

Kathy Way :  
See POTUS  
note. Coordinate w/ Jakes.

## Health and Human Services

- **The Plague:** A protocol to identify, quarantine, and treat persons suspected of having plague who are traveling by air from India to the United States has been implemented by the Centers for Disease Control (CDC). Two CDC epidemiologists acting as technical consultants for the American community in India are currently in New Delhi, where they are meeting with Embassy and Indian government officials. We have offered our assistance to the Indian government, but they have declined such assistance. CDC scientists have provided consultation and advice to World Health Organization staff in New Delhi. So far, India has reported 4,780 suspected cases of plague, including 51 deaths, to the W.H.O.

**Department to Defer \$315 Million Medicaid Claim in California:** On Friday, October 7, the Department will announce that it is deferring the payment of approximately \$315 million in federal Medicaid funds claimed by the State for administrative costs incurred from 1992 through 1994. The State claimed this amount based on its system for identifying costs incurred by county governments in administering Medicaid. The Health Care Financing Administration, however, found that the State's system does not reliably separate activities that are eligible for federal Medicaid administrative matching from those that are not.

The system is being implemented throughout the State, but the current \$315 million claim is based almost entirely on claims from Los Angeles County. The State has used this projected income to help balance its budget for State FY'94-95. The deferral action simply means we do not pay the funds to the State pending the State's opportunity to address our concerns and establish that the claim is allowable. The State has 60 days to do this and may request an additional 60 days if necessary.

- **Kansas Medicaid:** Next week, HCFA will notify Kansas that it is out of compliance with federal law because it imposes a \$325 co-payment on inpatient hospital admissions. This co-payment is at odds with the approved State plan and creates barriers to service for beneficiaries. Kansas is challenging HCFA's interpretation on legal grounds. The State's Hospital Association also opposes the co-payment and has marshalled congressional opposition (Senator Dole, Congressman Slattery) to Kansas's plan.
- **Welfare Experiment:** In the near future, the Department will announce the commitment of over \$1 million in federal funds to test the effectiveness of weekly visits to the homes of teenage parents on welfare. This is a three-year joint initiative by HHS's Administration for Children and Families and the Henry J. Kaiser Family Foundation. Activities will be designed to test the feasibility of incorporating weekly home visits in the JOBS program. The goal of these visits -- which will be made by staff who work with case managers -- is for the staffers to establish a close relationship with the young mothers and their children. Demonstrations aim at

HHS had to do the  
referral by 10-31  
Epstein/HART WERE  
~~NOTIFIED~~  
BY MONAHAN.

3 HHS had no choice. Thought 10-7  
better than 10-31. L.A. County  
really takes the hit. State doesn't  
pass through the \$



# FAX TRANSMISSION

U.S. Department of Health and Human Services  
Office of the Secretary

To: Kathy Way

Organization: \_\_\_\_\_

From: John Monahan  
Intergovernmental Affairs

Date: 10/12/94

Intergovernmental Affairs  
200 Independence Ave., SW  
Room 630 F  
Washington, DC 20201  
phone: (202) 690-  
fax: (202) 690-5672

Recipient's Fax Number: 456-7028

Number of pages including this sheet: 9

Remarks:

OCT-06-1994 17:15 FROM ADMINISTRATOR'S OFFICE TO

96926672 P.02

10/6/94

Health Care Financing Administration



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

The Administrator  
Washington, D.C. 20201MEMORANDUM

TO : Kevin Thurm  
Chief of Staff

FROM : Bruce Vladeck  
Administrator, HCFA

SUBJECT: Medi-Cal Administrative Claiming (MAC) System

Summary

HCFA plans to defer the payment of approximately \$315 million in federal funds claimed by California on September 2, 1994, for Medicaid administrative costs during the period July 1, 1992 through March 31, 1994. The State claimed this amount based on an administrative claiming system it has developed to identify, for Federal matching purposes, all costs incurred by county governments in administering the Medi-Cal program.

HCFA made a site visit to Los Angeles County during which a team of central office, regional office, OIG, and State staff observed implementation of the MAC system. The team found that the MAC system does not reliably separate activities that are eligible for Federal Medicaid administrative matching from those that are not.

The State has already decreased its payments to the counties based on the anticipated increase in Federal payment for these administrative claims. The deferral letter must be issued no later than 60 days after receipt of the claim (i.e., October 31). The deferral action simply means we do not pay the funds to the State pending the State addressing the concerns in the deferral letter and establishing that the claim is allowable. The State has 60 days to do this and may request an additional 60 days if necessary. The State is aware that we plan to issue the deferral letter.

The Medicaid program matches administrative costs of the State plan (as opposed to costs incurred in providing direct medical services) at rates varying from 50 to 100 percent. Allowable administrative costs include such items as costs of operating eligibility and claims processing systems or conducting outreach programs to identify eligible persons. On average nationally, Medicaid administrative costs constitute 4 to 5 percent of total program expenditures. Payment of California's claims based on the MAC system would increase its administrative costs from 6 percent to 14 percent of its total program payments.

OCT-26-1994 17:15 FROM ADMINISTRATOR'S OFFICE

TO

96905672 P.03

Page 2 - Kevin Thurm

### The MAC System

The MAC system is based on quarterly time studies of all county workers who provide any services to Medi-Cal beneficiaries. During the quarterly sampling period, the county workers code all their work activities during three days using the MAC time study coding system. This system purports to separate each worker's activities into claimable and non-claimable activities based upon where they code any particular activity. The amount of claimable time is then multiplied by the percentage of Medicaid beneficiaries in the total population served to obtain the final amount claimed by the county for Medi-Cal administrative matching. A time study sampling process, properly constituted and applied, is an acceptable method for documenting and claiming Medicaid administrative costs.

The MAC system is being fully implemented throughout the State, but the current claim of \$315 million is based almost entirely on claims from Los Angeles County.

Los Angeles County officials believe they have complied with State direction in coding activities and expect payment. State officials seem to appreciate some of the deficiencies in the MAC system and its application as discussed below, but are committed to use of the system. The State has enacted legislation to keep the first \$200 million of any Federal monies received by the counties based on MAC claims, and has used this projected income to help balance its budget for State Fiscal Year 1994-95.

The consultant who helped California develop the MAC system is presently active in Texas, Louisiana, and New Mexico. Other states, including New York, are aware of the California initiative. The precedent set by the California claim can be expected to be followed elsewhere. If the 16 percent ratio of administrative costs to service costs projected in California were applied to all states nationally, the Federal share of Medicaid administrative costs would increase over \$10 billion, from \$4.4 billion to \$14.1 billion annually, based upon fiscal year 1995 state estimates.

### Los Angeles County Site Visit Findings

During August 29 through September 1 the team visited a sample of 11 facilities using the MAC system. Team members interviewed management and staff at these locations to determine how the coding system was implemented at each site. The team members found that the system was unable to differentiate allowable from unallowable administrative expenses.

OCT-26-1994 17:16 FROM ADMINISTRATOR'S OFFICE

TO

96905672 P.04

**Page 3 - Kevin Thurm**

**Specifically, the team members found the following problems with the claim:**

- **Direct services to patients by physicians were being claimed as Medicaid administration in lieu of, or in addition to, fee-for-service billings for that direct patient care.**
- **Services of physician extenders (including nurses and pharmacists) in providing direct services to the patient as part of the clinical encounter were being claimed as Medicaid administration in lieu of, or in addition to, being included in the clinic service rate.**
- **Provider administrative activities, such as staff supervision, training, and other administrative overhead which should be included in the clinic service rate, were being separately claimed as Medi-Cal administration.**
- **Targeted case management activities, which are not an allowable service under the approved State plan, were being claimed as Medi-Cal administration.**
- **Administrative case management activities which are beyond the scope of the approved Medicaid State plan (e.g. housing, social services, child care) were being charged to Medi-Cal.**
- **General public health activities, such as drug prevention education programs provided to all county children, were being claimed as Medi-Cal administration.**
- **Administrative activities for inmates of public institutions, which are not allowable under Medicaid law, were being claimed as Medi-Cal administration.**
- **Finally, there was significant general confusion and uncertainty among the workers interviewed as to how the MAC codes should be applied to their work situation which resulted in incorrect coding of activities.**

**Approximately 90 percent of the claims arose from county hospitals and free standing health clinics operated by the Department of Health. A more detailed description of these findings is provided in Appendix A.**

Page 4 - Kevin Thurm

### Proposed Actions

#### 1. Actions on Claims based on the MAC system

All current and future claims from Los Angeles County based on the MAC system will be deferred until the State and the county can establish the distinction between allowable and unallowable administrative costs under long-standing HCFA policy concerning what may be claimed as administrative costs.

Claims from other counties based on the MAC system will also be deferred pending further review to determine how the MAC system was applied in those counties and whether the information from those counties can differentiate between allowable and unallowable administrative activities.

