cc Jeff Farkas, OMB
Red Dot

NATIONAL PERFORMANCE REVIEW
AL GORE
Vice President of the United States

National Performance Review
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Washington, D.C. 20006
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FAX TRANSMITTAL COVER SHEET

Date: 2-21-96 Number of Pages Plus Cover Sheet ____

To: Diana Fortuna

Telephone Number: ____

Fax Number: 456-7028

From: Bev Godwin Ext.: 111

Special Message or Comments:

Oregon MOU and matrix of benchmarks. and some summary/ history

MEMORANDUM OF UNDERSTANDING REGARDING "THE OREGON OPTION"

I. Purpose

The purpose of this Memorandum of Understanding is to encourage and facilitate cooperation among Federal, State and local entities to redesign and test an outcomes oriented approach to intergovernmental service delivery. This special partnership and long-range commitment will serve as demonstration of principles and practices which may serve as a model for improvements nationwide.

II. Background

In July 1994, Oregon proposed a multi-year demonstration with the Federal Government to redesign intergovernmental service delivery, structured and operated to achieve measurable results that will improve the lives of Oregonians.

Oregon is uniquely suited for an experimental demonstration to develop an outcomes oriented approach to intergovernmental services. The State and many local governments have begun using an outcomes model for establishing long-range vision, setting public priorities, allocating resources, designing services, and measuring results. The Oregon Legislature has endorsed the Oregon "Benchmarks." Further, many nonprofit organizations, businesses, and civic groups in Oregon are aligned to a benchmark process with State, county and local jurisdictions.

III. Principles to guide cooperation

The following principles should guide the parties cooperation in this undertaking:

A re-designed system would be:

- Structured, managed, and evaluated on the basis of results (i.e., progress in achieving benchmarks).
- Oriented to customer needs and satisfaction, especially through integration of services.
- Biased toward prevention rather than remediation of problems.
- Simplified and integrated as much as possible, delegating responsibilities for service design, delivery, and results to front-line, local-level providers, whether they are local agencies or local offices of state agencies.

IV. Responsibilities of the parties

The parties to this memorandum will work together as partners to (1) identify benchmarks, strategies, and measures that provide a framework for improved intergovernmental service delivery and (2) undertake efforts to identify and eliminate barriers to achieving program results.

V. Authorities

The principles and responsiblities covered in this memorandum are intended to improve the coordinated delivery of intergovernmental programs. This memorandum does not commit any of the parties to a particular level of resources; nor is it intended to create any right or benefit or diminish any existing right or benefit, substantive or procedural, enforceable at law by a party against the United States, State of Oregon, any state or federal agency, any state or federal official, any party of this agreement, or any person. While significant changes to the intergovernmental service delivery system are anticipated as result of this effort, this is not a legally binding or enforceable agreement. Nothing in this memorandum alters the responsibilities or statutory authorities of the Federal agencies, or State or local governments.

Federal Partners

Al Gore	Date	December 5, 1994
[illegible]	Date	Dec 5 1994
Henry G. Cisneros	Date	Dec. 5 '94
Lee P. Brown	Date	Dec 5 1994
Robert E. Rubin	Date	DEC 7 1994
Richard W. Riley	Date	Dec 12, 1994
[illegible]	Date	Dec. 14 1994
Mike Espy	Date	December 21 1994
Ronald H. Brown	Date	JAN - 4 1995
Alice M. Rivlin	Date	Jan 9, 1995
Carol Rasco	Date	
	Date	

State Partners

Barbara Roberts — Date: Dec. 5, 1994

John A. Kitzhaber — Date: 2 Dec. 1994

City and County Partners

Vera Katz — Date: Dec 5, 1994

Randall Franke — Date: Dec 5, 1994

Charles Hales — Date: Dec. 5, 1994

Gussie McRobert — Date: Dec 5, 1994

[illegible] — Date: Dec 5, 1994

[illegible] — Date: Dec. 5 1994

John J. Howard — Date: Dec 5 1994

[illegible] — Date: Dec. 5, 1994

Beverly Stein — Date: Dec 5, 1994

THREE INITIAL CLUSTERS OF HUMAN INVESTMENT BENCHMARKS

The following benchmarks illustrate the kind of results that Oregon seeks to improve the lives of its people. Workgroups were organized around these three clusters as initial areas of focus.

	HISTORIC					TARGET		
Stable Families	**1980**	**1990**	**1991**	**1992**	**1993**	**1995**	**2000**	**2010**
1. Pregnancy rate per 1,000 females ages 10-17	24	19.7	19.3	17.9		9.8	8	8
2. Percentage of children living above 100% of the federal poverty level	88%	84%		84%		88%	92%	100%
3. Number of children abused or neglected per 1,000 persons under 18		11.3	10.5	11.3	10.8	9.0	6.0	2.0
4. Spousal abuse: domestic violence calls per 1,000 households		46.1	45.5	45.7	56.9	35.0	30.0	20.0
5. Percentage of children who are homeless at some time in the past year			1.8%	*	2.0%	0.9%	0%	0%
6. Of children born outside of marriage, the percentage who have legal paternity established in a given year	33%		31%		49%	50%	80%	90%
7. Percentage of current court ordered child support paid to single parent families	44%		50%		54%	55%	95%	99%

Performance Measures

- ✓ Percentage of AFDC clients entering employment
- ✓ Percentage of AFDC clients with child support established
- ✓ Percentage of AFDC recipients within the total population
- ✓ Average length of time a family is on welfare
- ✓ Percentage of AFDC households headed by a teen parent
- ✓ Basic skill levels of participants in [illegible] preparation activities

Healthy Children	HISTORIC 1980	1990	1991	1992	1993	TARGET 1995	2000	2010
1. Percentage of healthy birthweight babies	95%	95%	95%	95%		96%	97%	98%
2. Pregnancy rate per 1,000 females ages 10-17	24.0	19.7	19.3	17.9		9.8	8.0	8.0
a. African-Americans		54.4						8.0
b. American Indians		21.9						8.0
c. Asians		12.7						8.0
d. Hispanic		33.2						8.0
e. Whites		19.2						8.0
3. Number of identified child care slots available for every 100 children under age 13		14		15		16	20	25
4. Number of children abused or neglected per 1,000 persons under 18		10.9	11.5	11.6	11.5	9.0	6.0	2.0
5. Percentage of babies whose mothers received adequate prenatal care (beginning in the first trimester)	77%	76%	77%	79%		100%	100%	100%
6. Infant mortality rate per 1,000	12.1	8.3	7.2	7.1		7.5	6.0	4.0
a. African-American (3-year average)			20.4	19.2		11	8.0	4.0
b. American Indian (3-year average)			15.2	14.3		10	7.0	4.0
c. Asians (3-year average)			8.3	6.5		6	5.0	4.0
d. Hispanic (3-year average)			8.7	7.4		6	5.0	4.0
e. Whites			7.2	6.9		6	5.0	4.0
7. Percentage of two-year-olds who are adequately immunized				47%	50%	80%	100%	100%
8.* Percentage of children entering kindergarten meeting specific developmental standards for their age								
a. Language and literacy development								
b. Physical well being								

*Data expected in October [illegible]

	HISTORIC					TARGET		
Well Trained Workforce	1980	1990	1991	1992	1993	1995	2000	2010
1. Student Skills: Percentage of eleventh grade students who achieve established skill levels								
a. Reading		83%	82%	83%		88%		99%
b. Math		67%	70%	65%		78%		99%
c. Writing—Ideas		83%		88%		88%		99%
d. Writing—Organization		80%		84%		85%		99%
e. Writing—Conventions		81%		86%		85%		99%
2. High school graduation rate		72%	76%	74%		83%	93%	95%
3. Percentage of high school students with significant involvement in professional-technical education and entrepreneurial programs		9%	8%	8%		18%	35%	55%
4. Percentage of high school students enrolled in structured work experience programs		3%	3%	3%		18%	35%	55%
5. Percentage of students free of involvement with alcohol in the previous month								
a. Eighth grade			74%			92%		99%
b. Eleventh grade			63%			75%		90%
6. Percentage of students free of involvement with illicit drugs in the previous month								
a. Eighth grade			90%			95%		99%
b. Eleventh grade			81%			85%		99%
7. Percentage of students free of involvement with tobacco in the previous month								
a. Eighth grade			85%			95%		99%
b. Eleventh grade			81%			85%		99%
8. Juvenile arrests per 1,000 juvenile Oregonians per year	32	38	[illegible]	42	44	35	20	10
9. Real per capita income as a percentage of U.S. real per capita income	99%	92%	92%	93%	93%	95%	100%	100%
10. Percentage of Oregonians with incomes above 100% of the Federal poverty level	89%	85%		91%			100%	100%
11. Percentage of adults with intermediate proficiency in:								
a. Prose Literacy		41%						55%
b. Document Literacy		36%						55%
c. Quantitative Literacy		30%						55%
12. Percentage of Oregon adults who completed an associate degree in professional-technical education								

THE OREGON OPTION
An Intergovernmental Partnership for Results
SUMMARY

Proposal: In July 1994, Oregon's governor and county and city government officials proposed a special partnership and long-range project with the federal government to test fundamental redesign of the intergovernmental service delivery system to achieve results.

Purpose: to encourage cooperation among federal, state and local entities to redesign and test an outcomes-based approach to intergovernmental service delivery.

