

NLWJC - Kagan

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**POTUS Press Conference -
Q&A 4/5/97**

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HEALTH CARE

Question: Are you going to submit additional Medicare savings so that your Medicare plan will contain \$100 billion in savings over five years?

Answer: Our actuaries believe that our current Medicare proposal does save \$100 billion over five years. And, over the last four years, our actuaries have been more accurate in their budget estimates than the Congressional Budget Office. Moreover, just last week we sent our detailed language over to CBO. We believe that these additional details will help eliminate some of the current discrepancies between our actuaries' scoring of our Medicare proposal and CBO scoring. If any scoring differences still remain after CBO has had a chance to review all of our statutory language, we will make a determination as to whether any revisions in our proposal are warranted.

Question: In your February budget release you said the 5-year Medicare savings were \$100 billion. There are now reports that it is \$106 billion over five years, according to your actuaries. How do you account for these differences?

Answer: As the Congressional Budget Office (CBO) was scoring our Medicare proposals, they requested that the Office of Management and Budget (OMB) provide clarifications on the intent of our savings proposals. After providing them with this information, we asked OMB to determine how these clarifications changed the scoring of our Medicare package on our baseline. When they did, OMB determined that the provisions would score about \$106 billion in savings off of our baseline. (None of the clarifications involved beneficiary savings.)

CBO continues to score our proposals to save about \$82 billion off of their baseline. We hope that further clarification of our policy will close the gap between how CBO (\$82 billion) and OMB (\$106 billion) score the very same policy.

Question: Do you plan to eliminate any of the new benefit improvements in your Medicare plan?

Answer: While everything will clearly be "on the table" in our budget discussions, we are extremely sensitive about making any changes to the important beneficiary improvements in our Medicare plan. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Improving benefits and fixing flaws in the program which place undue costs on this vulnerable population is a high priority for this Administration. We look forward to continuing to work with both Republicans and Democrats in Congress on passing a balanced budget which will

strengthen and improve the Medicare program.

Question: **Your proposal to lower out-of-pocket costs for outpatient department (OPD) services costs almost 50 billion over ten years. How do you justify the costs of this proposal?**

Answer: **Our OPD policy simply returns the benefit to the original intent of the program.** This policy is in no way a new entitlement. Under current law, Medicare asks beneficiaries to pay 20 percent copayments for Medicare services. An anomaly in outpatient payment methodologies has allowed hospitals to indirectly cost shift to beneficiaries. As a result, beneficiary copayments are now averaging almost 50 percent. The President's proposal simply restores the copayment to 20 percent -- similar to all other Part B services.

The current 50 percent coinsurance costs are significant for Medicare beneficiaries. Over three quarters of Medicare beneficiaries earn less than \$25,000 per year. Those without Medigap insurance or other secondary insurance simply cannot afford the huge unexpected bills they receive for OPD services. Those with Medigap coverage have seen their premiums increase as a result of this anomaly. It is only fair that this benefit, like all other Part B services, have a 20 percent coinsurance.

Our OPD policies achieve savings. Reducing the coinsurance to 20 percent is only one part of our proposal to improve OPDs. The President's budget also shifts OPDs to a prospective payment system which will provide financial incentives for hospital to reduce costs and simplify payments, achieving at least \$19 billion in savings over the next ten years.

Question: **Why are the costs in your OPD proposal backended. Aren't you just playing political games to balance the budget in 2002?**

Answer: The cost of buying down the OPD copayment is split between hospitals and the Federal government. We felt that an immediate move to a 20 percent copayment might create difficult transitions for hospitals who will already be targeted for reductions in payments from other policies. Having said this, we are more than willing to discuss alternative ways to address this problem.