#### 2. Restatement of National Policy

Based on the California experience, we have concluded that the general principles governing the reimbursement of administrative costs, which are currently set out in a variety of regulations, sections of the State Medicaid Manual, and an NPRM on targeted case management need to be restated and reemphasized in one document. These principles are set out in Appendix B.

We propose to issue this restatement of existing administrative cost principles in a letter to State Medicaid Directors and regional offices, and in a revision to the State Medicaid Manual section on administrative claiming. We also intend to incorporate these principles in regulation by addressing the issue in the final rule on targeted case management which is due to be published next year, and by issuing a separate NPRM on administrative claiming.

#### 3. Prospective actions

For future claims we will require California to follow the current guidelines as reemphasized in the letter to State Medicaid Directors and in the revisions to the State Medicaid Manual. HCFA staff are willing to provide technical assistance to the State to help identify all appropriate administrative costs. Based on the site visit, we would support:

- o Raising State outpatient clinic payment rates for direct services provided by county health facilities to appropriately reflect the full range of direct medical services being provided. These rates were developed in the early 80's and have not been increased since.

OCT-06-1994 17:17 FROM ADMINISTRATOR'S OFFICE

TO

96905672 P.06

**Page 5 - Kevin Thurm**

- o **Amending the State plan to pay directly for targeted case management services to identifiable vulnerable populations, such as the frail elderly.**
- o **Refining the MAC coding system and developing clear instructions for its use to ensure that it is applied only by appropriate personnel in appropriate settings and clearly allows for the differentiation between allowable and unallowable Medicaid administrative activities.**

**Please call me if you need further information on this issue.**

OCT-06-1994 17:17 FROM ADMINISTRATOR'S OFFICE

TO

96905672 P.07

## Appendix A

### Los Angeles County Site Visit Findings

A team of 19 individuals from the HCFA central office, regional office, and the State agency conducted a site visit August 29 through September 1, 1994. They interviewed county officials and reviewed MAC documentation. Subgroups of three and four team members visited approximately 11 different sites where time studies indicated MAC claimable activities were occurring. They interviewed both management and staff persons on their use of the MAC system. Team members consistently found that the time study coding system was inadequate to differentiate claimable from non-claimable expenses, under current interpretation of administratively claimable expenses.

Specifically, the team found the following activities being claimed as Medi-Cal administrative expenses:

**Direct services.** Activities performed in hospital outpatient clinics and freestanding county public health centers which were already being reimbursed by Medi-Cal through the clinic rate, or which should be included in that rate as part of the clinical encounter, were being coded as Medi-Cal administration activities. Physicians at the clinics performed actual diagnosis, treatment, and prescribing functions and then referred the patient to a physician extender, typically a registered nurse or a pharmacist. The physician extender would then explain the diagnosis, explain the medication, educate the patient on health issues surrounding the diagnosis, set up any additional appointments/medical referrals, and provide any additional information deemed necessary for the clinical encounter. These activities are part of the standard medical protocol for direct patient care services and, either were, or should be, reimbursed as part of the fee-for-service or managed care rate. These physician extender medical services can not be separated from the medical service rate and claimed as Medi-Cal administration.

**Provider administrative and overhead costs.** A significant portion of all ordinary overhead activities in a provider or clinic setting were being coded as Medi-Cal administrative activities without an allocation of these activities to all benefitting programs. For example, staff supervision, personnel, training, meetings, etc., were all coded as Medi-Cal administration.

**Claiming of 75 Percent Skilled Medical Professional Personnel enhanced rate.**

The team found that any activity performed by a physician, registered nurse, or other person designated as "skilled medical professional personnel" was automatically claimed at the enhanced rate of 75 percent. Normal administrative costs are paid at a matching rate of 50 percent. The 75 percent rate, even when applied to these personnel, is limited to administrative functions which require their skills and expertise in administering the program.

**Case management activities.** The distinction between targeted case management (TCM) activities (which must be billed as a direct service) and allowable administrative case management (ACM) activities was not identified in the MAC coding system and was not understood by the workers applying the time study codes. ACM activities are allowable only when they are necessary for gaining and coordinating access to Medi-Cal State plan covered services. In Los Angeles County, workers were coding as ACM activities that were beyond the scope of Medi-Cal State plan covered services, e.g., housing referrals, social services referrals, child care referrals, and related liaison work with other agencies. Such activities are not allowable Medi-Cal administrative expenditures. They should be reimbursable as TCM services if provided for under an approved State plan.

**Public health initiatives.** In the activities performed by the Deputy Sheriffs in the Substance Abuse and Narcotics Education Program were being coded and charged as Medi-Cal administration. Broad public health policy initiatives are not Medi-Cal administrative activities.

**Services to inmates of public penal institutions.** Los Angeles County workers were coding any health related activities provided to these persons as Medi-Cal administration. Medicaid does not cover direct or administrative costs for inmates of public institutions.

The team also found that Los Angeles County did not have an adequate system for determining the number of eligible persons served by particular programs or agencies. No mechanisms were in place to prevent duplicate claiming for services funded by other Federal programs or to avoid claiming the same services as both ACM and TCM.

## Appendix B

### Principles Governing Claiming of Administrative Costs

These principles provide that allowable administrative costs:

- o Must be directly related to administration of the Medicaid State plan or waiver.
- o Cannot be all or part of a direct medical service.
- o Do not include routine provider operating and overhead costs.
- o May not include general public health initiatives available to Medicaid and non-Medicaid eligibles alike.
- o May not include general administrative or operating costs of a government agency except for an agency whose purpose is to administer the Medicaid program. An agency that directs some portion of its efforts to Medicaid, such as a social service agency, may claim an appropriate portion of those costs, if those costs can be adequately and accurately documented.
- o Must be documented by a cost allocation system which separates and records costs directly related to the Medicaid program from all other costs.
- o May not include costs incurred for services provided to inmates of a public institution.

THE WHITE HOUSE  
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO

Assistant to the President for Domestic Policy

To: Way

Draft response for POTUS  
and forward to CHR by: \_\_\_\_\_

Draft response for CHR by: \_\_\_\_\_

Please reply directly to the writer  
(copy to CHR) by: \_\_\_\_\_

Please advise by: \_\_\_\_\_

Let's discuss: \_\_\_\_\_

For your information: 2

Reply using form code: \_\_\_\_\_

File: \_\_\_\_\_

Send copy to (original to CHR): \_\_\_\_\_

Schedule ? : ☐ Accept ☐ Pending ☐ Regret

Designee to attend: \_\_\_\_\_

Remarks: \_\_\_\_\_

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THE WHITE HOUSE

Carol H. Rasco

Gouverneur Weld -

Thanks for your  
letter and especially  
the personal note!

Carol Rasco

6 September 1994

Our Administration also favors a number of options available in the area of child support. We believe that a successful welfare reform package must include a provision to secure child support payments, and we support changes which would allow AFDC families to receive their support payments directly. Moreover, our Administration supports programs to establish paternity. In Massachusetts, we have developed a program wherein administrators work with the couple in the hospital to establish paternity immediately following the birth of the baby. While this is a relatively new approach in the Commonwealth, we are pleased with the results to date.

Again, thank you for the opportunity to comment on the President's plan. We look forward to working with you to enact meaningful welfare reform based upon increased state flexibility, emphasis on work not welfare, and strict child support enforcement.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill", written in a cursive style.

William F. Weld

*Best wishes, and I mean that - from up here,  
Washington looks like a jungle this year! BW*

THE WHITE HOUSE  
OFFICE OF DOMESTIC POLICY

**CAROL H. RASCO**  
*Assistant to the President for Domestic Policy*

To: Way

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and forward to CHR by: \_\_\_\_\_

Draft response for CHR by: \_\_\_\_\_

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Designee to attend: \_\_\_\_\_

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SEP - 1 REC'D

EXECUTIVE CHAMBERS

HONOLULU

JOHN WAIHEE  
GOVERNOR

August 11, 1994

Ms. Carol Rasco  
Special Assistant to the President  
for Domestic Policy  
The White House  
Washington, D.C. 20201

Dear Ms. Rasco:

Thank you for your letter of July 11, 1994, regarding the Work and Responsibility Act of 1994.

I appreciate the President's effort to ensure flexibility for the states so that there are fewer program changes that need specialized review. Many of the provisions contained in the Work and Responsibility Act of 1994 are long overdue and will be very helpful to the State.

I appreciate your sharing this most valuable information with us.

With kindest regards,

Sincerely,

A handwritten signature in black ink, appearing to read "John Waihee", with a stylized, flowing script.