Why Oregon? Using its pioneering efforts in benchmarking as a base, Oregon is uniquely suited for an experimental demonstration to develop an outcome-based approach to intergovernmental services. The State and local governments have several years experience using an outcomes model for establishing long-range vision, setting public priorities, allocating resources, designing services, and measuring results. The Oregon Legislature has adopted the "Oregon Benchmarks." Nonprofit organizations, businesses, and civic groups in Oregon are aligned to a benchmark process with State, county and local jurisdictions.

Principles to Guide Partnership. The Oregon Option is based on principles advanced by the National Performance Review:
- o Focuses on outcomes as the criteria by which to measure success
- o Intergovernmental and interagency -- brings together the community, local, state and federal levels to agree on desired results and work together to achieve them (i.e., shared accountability)
- o Oriented to customer needs and satisfaction, especially through integration of services
- o Biased toward prevention rather than remediation of problems
- o Systemic, sustainable change at all levels of the service delivery system to reduce red tape and micro-management
- o Delegation of responsibilities for service design and delivery to front-line, local-level providers
- o NOT about more money, but about re-directing funds to better achieve agreed-upon results.

Initial Focus of demonstration is on Oregon's human investment benchmarks, clustered as follows:
- -- Healthy children
- -- Stable families
- -- A developed (highly educated and prepared) workforce
- -- Cross cutting data and statistical issues

Federal involvement coordinated by the National Performance Review through a Federal Interagency Action Team made up of staff from the Domestic Policy Council, NPR, OMB and seven Cabinet Departments which have the most impact on the benchmarks Oregon wanted to focus on.

Each of the three benchmark cluster areas as well as the cross-cutting data and statistical issues are supported by an intergovernmental, interagency team. Some of the cluster teams have sub-teams to address specific benchmarks within that cluster (e.g., immunization) to bring in the appropriate stakeholders to work on each goal (e.g., pediatricians, health insurers). These teams are working to: identify best strategies to achieve the agreed-upon outcomes: to identify barriers to implementing these strategies and to measuring outcomes: and to remove barriers at all levels to improve outcomes.

OREGON BENCHMARKS

History

Strategic Planning Process. 1989. Oregon Benchmarks began in 1988 with "Oregon Shines," a strategic planning exercise started by then-governor Neil Goldschmidt. "Oregon Shines" is a 20-year strategic vision focused on three main strategies: (1) creating a diversified, high-wage economy; (2) protecting and enhancing Oregon's quality of life; and (3) investing in the capability of Oregonians.

Strategic Plan Translated into Measurable Goals: The Oregon Legislature created the Progress Board, directing it to translate the strategies in Oregon Shines into measurable goals for Oregon and make sure the process stays alive and on target. The board is headed by the governor and designed to be bipartisan. 1989.

Citizen Input: Hundreds of Oregonians -- from business, labor, education, environmental groups, state and local government, the health care system and grass-roots organizations -- developed the benchmarks for the State. 1990 and continuous.

Legislature Adopts Benchmarks: The Legislature unanimously enacted Oregon Benchmarks into law, after review by 18 state legislative committees. 1991.

Public Report Card: Every two years, the Progress Board has to update the benchmarks and report publicly on progress toward each benchmark goal. 1991 and on-going.

Use of Benchmarks to Govern: In 1992, Governor Roberts directed agencies to give priority to critical near-term benchmarks in the budget process, and directed all agencies to develop performance measures consistent with benchmarks. In 1993, Roberts, faced with a 17 percent budget shortfall because of a voter initiative, cut all state agencies' budgets even deeper -- 20 percent. Then she offered a 3 percent rebate to agencies able to shape their programs to achieve benchmark goals. The Legislature ratified almost all of Roberts' benchmark-targeted budget measures. Planning, budgeting and compensation systems are being directed towards the benchmarking goals. The three gubernatorial candidates have all endorsed use of Oregon benchmarks.

Benchmarks and Communities: State and local government agencies, nonprofits, business interests, and citizen groups are increasingly tying their efforts to Oregon Benchmarks. The Progress Board assists local government and other institutions in adopting their own benchmarks and creating programs that support the achievement of Oregon Benchmarks. For example, Multnomah County and Portland have inaugurated a joint benchmarking process that incorporates the state benchmarks as well as additional benchmarks of most interest to local citizens. Rural Baker and Deschutes, and other counties are also pioneering local benchmarking efforts.

OREGON BENCHMARKS

What Are They?

National Leader: Oregon is recognized nationally as the state furthest along in using outcomes to establish a long-range vision, set public priorities, allocate resources, design services, and measure results.

Serve as Report Card: Oregon Benchmarks serve as critical indicators about the economy, the quality of life, and the citizens of Oregon. The Benchmarks track where the state (or county) stands and how it measures up to its target goals over a specified number of years (e.g. 1995, 2000, 2010). Benchmarks oblige Oregon and its localities to measure what they do by hard numbers, by agreed-upon standards.

Measure Outcomes, Not Inputs. Benchmarks measure results, not effort. Some examples from Oregon:

- o Whether air and water are getting cleaner, not whether environmental regulations are in place.
- o Teen pregnancy (rate per 1,000 females aged 10-17 for each of the target years), not number of clients served.
- o Crime rates, not prison beds (e.g., measures social harmony by hate crimes per 100,000 Oregonians per year).
- o Urban mobility by the percentage of Oregonians who commute to and from work by some means other than a single occupancy vehicle.
- o Literacy and other learning standards, not school and teacher expenditures.

Citizen and Legislative Input: Goals are developed through broad popular participation (e.g., electronic voting at community meetings), then ratified by action of the legislature and governor.

272 Total Benchmarks:

-- **Urgent Benchmarks** - addressed in the next few years (e.g., teen pregnancy); will impact many other benchmarks one or two decades out.

-- **Core Benchmarks** - are longer-term measures of Oregon's vitality and health (e.g., the base of the state's economy).

cc Gaynor
Bev Godwin

DEC 6 1995

rec'd 12/12

INFORMATIONAL MEMORANDUM FOR THE SECRETARY

FROM: Ellen Haas
Under Secretary for
Food, Nutrition, and Consumer Services

SUBJECT: "The Oregon Option" Welfare Reform Proposal

ISSUE:

Oregon's welfare reform proposal, "The Oregon Option," contains Food Stamp Program waiver requests that we do not intend to approve. We are notifying the State agency of our decision.

DISCUSSION:

On July 1, 1994, FCS approved, as part of welfare reform, several waivers of Food Stamp Program regulations to permit Oregon to conduct the "JOBS Plus" Program, a three-year, six-county subsidized employment demonstration that cashes out food stamp benefits to supplement wages paid to participants.

On July 3, 1995, Oregon submitted its Oregon Option welfare reform proposal. The only food stamp provision called for the expansion of the JOBS Plus Program statewide. Subsequently, the State submitted a food stamp waiver package, with three additional requests, two of which are highly problematic. The first, a revision of the Federal funding formula, proposes to calculate the Federal funding level for the Aid to Families with Dependent Children (AFDC) Program and public assistance (PA) food stamps for a particular base period, e.g., FY 94, and guarantee that level of Federal funding for the seven year duration of the demonstration. This will serve as a financial incentive for the State to move recipients off food stamps. Oregon plans to use the savings to provide additional funds for expanded Job Opportunities and Basic Skills (JOBS) Program support payments and to provide support for local community prevention efforts.

The second request concerns Quality Control (QC) revisions. The State wishes to be relieved of any potential QC sanctions in exchange for an agreed upon outcome-based performance measuring system. The State also requests to be relieved of Federal QC review methodologies; that all mandated reviews be incorporated in the new performance assurance system; that the reviews be based on State policy, procedures, or goals; and that client cooperation with reviews be a condition of eligibility for benefits.

Currently, Oregon is involved in stalemated negotiations with the Department of Health and Human Services (DHHS) over several issues, especially the two provisions referenced above. In order to establish FCS's position regarding these waiver requests, we are informing the State that we do not plan to experiment with the funding level for the Food Stamp Program. Additionally, we are advising the State that we are not approving its proposal to eliminate the QC system. We believe it is imperative that QC continue to identify error prone areas with a payment accuracy measurement system based on a national average that includes all States. The potential impact on payment accuracy of even relatively minor changes in the error rate—as a result of Oregon's welfare reform efforts—can be significant because the State's annual food stamp issuance is so large. However, we would not be able to determine that impact without a valid measurement system. Additionally, relaxing QC requirements for Oregon could send the message to other States that we are placing less emphasis on national error reduction in the Food Stamp Program.

SUMMARY:

- The Oregon Options welfare reform proposal contains two food stamp waiver requests, involving Federal funding levels and QC, that call for experimentation with the Food Stamp Program that FCS does not consider desirable or necessary.

- We are notifying the State that we will not consider these two waiver requests.

cc: Diana Fortuna
The White House

Administration for Children and Families
Washington, D.C.

DATE: Thu Feb 29 13:31:19 1996

FAX TO: Diane Fortuna

FROM: Ann Rosewater

SUBJECT: Talking Points on Oregon Option

---------------------------------- MESSAGE ----------------------------------

3 conversations

Howard - expecting 3pm response

Eval. baseline - going OK

Hatfield understands 2 issues - Sec.
- tying to state

Farplan — Wyden?
Fine
Hatfield doesn't want to attach - approps

Sensitive moderate

Hatf → State

DS → MJB
day of decision

work out 30%
narrow tailor 80%?
existing lang. small

Timing -
Wyden
Press hound

The Oregon Option: Evaluation

- DHHS's waiver authority under section 1115 is specifically for "experimental, pilot, or demonstration" projects. Any waivers we grant to Oregon will have to be granted within the context of such a project.

