

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. memo	Chris Jennings to Greg L. Re: FEHB Issue and Balanced Billing (1 page)	10/23/93	P5
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**COLLECTION:**

Clinton Presidential Records  
 Domestic Policy Council  
 Chris Jennings (Health Security Act)  
 OA/Box Number: 23754

**FOLDER TITLE:**

October 1993 HSA [3]

gf110

### RESTRICTION CODES

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| <p><b>Presidential Records Act - [44 U.S.C. 2204(a)]</b></p> <p>P1 National Security Classified Information [(a)(1) of the PRA]<br/>       P2 Relating to the appointment to Federal office [(a)(2) of the PRA]<br/>       P3 Release would violate a Federal statute [(a)(3) of the PRA]<br/>       P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]<br/>       P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]<br/>       P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]</p> <p>C. Closed in accordance with restrictions contained in donor's deed of gift.<br/>       PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).<br/>       RR. Document will be reviewed upon request.</p> | <p><b>Freedom of Information Act - [5 U.S.C. 552(b)]</b></p> <p>b(1) National security classified information [(b)(1) of the FOIA]<br/>       b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]<br/>       b(3) Release would violate a Federal statute [(b)(3) of the FOIA]<br/>       b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]<br/>       b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]<br/>       b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]<br/>       b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]<br/>       b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]</p> |
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U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

*S. Summers*

OFFICE OF THE ADMINISTRATOR

OCT 21 1993

Honorable Jan Meyers  
Ranking Minority Member  
Committee on Small Business  
U.S. House of Representatives  
Washington, DC 20515

Dear Rep. Meyers:

This is in response to your letter of October 7, 1993, in which you inquire about a number of small business issues. I am glad to provide the following information to you in response and would also welcome the opportunity to meet with you to discuss any of your concerns.

Question 1. The 7(a) Guarantee Loan Program:

A recent Wall Street Journal article leaves a reader with the inference that this valuable program is seriously threatened by fraud. Quite frankly, this is the first that I had heard of such allegations. Therefore, I would submit to you the following questions:

a) Were any Members of Congress or Congressional staff members notified of these problems at any stage during the last few years?

ANSWER: No. The Wall Street Journal article mischaracterized the problem. It has not been going on for a few years. In late 1991, some SBA loan officers in southern California started to recognize a high level of profits (when compared with industry averages) showing up on IRS returns that were submitted to SBA in support of pending loan requests. This led the offices in California to begin checking with IRS on those returns submitted to SBA. As differences were found between the official IRS returns and the ones submitted to SBA, these cases were turned over to our Office of Inspector General.

b) To what extent are the facts in the story true?

ANSWER: We find no problem with the facts presented, except if, in fact, the article is misleading readers to think SBA employees have done something wrong. We believe that our employees took adequate steps when they detected the problem.

c) Should any of the article's allegations be accurate, I would ask what actions have been taken against SBA employees involved, any 7(a) lenders involved and any loan packagers or other individuals involved?

ANSWER: As stated above, we have found nothing that would lead us to believe that our employees were involved in the perpetration of the fraud. If we do find such involvement, you can be sure that immediate action will be taken by the Agency. To date, we have removed two lenders from our Preferred Lender (PLP) and Certified Lender (CLP) programs and have referred approximately 30 cases to our Inspector General for investigation. Additionally, we are now checking all loan applications with tax returns obtained from the IRS in the area of California where our employees discovered this problem. We are also instituting a random sampling survey around the country to determine if we have a problem anywhere else.

d) What has been the total loss sustained by the government in all of this.

ANSWER: We do not have any loss figures on the individual loans that we believe to be part of the problem. It should be pointed out that the fictitious tax returns were submitted to support repayment ability of a loan. Whether a loss will be sustained will depend on whether or not the loan can be repaid through the actual earnings of the business or through the liquidation of the collateral taken as security. It may be some time before we can assess the actual losses (if any).

e) What is the actual current loss rate for the 7(a) loan program and what has it been for the last five years?

ANSWER: Attached is a printout showing losses for the 7(a) loan program for the last 10 years. It takes several years for a loan portfolio to become seasoned. Therefore, losses for the years 1990 and after are not necessarily indicative of current SBA loss experience. The improvement clearly indicated in years 1984 through 1989 is the result of the "quality" emphasis on loan processing introduced in the early 1980s, and the comprehensive training program initiated in the mid-eighties.

f) What efforts are underway with further oversight of this problem in all of SBA's regions?

ANSWER: We have a number of initiatives underway which will enable the agency to better oversee loan packaging and approval. Foremost, immediately upon my arrival, SBA contracted with William Adler & Co. and Arthur Anderson & Co. to evaluate our entire loan portfolio so that we will know the degree of risk inherent in that portfolio. Additionally, we are moving forward with plans for centralizing the activity of the Preferred Lenders Program (PLP) in order to improve the oversight of our PLP lenders. We have implemented a system that will take a random sample of applications submitted and check the returns with IRS.