JOHN WAIHEE

THE WHITE HOUSE  
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO  
*Assistant to the President for Domestic Policy*

To: Way

Draft response for POTUS  
and forward to CHR by: \_\_\_\_\_

Draft response for CHR by: \_\_\_\_\_

Please reply directly to the writer  
(copy to CHR) by: \_\_\_\_\_

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Let's discuss: \_\_\_\_\_

For your information: ☒ \_\_\_\_\_

Reply using form code: \_\_\_\_\_

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Send copy to (original to CHR): \_\_\_\_\_

Schedule ? : ☐ Accept ☐ Pending ☐ Regret

Designee to attend: \_\_\_\_\_

Remarks: \_\_\_\_\_

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STATE OF TEXAS  
OFFICE OF THE GOVERNOR  
AUSTIN, TEXAS 78711

ANN W. RICHARDS  
GOVERNOR

September 2, 1994

Carol Rasco  
Assistant to the President  
for Domestic Policy  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

SEP - 6 REC'D

Dear Ms. Rasco:

Thank you for the list of state options available under President Clinton's welfare reform proposal, The Work and Responsibility Act of 1994. I appreciate your sharing this list with me.

We currently are reviewing the various welfare reform proposals which have been offered and this information will be very helpful.

Sincerely,

A large, stylized handwritten signature of Ann W. Richards, written in black ink.

ANN W. RICHARDS  
Governor

AWR/ac

## **Vulnerable Children**

Presumably the reason we would allow some sort of ultimate limit on WORK is that we fear that people who could get an unsubsidized job are somehow taking advantage of the system. Critics will say, "Other people don't have a guaranteed job." To them our answer will be: nor are other people required to work for 40% less than private sector jobs, or limited to no more than 12 months in any one job. Or forced to undergo intensive job search every 12 months.

Who will reach 2 or 3 years in this WORK program? People who are lazy and unwilling to support themselves? That hardly seems likely given that if they fail to cooperate or refuse an unsubsidized job they will be sanctioned and ultimately refused support. Rather it is likely to be people who really cannot find a job. They may be people who are just barely able to hold themselves and their family together--people who are only worth \$2 per hour to employers. These are the families at greatest risk in our society. Judy Gueron of MDRC described citizens who went through the Supported Work program and did not get unsubsidized jobs this way: "These were good people who really tried, and with ongoing support they could and did work. But when the program ended, even with all the efforts made to help them move off, they simply could not make it entirely on their own." Thus for some, a WORK slot becomes a kind of sheltered workshop.

We have crafted a first-rate welfare reform proposal which combines powerful economic incentives (EITC and health care), training, time limits, and work to clearly implement your vision. But we will not succeed in getting every welfare recipient to work in 2 years or even 5. Mary Jo Bane and David Ellwood's recently published book shows that 31% of young mothers who enter AFDC have total welfare time of 10 years or more today. Even if we cut the figure to 10%--a truly extraordinary feat--significant numbers of American children could be left without a safety net. Tens of thousands of American children, perhaps hundreds of thousands, could be affected.

## **Building Coalitions**

We ought to have a welfare reform plan that a broad spectrum of the public and the Democratic party can support. You hit exactly the right tone in the State of the Union speech. Work and responsibility. Get the values straight. The left and religious organizations are wary, but willing to listen. They are already concerned about the fact that we are essentially cutting off families where a parent is not willing to work. Setting ultimate limits for those who are willing to play by our very strict rules is likely to drive liberals and many thoughtful moderates away completely. We don't see how the House Ways and Means Subcommittee will ever accept ultimate time limitations on the WORK program. Senator Moynihan has indicated in the clearest possible terms that he strongly rejects any notion that families will simply be cut off at some point.

We could try to craft some sort of compromise. Ultimate limits could only be imposed on certain types of people or in certain types of circumstances. But if we accept the principle that some people can face an ultimate limit regardless of their good efforts, how do we stop

the momentum when others want to add just a few more people in that group? If we allow states to cut off those with significant work experience in low unemployment areas, how do we respond to those who want to define significant work experience as ever having had a job and low unemployment as state unemployment below the national average? If we compromise now, where will the plan be when the political dust settles?

### **A Matter of Principle**

This seems one place where we ought to stand on principle. Welfare reform is about values. Our message is powerful in its simplicity. It is a message of hope and opportunity linked to work and responsibility. Our message combines clear values, high expectations, and powerful economic incentives. However, it could all be lost if we simply walk away from vulnerable families. It could become a message of punishment and despair. We should be clear that legislation that does not expect work and responsibility of families should be strongly rejected. Similarly any bill which abandons families that do work and do take responsibility should also be strongly rejected.

April 12, 1994

The Honorable David Walters  
Governor of Oklahoma  
Oklahoma City, Oklahoma 73105

Dear David:

Thank you for your letter regarding Oklahoma's welfare reform efforts. I am pleased that states across the country are encouraging Americans to take new responsibility for their lives.

As you know, the Departments of Agriculture and Health and Human Services are currently reviewing all applications regarding experimental state programs, and I am committed to ensuring that this process is completed as quickly as possible. I have shared your letter with my Domestic Policy staff, and we will certainly keep your thoughts in mind.

I appreciate your continued involvement in this important issue.

Sincerely,

**BILL CLINTON**

BC/DNP/ps (Corres. #1404474)  
(4.walter.d)

cc: Kathi Way, 218, w/copy of inc.  
cc: Keith Mason, IGA, w/copy of inc.



STATE OF OKLAHOMA

DAVID WALTERS  
GOVERNOR



March 1, 1994

The Honorable Bill Clinton  
President of the United States  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear President Clinton:

Since you have discussed with the Governors the need for, and your desire to provide, an effective and streamlined waiver approval process, I wanted to report to you personally that although the timeframe for waiver approvals has generally been expedited, some very necessary regulatory reforms remain to be enacted. The complex bureaucracy of waiver approvals still exists.

To receive a Section 1115 Research and Demonstration Waiver from the Administration for Children and Families continues to require excessive time and energy. The waiver request requires detailing the background and importance of the project, approaches used in other states, research and demonstration methodology, an evaluation plan, work plan, implementation potential and list of project staff and facilities. This, of course, is reasonable information. However, regardless of circumstances, each waiver is required to be performed in a pilot site and compared with a control group within the state. Often a pilot is advisable, but sometimes not. More important, however, is that there is an economic disincentive to states to try innovative approaches because the pilot site does not receive additional federal financial participation if the caseload grows during the demonstration. All waivers require a rigorous, expensive evaluation performed by a third party during the pilot project and at the end of the demonstration. These requirements exist even when these waivers have been tested and approved for numerous other states.

The existence of some of the regulations we are requesting waived is dubious. The JOBS Work Supplementation Program, also known as Grant Diversion, allows participants to only be placed into newly-created positions. The incentive to the employer is the receipt of \$250 a month for nine months only if they create a new position. We can train and educate them, yet an employer

The Honorable Bill Clinton  
February 28, 1994  
Page Two

can't hire them into a vacancy. The employer has to create a new position. No wonder employers are slow to participate in welfare re-employment. Oklahoma wants to allow employers to employ up to ten percent of their work force with Work Supplementation participants filling existing vacant positions.

Welfare reform is difficult and complex. We would like to be relieved of unnecessary and duplicative federal intervention as we try new approaches to solve these problems. Thank you for your continuing leadership in addressing this issue and assistance in translating your desires into regulatory reality.

Sincerely,

A handwritten signature in black ink, appearing to read "David Walters", with a long horizontal flourish extending to the right.

David Walters  
Governor of Oklahoma  
Vice Chair  
NGA Human Resources Committee

April 4, 1994

The Honorable David P. Richardson, Jr.  
Chairman  
Health and Welfare Committee  
Commonwealth of Pennsylvania  
319 South Office  
Harrisburg, Pennsylvania 17120-0028

Dear David:

Thank you for your thoughtful letter regarding my Administration's efforts to reform America's welfare system. I appreciate knowing your suggestions, and I have shared your letter with the appropriate members of my staff for further review.

I am committed to building a system that makes welfare a second chance, not a way of life. This goal demands that we begin to empower people to take new responsibility for their families and communities. As my Administration works to meet this important challenge, I appreciate your involvement.

Sincerely,

**BILL CLINTON**

BC/DNP/MM/ps (Corres. #1329949)  
(3.richardson.dp)

cc: Welfare Reform Working Group w/incoming

DAVID P. RICHARDSON, JR., MEMBER

□ 319 SOUTH OFFICE  
HARRISBURG, PENNSYLVANIA 17120-0028  
PHONE: (717) 787-3181

□ 5847 GERMANTOWN AVENUE  
PHILADELPHIA, PENNSYLVANIA 19144  
PHONE: (215) 849-6896  
(215) 849-6592



House of Representatives  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

052872  
COMMITTEES  
CJ

HEALTH & WELFARE, MAJORITY CHAIRMAN  
PRESIDENT EMERITUS, NATIONAL BLACK  
CAUCUS OF STATE LEGISLATORS  
POLICY  
PA LEGISLATIVE BLACK CAUCUS  
EXECUTIVE COMMITTEE, NATIONAL CAUCUS  
OF STATE LEGISLATURES  
EXECUTIVE COMMITTEE, NATIONAL BLACK  
CAUCUS OF STATE LEGISLATORS

APPOINTMENTS

PA COUNCIL OF THE ARTS  
EXECUTIVE COMMITTEE OF THE COUNCIL  
OF STATE GOVERNMENTS 1990-91  
LEGISLATION COALITION FOR PA LIBRA 3  
— CHARTER MEMBER  
PA LEGISLATIVE CHILDREN'S CAUCUS

January 7, 1994

The Honorable William Jefferson Clinton  
President, United States of America  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D. C. 20500

Dear President Clinton:

As Majority Chairman of the Pennsylvania House Health and Welfare Committee and President Emeritus of the National Black Caucus of State Legislators, I am writing to urge that you proceed with caution in pursuit of passage of welfare-reform legislation.