- To be a bona fide demonstration, the project would have to have a rigorous evaluation. As a rule, we require an experimental design (i.e., with random assignment of individuals to treatment and control groups) for the evaluation of a waiver demonstration.

- It has been our experience that random assignment is the only evaluation method that yields credible estimates of the impacts of welfare reform demonstrations as well as credible cost neutrality measurements.

- Virtually every state doing a welfare reform demonstration has agreed to use a random assignment design.

what meas'g how meas'mt of what

- Outcome-based performance measures and random assignment are not mutually exclusive. This demonstration is a unique opportunity to get a rigorous evaluation of a benchmark-driven system. The operation of the program could be based on performance measures, with the evaluation based on an experimental design. This would allow the state to measure how effective their program was in achieving its goals and to evaluate how well the performance measures used related to the actual program impacts.

- We are willing to work with Oregon to reduce the administrative burden of random assignment as much as possible.

which is

- Random assignment only needs to be done in a limited geographic area with only the minimum control group size required for statistical precision. This approach minimizes the extent to which the state needs to operate two distinct programs.

*

- Other demonstrations taking place in Oregon would be considered in determining how random assignment would be carried out. For example, the state could consolidate the JOBS Waiver Project and JOBS Plus samples into the Oregon Option sample, resulting in an evaluation not significantly different in burden from what they now have.

news to them

what is Oreg's plan
would they continue to run these 2 demos?

The Oregon Option: Quality Control

- Oregon has proposed to use Quality Control staff with flexibility to produce management information, case reviews and outcome measures to utilize in on-going program evaluation, and future decision making.

- We do not have the legal authority to waive section 408 of the Social Security Act, which establishes Quality ~~Control~~. ,e?

- Despite the fact that nearly every state that has requested welfare reform waivers has asked for a waiver of Quality Control requirements, we have never granted one. Our standard procedure for this type of situation is to refrain from citing errors during the payment adjustment lag (PAL) period, and then to review against the revised program requirements operative under the demonstration project. how long? ?

- The "culture change" aspects of the demonstration will be furthered by the substantive waivers, such as decreasing JOBS exemptions and increasing asset limits. The marginal effect of Quality Control change above this would be modest. who says? State may disagree

- We can offer Oregon some flexibility within the existing Quality Control system, and we have been working with the state to that end.

- Among the things we are prepared to do for Oregon under a Quality Control agreement with the State are the following:

  - Allow the State to reduce its sample size (below the ? minimum required State sample size) to the Federal subsample size. We mutually agree to recognize and accept the lower precision of the error rate estimates based on the smaller State sample size.

Done before?

  - Allow the State flexibility to conduct either face-to-face or telephone interviews.

  - Allow the State to modify the review methodology by ? eliminating (1) the IRS and the BEERS income data matches and (2) routine reviews of elements (above and beyond the review of elements eliminated by ? streamlining for a payment accuracy review) for which the State has found one or no errors in the past two years.

e/2?

redundant review of elig data

Oregon
DEPARTMENT OF
HUMAN RESOURCES
Human Resources Building
OFFICE OF THE
DIRECTOR

March 28, 1996

Contacts: Stephen Minnich (503)945-5601
Janice Babcock (503)945-6815

Sweeping welfare reform agreement signed today in Oregon

Oregon officials have signed a final agreement with the U.S. Department of Health and Human Services and the Department of Agriculture that spells out the provisions of the state's innovative new welfare reform waivers. With the waivers in place, Oregon will complete a comprehensive, state-wide shift in its welfare policy.

By mid-summer, when the waivers are actually implemented, welfare will be totally focused on moving people into jobs, supporting them during that transition with a temporary benefits package. By combining the Oregon Health Plan, agressive child support collections, and employment support such as childcare subsidies, families will be better off financially at work than on welfare.

Governor Kitzhaber, noting that the welfare reform waivers are another step in implementing the Oregon Option, praised the Clinton Administration's commitment to assisting Oregon in moving ahead with these cutting edge reforms. "This isn't a 'throw people off welfare' reform, this helps people find work. These waivers reinforce the state's commitment to helping families avoid or leave welfare as soon as possible. By avoiding long term dependency on welfare, we will be able to deliver the services Oregonians need in a cost-effective manner."

Stephen Minnich, the head of the Adult and Family Services division of Oregon's Department of Human Resources, said that the waivers are key to implementing Senate Bill 1117, passed by the 1995 Legislature, Noting that welfare reform in Oregon has already produced a 20 percent drop in the caseload in the last two years, Minnich said, "the waivers represent the additional tools we need to help people, especially young mothers, establish themselves in the workforce and escape poverty."

The main provisions of the Oregon Option welfare reform waivers include the roll-out of the state's pilot JOBS Plus program, a public-private partnership that gives clients subsidized on-the-job training for

John A. Kitzhaber
Governor

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six months. Full participation in the JOBS program will also be required. Mothers will be asked to look for work or be in training within three months of the birth of a child, rather than the current one year.

Other provisions include progressively more severe penalties for clients who do not cooperate with the JOBS Program. Penalties can be reversed and benefits restored when the client makes progress toward self-sufficiency. Teen parents on welfare will also be required to live in a supervised, safe place. That location will be determined by the teen and case worker together.

Oregon will also receive additional federal funding in recognition of its past success in reducing its welfare caseload. The money will be partly reinvested in services that will help more people leave and remain off welfare. Under the Oregon Option, the state will be accountable to the federal government for further caseload reductions which can result in future savings.

"We are going to be asking more of people who are on welfare in Oregon," Minnich said. "But they will also be able to expect more from us. Our workers will be able to tailor services effectively and flexibly to each family to help them avoid long-term dependency on welfare."

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Oregon
DEPARTMENT OF
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Human Resources Building
OFFICE OF THE
DIRECTOR

November 16, 1995

MaryJo Bane, Assistant Secretary
DHHS Administration for Children and Families
370 L'Enfant Promenade, SW, Suite 600
Washington, DC 20447

Re: Oregon Option Waiver issues

Dear MaryJo:

As you are probably aware, Governor Kitzhaber met with Elaine Kamarck recently to discuss the status of the various components in the Oregon Option. As part of that discussion, the Governor expressed concerns about the few stumbling blocks that are preventing waiver approval for the Family Stability component. These are the same issues that we discussed during your visit to Seattle this past August. It is my understanding from Governor Kitzhaber that Ms. Kamarck offered her assistance in trying to resolve the remaining issues so that the State might move on with its Welfare Reform Plan in the near future.

Over one month ago we had told Howard Rolston that, rather than move ahead with a waiver package that contained these limitations, we would prefer to wait for Congressional action as an implementation vehicle. However, if indeed there is some hope that we would be able to resolve these remaining issues, we stand ready to discuss and move forward with our Oregon Option waiver request. For your information, I am listing below our remaining issues, the first three being those we believe are most critical to our success.

1. Block Grant Approach:

Oregon has requested a federal financing plan that parallels the Congress' approach for Welfare funding, i.e., Oregon would operate our Aid to Dependent Children (and Food Stamps for that same population) under a block grant at the FFY '94 level. Any savings that we were able to achieve through our successes with self-sufficiency approaches would allow us to reinvest the extra federal dollars (that we would have spent on maintenance payments) into increased JOBS program support and ultimately other prevention programs, such as teen pregnancy reduction.

Howard Rolston has indicated that HHS cannot allow such a financing plan without full matching on our part. Therefore, any federal savings would only be available with a state matching requirement (as yet unspecified percentage, probably 50%). That would require the State to expend state dollars up to and probably in excess of our current

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* Hatfield - our pos.
OMB: caseload declining

MaryJo Bane, Assistant Secretary
Page 2

commitment to realize the full FFY '94 federal drawdown in a time of decreasing caseloads. While we are not opposed to some maintenance of effort requirement, a 50% matching rate does not look attractive.

2. Quality Control:

Oregon has requested to be relieved of any potential quality control sanctions for two major reasons. First, this would allow us to focus more fully on self-sufficiency efforts and somewhat less so on some of the technical eligibility verifications and documentation that have piled up over the years but that do not have a direct pay-off in outcomes we are trying to achieve. Secondly, this change would allow us to redirect our current quality control resources to provide us the type of management information we need to measure outcomes rather than the current quality control "process" measures. Without this flexibility, the State must continue the current quality control focus with our caseworkers and quality control staff or face substantial fiscal penalties from the federal government. This is exactly the approach we have taken with the Oregon Health Plan waiver. The HHS Health Care Financing Administration has given us a waiver in which we agree to an "assigned" error rate, below the sanction level, so that we are able to use staff to tell us more about the workings of the Health Plan. This has then allowed the State to tailor the plan based on information about its use. Howard Rolston, however, has indicated that HHS is unable to waive a quality control system or sanction penalties for the AFDC program (and presumably for Food Stamps as well).

3. Evaluation Requirements:

Oregon has asked for a statewide implementation of the Oregon Option waivers, similar to the permission we received from HHS for the Oregon Health Plan waiver. Howard Rolston has indicated that with some amount of work, he (and perhaps yourself) might be able to convince OMB that we would start with a standard type of evaluation (random assignment, test and control groups) but that we might then eventually negotiate and migrate to a model that was closer to what we wanted (statewide participation without random assignment). Unfortunately, the use of random assignment and less than statewide participation would require the maintenance of two quite different systems, and would prevent implementation of one of the basic tenets of the welfare reform plan, i.e., that JOBS program participation is for everyone). ?