In addition, we have developed a system to track loans by loan packager. This will allow us to monitor the performance of loans presented by individual loan packagers in relation to other loan packagers operating in the same geographic and risk area. You can be sure that we will aggressively pursue these and other initiatives that may be necessary to combat fraud in our loan programs.

g) To what extent are loan packagers involved in the SBA application process and why are they needed.

**ANSWER:** Loan packagers of one form or another are involved in approximately three-quarters of SBA loan applications. The loan package (in part or in whole) may be put together by an accountant, a lawyer or an individual having experience in financial presentations. They are needed because most small businesses would rather pay someone to do this type of work rather than take time out from operating their business. Also, many small business owners do not have the background to prepare financial statements, business cashflows, projections, etc. SBA is working to simplify its loan applications, which we believe will reduce the need for packagers. Currently, we are testing a one page (two-sided) loan guarantee application in two pilot projects.

**Question 2. SBA's Health Care Role:**

An article appeared in the Wall Street Journal on September 24, 1993. The article describes a meeting held between SBA employees and several small business owners, as follows: "The Small Business Administration brought the 40 business owners together for a working lunch to show them how to calculate the effect of the President's plan for their companies. The owners huddled over computer screens as they ate sandwiches and potato salad. They were led through a number of calculations based on their total number of employees, average wages, the expected cost of insurance and the value of government subsidies proposed by the Administration."

After reading such news reports, my Committee staff called your agency and asked if they could review the computer program and the methodology used to develop it. After an initial positive response, they were denied this information. A follow-up request for the staff to actually go to the agency and use the program was also denied. Apparently, my staff was told that "the program was still in its development stage," and, therefore, could not be reviewed until its completion. This, despite other SBA pronouncements that the program would be available soon through a toll-free 800 number. My questions are:

a) Were this program and its accompanying expenditures authorized by the Congress? If so, under what program?

**ANSWER:** Section 2(a) of the Small Business Act expresses the declared policy of the Congress to aid, counsel, assist and protect, insofar as possible, the interests of small business concerns. Section 4(a) of the Act creates the Small Business Administration in order to carry out the policies expressed in the Small Business Act. In addition, sections 8(b)(15) and (16) of the same Act authorize SBA to disseminate data and information, in such form as it shall deem appropriate, to public agencies, private organizations, and the general public; and to make studies of matters materially affecting the competitive strength of small business, and of the effect on small business of Federal laws, programs, and regulations; and to make recommendations to the appropriate Federal agency or agencies for the adjustment of such programs and regulations to the needs of small business. We believe that this authority authorizes SBA to carry on the program in question. SBA's salaries and expense appropriations are available to fund such an authorized program.

b) If the Clinton Health Plan, upon which your program is based, is still being fine-tuned, and no accurate figures are available, how can your agency devise such a computer program and claim validity?

**ANSWER:** At the time that a request was made by your staff to view the software, the health care computer program was being fine-tuned, a process that is continuing. At such time when SBA has fully completed the development process, we would welcome the opportunity to demonstrate the program to members and staff of the Small Business Committees.

The relevant numbers in the Health Security Act as currently configured are the percentage caps for wages under \$24,000 and the policy costs. Both sets of those numbers are known. The computer software program is designed to accommodate changes in these numbers as the plan is tailored. Inputting these changes into the program takes a matter of minutes.

A maximum of 17 pieces of information are required to make an accurate calculation (all 17 are not required in all cases). These 17 pieces of information can be subdivided into three groups: employer information, employee information, and insurance policy information. Structuring these groups of information to compare what a firm currently pays for health care to what it will pay under the Health Security Act is all the program is designed to accomplish. This is not a highly complex or time-consuming undertaking. The average length of an operator assisted call is ten minutes. Currently, we are only sampling our district offices. The 1-800 number is not available for public use at this time.

c) Is it the agency's intention to devise programs explaining all health care proposals to the nation's small business community or are you confining all your efforts to one proposal?

**ANSWER:** Yes, we would like to be able to explain all proposals to our customers. Our ability to do this depends on resources and the availability of information. As long as other health plans to be considered contain sufficient detail to determine employer costs and the three groups of information noted above remain the same, we believe that our current program has the elements to accommodate modifications as appropriate and compare costs of other proposals. The cost of doing so would have to be studied.

d) Does your agency have any job loss figures on the Clinton proposal or other health care proposals?

**ANSWER:** SBA is not aware of a reliable methodology to compute employment changes. Current economic models don't provide enough precision to determine whether those businesses not currently offering health benefits will respond to the health care plan by modifying wages or by modifying employment levels. But we believe that allegations by critics of job losses in the millions are the product of flawed economic reasoning.

It should be kept in mind that for many businesses, the health care plan will be a net plus. Most small businesses already offer health care benefits to their employees, and they are paying about 35 percent more on average for that coverage than large firms. The President's plan will level the playing field, and because of cost controls, will reduce increases in businesses' health care costs over time. In sum, there will be factors coming into play which may result in job creation as well as job loss, but the net effect either way will be small.

e) Do you as SBA Administrator strongly believe that all employers in this country should be mandated by the government to provide health care coverage?

**ANSWER:** Yes, I do. Affordable insurance for themselves, their employees, and their families can only help small business owners in the long run. A secure workforce will be more productive, and increased productivity lowers product costs. Comprehensive health care is a major component of workforce security.

