by \$14 per month;
- Families with children must obtain preventive health care for their children or face a reduction in welfare grant of \$63 per month for the first child, \$18 for the second child and \$15 for each additional child; and
- Families with school-age children with school attendance records that fall below 80 percent of the time will face a similar grant reduction.

Both the prenatal and preventive health care are available without cost to the families through the Medicaid program.

Attachment

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

July 1, 1992

STATEMENT BY THE PRESIDENT

I am pleased we have approved Maryland's request for welfare waivers. While some are talking about welfare reform, we are helping to make it happen. Reform is taking place from the bottom up, beginning in the states, the "laboratories of democracy," not in Washington. I hope Maryland will be joined by more states trying to bring new assumptions to old problems.

THE WHITE HOUSE

WASHINGTON

June 19, 1992

MEMORANDUM FOR BEVERLY WARD

FROM: HANNS KUTTNER

SUBJECT: Letter from Milt Pappas/Charles Root

As requested, I have a drafted a response to Root since the referral is stapled to his letter.

I have sitting on my desk a note to Dan Casse asking that he ask a senior person at HHS to meet with Root.

Do these two things take care of this one?

THE WHITE HOUSE

WASHINGTON

June 19, 1992

MEMORANDUM FOR DANIEL CASSE

FROM: HANNS KUTTNER *HK*

SUBJECT: Letter from Charles Root

Charles Root wrote to the President suggesting that he has developed techniques for evaluating Medicare clinical laboratory service claims that could result in substantial savings to the government. A copy of his letter is attached.

Could you ask that a senior HHS official meet with Root, accompanied by whatever HCFA people could evaluate the merits of his proposal?

I would appreciate receiving a memorandum on the meeting for my files.

Thank you.

May 26, 1992

George H. Bush, President
United States of America
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

RE: MEDICARE COST REDUCTION OF \$500 MILLION FOR LABORATORY DIAGNOSTIC TESTS

Dear Mr. President:

Clinical laboratory tests make up a \$30 billion component of current health care costs. Medicare picks up the bill for approximately \$8 billion of this amount. Based on our experience and knowledge of Medicare policy and carrier operations, we believe that we can reduce Medicare payouts by at least \$500 million by the application of the same unique review, analysis and optimization system we utilize for our provider clients throughout the country.

The present Medicare system for payment of laboratory tests is extremely complex and requires an accurate knowledge of the technical and economic aspects of laboratory operations as well as specialized knowledge of procedure coding and individual payment policy and behavior. To our knowledge, Venture Resources is the only organization which compiles, systemizes, and uses a comprehensive database of all Medicare carrier payment schedules and policies to assist providers in obtaining their proper share of Medicare reimbursements for laboratory tests.

These tools, when used in combination with our unique ability to blend *technical* (actual laboratory procedures), *medical* (clinical mentality and behavior), and *financial* (how laboratories make money) realities, can also serve to reduce unnecessary Medicare payouts. In addition, our audit activities provide us with an accurate and realistic picture of how providers interact with and are paid by Medicare carriers.

We propose to apply this unique, cross disciplinary knowledge to reduce Medicare payouts for laboratory tests using a procedure we call the "Root System". *The Root System functions within current Medicare law and regulations and requires no new legislation or basic policy changes to implement* - just the hard work and unique knowledge we propose to supply.

Our approach will be to:

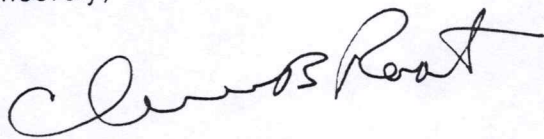
- Identify and document improper payments (close loopholes)
- Redefine procedures and clarify terminology (eliminate ambiguity and confusion)
- Provide consistent payment rules and guidelines (standardized for all carriers)
- Implement the above with clear instructions for both carriers and providers

Because of our unique industrial and provider client base, we know where the loopholes lie, where ambiguities exist, where standardization is needed, and where clear instructions are mandatory.

The magnitude of savings could be quantified within 60 days of signing a performance based contract. Savings of \$500 million are anticipated based on our preliminary analysis. Implementation of proposed changes would be accomplished in less than 12 months so that real savings could be realized during fiscal 1993.

We would like to meet with the appropriate people in your administration to negotiate a contract to accomplish the above objectives now.

Sincerely,



Charles B. Root, Ph.D., President
Venture Resources

cc: L. Raycroft Wilson
M. Leah H. Wilson, R.N., B.S.N.
C. Dino Pappas

THE WHITE HOUSE
WASHINGTON

June 1, 1992

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Federal Efforts to Address Alcohol Abuse

Federal efforts to address alcohol abuse problems involve three principal activities -- research, treatment, and prevention. The Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) serves as the focus for the Federal government's efforts.