4. AFDC-UP Rates:

We have asked for a waiver from the participation rates for the two-parent AFDC program. For us, this requirement means trying to put more two-parent families in work site training to meet the participation requirement irrespective of the

* OMB ~~error rates~~?

Thorne
Kanarek Oregon 2/22/96

GOV talked to Panetta yesterday re h + w

H – Gov wants deal ASAP...

– or drop people? – alternative

$7/mo → $28/mo. @ 100% pov.

Embraces premiums philosophically

Monahan – MC

alternative worse

* Latest Bruce but not ASPE ?

Oreg deleg will raise LHHS hearing – Hatfield

EK – suggests expanded pop shld be redefined/treated differently

W – 1. Block grant – OK – ACF will match unusual things – JOBS

2. QC – rather the error rates

– MA has waived – hypoth error rate

– EK neg

– Cops + radar – fear for denying error

– believe counsel ~~not denying also~~

3. Control gp

Feel gd, but this is 1st big test

outcome. We believe this would then dilute efforts such as work search and job preparation, that we know will produce benefits. Howard has indicated that this requirement is not waivable.

5. Remoteness exemption:

We have asked for a waiver of remoteness as an exemption from JOBS. So, if individuals choose to stay in an area that is outside specified boundaries, we would be unable to require their participation in JOBS. Howard has indicated that this is not waivable.

I understand that this is a challenging time for all of us in the Welfare Reform business, and certainly that is true for you and your staff. However, if you believe it would be possible for us to reach some agreement on these issues, I would very much appreciate your assistance.

Sincerely,

Gary Weeks

Gary Weeks
Director

GW:JN:at

cc: Donna Shalala
Elaine Kamarck
Bev Godwin
Connie Revell

bc: Jean Thorne

admin\jim\bane.jn

→ Or: OMB too → Pat. Jue
→ PASS - press
→ FNS

To: Leon Panetta
White House Chief of Staff

Fr: John Kitzhaber
Governor of Oregon

Re: Follow-up to Telephone Conversation

Thank you for taking the time to discuss this with me. I appreciate your willingness to deal with this problem.

We have worked hard in Oregon to develop Medicaid and welfare programs which are responsible and which produce results by making Oregonians healthier and by moving welfare recipients to work. The Oregon Health Plan has extended coverage to 130,000 Oregonians, and we have reduced our welfare rolls for two straight years. Given these clear successes, I cannot express how frustrated we are with HHS which is continuing to block our efforts to effectively implement these programs.

<u>Medicaid (The Oregon Health Plan)</u>

We first submitted our proposal <u>last July</u>. I then discussed this issue with you briefly when we met last October. I also discussed it with Secretary Shalala. However, it is still not completely resolved, almost eight months after submission. The issue involves charging very low sliding-scale health insurance premiums to the 120,000 people who are eligible for Medicaid <u>only</u> because of the Oregon Health Plan.

- Although we eventually received approval from HHS to begin charging the premiums, we still have not reached agreement about what to do with people who simply refuse to pay their premiums for more than a 6-month period. At some point, we have to remove people who take benefits but won't pay.

- We have put a number of proposals on the table with HHS. All of them are designed to help those who are most destitute, but to do it in a way which is administratively feasible and still allows us to capture the savings mandated by our budget ($12m state funds over 18 months). <u>If we do not receive approval in the very near future, I will be forced to take action to drop up to 15,000 people from coverage in order to achieve these savings.</u>

The Oregon Health Plan is an extremely popular program as well as very effective. There will be a huge public outcry when these people lose coverage and it will not reflect well on the administration.

Welfare Reform Program

This waiver request was also submitted last summer under the auspices of the Oregon Option. (This is a concept championed by Vice President Gore who signed an agreement with former Governor Barbara Roberts last year. Under the agreement we were promised flexibility in exchange for a focus on outcomes.) We have proposed a number of changes to our program which we believe will produce even greater positive results. In exchange, we asked for flexibility in a number of areas, including:

- being allowed to use the federal funds which we would otherwise have received for welfare benefits to invest in programs which will not only move people off of welfare, but keep people from ever coming on in the first place;

- being excused from some of the excessive process-oriented requirements of welfare programs (such as redundant review of eligibility data) in order to reinvest those resources into assessing how we can make further progress in moving people to work; and,

- making these changes statewide for the entire program, evaluating its success by comparing it with previous performance, rather than being required to have control groups under the old system (which would require us to run dual systems).

Although HHS does not appear to have concerns about the program changes we are making, they insist on keeping very bureaucratic requirements. The Oregon Option promised us more flexibility in operating these demonstration programs. We have delivered the desired outcomes -- we are not seeing the flexibility.

Again, I am being pushed into a corner on this and very soon will have to publicly acknowledge that the administration is not living up to its end of the Oregon Option agreement.

Leon, I will do all I can to support the President here in Oregon. I do not want to end up in the position towards which I am being pushed by HHS. But these are critical policy issues of great importance to the people I represent.

Thank you for your attention to this matter.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 26, 1996

MEMORANDUM FOR: CAROL RASCO
ELAINE KAMARCK

FROM: Ken Apfel Ken

RE: Oregon's Food Stamp Waiver Request

As a part of their welfare waiver, Oregon has requested to waive three components of the Food Stamp program: Job or Work Supplementation, expansion of eligibility rules for non-AFDC recipients with regards to the vehicle resource limit, and changes to the way the State is required to measure their error rates. While the food stamp waiver has been packaged with Oregon's welfare waiver, this waiver is separate and apart from the AFDC waiver which the Administration has agreed in principle to approve. One element of the food stamp waiver has a strong relationship with the agreed upon AFDC waiver - Work Supplementation - and does not have significant costs. OMB/USDA have recommended approving this proposal. OMB and USDA have recommended that Oregon's request to raise the vehicle asset limit for the non-AFDC caseload and to change the food stamp quality control methodology be denied. I believe there would be serious consequences to allowing these two requests and I do not believe the proposals are critical to innovative welfare reform. These proposals have significant costs, are not consistent with the Administration's position on these issues, and would establish an undesirable precedent for future food stamp waivers. I strongly urge you to support OMB and USDA's recommendations.

Quality Control

Currently, States are required to do an extensive quality control (QC) review on a portion of their food stamp cases. Following their review, USDA then does a similar QC review on an even smaller portion of the cases. Using the information from these reviews, USDA calculates the average annual state and national error rates upon which incentive and sanction payments are based. OMB estimates that $2 billion in food stamp benefits will be issued erroneously in FY97. Oregon has requested a waiver to reduce the size of the State quality control sample size by approximately two-thirds, limit the eligibility items which they would review, and change some of the procedures for completing the reviews. Oregon's combined payment error rate for FY94 was 9.88%; the national average was 10.32%; the target rate is 6%. Oregon requested and the Administration has agreed in principle to provide a similar waiver for AFDC QC. <u>We have serious concerns about this waiver and are strongly opposed to granting it under any terms.</u> If this QC waiver is granted for Oregon, we cannot imagine any reason why every State in the country would not ask for it and the Administration would have established a precedent of approving such waivers.

USDA and OMB recommend disapproval of this component of the waiver for the following reasons:

> **Cost Neutrality:** While cost is difficult to estimate since it is unclear which components of the QC review Oregon would like to drop, this proposal would surely impact the national error rates, liability and enhanced funding system. One possible outcome is that Oregon redefines error in such a way that its combined payment error rate drops, the national average drops and Oregon qualifies for enhanced funding. Meanwhile, States in sanction would fall further into sanction since Oregon would cause the national average to drop. While quality control does not account for many FTE at the State level, it is an unpleasant chore which the States do not enjoy. <u>If the Oregon QC waiver is granted, every other State will want the same waiver which would completely undermine the effectiveness of the QC system and the integrity of the program.</u> The Administration would have no basis to deny future QC waivers if the Oregon waiver is granted. Leaving only the possibility of the QC system eroding via waiver or creating unnecessary tension in the federal-state relations. <u>This waiver could seriously undermine the Administration's role as a steward for the Food Stamp Program - it cannot be granted.</u>

Integrity of the Quality Control Instrument: OMB estimates that $2 billion in food stamp benefits will be issued erroneously in FY97. While States administer the food stamp program, benefits are 100% federal monies . Maintaining nationally consistent measurements in quality control is critical to USDA's ability to determine which elements of the program are causing the most difficulty for States and to determine which States are managing federal monies most effectively. The Agriculture Committees have repeatedly accused the Administration of attempting to improve national payment accuracy rates by "lower the goal post" on States. If the Administration were to grant this waiver, it would in fact be "lowering the goal post" instead of requiring States to maintain a certain level of integrity.

Under this Administration, USDA has made significant efforts to eliminate process or output measures such as certification periods, monthly reporting, and matching systems. But, payment accuracy as measured by the quality control system is the only effective outcome measure the food stamp program has. If Oregon were permitted to reduce the sample size and to no longer verify whether it was issuing benefits accurately, it as well as the Federal government would loose access as to the only available information on how well the program was operating.

Interactions with Welfare Reform: The Administration has taken the position that the Conference welfare bill dangerously expands food stamp waiver authority. One of the examples the advocates and the Administration have used in arguing against the Conference bill waiver authority is that States would be able to waive out of the quality control system entirely.