In the following comments on the White House Task Force on Welfare Reform's Draft Discussion Paper, released in December, I give numerous reasons to guard against political expediency and to proceed with compassion for those in need. Caution is necessary because so many members of the general public as well as those in positions of power believe in the myths surrounding welfare recipients and can even repeat anecdotal tales to support their prejudices against the people they believe make-up that population.

As you have pointed out many times in the past, people fear what they do not understand, and poverty strikes fear into most people's hearts. Because of that fear, even the most well meaning person can react emotionally rather than rationally when faced with problems as overwhelming as teen pregnancy, joblessness and homelessness. Some of these well intentioned but misguided individuals believe poor people should be subject to behavioral modification techniques, like circus animals or laboratory rats, in order to correct the circumstances that are the cause of poverty.

Much more dangerous than the misguided are the mean spirited individuals who would fan the flames of prejudice for political gain. These people see political advantage in the fears of the misguided and the uninformed. Then there are the decision makers that must act responsibly; those caught in the middle of this scenario that know what is needed and what is right.

I believe that you are one of those that would do the right thing. But, I fear that your administration may be subject to political pressures. There lies the reason for my words of caution to you. I urge you to make the hard choices and act in the best interest of the millions of powerless people, primarily children, living in poverty.

I have dedicated my political and personal life to the defense of people who have little or no political power; and to the tangent concepts that all people are created equal and that any act of government must be based on that principle. I am not an idealist and those that know me can tell you I am by no means naive. Having lived in and served a community subject to the whims of those in power, I am a pragmatist. These twin concepts, based in the day-to-day realities of the lives of my constituents, are at the heart of the following comments on, cautionary notes about and remarks in opposition to some of the provisions of the White House Task Force on Welfare Reform's Draft Discussion Paper, dated December 2, 1993.

The following comments on sections of the Draft are in the order they appear in the Table of Contents:

**PROMOTE PARENTAL RESPONSIBILITY  
AND PREVENT TEEN PREGNANCY**

I agree that parental responsibility is fundamental. In fact, my "True Welfare Reform" proposal, presented to Pennsylvania Governor Casey's Task Force to Reduce Welfare Dependency in January 1993, includes the goal of changing the welfare and child support systems to ensure that families have an adequate and steady income from employment and/or child support, as well as access to health care and child care. However, requiring that minor parents live in a household with a responsible adult, even with certain exceptions, does nothing to reach the goal of parental responsibility. There is no evidence that the minor parent will be more responsible when living with their adult parent or that the adult parent will be able or willing to support or supervise the minor parent. And, more importantly, it places the minor parent at risk if the minor is unable to document the danger of abuse to the satisfaction of the welfare agency. In fact, in many of the cases my staff and I have seen, having grown up under and surrounded by abusive situations, the minor does not recognize the adult's behavior as abusive and copies those behaviors with their own child.

Additionally, including parental support in determining cash assistance eligibility drastically reduces the household income. Deeming existing household income to the young family either reduces the family AFDC grant amount or makes the minor parent and grandchild ineligible for public assistance. Any reduction in income increases the probability that the young family will not be able to contribute their fair share of household expenses and, thereby, further straining the sometimes limited income of other household members. Under such circumstances, it would be difficult at best to expect the adult parent/grandparent to welcome the minor parent into the household. It is well documented that one of the major causes of domestic violence is financial stress on the family. It is not reasonable to place minor parents in situations where they and/or their children could be harmed rather than helped. In conclusion, if minor parents are required to live in a household with a responsible adult, there must be a standard of proof that the adult is nurturing, capable of supervision and willing to accept that responsibility.

This section also contains an option which would limit benefit increases when additional children are conceived while on AFDC if the state ensures that parents have access to family planning services. I strongly oppose the federal government allowing states to punish women for their decisions to carry unplanned or planned pregnancies to term and keep their children. It is not the role of government to control the reproductive choices of women by imposing such severe constraints on them. In fact, in a recent federal court decision in a case involving Chinese asylum applicants fleeing their governments policy limiting its citizens to one child, U.S. District Judge Thomas S. Elis said, "The right to make procreational decisions is a basic liberty right protected under the Bill of Rights."

I do support educational programs which encourage young people to delay childbearing until they are ready to assume the responsibility of raising children. I also support efforts "to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning." But, it is also well documented that no contraceptive method is 100% effective 100% of the time.

I do not believe that it is good policy to allow states the option to further reduce the already limited income (in Pennsylvania about 40% of the federal poverty level) available to meet the most basic needs of children born while their parents are receiving AFDC. For all of the above reasons, I will oppose any "welfare reform plan" which contains or allows as an option provisions, such as this one, which unduly restrict basic constitutional rights.

## MAKE WORK PAY

I fully support the goal of encouraging work and independence. In fact, almost two years ago, the Majority Chairman of the House Appropriations Committee and I urged the Pennsylvania Department of Public Welfare to pursue a study of welfare disincentives. We both strongly believed that meaningful changes to the welfare system can only occur when those charged with changing that system fully understand why it is difficult for Pennsylvanians to leave the welfare system. The requested study was recently completed by the Governor's Task Force To Reduce Welfare Dependency. My "True Welfare Reform" recommendations to that Task Force are contained in their final report and in the resulting application for a federal waiver request by the Department. These recommendations are similar to many of the provisions contained in this section of the Draft.

## PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK

I will actively and strenuously oppose any plan which contains an absolute two-year time limit on cash assistance or allows mandatory participation in the WORK program as a requirement for benefits as opposed to work for wages.

As the Draft points out, participants in the JOBS program face many and varying barriers to employment. An absolute two-year limit would not offer sufficient flexibility for the very people this plan proposes to assist in becoming gainfully employed to prepare for work; they are the long term unemployed and those that have never worked who are long-term recipients of public assistance.

I cannot imagine that the two year limit serves any function other than purporting to address state and federal budgetary concerns; and allowing the plan to remain within the language of your campaign promise to end welfare as we know it. Neither reason justifies a mandatory two year time limit. Such an arbitrary limit ignores the actually time needed to effectively confront the needs of an individual who faces serious barriers to employment for supportive services, education and training. In a flexible system which truly addresses individual needs, additional time may be necessary before a meaningful and permanent end to dependency can occur. Limits on the time during which a recipient can receive support services, education and training and the capping of funding needed to complete a plan to attain independence ignores the success of existing JOBS programs. Such programs have proven to be of financial and social benefit to the public, as well as the individuals served. Effective JOBS programs can actually save tax dollars.

I am also concerned about how your final plan will allow for identification of those who are unable to work. A 1992 study by the General Accounting Office concluded that, even after accounting for any perceived differences in qualification factors, African Americans have had a more difficult time obtaining federal benefits for people with severe disabilities. It is obvious that not only is there the potential for abuse in determinations of employability and of good faith efforts by the mentally and physically challenged to follow an employability plan; bias already exists in the system and must be corrected prior to any narrowing of eligibility and/or exemption criteria, as the Draft proposes.

I applaud the inclusion of substance abuse treatment in the Draft's proposed expanded definition of services necessary for satisfactory participation in the JOBS program. I also urge that language requiring that any period during which a State failed to provide services not be counted against the recipient remain in the final plan.

I am concerned that States receive funding sufficient to offer the services necessary to move recipients toward independence as envisioned in the Draft. The cost of alcohol, substance abuse and mental health services raises even more questions concerning the amount and ratio at which federal matching funds will be available to states and how the goals of any proposed reform plan may be hindered or obstructed by capping the federal entitlement. Pennsylvania's legislature is in bipartisan agreement on only one aspect of welfare reform; we will not enact any unfunded federal mandates.

## WORK

The Draft requires each State "to operate a WORK program which would make paid work assignments available to recipients" once they have reached the two year limit. During the early eighties, Pennsylvania tried and rejected a transitional assistance program requirement "for able bodied adults" which had alarming similarities to the Draft plan's WORK program. The Pennsylvania requirement became known as THORNFARE, named after then Governor Thornburgh. The most alarming result of THORNFARE was a drastic increase in Pennsylvania's homeless population, particularly that part of the population with undiagnosed mental and physical illnesses. These individuals were determined to be able to work by their County Assistance Offices (CAO). Ultimately, their cash assistance was terminated and they were unable to find work or meet minimal standards of employability.

