MEMORANDUM

April 24, 1997

TO: Mike McCurry

FR: Chris Jennings

RE: Chafee/Rockefeller children's health bill and Medicare Trust Fund

cc: Barry Toiv, Mary Ellen Glynn, Larry Haas, Lorrie McHugh

Attached is information on the Chafee/Rockefeller children's health bill and on the Medicare Trust Fund Report which is being released by the Trustees today.

(1) Q&A on the Chafee /Rockefeller children's health bill.

(2) Memo that went into the President last night on Chafee/Rockefeller bill.

(3) Talking Points on the Medicare Trust Fund.

(4) We will also be sending you Q&As detailing the specifics of the report as soon as it is released.

I hope this information is helpful. Please call me with any questions at 6-5560.

<u>Q&A on Chafee-Rockefeller Children's Health Bill</u>

Question: **Does the President support the new children's health bill being introduced by a bipartisan group of Senators led by Senators Chafee and Rockefeller?**

Answer: The President is extremely encouraged by the emergence of yet another bipartisan children's health care proposal. Making a significant Federal investment in children's health care continues to be a top priority for this Administration.

We are currently reviewing the details of the Chafee-Rockefeller bill. The President is extremely supportive of expanding health coverage to more children by building on the Medicaid program. The Chafee-Rockefeller bill offers matching rates for states which expand Medicaid coverage to children above the mandatory level.

Cosponsors are discussing this bill as a complement to the Hatch-Kennedy block grant proposal to address the pockets of uninsured children in the middle class. The President too, believes that a multi-tiered approach to expanding coverage may be the best way to more uninsured children.

We look forward to working with Chafee, Rockefeller and a host of other Democrats and Republicans on the Hill interested in this issue to ensure that any balanced budget deal includes a significant investment in children's health coverage.

Background: On Thursday, April 22, Senators Chafee and Rockefeller are introducing a bipartisan children's health coverage bill which offers states higher Medicaid matching rates if they expand coverage to children above the mandatory levels. This expansion is contingent on states' choosing to extend 12 month continuous coverage to all children.

Cosponsors of this bill -- including Hatch, Kennedy, Chafee, Kerrey, Kerry, Snowe, Bingaman, Dodd, Collins, D'Amato, Breaux, and Rockefeller -- believe that this bill could complement the Hatch-Kennedy bill which provides block grants to states to cover uninsured children. This potentially increases the investment in children's health to $25-$35 billion.

Some Republicans like the Chafee-Rockefeller option because it builds on the current Medicaid program, rather than starting a new program.

THE WHITE HOUSE

WASHINGTON

April 23, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Chris Jennings

cc: Bruce Reed, Gene Sperling, John Hilley, Melanne Verveer

SUBJECT: Introduction of a New Bipartisan Children's Health Bill

Tomorrow afternoon, Senator Chafee and Senator Rockefeller will lead a bipartisan group of at least 13 Senators (Hatch, Snowe, Collins, Jeffords, Breaux, Kerrey, Bingaman, Dodd, Kerry, D'Amato, and Kennedy) in introducing a new $15 billion, Medicaid-based children's health coverage bill. They will suggest that their plan "targets" 5 million uninsured children, but their staffs are nervous about overpromising because estimates given to them by the Congressional Budget Office yesterday have, on a preliminary basis, projected a much lower number. Perhaps because of this, the sponsors will say that this legislation "complements," but does not replace the need for the Hatch-Kennedy grant program.

The Chafee/Rockefeller legislation includes: (1) your 12 month continuous coverage initiative; (2) an enhanced Federal match for children between 100 and 150 percent of poverty <u>for those states that immediately cover all children up to age 18 to 100 percent of poverty</u> (who are currently being phased-in over the next 5 years); and (3) a $25 million a year state outreach grant. There will be no specific financing mechanism; apparently the sponsors agree with our current position that the more than $120 billion in Medicare and Medicaid reductions that we are currently proposing is more than adequate to finance the $15 billion investment. (As a reminder, we are currently carrying about $19 billion for our new health coverage expansions.)

The introduction of yet another bipartisan children's health coverage bill clearly strengthens your hand in the balanced budget negotiations. It is particularly worth noting that a Chafee-Rockefeller type initiative can now easily be envisioned passing out of the Finance Committee since four of the Republican cosponsors sit on the Committee. This bill also helps respond to the Republican Budget Committee Chair's stated desire to avoid the establishment of new programs to address Presidential priorities.

We believe that the Chafee/Rockefeller bill still requires a good deal of work to most efficiently cover a greater number of uninsured children. It also seems likely that we will probably still need some type of grant program to build onto Medicaid improvements to get the most children for the least amount of money. Having said this, the introduction of this legislation undoubtably enhances the likelihood that a [illegible] bill can emerge [illegible] the Congress.

MEDICARE TRUST FUND TALKING POINTS
April 23, 1997

THE UPCOMING MEDICARE REPORT WILL NO DOUBT CONFIRM WHAT THE PRESIDENT HAS CONSISTENTLY STATED -- THAT REPUBLICANS AND DEMOCRATS SHOULD COME TOGETHER AND ENACT MEDICARE REFORM THIS YEAR.

WE WELCOME CONCERNS ABOUT THE TRUST FUND. PRESIDENT CLINTON HAS BEEN ACTING TO ADDRESS THE PROBLEM SINCE HE TOOK OFFICE.

-- The President's 1993 Economic Plan extended the life of the Trust Fund by three years.

-- In 1994, the reforms included in the Health Security Act would have strengthened the Trust Fund by five years.

-- In 1995 and 1996, the President proposed a Medicare plan that would have extended the life of the Trust Fund for at least a decade.

THIS YEAR THE PRESIDENT'S BALANCED BUDGET GUARANTEES THE LIFE OF THE TRUST FUND FOR A DECADE.

-- HCFA's Chief Actuary confirms that the President's Medicare proposals would extend the life of the Trust Fund by at least ten years.

ACTION IS NEEDED -- REPUBLICANS AND DEMOCRATS SHOULD USE THIS OPPORTUNITY TO COME TOGETHER IN A BIPARTISAN MANNER TO ADDRESS THE NEED FOR REAL MEDICARE REFORM.

-- **The need for responsible intervention to improve the Trust Fund is real.** The President has a proposal that addresses this need in a responsible way, without imposing devastating provider cuts, increasing beneficiary costs, or enacting structural changes that devastate the program and the people it serves.

-- **This report should not be used irresponsibly.** The upcoming Trust Fund report should not be used to recklessly frighten the 38 million Medicare beneficiaries and their families into thinking that their benefits are in imminent danger. They simply are not.

-- **We have time to act this year. Over $120 billion remains in the Trust Fund** (as of March 1997). While incoming revenues are somewhat less than outgoing payments, the current balance in the Trust Fund means that there is no danger that claims will not be paid.

IT IS TIME TO PUT PARTISAN DIFFERENCES ASIDE AND AGREE ON MEDICARE REFORMS THAT WILL EXTEND THE LIFE OF THE TRUST FUND AND STRENGTHEN THE MEDICARE PROGRAM.