Vehicle Asset Limitation

Currently, food stamp households are permitted to own a vehicle with a fair market value under $4,600. This amount is scheduled to increase to $5,000 in FY97 and index each fiscal year thereafter. The Oregon waiver would increase the limit to $9,000 and would move to an equity basis rather than a fair market value basis. (On an equity basis, a low-income household with a $20,000 car and an outstanding $11,000 loan on the car would qualify for food stamps.) The Oregon AFDC waiver would increase the limit to $9,000 on an equity basis; the food stamp waiver would raise it for the non-AFDC caseload as well.

USDA and OMB recommend disapproval of this component of the waiver for the following reasons:

Cost Neutrality: USDA estimates this component of the Oregon waiver would cost the food stamp program approximately $3 million per year. Food Stamp benefits are financed entirely by federal monies. While similar waivers have been granted to other states (Florida, Iowa, Michigan, Ohio, North Dakota) it has always been in the context of cost neutrality i.e., the State has offered some sort of reduction in federal costs in order to offset the cost of the expansion. Oregon has not provided such an offset. Granting the Oregon waiver would establish a difficult precedent to ignore in the future. For example, California has recently applied for a similar food stamp waiver on the vehicle asset limitation which would cost in excess of $5 million per year. <u>If the Oregon waiver were granted for all States, the cost would be $265 million per year or a cost of $1.3 billion over five years</u>.

Interactions with Welfare Reform: The Administration's welfare reform bill would actually lower the vehicle asset limitation as a welfare reform savings proposal. The proposal would eliminate the scheduled expansion to $5,000 and simply allow the limit to increase each fiscal year with the CPI. The Oregon waiver is inconsistent with this proposal. In addition, if Oregon and other States are permitted to waive the current rules, CBO would have to lower the savings from this $360 million proposal (the HR4 version of the vehicle asset cap would save $950 million).

One of the single most egregious provisions in the Conference Welfare Bill is a proposal to cap federal spending on the Food Stamp Program. The Republicans have consistently argued that the program is growing out of control and that spending must be reigned in. The

Administration has fought hard against this spending cap proposal and appears to have made some progress with regards to the National Governors's Association's proposal. Granting the Oregon Food Stamp waiver, thereby increasing spending administratively, would only provide the Republicans with further ammunition to support the annual spending cap on food stamps.

Alternative: Oregon's request is a simple expansion the federal food stamp rules intended to allow more households on the rolls. It does not apply to AFDC households, nor does it test an innovative approach to move individuals to work. Essentially, the waiver is tantamount to an interest free loan from the Federal government to the State. If Oregon desires to supplement federal food stamp benefits with State monies, USDA is willing to explore with the State how best to put such a plan into operation. This approach seems more reasonable than granting Oregon a waiver condition upon cost neutrality when USDA knows the waiver will exceed cost neutrality. Any agreement would have to ensure adequate measurement, a guaranteed pay back dollar for dollar and a payback pending Administrative appeals.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 11, 1996

MEMORANDUM FOR CAROL RASCO
ELAINE KAMARCK

From: Ken Apfel [signature]

Subject: The Oregon Waiver Proposal

Cost neutrality -- based on random assignment control group analysis -- is an essential part of the welfare waiver process. These well-developed procedures simplify and speed waiver approval. They also protect the Administration from charges of expanding welfare through waivers. As a result, I strongly oppose modifying cost neutrality provisions that are now in place in 37 States. Having said that, I would be willing to consider special treatment for Oregon if -- and only if -- all other players in HHS, USDA, and the EXOP agree that special treatment for Oregon will ***NOT*** be considered a precedent for any other States.

As you know, Senator Hatfield has included a rider in the Senate omnibus appropriations bill that approves the Oregon waiver request. That provision would guarantee Oregon the 1994 level of funding for AFDC and AFDC-related Food Stamp, and is estimated to score $11 million in 1996 and $20 million in 1997. Frankly, I think it is a better result to have Congress override us than for the Administration to compromise cost neutrality in welfare waivers.

Discussions between HHS and Oregon have made it clear that the real issue is money, not quality control and research design. ACF has suggested an approach that gives Oregon "bonus" AFDC funding to the extent their average spending change over the two preceding years is lower than the national average. We could expect this approach to cost at least $10 million the first two years of the waiver -- and substantially more if Oregon decides to restrain or lower AFDC payment levels. (Reduced benefits would increase Food Stamp costs.)

Just a big

Oregon 3/13/96

Orig applic - bad - bg, QC, no bens over summers

*~~Als underway?~~

*Hoff C. - KA *Keith refs $11m 96 20m outyrs

*Call Tarplin

Plan - random asst. - wont ble prec

QC - "more flex" - State flex gives them

Keep Fed re-review

Oreg md clear want to use svgs for prevention

- 94 WIC gt. costs $ } still issue of whether there are svgs - bn
- Can match the unmatchable
- Wanted 94 6-l; someone sd natl vs local
- Is risk of over average; must hv extra $ state to chip in
  - not attractive to other states

Rich - 2 bad precedents - CBO sez no cost → leader: cost will be attached

EK - 5 yr pay back?

Hoff. Impose solution vs. take credit

~~How bad is bn proposal?~~

How characterize?

1st 2 yr bonus?

Why not off control gp?

Wld Hoff do if a cost?

This approach could be very expensive if applied generally. Each year, we can expect half the States to beat the national average in terms of caseload changes -- and ACF's recommended approach allows Oregon to drop out of the waiver if they have adverse caseload changes. We must all agree that special treatment of Oregon would be a one-time event, based on the MOU they already have signed on Oregon Options. We must also agree that if any other State requests a similar MOU, the MOU must be written such that it anticipates standard cost neutrality provisions for any AFDC/Food Stamp waiver. If we can come to agreement on these issues, I will not oppose funding AFDC/Oregon in the manner suggested by ACF. If, instead, Oregon is the new benchmark for waivers, then I see no way that OMB could agree to such an approach. Let's talk as soon as possible on this issue.

410-786-3160

100
x10
1,000

6%

4%

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget
Program Associate Director for Human Resources
260 Old Executive Office Building
Washington, DC 20503

MAR 12 1996

Fax #: 395-5730 Phone #: 395-4844

FACSIMILE COVER SHEET

DATE: 03/12/96

TO: Carol Rasco
Elaine Kamarck

Number of pages (including cover sheet): 3

FROM: Ken Apfel

Attached please find Oregon Waiver Proposal memorandum.

Hard copy is in inside mail.

Eval + QC - OK acc to Rolston

Fin'g - close - kicker based on nat'l ave

Cost ment

If Oregon does better than average

@

EXECUTIVE OFFICE OF THE PRESIDENT

22-Mar-1996 05:42pm

TO: FORTUNA_D

FROM: MKing1

SUBJECT: Re: Oregon welfare waiver

I've spoken with ACF regarding OMB and the Food Stamp issue. They state that the FS part of the waiver has been spun off and will be completed at a later date as a separate waiver. The State is OK with that.

At this point we've pushed back the release till Tuesday early afternoon.

Do you know of any other conflict?

Thanks and have a great weekend.

yvette: omb and acf wanted to do adc waivers; fns wants to do wage suppl w/fs as source;
2 other issues: omb won't approve
1. exclude car; want to do w/hshlds that aren't afdc;these are already wkg fams; $3m for Oregon; no offsets; need algo from aware of issue; haven't told them no; her staff
2. QC: reduce sample size to 1/4 and not look at anything but income or resources;
national error rate goes down toilet
hhs may be diff bec. they have no sanctions, whereas fns does
John M: state could pay for it
Keith:
AFDC: what did hhs agree to on afdc;
proposing to ditch inflation allowance
QC: error rate in fs 10%, vs afdc 6%; states less careful
above goals in fs, not afdc; no better than average
in practice, penalties not enforced, more in acf; fs allows for reinvestment of penalties; not many people;
big diff is 100% federal share, fewer incentives; people who don't work are easier to keep track of than those who work;
Other than income, resources, shelter costs, utilities, child care; spending as well as income/assets; different structure;

JohnM: talked to Gibson; JM told him separate track, MG sd hate to have dangling, thought day or two;

Gibson: hhs done; final outst issues are ag: qc: tent agreement; vehicle limit: still an issue: trying to push people to work and then spt in workplc;
afdc agreed to $9k equity; fs is $4,500 mkt value (same as current law) ; compromise they want $9,000 mkt value; would limit to JOBS program grads; just put on table this a.m.;

Rolston: state legislature/ advocate proposal
QC: new state proposal: limit to joint cases; told Minnich/Neely that go ahead w/o fs; but today state said try to settle fs;
VEHICLE: states says would pay for itself thru
let them get behind; and pay it back; rhetoric on npa caseload:
PAY FOR IT; why not? ask Keith; experimental and control group;
Yvette from Howard:
to Minnich: will live w/our position on qc; want badly vehicle stuff on transition; understand cost neutrality; want option of control gp; pay us back after 1 year if there's a cost; then decide whether to drop or do it again
Ken: never pay us; put in language that continuation is contingent on their paying us
Howard:
have solution acc. to all? talked to state this a.m., USDA OK, talked to OMB, ok w/staff level; working w/fs on drafting; will go to omb in semi-final by 5p.m., will give stacy heads up soon;
fs: could send to state w/extreme qualifiers, since omb not hostile to the approach;
Keith: worked out w/fcs a cost neutral pkg; no qc, trans vehicle;
hopes lang in am
Yvette: counter suggestion; state says may have increase first year and then go down; more leeway? worked out idea: year 1, pay 50% and waive balance; year 2: 75%, year 3 pay it all

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201

FAX COVER SHEET

DATE: 3/14/96

TO: Diana Fortuna

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: 3

Message:

Ms. Fox to Diana Fortuna

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

The Honorable Mark Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I am pleased to inform you that an agreement has been reached between Department of Health and Human Services officials and the State of Oregon on the key issues that would allow the State to implement the Oregon Option welfare reform demonstration for AFDC, JOBS, and related HHS programs, including issues pertaining to federal funding. The uniqueness of Oregon's proposal in the context of the Administration's Memorandum of Understanding with the State warrants a special approach, to be applied only in Oregon, to carrying out this demonstration. You have my commitment that I officially will grant the waiver as soon as HHS staff and State staff can finalize the details of an agreement.