Work for wages is acceptable if the above concerns are addressed. But, the option which would permit a State to enroll recipients who had reached the two year limit in community work experience program positions in order to receive cash assistance is not. This option would have the effect of providing workers to employers who might otherwise create real jobs. This proposed government creation of a cheap labor pool, in my opinion, equates to government sanctioned slavery. I will oppose on every front any so-called "welfare reform" plan which requires people in need of real jobs to work for anything other than gainful employment. To do otherwise would remove any incentive for private and public employers to create real jobs for a living wage.

#### CHILD SUPPORT ENFORCEMENT

Again, I support many of the child support enforcement provisions contained in the Draft as they are similar to my "True Welfare Reform" proposal. I must, however, oppose the option to allow denial of benefits to persons who have not met cooperation requirements, unless those requirements are clearly defined in federal law and can be reasonably met by all applicants regardless of circumstances.

My staff and I have repeatedly had to assist constituents that were eventually granted good cause exceptions after appealing denials of benefits for failure to cooperate under child support establishment provisions of Pennsylvania's Public Welfare Code. In proving a good cause exception recipient must often resort to the "fair hearings" process which is costly, time consuming and it is difficult for recipients to prevail without legal assistance. Despite a State regulation which only requires applicants for assistance to supply information that is "known to, possessed by or reasonably obtainable" by them, applicants are routinely required to produce information that they do not possess and have no means of obtaining.

I hope that the following examples clearly illustrate for you the often insurmountable barriers this type of provision represent to recipients and people applying for assistance.

\* When Ms. Y applied for AFDC for herself and her new baby she was living with the child's paternal grandmother, Ms. D. Both women told the investigator all they knew about the baby's father and that during the time Ms. Y was pregnant the baby's father had simply disappeared. They had not seen him, heard from him or of him since his disappearance. Investigators visited Ms. D.'s home several times during the month Ms. Y's application for assistance was pending, and asked numerous questions, including who Ms. Y. slept with. The investigators would not tell Ms. Y. what information she needed to provide that she hadn't provided. Regardless, Ms. Y. was told she was not cooperating.

\* When Ms. B. asked her CAO caseworker to add her newborn baby to her cash assistance grant she was asked to identify her child's father. She told the Bureau of Child Support Enforcement investigator everything she knew: the man's name, the type of car he drove, the neighborhood where he lived, and that she met him in her neighborhood bar during a period in her life during which she was actively addicted to alcohol. She informed the investigator that she was, at the time of the Child Support interview, involved in a substance abuse treatment program. The investigator told Ms. B. that to receive welfare she would have to return to the bar to find the father of her child and obtain his social security number. Ms. B. told him if she went back to the bar she would risk relapsing back into substance abuse. Ms. B. was then told she was not cooperating.

I hope that all of the above problems with the Draft Discussion Paper can be corrected prior to the release of your Welfare Reform Plan. I have requested a meeting with your Task Force and with staff of the U.S. Department of Health and Human Service to discuss the points raised in this letter, as well as any additional concerns of the National Black Caucus of State Legislators. I look forward to your response and to further discussion of your Welfare Reform Plan. If you require any additional information or have any questions concerning this matter, do not hesitate in contacting me.

Sincerely,

  
Rep. David P. Richardson, Jr.  
Chairman, House Health & Welfare Committee  
201st Legislative District

DPR/NMW/nw

cc: The Honorable Donna Shalala, Secretary, HHS  
The Honorable Kweisi Mfume, Chairman, Congressional Black Caucus  
The Honorable Regis Groff, President, NBCSL  
Members of the Pennsylvania Congressional Delegation  
The Honorable Robert Connor, President, NCSL

February 8, 1994

The Honorable Roy Romer  
Governor of Colorado  
Executive Chambers  
136 State Capitol  
Denver, Colorado 80203-1792

Dear Governor Romer:

Thanks for your thoughtful letter describing Colorado's Personal Responsibility Program. I am delighted that Colorado and other states are taking steps to empower Americans to take new responsibility for their lives.

As you know, the Departments of Agriculture and Health and Human Services are reviewing applications regarding experimental state programs, and I am committed to ensuring that this process is completed as quickly as possible. I have shared your concerns about the Food Stamp cash out waiver with my Domestic Policy staff, and we will certainly keep your thoughts in mind.

I appreciate your efforts to provide the people of your state the security they deserve. As I work to make this dream a reality for all of our citizens, I'm grateful for your continuing involvement.

Sincerely,

**BILL CLINTON**

BC/DNP/pw (Corres. #1301340)  
(2.romer.r)

cc w/incoming to Kathi Way, Room 218

IG - Welfare Reform

IG

STATE OF COLORADO

050081

EXECUTIVE CHAMBERS

136 State Capitol  
Denver, Colorado 80203-1792  
Phone (303) 866-2471



Roy Romer  
Governor

December 30, 1993

The Honorable Bill Clinton  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear President Clinton:

As Governor of Colorado and past chair of the National Governors' Association I have been unwavering in my support and pursuit of welfare reform. In the 1993 state legislative session, I testified on behalf of a bipartisan bill authorizing Colorado to take advantage of your invitation for states to submit waivers to reform the AFDC program.

Colorado's Personal Responsibility Program received early national attention because of its focus on "personal responsibility" requirements for individuals receiving welfare rather than a punitive approach. This program is based on the premise that welfare is really a "hand up" not a "hand out" and those receiving welfare must take advantage of opportunities to exercise personal responsibility to become self-sufficient. The five pilot counties must engage the recipient in pursuing education and training to assure that individuals are prepared with the employment and life skills to become successfully independent.

I appreciate the responsiveness of Mary Jo Bane, Administration for Children and Families, and her staff in working with Colorado to reach agreeable compromises on two outstanding health benefit issues. My understanding is that with these issues resolved, Colorado may expect approval of our waiver request shortly after the beginning of the new year.

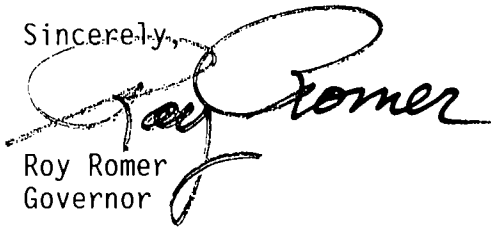
However, the inability for Colorado to include cash out of food stamps in our waiver program seriously diminishes the overall effectiveness of teaching and expecting individuals to take personal responsibility in managing their lives. The unwillingness of the Department of Agriculture to consider this action in order to assure that food stamps are used solely for nutrition makes the program impossible to monitor. If the food stamp program eventually moves to an EBT (electronic benefit transfer) method, changes could be incorporated into a waiver demonstration. To prevent the inclusion of food stamp cash out in assisting individuals to manage does not seem to support your position of promoting experimentation with a variety of approaches. Furthermore, Wisconsin has recently received approval of a similar food stamp cash out component in its waiver, which was submitted after Colorado's request.

The Honorable Bill Clinton  
December 30, 1993  
Page 2

I request your intervention in assuring that the Department of Agriculture supports your philosophy of allowing states to be "incubators" for change and to demonstrate creative and innovative programs which treat recipients with respect and dignity without fostering continuing paternalistic approaches to public policy development.

Thank you for your attention to this issue.

Sincerely,

A handwritten signature in cursive script, reading "Roy Romer". The signature is written in dark ink and is positioned above the printed name and title.

Roy Romer  
Governor

January 31, 1994

The Honorable John M. Engler  
Governor of Michigan  
Lansing, Michigan 48909

Dear John:

Thanks for your letters describing Michigan's welfare reform efforts and suggesting that Detroit be designated an empowerment zone. I'm sorry I was unable to respond sooner.

I appreciate your interest in advancing funding of the Earned Income Tax Credit to help lift working families out of poverty. As you know, my Domestic Policy staff has been meeting regularly with your representative, Gerald Miller, and we are continuing to move this issue toward resolution.

Applications to be considered for my empowerment zone initiative are now available, and cities will have six months to complete their strategic proposals for submission to the Department of Housing and Urban Development. Applicants from rural communities may apply through the Department of Agriculture. The Community Enterprise Board, chaired by Vice President Gore, will assist these agencies in reaching their determinations.

I have shared both of your letters with members of my staff, and we'll certainly keep your thoughts in mind. As we strive to provide all our citizens the security they deserve, I'm glad to know I can count on your support.

Sincerely,

**BILL CLINTON**

BC/DNP/AH/emu (Corres. #1261994)  
(1.engler.jm)

cc: w/copy of inc. to IGA  
cc: Kathi Way, 218 OEOB  
cc: Paul Weinstein, Domestic Policy  
cc: Deborah Pearlstein, Rm. 94

January 19, 1994

The Honorable Barbara Roberts  
Governor of Oregon  
Salem, Oregon 97310-0370

Dear Barbara:

Thank you for your letter describing Oregon's JOBS Plus welfare reform initiative. I am pleased that states across the country are embracing the challenge of welfare reform and are empowering Americans to take responsibility for their lives.