Question: **Your Medicare proposal contains mostly cuts on providers and managed care. Don't you think we need real structural Medicare reform?**

Answer: Absolutely. My budget takes important steps to modernize Medicare and bring it into the 21st century through a number of structural reforms including

- **Establishing new private plans** -- including Preferred Provider Organizations and Provider Sponsored Organizations -- available to seniors and people with disabilities.
- **Establishing market-oriented purchasing for Medicare** including the new prospective payment systems for home health care, nursing home care, and outpatient hospital services, as well as competitive bidding authority and the use of centers of excellence to improve quality and cut back on costs.
- **Adding new Medigap protections** to make it possible for beneficiaries to switch back from a managed care plan to traditional Medicare without being underwritten by insurers for private supplemental insurance coverage. This should encourage more beneficiaries to opt for managed care because it addresses the fear that such a choice would lock them in forever.

Question: **Do You support the Medicare Commission proposed by Senators Roth and Moynihan?**

- First, I want to praise Chairman Roth and Ranking Member Moynihan for working together -- on a bipartisan basis -- to propose the creation of a commission to address the long-term financing issues that face Medicare. Their efforts reflect a bipartisan spirit which we believe is critical to ensure the success of any process designed to address this important issue.
- No one is more committed than I am to seeking a bipartisan process to find long term solutions to Medicare. But my more immediate focus is reaching a bipartisan agreement on a balanced budget that extends the life of the Medicare Trust Fund in the near term. We have an historic opportunity to balance the budget. We should not let it pass.
- As I have repeatedly said, we will need a bipartisan process to address the long-term financing issues facing Medicare, and I look forward to working with both parties to develop the best possible process.

QUALITY COMMISSION

Question: What will this commission hope to accomplish?

Answer: The President is calling on the commission to develop a “consumer bill of rights.” He wants it to particularly focus on consumer appeals and grievance rights. He has also asked the Commission to address other issues including assuring:

First, that health care professionals are free to provide the best medical advice possible;

Second, that their providers are not subject to inappropriate financial incentives to limit care;

Third, that our sickest and most vulnerable patients (frequently the elderly and people with disabilities) are receiving the best medical care for their unique needs;

Fourth, that consumers have access to simple and fair procedures for resolving health care coverage dispute plans;

And fifth, and perhaps most important, that consumers have basic information about their rights and responsibilities, about the benefits plans offer, about how to access the care they need, and about the quality of their providers and their health plan.

Question: Will the patient bill of rights be mandated on states and private health plans?

Answer: No. The Commission will develop a model Bill of Rights that states, health care plans, health care providers, associations, and others can use to guide their own efforts. States have already been quite active in this area and the model should help them in future efforts. Many health plans and health care professionals have adopted a form of a bill of rights and this should assist them as well.

Question: Is this an “anti-managed care” commission?

Answer: Absolutely not. Quality and consumer rights are issues that transcend all models of care. We need to address those issues in a comprehensive manner so that no matter what kind of insurance plan Americans join, they will know that the care they receive is of the highest quality and their rights as consumers are protected.

Question: Won't the commission serve to delay quality legislative initiatives including those that even the President has advocated? Isn't the commission going to compete with these initiatives?

Answer: This commission will complement, not compete with, legislation in the Congress that has broad-based support. The President will continue to support legislation in this area that has already received bipartisan support (e.g., barring gag rules, requiring 48-hour stays for women who have mastectomies). But this is just a start, we must go beyond these reforms to take a comprehensive look at the quality of care and how we can assure it. The Commission will work on building the consensus for more far-reaching reforms.

Question: Doesn't this Commission just serve as a mechanism to implement more government regulation in our health care system?

Answer: Not at all. The Commission has been given the charge of examining whether our rapidly changing health care system is still providing high quality care for all Americans and to ensure that consumers themselves have adequate grievances and appeals processes. Its focus is to help create consensus among the private and public sectors in how best to proceed. As such, its recommendations may or may not suggest additional Federal oversight activities, and it is just as likely as not that it will recommend no new major Federal role.

Question: Doesn't this commission just a reward for campaign contributors and Washington-insiders who know little about what Americans in our health care system experience?