Oregon and HHS staff together have crafted an agreement that demonstrates a solid partnership for testing new approaches to welfare reform. This agreement focuses on achieving important outcome-based benchmarks for helping families move from welfare to work and reducing child poverty.

Sincerely,

Donna E Shalala

Donna E. Shalala

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAR 14 1996

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator Wyden:

I am pleased to inform you that an agreement has been reached between Department of Health and Human Services officials and the State of Oregon on the key issues that would allow the State to implement the Oregon Option welfare reform demonstration for AFDC, JOBS, and related HHS programs, including issues pertaining to federal funding. The uniqueness of Oregon's proposal in the context of the Administration's Memorandum of Understanding with the State warrants a special approach, to be applied only in Oregon, to carrying out this demonstration. You have my commitment that I officially will grant the waiver as soon as HHS staff and State staff can finalize the details of an agreement.

Oregon and HHS staff together have crafted an agreement that demonstrates a solid partnership for testing new approaches to welfare reform. This agreement focuses on achieving important outcome-based benchmarks for helping families move from welfare to work and reducing child poverty.

Sincerely,

Donna E. Shalala

FACSIMILE TRANSMISSION

ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF THE DEPUTY ASSISTANT SECRETARY
FOR POLICY AND EXTERNAL AFFAIRS
370 L'ENFANT PROMENADE, S.W.
WASHINGTON, D.C. 20447

DATE: 3/13/96
TO:
Name: Diana Fortuna
Organization:
Telephone: 456-5570
Fax: 456-7028
Number of Pages (excluding cover): 2

FROM:

Name: Ann Rosewater
Deputy Assistant Secretary
for Policy and External Affairs

Telephone: (202) 401-5180
Fax: (202) 205-3848

MESSAGE: This is draft legislative language that Rich is using for discussions with Hatfield's staff —

AR

DRAFT

OREGON OPTIONS - draft legislative language

The Oregon Option welfare reform demonstration is part of a unique Federal/State partnership negotiated under a Memorandum of Understanding to provide the State flexibility to better serve low income families. It includes as one of its primary goals making families more self-sufficient by moving them from welfare to work. In carrying out this ambitious effort, Oregon plans to measure the efforts of this program on a broad range of outcomes, including reduced caseloads, increased work by welfare recipients and reduced child poverty.

The Secretaries of the Department of Health and Human Services and the Department of Agriculture will approve waivers under section 1115 of the Social Security Act and 17(b) of the Food Stamp Act to allow the State of Oregon to operate a welfare reform demonstration titled Oregon Option, as submitted to the Department on July 3, 1994, provided that in approving waivers for the demonstration:

1) waivers shall be granted only to the extent they are consistent with section 1115(a)(1) and (2) of the Social Security Act and section 17(b) of the Food Stamp Act;

2) a waiver shall not be provided to discontinue the State's program of aid to families with dependent children of unemployed parents for the months of June, July, August and September;

3) an impact evaluation of the demonstration shall be conducted based on a random assignment of individuals, including a minimum of 1,000 AFDC cases and 400 non-Public Assistance Food Stamp cases each being assigned to an experimental group subject to the waiver provisions of Oregon Option and a control group subject to regular program rules;

7

4) the impact evaluation shall cover a period of at least 3 years from initial random assignment, after which the research group may, at the State's request, be terminated and control group case subject to Oregon Option if the State demonstrates, to the satisfaction of the Departments, the following:

4

(a) demonstration impacts have been largely and substantially positive, are statistically significant, and will most likely continue to remain positive;

(b) a process analysis has shown that the demonstration has been implemented in a timely manner so that the impact analysis discussed above reflects enough experience with the treatment to allow the Departments to be confident that any negative impacts that might have occurred during the demonstration would have been evident at the time of the analysis; and

DRAFT

(c) the State has established outcome-based performance measures that have been shown, through comparison with the experimental impact data, to be effective proxy measures of the impacts of the demonstration on important outcome variables. In consultation with the Department, the State will develop performance standards based on these measures.

5) A waiver of quality control will not be provided, however the state and the Departments shall mutually agree upon modification to the system linked to the establishment and achievement of benchmarks (payments otherwise due the Secretary under section 408(f) shall instead be re-invested by the State in improved operations of the demonstration);

6) The State shall be allowed to draw down additional matching funds at a 50 percent match rate under title IV-A for child care and work programs up to a cap mutually agreed to by the Department of Health and Human Services and the State that is based on: 1) the extent to which (a) AFDC benefits and child care costs made under section 402(g)(1)(A)(i) and (ii) of the Social Security Act in Oregon are reduced as compared to the nation as a whole; and 2) whether Oregon meets specified benchmarks as measured by key program indicators.

The Honorable Mark Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, DC

Dear Mr. Chairman:

I am pleased to inform you that an agreement in principle has been reached between Department of Health and Human Services officials and the State of Oregon on the key issues that would allow the State to implement the Oregon Option welfare reform demonstration, including issues pertaining to federal funding. The uniqueness of Oregon's proposal in the context of the Administration's Memorandum of Understanding with the State warrants a special approach to carrying out this demonstration. You have my commitment that I will officially grant the waiver as soon as HHS staff and State staff can finalize the details of an agreement.

Oregon and HHS staff together have crafted an agreement that demonstrates a solid partnership for testing new approaches to welfare reform. This agreement focuses on achieving important outcome-based benchmarks for helping families move from welfare to work and reducing child poverty.

Sincerely,

Donna E. Shalala

Monahan called Howard R;
want to keep $ even if money down; invest in prevention
trick was : control gp vs exper gp
that's cost neutr issue?

if oreg saying not cost neutral, that is news;

MJB to KA: okif no precedent; as long as
ken said this am what carol said; structured whole negot around 3 pieces to trade off;

proposing to structure ; would be cost neutral in ma world, but do different; $7m in 96;

wants to do this deal;

commit to do better than nat'l ave; as part of that, can keep savings; in day care and put in svs

---

qc and eval resolved;

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

14-Mar-1996 02:32pm

TO: Diana M. Fortuna
TO: Elaine C. Kamarck
TO: Kenneth S. Apfel

FROM: Carol H. Rasco
Domestic Policy Council

SUBJECT: Oregon

FYI:

Alice and I have just talked about this waiver and the need for the letter written to Oregon to be very Oregon specific to give us as much protection as possible. I am calling Kevin Thurm now to tell him that the three of you must be in the loop and not at the 11th hour this time on how that wording is to be done.

sigh....................

Lester
Staff:
Constraints but
not cost neutral

First 2 yrs.

Caseload ↓ faster than ave.

MA - project, costs what wld hv been

Can only occur w/ random
assignm't
agreed to 3 yr rand ass't
Satisfies res concerns
Compare expend ses

Nat'l ave last 2 yrs.

Expenditures - can control
~~Can hold constant~~ or reduce them

Nat 94/95 96
5% 6%
0 0
$/cm
0%

Use OMB

FTE as avg.

Sam S 212-687-3860

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

27-Feb-1996 07:08pm

TO: CN=Elaine C. Kamarck/O=OVP

FROM: Carol H. Rasco
Domestic Policy Council

CC: FORTUNA_D
CC: Beverly_Godwin

SUBJECT: RE: Oregon discussion

I'll be thinking on the remarks...I think we will need a strong statement about fact we KNOW they are different due to MOU but we also know that all states have wanted these kinds of things in a waiver and us simply saying the MOU makes it different won't hold water with many other states.

If this needs to be Friday afternoon I can get on phone hopefully from Florida, Pat knows where I will be and I will be checking email while gone (I leave at noon or so tomorrow); if on Monday Pat can work with you on a time.

Thanks.

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

27-Feb-1996 06:56pm

TO: RASCO_C
TO: FORTUNA_D
TO: Beverly Godwin

FROM: CN=Elaine C. Kamarck/O=OVP

SUBJECT: Oregon discussion

Message Creation Date was at 27-FEB-1996 18:57:00

Carol and I spoke briefly after the meeting. Let's try this out as a next step:

1) Schedule a conference call with Governor Kitzhaber and Jean Thorne for Friday afternoon or Monday.

2) Convey the following message: - we met with HHS and Food Stamp folks; they have some legitimate concerns which we share, about the precedent setting nature of these waivers for states that are not in Oregon's league. HHS seems willing to offer an unprecedented degree of flexibility in the QC ? design and process for Oregon alone -- would that suffice? On the evaluation issue, they claim that the control group can be as small as 1000 people. This doesn't seem like it should prevent a large scale transformation if the system is 20,000 to 30,000. Did they understand this?