The Departments of Agriculture and Health and Human Services are currently reviewing all applications regarding experimental state programs, and I am committed to ensuring that this process is completed as quickly as possible. I have shared your letter with my Domestic Policy staff, and we will certainly keep your thoughts in mind.

I appreciate your efforts to provide the people of your state with the opportunities and security they deserve. As I work to make this dream a reality for all of our citizens, I appreciate your support.

Sincerely,

**BILL CLINTON**

BC/DNP/AH/ws (Corres. #1261534)  
(1.roberts.b)

cc: Kathi Way, 218 OEOB  
cc: IGA, 160 OEOB

POTUS  
file

## EXECUTIVE OFFICE OF THE PRESIDENT

03-Jan-1994 09:50pm

TO: Bruce N. Reed  
TO: Kathryn J. Way  
  
FROM: Carol H. Rasco  
Economic and Domestic Policy  
  
CC: Rosalyn A. Miller  
  
SUBJECT: Welfare reform

I apologize I didn't get a chance to get you both together with me late today or on the phone together but it was a day of straight meetings. In the 11 a.m. health care meeting the President and First Lady had with prime cabinet people and White House staff involved in health care, welfare took a front and center role in regards to its place on the agenda this year. While I had been scheduled to have my daily briefing with Clinton prior to the 11 a.m. I didn't get to do it until after the 11 a.m. meeting was over. I had planned in my briefing (not expecting it to come up during 11 a.m. meeting though) to go over with President Bruce's EMail of just prior to holidays re: Personal Security Act early to be followed by Work not Welfare. Well, when Pres. and Hillary both asked me to talk about why not welfare immediately I launched into my building block speech RE: we started welfare last year with EITC, have now introduced health care which must be done in order to carry out the plans outlined by task force; how many people either stay on welfare and/or go back on welfare due to need for health coverage, the inequities of FSA in having folks leave welfare and and keep transitional health care coverage, work next to people who have worked for years and still have no coverage, etc. I then added (not having first run it by the POTUS of course) that with first "building block" being EITC, the next health care, that we now have a choice of two blocks to go - one being personal responsibility and two, the work/ed/training piece- or combining them. This caught Clinton's fancy, he launched into the serious sensitivity we must follow in this welfare reform debate, Republicans, Bentsen chimed in that we have to work CLOSELY with the staffs and then Congressional members themselves...on and on but an excellent discussion with Mrs. Clinton ending it with the fact that it will be all but criminal if welfare reform taken away from this Pres. who served as a co-lead GOV. in 1987-88, sat at mark-up, campaigned on this, etc. It was a real revival session, southern style!

Following the meeting I had my daily briefing and took George in with me. Clinton wants the two of you with Mary Jo and David to draft an outline of what Personal Responsibility Bill would

specifically do, have it ready for us to share with him immediately upon arrival back from trip...he'll decide then whether to have idea vetted with Moynihan, etc. for State of the Union inclusion. He said OVER and OVER with George agreeing that you MUST NOT talk about this, the four of you should be the only ones working on this, NO one else, esp. within HHS or outside White House period. He doesn't want it out, period over and out.

Next, I also included in my oration that we felt waivers could be helpful (this was after Sec. Riley chimed in about importance of being sensitive to Congressional and Gov.'s races coming up and their interest in this topic) as well as looking at regulatory changes that could be made prior to legislation. Mrs. Clinton then again for the third or fourth time lately brought up the need to be working on EBT/info highway projects....you all really need to see what we can be doing on this topic as a briefing memo to give her upon her return with President.

So, give me a call if you wish to discuss further but the tasks now appear to be:

1. Four of you draft a memo on Personal Responsibility Act proposal and action steps by close of business THursday, Jan. 13..
2. When welfare reform waiver memo ready from HHS we need to look at it carefully and decide on whether a meeting needed on that issue with HHS>
3. Memo for Mrs. Clinton ready by close of business on THursday, Jan. 13 on EBT update, projects in mind, etc.

Finally let me say I put in my pitch at this meeting also with Reich and Riley there that we need to be working this closely with the whole worker training and school to work pieces, that it must be part of the comprehensive whole when it comes to the education/training/jobs piece. Clinton came in with hearty amens so to speak (gad, this is indeed sounding like a southern revival!) and both Riley and Reich sought me out later in the day to say they are with us, etc. I think most everyone in the room sounded a commitment to wanting us to look carefully at really creative, sensible solutions to the jobs piece for those who don't find regular employment.

There you have it, the Rasco summary....let me know if questions. I'll assume you will pass all this on to Bane and Ellwood. Thanks.

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Mary Jo Bane  
David Ellwood

SUBJECT: Welfare Reform and the FY95 Budget

**I. The Working Group Draft Options Paper**

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform plan. The Working Group, which consists of 33 subcabinet officials from eight agencies, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit those draft recommendations to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress, to begin building a bipartisan coalition for welfare reform. Our goal, pending your decisions on key issues, is to have legislation ready by early February.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will also go along.

**II. Cost Issues**

Although definitive cost estimates for welfare reform will depend on decisions you

make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

***Essentially all of these costs are on the entitlement side of the budget. Welfare reform does not require new domestic discretionary spending.***

Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

POTUS  
file

The White House  
Washington

## FAX COVER SHEET

### OFFICE OF DOMESTIC POLICY

Kathryn Way  
Special Assistant to the President

Cookie Walden  
Staff Assistant

Old Executive Office Building, Room 218  
Washington, DC 20500  
Phone: (202) 456-7777 FAX: (202) 456-7028

TO: Jeremy Ben-Ami

FAX No. 205-9688

FROM: Kathi Way

DATE: 12/14/93

NUMBER OF PAGES (Including cover sheet) 6

#### COMMENTS:

Jeremy, please give me a call after you have  
read the attached letters.

Thank you.

December 9, 1993

Ms. Sonya Hodges-Douglas  
3822 Monroe Street  
Columbia, South Carolina 29205

Dear Sonya:

Thank you for your letter and your kind offer of assistance with my welfare reform initiative. I commend you for your efforts to contribute to your community and for your perseverance in making a better life for yourself.

With the efforts of people like you, we can make a real difference in the lives of all Americans. I appreciate your support.

Sincerely,

**BILL CLINTON**

BC/DNP/AH/bws (Corres. #1119701)  
(11.hodgesdouglas.s)

cc: w/inc to Kathryn Way

pc m

Janya Leans - Leans  
3825 Thacker Street  
Columbia, SC 29205  
August 25th 1993

The White House  
1600 Pennsylvania Ave., N.W.  
Washington, D.C. 20500

Dear President Clinton:

Recently, I wrote you a letter about the Welfare Reform Bill, and I would like to offer my help with the bill.

I am a mother of five children, ages 5-16. I am also a full-time student at Columbia College, majoring in Public Affairs and Speech Pathology.

Being a mother and a single parent, I know the meaning of poverty and hard times first hand.

For the past six years, I have worked with various Social Programs to repay the government for the years that I gained Welfare.

Every since the New Deal, the presidents in the United States have been expected to prevent unemployment, ensure economic growth and prosperity, fight inflation, and to keep taxes down. Even though, the Constitution does not require a president to do these duties; every president knows if they fail to act, they will suffer - just like Herbert Hoover did.

I would like to offer my help on the Welfare Reform Bill; not only for my state, but nationwide. I know that I do not hold a degree, but I do have common sense, and experience. Please let me help you and Congress, and Mrs. Shalala. I promise you and our government that I will not fail. I will stay in the background and help

just like Alexander Hamilton.

Please let me hear from  
you.

Sincerely,  
Sonya Hedge-Douglas

# Juggling act

## Mom keeps family going without aid

By Loretta S. Neal  
Community Editor

Sonya Hodges Sayles is trying her best to make life better for herself and her five children.

"It's very difficult to do what I do. I feel like I'm burned out. Some people say I don't look my age, but I feel rusty," Ms. Sayles said.

Ms. Sayles, 28, is a single parent determined not to slip back into welfare.

She struggles to juggle a schedule that includes being mother to five children, ages 2 to 13, attending college and working part time. She also volunteers with the Salvation Army.

Her schedule, she said, is a nightmare.

The Columbia native and Dreher High School graduate attends Midlands Technical College and is taking independent study courses at the University of South Carolina. For four years, she has worked as a volunteer in November and December with the Salvation Army.

"I often think of myself as a needy person, but I will go the extra mile to help someone else before I seek help for myself."



Staff photo by ANNE MCQUARY

**Sonya Sayles, center, with her children, Colena, Terry, Miguel, Teresa and Aaron**

Ms. Sayles said.

Though she once received financial assistance through Aid for Dependent Children, she said, "Thank God, I don't anymore."

"I believe people should help each other," Ms. Sayles said. "But people should help themselves, and that's what I'm doing. I am determined to do well, not only for myself but for my children."