Answer: Absolutely not. By any measure, these commission members are extremely well respected experts who have broad and different experiences in the health care system. They have expertise on a range of health care issues including the unique challenges facing rural and urban communities, children, women, older Americans, minorities, people with disabilities, mental illness and AIDS, as well as issues regarding privacy rights and ethics. They come from all parts of the country and reflect the diverse population in this country.

Question: How much will this cost and who's paying for it?

Answer: The Commission will cost an estimated \$1.8 million over the next year and be paid for by the Department of Health and Human Services. The members of the Commission will not be paid.

WELFARE REFORM: FOOD STAMP WORK REQUIREMENT

Question: Under the new welfare law, states began to cut off food stamps for non-disabled adults who aren't working after three months of benefits. Why does the Administration want to soften these provisions?

Answer: Enacting the welfare law was an historic accomplishment that represents a significant step forward in social policy for this country. However, as I said when I signed this bill,

I strongly support work requirements. But the welfare law's harsh and unreasonable time limit of 3 months in 36 cuts off people who want to work but can't find jobs. In my budget, I proposed an alternative: a real and tough work requirement without arbitrary cut-offs.

Under my proposal, those who refused to work or refused to take advantage of a work opportunity would face tough new penalties. We would limit food stamps to 6 months out of 12. This policy would encourage work while giving those out of work the transitory help they need to get back on their feet. We proposed new funding and a wage supplementation option to expand the number of work slots available to this group by nearly 400,000 over five years. I am looking forward to working with Congress to enact this sensible proposal.

Background:

- As of March 1, states began to cut off food stamp benefits for people who have not met the new work requirement in the welfare law.
- Under the law, able-bodied childless adults between the ages of 18-50 are not permitted to get food stamps for more than 3 months in a 3-year period, unless they are working at least 20 hours a week.
- USDA can waive the work requirement in cities or counties with high unemployment. To date, USDA has granted waivers to 36 states that exempt specified counties or cities with high unemployment.
- Despite these exemptions, approximately 500,000 individuals will lose their food stamp eligibility in FY98 due to this provision. Under the Administration's proposal, approximately 35,000 individuals would lose eligibility in FY98. Unlike the welfare law, the Administration's proposal targets tough sanctions at those individuals who are unwilling to work and to play by the rules.

WELFARE REFORM: BENEFITS TO LEGAL IMMIGRANTS

Question: Immigrants shouldn't be coming to the U.S. to get on welfare. Why is the Administration making restoration of these benefits a priority?

Or alternative question:

Around the country, hundreds of thousands of frightened, elderly legal immigrants are scrambling to become citizens and avert a cut-off of their SSI and Medicaid benefits. What is the Administration doing about this?

Answer: I believe that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of our society. The welfare law denies most legal immigrants access to fundamental safety net programs unless they become citizens -- even though they are in the U.S. legally, are working and paying taxes and are responsible members of our communities. My Administration has always supported making individuals who encourage their relatives to emigrate to the United States responsible for the immigrant's well being. However, as a nation, we should not turn our backs on anyone who has lost their ability to earn a living due to injury, disease, or illness.

At the same time, this provision of the welfare law has nothing to do with the goal of welfare reform -- putting people to work. It is simply unfair to immigrants who have entered this country legally.

Consequently, my budget proposes to make legal immigrants who become disabled after entering the United States eligible for SSI and Medicaid.

My budget would also provide poor immigrant children the same Medicaid health care coverage low-income citizen children receive.

The United States admits refugees and asylees into this country on a humanitarian basis. My budget proposes to lengthen the five-year exemption for refugees from the ban from five to seven years in order to give this group adequate time to naturalize.

Finally, the law denies food stamps to most legal immigrants. My budget would delay the cutoffs from April 1, 1997 to August, 1997 in order to give immigrants more time to naturalize.