3) If these two offers are still not satisfactory - can they think of any ways that we could deliver what Oregon wants while building a "fire wall" around them so that HHS can truly differentiate their treatment of ORegon from their treatment of other states?

4) Please feel free to edit, improve, change these remarks. Let's all agree on the content of the call before we schedule it. Thanks.

United States Department of Agriculture

Food and Consumer Service

3101 Park Center Drive
Alexandria, VA
22302-1500

FEB 2 0 1996

Mr. Gary Weeks
Director
Oregon Department of Human Resources
500 Summer Street, N.E.
Salem, Oregon 97310-1012

Dear Mr. Weeks:

The purpose of this letter is to inform you of the current status of your agency's Food Stamp Program waiver requests, which were submitted in conjunction with Oregon's welfare reform proposal, the "Oregon Option." The requests involve a change in the calculation of the Federal funding formula for food stamps, an addition to the vehicle resource exclusion, and relaxing Federal Quality Control (QC) requirements. They were submitted subsequent to your original waiver application, under section 1115 of the Social Security Act, dated July 3, 1995.

Our waiver authority does not allow the funding arrangement that you have proposed. Congress appropriates funds to redeem Food Stamp Program benefits and to support the direct costs of delivering these benefits. We have no appropriated monies that can be given to the State in lieu of avoided program costs. Our funding authority is tied to increasing the purchasing power of low-income households to permit them to obtain a more nutritious diet. Similarly, our waiver authority is tied to testing changes aimed at improving the effectiveness and administration of the Food Stamp Program. We do not believe that the funding waiver requested meets this test.

Likewise, we cannot approve your proposal to eliminate the QC system. Program integrity needs to be a part of welfare reform efforts. The potential impact of even relatively minor changes in the error rate—as a result of Oregon's welfare reform efforts—can be significant because the State's annual food stamp issuance is so large. However, we would not be able to determine that impact without a valid measurement system. Additionally, relaxing QC requirements for Oregon could send the message to other States that we are placing less emphasis on national error reduction in the Food Stamp Program. Finally, we believe that, because the payment accuracy measurement system is based on a national average, it is imperative to measure payment accuracy in all States.

We will continue to review your original request to expand statewide the food stamp waivers granted for the JOBS Plus Program. Additionally, we will consider your request to add to the current list of vehicles excluded from resource consideration one licensed vehicle per household if its equity value does not exceed $9,000. Your agency initially submitted this waiver request in October 1994, as part of its "Increased AFDC Motor Vehicle Limit Demonstration" proposal. We asked that the State design an adequate evaluation plan; one that included a reliable method for measuring the success or failure of the project, and for determining cost neutrality.

Currently, we are working with the Department of Health and Human Services (DHHS) to resolve several issues that impede the approval process for the "Oregon Option" proposal, most notably the State's evaluation design. We will inform you of our decision on your requests under consideration when a satisfactory agreement is reached. If you or your staff have questions concerning the status of your proposal, or require further information, do not hesitate to call.

Sincerely,

Yvette S. Jackson

Yvette S. Jackson
Deputy Administrator
Food Stamp Program

cc: Diana Fortuna, The White House

DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMIL
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

January 26, 1996

Mr. Gary Weeks
Director
Oregon Department of Human Resources
500 Summer Street NE
Salem, Oregon 97310-1012

Dear Mr. Weeks:

Thank you for your letter of November 16, 1995, concerning the status of the Oregon Option waiver proposal and expressing your readiness to move forward if there is a possibility of resolving the remaining issues. You list five areas of disagreement and ask whether I believe it would be possible for us to reach some agreement on these issues. I will address each issue in turn.

(1) **The block grant approach.** The state originally proposed to calculate the federal funding level of AFDC, JOBS, and AFDC-related Food Stamps for FFY 1994 and have that annual level of funding guaranteed for the life of the demonstration, in effect creating a federal block grant for the demonstration. Under this approach, any savings the state achieved could be directly reinvested into other demonstration-related activities, with no additional state funding required. As we mentioned in earlier correspondence, we have two problems with this proposal. First, we set cost neutrality using a cost baseline that reflects economic changes and population shifts, rather than using a fixed base year. And second, legally our only mechanism for making up savings (i.e., for providing federal funds up to the baseline when the state's spending is below the baseline) is through matching costs that are not otherwise matchable, generally at 50 percent. Therefore, the state will have to provide matching funds in order to get the additional federal funds. Some of these funds could, however, be for currently unmatchable demonstration-related expenditures that the state would make even in the absence of demonstration savings, such as JOBS program costs above the federal funding cap. Since Oregon has a history of substantially spending above the JOBS cap, the availability of federal funds for these expenditures would effectively provide savings to the state.

(2) **Quality control.** While we cannot waive sanction penalties or the quality control system, we may have some flexibility within the statute in terms of the level of effort needed to comply with quality control requirements. It is my

understanding that Oregon and ACF's Quality Control staff have had extensive discussions regarding these requirements, and were close to reaching an agreement at the time you submitted your waiver request. The most promising way to make progress in this area would be to pursue those discussions.

(3) **Random assignment requirements for evaluation.** We have suggested an approach that uses random assignment only in a limited geographic area and for only a limited time. This approach minimizes the size of the control group while maintaining the needed rigor for evaluation in a statewide demonstration. We can understand your desire not to operate two programs concurrently. Nonetheless, our experience with non-experimental research designs strongly indicates that they are inadequate for measuring program impacts and cost neutrality. We are, however, prepared to discuss any alternative approaches to evaluation and cost neutrality that you may propose.

(4) **JOBS participation rates for AFDC-UP recipients.** We do not have the legal authority to waive the JOBS participation requirements to allow job search or job preparation to count in the participation rate calculation. The state can, however, count employment in an unsubsidized job as participation under these requirements.

(5) **The remoteness exemption.** As we have said in earlier correspondence with DHR staff, the remoteness exemption is waivable, but only to the extent that the policy put in place conforms with the restrictions on unreasonable travel in §484 of the Social Security Act, which is not waivable. As defined in regulations, this generally means that the state cannot require more than two hours' total daily commuting time between the participant's home and the program activity site to which the participant is assigned.

I appreciate your efforts at welfare reform and I look forward to continuing to work with you on this important effort.

Sincerely,

Mary Jo Bane

Mary Jo Bane
Assistant Secretary
for Children and Families

cc: Steve Henigson
ACF Regional Administrator
Region X

THE WHITE HOUSE

WASHINGTON

February 26, 1996

MEMORANDUM FOR LEON PANETTA

FROM: Diana Fortuna
Domestic Policy Council

SUBJECT: Pending Oregon Waivers and "Oregon Option"

This is to update you on Oregon's two pending waiver requests and their relation to the "Oregon Option," especially in light of Governor Kitzhaber's concerns about HHS's review process. Last week, Elaine Kamarck and I met with Oregon officials to hear their complaints, and we agreed to follow up with HHS. Carol Rasco and Elaine Kamarck are meeting with HHS and USDA officials tomorrow to discuss this further.

Oregon's waivers, which have been pending since last summer, should be viewed in light of the Oregon Option, a memorandum of understanding between Oregon and the Federal government signed by the Vice-President and several Cabinet secretaries in December 1994. Under the Oregon Option, we agreed to test a new, more flexible approach to service delivery based on outcomes rather than process. No other state has such an agreement with the Federal government. Governor Kitzhaber's complaint is that HHS is reviewing the state's waiver requests as if this agreement did not exist. It does appear that HHS has not adjusted its review process in light of this MOU.

<u>Medicaid Waiver:</u> This issue should be resolved in a few days. Oregon already has a Federal waiver that allows the state to save money through a system many characterize as rationing, and to use the savings to add people to the Medicaid rolls. Fiscal problems have led the state to ask permission to impose premiums on those newly eligible for Medicaid, ranging from $7 per month for those with virtually no income to $28 per month at 80-100% of the poverty level. HHS has had serious concerns about Oregon's plan to drop people from the rolls if they are unable to pay. However, HHS and the state are close to an agreement on a plan that would exempt a few groups from the premiums (the homeless, crime victims). This is the first time HHS will have agreed to drop people from the Medicaid program for failure to pay premiums.

<u>Welfare Waiver:</u> This is the more difficult issue. The state's request resembles other welfare waivers in that it requires recipients to work, puts time limits on benefits, and allows recipients to keep more income and assets as an incentive to work. The controversy comes from Oregon's request to be free from two restrictions that HHS does not waive.

First, the state wants its workers to stop focusing on error rates in determining eligibility and to focus instead on getting jobs for welfare recipients and preventing people from coming on the rolls. HHS's Administration on Children and Families responds that there are limits on their waiver authority in this area, but it is not clear how much energy and creativity they are bringing to the task of devising alternatives. (Senator Hatfield has expressed an interest in adding to the next CR any legislative changes that Oregon requires.)

Second, the state wants to make these changes state-wide, but ACF insists that the project be evaluated with a control group. This is not a statutory constraint, but one that Mary Jo Bane has long held is essential to the research nature of 1115 waivers. However, HCFA decided to drop this requirement for the Medicaid program at the beginning of this Administration and to allow states to use other methods of evaluation.

Incidentally, the state is also seeking a food stamp waiver from the Department of Agriculture as part of the welfare waiver. USDA's method of evaluating the waiver request appears, if anything, more bureaucratic than HHS's.

cc: Carol Rasco
Elaine Kamarck
Marcia Hale
Alice Rivlin
Bruce Reed

2/22/96

TO: Elaine Kamarck
Bev Godwin

FR: Diana Fortuna DF

Take a look at this. This is probably the toughest agency of all. Perhaps we should have them all in to ask them how they have implemented their half of the MOU.