Ms. Sayles is one of the Salvation Army's top volunteers and a tremendous help during November and December, according to Major Eleanor Bush.

Ms. Sayles lives with her mother, Au-

drey Hodges, on Monroe Street, which helps cut expenses.

Still, she must budget her income from child support and her part-time clerk job at the Southeastern Manufacturing Technology Center at Midlands Technical College.

Her children, Aaron, 13, Colena, 8, and Terry, 7, attend Cardinal Newman High School and St. Martin De Porres. Teresa, 5, is enrolled in Gonzales Gardens day care, and Miguel, 2, stays with a neighbor.

Paying tuition cuts into the family's income, "but it has always been my hope to

(See Sayles page 3)

## Sayles

(Continued from page 1)  
send my children to private schools," Ms. Sayles said.

Smaller classes in private schools, she said, provide a better environment for learning. Her children also can participate in prayer, something they can't do in public schools.

Ms. Sayles is a determined young person who really wants to help people, Salvation Army volunteer Louise

Jones Harrison said. Mrs. Harrison describes Ms. Sayles, whom she met two years ago, as a motivator.

"She encouraged me to go to school and even helped to complete my application," Mrs. Harrison said.

Columbus Marie President said: "Sonya is truly an inspiration. She encouraged me to believe in myself. Not only that, she is setting examples for herself and the community."

Students choose as alternates

KE figs to Read  
correspondence w/ POTUS  
Salston  
Way  
THE PRESIDENT HAS SEEN 11/8

*Daniel Patrick Moynihan*  
*New York*

*United States Senate*  
*Washington, D. C.*

November 8, 1993

copy  
Howard  
Carol Rosen  
figs

Dear Mr. President,

Watching, listening to you discuss family policy on "Meet the Press" yesterday, I found myself thinking of that distant time when I brought the issue to the Johnson White House. Things started so well; then ruin.

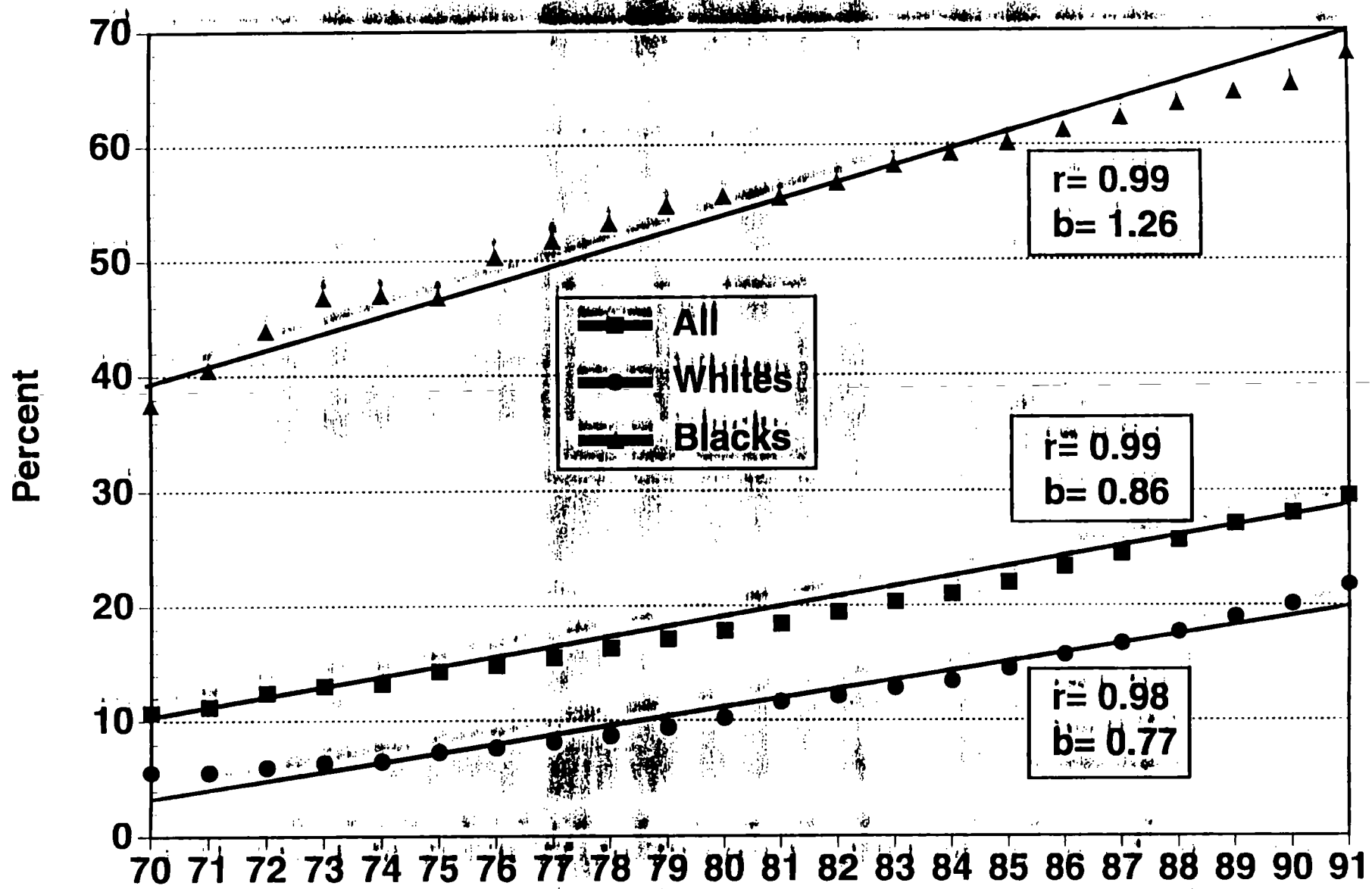
If you should ever wish to talk about the subject, I am surely at your service. For the moment, you might want to glance at the enclosed chart. I was looking over the numbers a while back and thought, my God, these are straight lines. We did the regression analyses, and sure enough. Please note the top line and the slope.

Respectfully,



The President  
The White House  
Washington, D.C. 20500

# Births to Unmarried Women



- The statistic, "r", called the correlation coefficient, indicates how closely a particular regression line fits the data. A 0.99 or 0.98 correlation coefficient indicates an almost perfect fit.
- The statistic "b", called the slope, indicates how rapidly a line is rising or falling.

DRAFT

CLOSE  
CORRESPONDENCE  
WITH  
POTUS

## MEMORANDUM FOR THE PRESIDENT

FROM: Secretary of Health and Human Services

SUBJECT: Moving Ahead with Welfare Reform

### I. ACTION-FORCING EVENT

There are active discussions underway regarding whether to delay welfare reform until the next session of Congress. The issue needs quick resolution. The interagency team working on welfare reform is working towards a January completion date. They need to begin the detailed and concrete discussions with the Congress, Governors, and many others required to forge a final plan and provide you with the information you need. Once those discussions begin in earnest, inevitable leaks and public attention will make it extremely difficult to pull back.

### II. ANALYSIS

We believe it is important to proceed with welfare reform, though we recognize important arguments on the other side. Those who argue for delay make several points:

1. **The agenda is already crowded.** Health reform is likely to be the biggest domestic issue on our agenda next year. Adding welfare reform may weaken our focus in the public eye. Moreover, the same committees that will work on health reform are involved with welfare. In particular, the Senate Finance and House Ways and Means Committees will have a crowded agenda. Delaying action until the next Congress would provide a cleaner slate. Legislation could still be introduced in June or July with action not expected until the next Congress.
2. **The politics of health and welfare reform may become intertwined.** Since both reforms are major domestic initiatives and involve the same committees, the politics of the issues could become mixed together. Welfare reform might get pushed right or left as we seek to get members from one political faction or another to take a tough vote on health reform. If a key member or group is frustrated with the direction one reform is going, he or she might fight by trying to hold the other reform hostage.

While we share the concern about a crowded agenda, we think there are even stronger arguments on the other side.

1. **There is considerable momentum for reform.** Inspired in large part by the emphasis you gave to welfare reform in the campaign and since, welfare reform is gaining real momentum in the Congress and the states. Recently virtually all House Republicans signed onto their version of reform which included key elements of your vision. The Mainstream Democratic Forum has urged strongly that we proceed. Senator Moynihan has repeatedly chided the administration for abandoning welfare reform.

## DRAFT

If we decide to wait, we will at a minimum lose the initiative and momentum. More importantly we may have to live with welfare reforms that are not nearly as constructive as those we envision. While we may be able to prevent passage of any reform plans, there will be considerable pressure to proceed. We may not be able to stop floor amendments that cripple future reform efforts by imposing strict cut-offs and taking money out of welfare benefits. The Republican plan includes several positive elements, but it includes some very troubling cuts as well. Waivers also pose a problem. Heightened interest at the state level is generating a multitude of waiver requests. If we delay too long we may get welfare reform by waiver. There is a risk that we will lose the chance to shape reform and get the credit we deserve.