The Magnitude of the Problem

- Ten percent of adult Americans are either alcoholic or have serious alcohol-related problems.
- Alcohol abuse is a major cause of diseases of the liver and pancreas and is a direct contributor to many other diseases.
- Alcohol is associated with 40 to 50 percent of traffic fatalities and about two-thirds of fires and burns.
- Fetal Alcohol Syndrome (FAS) is a cluster of physical deformities and mental retardation in infants resulting from maternal drinking during pregnancy. Treatment costs for FAS are estimated at nearly \$330 million a year.

Federal Alcohol-Related Research Efforts

- Your FY 1993 budget requested \$177 million for research on alcohol abuse, up from \$119 million in FY 1989, a 48 percent increase.
- This research focuses on the genetic determinants of alcoholism, the neurological aspects of fetal alcohol exposure, alcoholism within the aged population, and adolescent alcohol exposure.
- Federal pharmacological studies are focusing on agents for managing alcohol withdrawal, drugs that induce sobriety, agents that relieve alcohol craving and agents that attenuate problem drinking behavior.

Federal Alcohol-Related Treatment Efforts

- More than 1.4 million people with severe alcohol problems were treated in the U.S. in FY 1987. This number does not include the large number of people treated through groups such as Alcoholics Anonymous.
- The Alcohol, Drug Abuse, and Mental Health Services Block Grant provides grants to states for treatment. The budget request for FY 1993 is \$1.36 billion, up 65 percent since FY 1989.
- The Administration proposed a new Capacity Expansion Program in FY 1992 to supplement the funds received by the States from the ADMS block grant in order to increase the number of treatment slots in shortage areas. The new program will generate over 19,000 treatment slots nationwide, providing treatment services to an additional 50,000 Americans each year.

Federal Alcohol-Related Prevention Efforts

Alcohol problems can be prevented through two basic approaches: creating a more protective environment and individuals changing their behavior.

The first approach includes measures like raising the minimum drinking age, requiring health warning labels on alcoholic beverages, increasing enforcement of alcohol-impaired driving laws, and offering transportation alternatives.

The second approach includes measures such as educational programs in school and the workplace and media campaigns.

THE WHITE HOUSE

WASHINGTON

May 22, 1992

MEMORANDUM FOR ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Targeting Cities

This morning Tom Scully raised with the Welfare Reform Working Group the notion of direct contact with some cities as a way to move welfare reform proposals forward from the grass roots. This concept, as it evolved in the discussion, would involve quiet reaching out to five or so Mayors. Then would follow site visits to cities that seemed most interested by an interagency group.

The discussion ended with Scully agreeing to write a short paper outlining the concept and possible cities.

Alan Ginsburg from the Department of Education was sitting next to me. He said the Scully proposal echoed an idea Education had advanced in a meeting Secretary Alexander had had with you at the beginning of the week.

I told Alan I would bring Scully's approach to your attention so that you might contact Tom if any coordination is required.

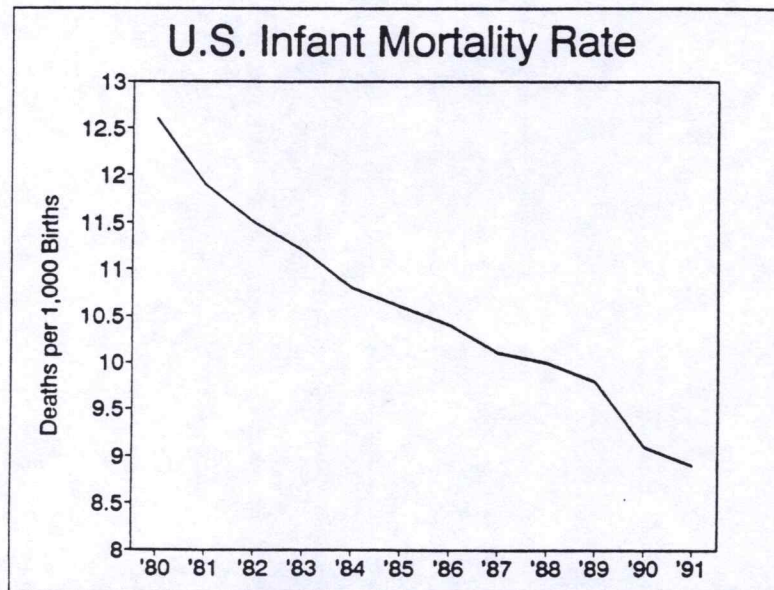
May 14, 1992

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER

SUBJECT: Infant Mortality in U.S. at a Record Low

Some good news. The most recent infant mortality data shows the U.S. infant mortality rate reached a record low in 1991 of 8.9 deaths per 1,000 live births. This represents a two percent decline from the 1990 rate. The reduction continues a sustained downward trend in infant mortality rates.