They haven't even mastered the language!

2/22/95

Oregon: Rosewater met today

Jean Thorne, Weeks, Hatfield office, Wexler

QC: coming to some kind of QA approach

Eval: parallel approaches for a few years, then determine how successful new approach is; potentially convert then;

need to understand impacts, not just outcomes; knowing why something happened

block grant: Or wants to be able to hold on to investments even if they reduce caseload; use $ to focus on those at risk of welfare;

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

25-Feb-1996 02:33pm

TO: (See Below)

FROM: Carol H. Rasco
Domestic Policy Council

SUBJECT: Oregon

Got your note with copy of fax to Leon from Gov. K. of Oregon.

I had it sent to Diana Fortuna on Saturday a.m. as I was leaving for Connecticut with VP. I know Diana had discussions with folks from Oregon last week along with Rego folks re: the welfare waiver.

I am asking Diana to get memo to Leon by cob Monday re: the two waivers and what we are doing to push them ahead. We'll know then if Leon or I need to intervene further with HHS.

Thanks.

Distribution:

TO: Jennifer Palmieri

CC: Diana M. Fortuna
CC: Gaynor R. McCown
CC: Marcia L. Hale
CC: John B. Emerson
CC: R. Lawton Jordan III

xQC: coming to some kind of QA approach

Eval: parallel approaches for a few years, then determine how successful new approach is; potentially convert then;
need to understand impacts, not just outcomes; knowing why something happened

block grant: OR wants to be able to hold on to investments even if they reduce caseload; use $ to focus on those at risk of welfare;

Sen. Hatfield willing to do statut changes in CR;

QC: limited, to focus on getting work; statut probs?

2. on health, rather than focus on elig, can use staff to gather mgt info; hypo error rate

yes, could be more mistakes, as people move tow. elig; let's agree to focus on 4 upfront that are most sensitive; acf still wants to look behind at all

Issue 1 OK, use other state funds;

SEC. 213. If the Secretary fails to approve the application for waivers related to the Oregon Option, a comprehensive strategy to transform welfare into a network of services to help recipients move quickly to employment, a request under section 1115 of the Social Security Act submitted by the Oregon Department of Human Services on July 3, 1995, by the date of enactment of this Act, notwithstanding the Secretary's authority to approve the application under such section, the application shall be deemed approved.

This title may be cited as the "Department of Health and Human Services Appropriations Act, 1996".

deems waiver approved;

24 hours they will try to reach agreement; may try to narrow legislative fix

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

06-Mar-1996 12:50pm

TO: Elaine_C._Kamarck_at_EOP__OVP
TO: rasco_c

FROM: Beverly.Godwin

CC: fortuna_d

SUBJECT: Oregon Option

Jean Logan is out in Oregon now for meetings on the Natural Resources Partnership with Oregon, Washington, and Connecticut. She called this morning to report that in a big meeting she was in this morning where she was giving Administration support there was a lot of whining -- particularly by Jean Thorne and Gary Weeks (both of whom Elaine, Diana Fortuna and I met with). They were saying things like "If this is such a big priority of the Administration, we really need to see some action/movement on things like the welfare reform waiver ..."

What has happened on that? Has the call(s) to Governor/others taken place? What was gyst of them?

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

07-Mar-1996 09:34am

TO: Diana M. Fortuna

FROM: Carol H. Rasco
Domestic Policy Council

CC: Patricia E. Romani

SUBJECT: RE: Question on Oregon welfare waiver & Sen. Hatfield

No, I am not comfortable with the Admin. asking him to drop it because at this point I don't think the Admin. outside the White House has tried in true good faith to resolve the matter. HOpefully, HHS and USDA will get serious about resolving this in a way other than spending their time urging Hatfield to drop it.

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

07-Mar-1996 09:31am

TO: Carol H. Rasco

FROM: Diana M. Fortuna
Domestic Policy Council

CC: Patricia E. Romani

SUBJECT: Question on Oregon welfare waiver & Sen. Hatfield

I am picking up the ball again with Elaine on the Oregon welfare waiver. You will recall we were planning to contact the state if we thought the 2-pager HHS sent us made sense. But I personally think it's hard to argue that it reflects the spirit of Oregon Option. I will handle all of this; I know you are out of pocket for the next few days.

Here is my question/news: Senator Hatfield is apparently serious about putting legislation in the next CR or appropriations bills that would deem the waiver approved in full if HHS hasn't approved as of the date the bill is passed. The legislation could move quickly.

HHS's reaction to this is to say they will try for the next 24 hours to resolve issues with the state but, if that fails, they would like to quietly talk to Hatfield to urge him to drop this. It is a terrible precedent. On the other hand, I am concerned about what we are offering the state. Are you comfortable with the administration urging Hatfield to drop it?

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

29-Feb-1996 04:22pm

TO: RASCO_C
TO: FORTUNA_D
TO: Elaine C. Kamarck
TO: mccown_g

FROM: Beverly Godwin

SUBJECT: Re: Oregon discussion

Message Creation Date was at 29-FEB-1996 16:12:00

New Text Item: Oregon discussion
I hear from my Oregon Option contacts that there has been some satisfactory resolution finally to the Medicaid premium issue in the Medicaid waiver, so that can be part of the conversation -- i.e., we are glad we could finally resolve that and move on. [NOTE: From Oregon's perspective this has been going on since they first submitted waiver request in July, but they will be happy about final
resolution.]

I agree that HHS seems to be willing to "give" a little on the quality control issue and it would be good to emphasize with Oregon that this is unprecedented so they are the first state. USDA seems a little less willing, but I saw as a possible bright light that USDA said whatever we do the two departments should be consistent. PArt of the conversation with Oregon then could be to let them know those two agencies will work together with Oregon to provide as much flexibility as possible while still maintaining "payment integrity". And that message will need to be reinforced to USDA and HHS. I think Oregon will be o.k. on this.

I am most worried about the control group issue. I think the approach you lay out is o.k. to start with, but I think Oregon will push on this, for example looking for alternatives like a systems change test or perhaps using another state as the control group.

I have to admit, I am skeptical about HHS' stance on this. Although HHS made some good arguments in the meeting, keep in mind there case is not real solid. HCFA approaches waivers one way; ACF another. I wonder what we have learned from these so called ACF "impact evaluations" over the last many years. My guess is, NOT MUCH. Here's why. Thirty-seven states have waivers since Pres. Clinton took office. They all have control groups. BUT, no state has made only one change. Every state welfare reform has a package of changes and required waivers in it. Therefore, the most you can say from a control group evaluation is that some package of changes had this or that impact. You still have no idea what pieces of that package (e.g., making teen mothers live at home with their parents; 2 year time limit on assistance; elimination of 100 hour rule; requiring school attendance; sanctions; etc) had a positive, negative, or any effect. You don't really know what to replicate.

Having said that, however, the control group is the way HHS maintains cost neutrality. Based on the costs of the control group they project what costs would have been for the whole state in absence of waiver. Then they look at what the costs were for the non-control group. If state went over, they in theory owe the federal government money. I think we have only collected from one state (Washington state), but this still is a good cost neutrality enforcement. Yet, even though it is the way HHS has done cost neutrality on all waivers it is NOT the only way. What Oregon proposed is an alternative way, and in fact riskier to the STATE than the control group approach. Oregon offered to take a capped amount (i.e., get rid of the open ended entitlement) in exchange for the flexibility and to be accountable for outcomes. Not a bad deal for the federal government it seems to me. We could negotiate what that capped amount is. Would any other state want and be able to deliver on such a "deal" and therefore come back to renegotiate the control group issue. Many would not, and if others did -- so what? Is it such a bad way to go???

The Oregon welfare approach fits in exactly with the principles of the MOU signed for the Oregon Option. I do question somewhat whether we should be signing onto these partnerships if we cannot deliver on the real systems change issues.

Well, now that I have given you all my cautions and uneasiness, I do think HHS is really uneasy about opening up the control group issue again with all these states, so I think it's o.k. to try to get Oregon to agree to the proposal of a very small control group [HHS staff gave Oregon staff this option a long time ago but I don't know if the Governor knows that] or to ask them to come up with a creative solution that gives them what they want but also allows HHS to maintain the integrity of a "control group".

______________________________ Reply Separator ______________________________
Subject: Oregon discussion
Author: Elaine C. Kamarck at OVPNOTES
Date: 2/27/96 6:57 PM

Carol and I spoke briefly after the meeting. Let's try this out as a next step:
1) Schedule a conference call with Governor Kitzhaber and Jean Thorne for Friday afternoon or Monday.
2) Convey the following message: - we met with HHS and Food Stamp folks; they have some legitimate concerns which we share, about the precedent setting nature of these waivers for states that are not in Oregon's league. HHS seems willing to offer an unprecedented degree of flexibility in the QC design and process for Oregon alone -- would that suffice? On the evaluation issue, they claim that the control group can be as small as 1000 people. This doesn't seem like it should prevent a large scale transformation if the system is 20,000 to 30,000. Did they understand this?
3) If these two offers are still not satisfactory - can they think of any ways that we could deliver what Oregon wants while building a "fire wall" around them so that HHS can truly differentiate their treatment of ORegon from their treatment of other states?
4) Please feel free to edit, improve, change these remarks. Let's all agree on the content of the call before we schedule it. Thanks.