WELFARE REFORM FIX LEGISLATIVE PROPOSALS

Question: You say you are ready to work with Congress to fix the immigrant and food stamp parts of the welfare law, but the Republican leadership says the bill is

fine as it is. Even some Democrats are saying the law shouldn't be changed until we have had a chance to see how it works. Doesn't this mean your proposals have no chance of being enacted?

Answer: I think it is very significant that the nation's Governors are now on record as recognizing that the cuts in benefits to legal immigrants are too harsh and need to be addressed -- even though their final resolution was softened at the last minute at the request of the Congressional leadership.

As the new welfare law is being implemented, the Governors are gaining a new appreciation of some parts of the bill that I have had a problem with from the beginning -- those parts that are not related to putting people to work. This is particularly true of those Governors in states with large numbers of legal immigrants. They are now looking more carefully at their state budgets and the fact that many legal immigrants who are disabled, many in nursing homes, will lose their SSI and Medicaid over the summer. In addition to noting that these provisions are unfair, they can see the potential costs to their own state budgets if they make the decision to ameliorate those cuts.

I think that, over time, more and more people will come to see the harm that these provisions could do to hard-working people who came to this country and, through no fault of their own, became disabled and could no longer support their families.

I don't think we need the following question anymore:

Question: Last summer when you said you would sign the welfare bill there were press reports that you wanted to restore about \$14 billion in cuts. Now we understand your budget includes \$18 billion in legislative restorations. Are you proposing to restore more in food stamps and benefits to immigrants that you were last year?

Answer: No, absolutely not. The budget includes \$18 billion in legislative proposals for Food Stamps and immigrants that correspond directly to the commitments I made at the time I signed the bill. Because of a number of technical reestimates, the budget estimate for these legislative proposals is now higher.

The commitment I made to a \$3 billion program to help the private sector, states, and cities move welfare recipients to work was always separate from that total, and was paid for separately elsewhere in my budget.

WELFARE TO WORK

DISPLACEMENT

Question: Aren't you concerned that welfare recipients will displace hardworking Americans -- people who played by the rules and never relied on welfare? Recent stories in The Washington Post and The New York Times have provided anecdotal evidence that welfare recipients are taking jobs from the working poor.

Answer: Let me note that the welfare reform law that I signed prohibits worker displacement. Welfare reform programs cannot place welfare recipients in job openings created by company firings or layoffs (section 407(f) of the law). Welfare recipients can, however, be placed in jobs that are vacant for reasons other than firings or layoffs.

I believe that the growing economy will create enough jobs to meet my goal of putting one million welfare recipients to work by the year 2000 without displacing other workers. Remember, we've created 12 million new jobs over the last four years. Unemployment has dropped to 5.2 percent, as was announced on Friday.

I recognize that we should give some extra help to communities where it will be harder for welfare recipients to find jobs. That's why I've proposed in my budget a \$3 billion Welfare-to-Work Jobs Challenge fund which states and cities could use to create job opportunities for welfare recipients.

MINIMUM WAGE

Question: Some say displacement will happen because welfare recipients are allowed to work without being covered by the minimum wage law and the various protections of the Fair Labor Standards Act. Is this true?

Answer: Agency lawyers are in the course of examining to what extent the Fair Labor Standards Act applies to welfare to work programs. We expect to have an answer shortly, but do not have one at this time.

PRIVATIZING WELFARE

Question: Are you planning to let Texas privatize welfare? I understand you met with labor leaders 10 days ago to discuss this issue.

Answer: No decision has been made on the Texas request. It is a complicated issue involving both Medicaid and Food Stamps. The agencies are working as hard as they can to examine all of the relevant issues, and we hope to get the State of Texas their answer soon. I can tell you this: my Administration has fought hard to preserve federal guarantees for both Food Stamps and Medicaid and we don't intend to undermine them now. Regarding the meeting I had with labor leaders on March 28th -- it was a broad discussion of budget and welfare to work issues.