Still, over 36,000 infants died in 1991. Researchers have found that the single most important predictor of infant mortality is low birth weight. The two most significant factors leading to low birth weight are smoking during pregnancy and not gaining enough weight during pregnancy.

Women who smoke are twice as likely to have low birth weight babies. Teenage mothers are particularly at risk given that they are more likely to be smokers and less likely to gain the recommended weight during pregnancy.

THE WHITE HOUSE

WASHINGTON

April 20, 1992

MEMORANDUM FOR CLAYTON YEUTTER
ROGER B. PORTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Commencement Addresses

With the President's first commencement address just a week away, I wanted to make a plug for building an effective OPD/speechwriting partnership for the cycle of commencement speeches. While the first one is probably shaped, I wanted to offer a thought about working with the speechwriters on the others.

My recollection of Bush commencement speeches includes one year that used the commencement cycle to present the results of a foreign policy review. Last year the speech that got the most attention was the Michigan commencement address, and that because of the attack on "political correctness" on college campuses. We have not had the experience of careful work to join domestic policy and rhetoric in this format.

It is my observation that effective partnership on commencement addresses requires:

1. A theme decided upon in advance for each speech. I do not know if there is a plan to make them all fit together, but I would nominate family as a good idea for one of the speeches. Family is a subject that we have identified as important but which has not been the subject of much Presidential rhetoric. A commencement address would be a good place to say something where it is not expected a policy will be announced.
2. Early identification of the speechwriter and OPD point person for each speech. Without this, we will be left to commenting on a speech draft, a process that is useful for solving problems but not for shaping a speech.

I hope you will come to some arrangement with Dave Demarest and Henson Moore on OPD and commencement speeches.

THE WHITE HOUSE

WASHINGTON

April 8, 1992

MEMORANDUM FOR SAM SKINNER

THROUGH: CLAYTON YEUTTER

FROM: HANNS KUTTNER *HK*

SUBJECT: Status of Welfare Reform Waivers

The attached one-pager summarizes the nature and status of the welfare reform proposals we know to be coming from the states.

Attachment

April 8, 1992

STATUS OF STATE WELFARE REFORM PROPOSALS

<u>State</u>	<u>Proposal</u>
SUBMITTED FOR FEDERAL REVIEW	
Wisconsin	Encourage responsible family formation by liberalizing benefits for two-parent, unemployed families; 60 percent of standard per child amount for child for second child, nothing for subsequent children born to families on the welfare rolls.
NOT YET SUBMITTED	
California	Reduce AFDC benefits by 10 percent and an additional 15 percent after 6 months on welfare rolls; new arrivals receive benefits at the level of the state they came from for the first year; no additional benefits for children born to families on the welfare rolls.
Maryland	Reduce AFDC benefits across the board about 30 percent, but restore benefits for good behavior -- immunizing children, school attendance. Governor Schaefer has instructed staff to submit materials necessary for federal approval.
Missouri	Require school attendance by teen parents and dependent children 13-15 years old. A first draft of the state's proposal has been shared with federal officials.
New Jersey	Benefits would not increase automatically for mothers on AFDC who have another child. However, they would be eligible for having more of their earnings not counted in calculating benefit payments. State proposal expected to be submitted this week.
Oregon	State referendum called for conversion of AFDC, food stamps, and unemployment compensation into a single work-for-welfare program. Governor has not submitted waiver requests.
Utah	Welfare grants would be lowered and termed "child support assurance; rules changed for two-parent unemployed parents. Draft package has been shared with federal officials.

THE WHITE HOUSE

WASHINGTON

March 18, 1992

MEMORANDUM FOR CLAYTON YEUTTER

FROM:

HANNS KUTTNER *HK*

SUBJECT:

Coordinating with the Speechwriters

In staff meeting last week you noted that changes were likely in the speechwriting operation. That may change some things, but it will not provide more policy focus and development in speeches. That requires action from our side.

Some speeches -- such as the two newspaper editor groups coming up and then the commencement speeches -- are ideal for extensive development of a policy argument such as the importance of trade or what the President means by "welfare reform." The best situation would be an arrangement in which particular speeches could be fenced off well in advance for a specific subject. This should allow a long lead time for the relevant OPD staff to work with a speechwriter to craft a strong speech, as well as early staffing of speeches. It would also provide a basis for resisting the forces that turn speeches into laundry lists.

The arrangement I suggest requires:

1. Some mechanism to set off certain speeches for certain topics; and
2. An understanding among the senior managers here that those speeches are to remain focused on a single subject.

On the first point, this could be accomplished through a regular OPD/speechwriting meeting, perhaps with some mix of Roger, Charlie, and Gail from our side, whose results would be ratified through a memo from you to Secretary Skinner, Henson Moore, and Marlin Fitzwater.