**2. Welfare reform will fulfill a highly visible campaign promise.** Your powerful message to end welfare as we know it has been widely heard. So too has your call for time limits. Getting welfare reform done right and getting it done now will indicate your clear commitment to that pledge. The momentum from welfare could help pass health reform and prevent the perception that the only important initiative in domestic policy is health reform. Some in Congress may be more inclined to support health reform if they feel positively about welfare reform.

**3. If we don't act soon there may be few offsets left to insure that welfare reform is cost neutral.** As you well know, money for welfare reform was cut from the last budget plan. This time the working group is seeking to find offsets in existing public aid programs and increased money from child support enforcement to pay for welfare reform so that no new monies will be needed. They are convinced they can find the money. And if it is phased in slowly, the early costs could be very modest indeed and relatively easily offset with other cuts. Still budget cutting pressure plus other priorities are rapidly eating every possible source of budget offsets. After this year there may not be money left to find.

We believe it would be very hard to turn back now. With lost momentum, a new Congress, and an ever tighter budget, progressive welfare reform will harder and harder to achieve. Part of making the agenda appear less crowded could be to package several initiatives at once. Welfare reform could be packaged with programs proposed by education and labor to create a powerful message of an administration committed to opportunity and responsibility.

### III. THE NEED FOR A QUICK DECISION

In the next few days your senior advisors will meet to discuss how to proceed. HHS believes we can and should proceed. But if you are likely to decide to delay, we need to know immediately so that we can work to slow the current momentum and minimize the political fallout.

NOV 22 1993

**TO: Walter Broadnax  
Cooley  
Michael Wald  
Melissa Scofield  
Mary Bourdette  
David Ellwood  
Mary Jo Bane  
Fernando Torres Gil**

**Kevin Thurm  
John Monahan  
Avis LaVelle  
Jerry Klepner  
Ken Apfel  
Wendell Primus  
Ann Rosewater**

**Attached is the briefing material for today's meeting with the Secretary on Welfare Reform, 5:30 p.m., Secretary's Conference room.**

EXECUTIVE OFFICE OF THE PRESIDENT

20-May-1994 06:42pm

TO: Jennifer M. O'Connor

FROM: Carol H. Rasco  
Economic and Domestic Policy

CC: Laurie L. Labuda  
John Podesta

SUBJECT: Sec. Shalala's memo

To: Christine via Laurie  
Jennifer

I checked in with Sharon in Podesta's office when I got back from a meeting late this afternoon and she had not seen the memo, said maybe you gave it directly to John...anyway, she made a copy of what I had. I have to tell you that my honest advice to them was that they in no way should feel they have to get the memo to the President in California....the President won't be making any decisions before he is back in DC...and I can't imagine why he would have to see this memo in California. I can only surmise George saw the packet the President has with him that was sent on the trip per the President's request and called his friend Kevin and decided the President needed something stronger from Donna since as is the standard procedure around here I put a memo along with Bruce and Kathi on top of the packet we sent in from HHS and OMB. Anyway, we try to operate honestly at DPC and before any decision is issued by the President we will make sure he is aware of the strongly held views of an agency and its Secretary.

May 9, 1994

Ms. Pamela B. Cohen  
Mr. Micah H. Naftalin  
Union of Councils  
Suite 230  
1819 H Street, N.W.  
Washington, D.C. 20006

Dear Pamela and Micah:

I appreciate the opportunity to hear your concerns about eligibility for Social Security and other federal programs. I have passed along a copy of your letter to the Welfare Reform Task Force for further review.

Thanks again for writing. I welcome your ideas.

Sincerely,

**BILL CLINTON**

BC/KB/KN/ps (Corres. #1400773)  
(4.cohen.pb)

cc: Welfare Reform Task Force *Wine*  
cc: OPL



# UNION OF COUNCILS

"The Voice of Emigration, Jewish Survival, and Human Rights in the Former Soviet Union Since 1970"

1819 H St., NW • Suite 230 • Washington, D.C. 20006 • (202)775-9770 • Fax (202)775-9776

March 11, 1994

President William J. Clinton  
The White House  
Washington, DC 20500

Dear Mr. President:

As an organization that has been deeply involved in the struggle for human rights and freedom of emigration in the former Soviet Union, we are deeply concerned that your Administration's welfare reform task-force is considering limiting eligibility for Social Security and other federal government programs to United States citizens. This potential policy undercuts the historic promise that the United States has represented to immigrants and refugees throughout the years.

The possible victims of this policy are hardworking legal immigrants, both U.S. citizens and those who have yet to obtain citizenship. Many of the immigrants from the former Soviet Union and other regions of the world who benefit from these programs legitimately need the assistance to support their households. Legal immigrants should not be forced to choose between family reunification or poverty, and should not be left without assistance in times of hardship including disability or old age.

It must be remembered that immigrants as a community use public services at a lower rate than the general population. Furthermore, studies show that immigrants pay more in taxes than they use in benefits like social security.

Emigrants from the former Soviet Union, like legal immigrants generally, have come to the United States seeking protection and freedom, and hope to join the American community as hardworking contributors to the nation. As legitimate as the goal of welfare reform is, it is unacceptable to seek to obtain that goal at the expense of legal immigrants.

We urge you to abandon all proposals that would discriminate against legal immigrants by discontinuing assistance to the most vulnerable members of this community.

Sincerely,

Pamela Braun Cohen  
National President

Micah H. Naftalin  
National Director

cc: Mr. Bruce Reed, Co-Chairman, Welfare Reform Task Force  
Mr. David Elwood, Co-Chairman, Welfare Reform Task Force

March 23, 1994

Mr. Robert C. Meador  
California Welfare Fraud  
Investigators Association  
Post Office Box 5453  
Vacaville, California 95696-5453

Dear Robert:

Thank you for sharing your thoughts about welfare fraud control programs. I am sorry that you feel my Administration has been unresponsive to your organization's concerns.

Let me assure you that I remain committed to designing an efficient, effective welfare system that will succeed in moving people from welfare to work. My Administration's Working Group on Welfare Reform, Family Support, and Independence has conducted hearings and visited model programs around the country to draw on the public's information and the suggestions of groups like yours in crafting its proposals. I appreciate knowing your views, and I have forwarded your letter to the working group for further review.

As we work to build a welfare system based on fairness and empowerment, I hope I can count on your continued participation in the process.

Sincerely,  
**BILL CLINTON**

BC/DNP/AH/pw (Corres. #1277946)  
(2.meador.rc)

cc: Kathi Way, 218 OEOB, w/incoming

PLM

127794p



# CALIFORNIA WELFARE FRAUD INVESTIGATORS ASSOCIATION

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December 18, 1993

President Bill Clinton  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President:

On two separate occasions earlier this year I wrote to you on behalf of this organization to address specific issues concerning your plans for welfare reform. The specific areas I addressed were in the form of suggestions and a plea to involve actively critical stakeholders in the decision making process of your reform plans. We offered our services and expertise in the area of fraud control and we urged you not to follow through with your plan to reduce federal funding for fraud control programs in the AFDC and Food Stamp programs.

My letters to you went unanswered and so, when the critical time came for a vote in Congress on the reduction in federal funds for the investigation and prosecution of fraud in the aforementioned welfare programs I wrote to Mr. David Gergen of your staff as well as key members of Congress and Mr. Leon Panetta. All of those letters were sent by express mail. In writing to Mr. Gergen, we urged him to convince you of the danger of cutting one third of the fraud control funding provided by the federal government. We pointed out that this action sends a wrong message to the American people and in the long run will cost the federal government millions of dollars more than it will save while negatively impacting the integrity of our welfare programs.

The only response from your Administration or Congress was a recent superficially vague and general letter from you indicating your interest in welfare reform. None of our concerns, suggestions or pleas were mentioned or addressed.

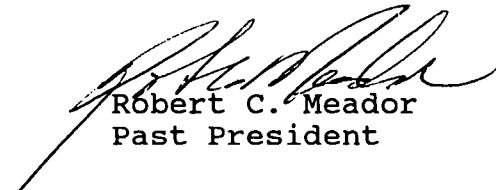
The lack of a specific response from you or your staff leaves us with the impression that the Clinton Administration has little or no interest in continuing the strong fraud control programs of the past decade or more. This impression is reinforced by the fact that a substantial

Page 2

reduction of federal funding for fraud programs will become a reality effective April 1, 1994. Moreover, we suspect that your Administration's arrogant indifference to the concerns we raised follows a welfare reform philosophy that apparently refuses to acknowledge or accept the fact that fraud is a major problem in our public assistance programs. Your funding cuts lend substantial credence to this suspicion.

Although we no longer expect a reply, we ask why? And so will the American taxpayer.

Respectfully,



Robert C. Meador  
Past President

~~Wetzel's~~ ~~System~~  
~~Amplification~~

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