Question: Governor Bush is, in effect, calling Secretary Shalala a liar for not making a decision by April 1, as she had promised.

Answer: He knows better than that. The Administration gets a lot of waiver requests from the states. The agencies conduct a routine review process for each of them. Because this is a complicated issue, the review has been lengthy, probably a little more than we expected. But the agencies are working to provide Texas with a response as soon as possible.

PRIVATE SECTOR JOBS

Question: What are you doing to encourage private companies to hire welfare recipients without displacing current workers?

Answer: The \$3 billion Welfare to Work Jobs Challenge I propose in my budget could be used by cities and states to provide subsidies and other incentives for private businesses to add welfare recipients to their workforce. Complementing this initiative is the enhanced and expanded Work Opportunity Tax Credit that I also propose in my budget. First, the WOTC would be enhanced for long-term welfare recipients. This credit would allow employers who hire welfare recipients to claim a 50 percent tax credit on the first \$10,000 of wages paid to that person for two years. Wages may include the cost of training, health insurance, and day care. Second, the WOTC would be expanded to make a new population -- 18-50 year olds made ineligible for food stamps under the new welfare law -- eligible for the existing base credit.

In addition to my legislative proposals, I am reaching out to employers large and small to challenge them to hire welfare recipients. I met in the White House with a group of 14 CEOs interested in helping people move from welfare to work. Then, during the State of the Union Address, I announced commitments from five of these companies -- Sprint, Monsanto, UPS, Burger King, and United Airlines. I hope to be announcing commitments from even more companies soon.

Question: Why wasn't Marriot, which has done so much to put welfare recipients to work, one of the companies you praised in the State of the Union?

Answer: The CEO of Marriot was invited to the initial meeting I had with CEOs of 14 companies interested in helping people move from welfare to work. Unfortunately, he had a conflict and could not attend. However, Marriot has a top notch welfare to work program already in place that we are reviewing and will encourage other corporations to emulate. I hope Marriot, as well as all of the corporations I met with in early January, will work with me and others to make the new welfare law a success.

Question: You have mentioned several times that under the new welfare law, employers may turn the welfare and food stamp checks into temporary wage subsidies. How does this actually work?

Answer: As of August 22, 1996 when I signed the welfare law, 11 states had received waivers to modify work supplementation rules. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs. Oregon pioneered this concept. HHS is currently gathering more recent statistics on work supplementation since I signed the law.

In Oregon, both private and public sector jobs are subsidized for up to six months per placement. The job is subsidized at minimum wage and gives employers cashed out AFDC and food stamps benefits to cover the minimum wage. In addition, the employee is entitled to the Earned Income Tax Credit (EITC). If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer must make up the difference by paying up to \$1 dollar an hour over the reimbursed minimum wage or may put \$1 for every hour worked into an Individual Development Account (IDA). Once a recipient is hired in a full-time, unsubsidized job, she becomes eligible for her wage, the EITC, *and* food stamps coupons previously used to subsidized her wage. Such a system creates an escalating financial incentive that always makes full-time, unsubsidized work the most attractive option.

FEDERAL GOVERNMENT HIRING

Question: What has the White House done to encourage federal government hiring of welfare recipients?

Answer: Most of the jobs required to make welfare reform succeed will come from the private sector. But I believe that the Federal Government, as the Nation's largest employer, should contribute to this critical national effort. That's why on March 8th, I directed the head of each federal agency and department to use all available hiring authorities to hire people off the welfare rolls into available job positions in the Government. To underscore the importance of this issue to the White House, I appointed Vice President Gore to oversee this effort.

I have called a Cabinet meeting for this Thursday, April 10th, to meet face to face with the members of my Cabinet to discuss how each agency intends to recruit, hire, and retain qualified welfare recipients.

Question: Will the White House hire any welfare recipients?

Answer: I expect the Executive Office of the President, like any other agency, to produce a detailed plan to assist in this effort and I would fully expect them to plan to hire welfare recipients.