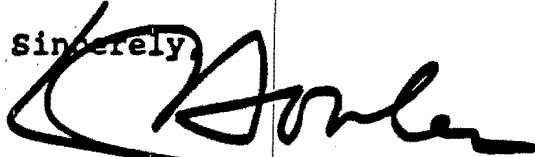
**Question 3. The White House Conference on Small Business Commission:**

The President has announced the eleven appointees to the above named Commission. In his announcement and accompanying materials, no mention is made of the party affiliation of any of the appointees. This was not the case in earlier Conferences. In fact the law states: "Not more than six of the Commissioners shall be of the same political party." My Committee staff has attempted to acquire this information, but has been unsuccessful. To insure that the law is being complied with, could you please provide me with the registered political affiliation of each of the eleven Commissioners?

**ANSWER:** Please find enclosed a list of the White House Conference on Small Business Commissioners, which includes a notation of their party affiliations.

I hope this information is helpful to you. Please do not hesitate to contact me if I can be of further assistance to you or the Small Business Committee.

Sincerely,



**Erskine Bowles  
Administrator**

**Attachments (2)**

**cc: All Members House Committee on Small Business  
All Members Senate Committee on Small Business**

White House Conference on Small Business Commission

Merle Catherine Chambers (D) 303/740-9000  
Axem Resources, Inc.  
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Clark Jones (D) 901/925-4923  
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Mary Frances Kelley (D) 303/584-0510  
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**Larry Shaw (D)**  
**Shaw Food Services, Inc.**  
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**919/323-5303**

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**Small Business Association of Michigan**  
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**517/482-8788**

SMALL BUSINESS ADMINISTRATION  
7(A) GENERAL BUSINESS LOANS - FY 82 THRU FY 93 YTD  
AS OF: 08/31/93

\*ONLY INCLUDE LOANS DISBURSED\*

FISCAL YEAR	NET LOANS APPROVED			LOANS DISBURSED		LOANS CHARGED OFF			
	# LOANS	\$ GROSS	\$ SBA SHARE	# LOANS	\$ GROSS	# LOANS	%SB	\$ GROSS	%SB
1984	15,030	2,526,701,613	2,145,210,772	15,019	2,526,275,368	2,851	19.0	302,419,690	12.0
1985	13,793	2,387,819,202	2,029,298,809	13,781	2,387,382,966	2,253	16.3	228,217,442	9.6
1986	12,691	2,264,537,941	1,877,958,641	12,677	2,264,200,601	1,702	13.4	171,074,168	7.6
1987	13,083	2,460,323,850	1,994,143,155	13,072	2,460,286,015	1,508	11.5	151,067,575	6.1
1988	13,464	2,697,107,960	2,170,965,562	13,454	2,697,886,778	1,350	10.0	139,038,790	5.2
1989	14,280	3,073,620,550	2,489,288,241	14,275	3,072,130,774	1,111	7.8	118,898,749	3.9
1990	15,650	3,540,154,796	2,868,523,254	15,635	3,536,200,336	697	4.5	71,817,021	2.0
1991	16,366	3,842,738,073	3,118,846,816	16,318	3,824,756,794	233	1.4	19,249,742	.5
1992	21,438	5,333,471,366	4,321,898,650	20,894	5,091,567,768	40	.2	2,309,939	.0
1993	22,627	5,787,851,624	4,674,882,393	12,723	2,938,675,726	0		0	
FY 1984 - 1993	158,422	33,914,326,979	27,691,016,297	147,848	30,799,363,132	11,755	8.0	1,204,093,117	3.9

*Small  
business*

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

October 18, 1993

The Honorable Bill Clinton  
The White House  
Washington, D.C. 20500

Dear Mr. President:

As we eagerly await your introduction of actual health care reform legislation, we are concerned about activities by your Administration to promote a plan which has not been finalized. Misleading assurances are being made to the public which cannot be backed up by objective data.

We specifically object to a recently distributed publication of the Small Business Administration (SBA) entitled "The Health Security Act: Benefits to Business" (see enclosure). This official government publication, obviously targeted at the small business community, contains statements which are nothing more than bold and unsupported assertions which have been contradicted by your own Administration.

In the "Questions and Answers" section of this publication, the following question is asked: "Can we be confident that this plan had been analyzed rigorously and that the financing is reliable?" The publication answers this questions as follows:

"Yes. At the beginning of this process, the President brought together some of the best minds in the country to help design a financing package for health care reform. The numbers and analyses that underline the President's proposed plan for health security represent months of rigorous work by experts from various federal agencies for the first time. An outside group of economists and actuaries audited the work that was done, and examined and validated the cost and savings projections. These cost and savings projections are solid, credible, and conservative."

According to the Government Printing Office (GPO), the publication containing these assurances was made available to the public on September 28, 1993. As of this date, your Administration has still not presented to Congress final legislation containing the details of your health care reform program. It is reported you are still working out the details, including several of the cost and savings estimates.

The Honorable Bill Clinton  
October 18, 1993  
Page Two

We are perplexed about how the Administration can boldly assure the business community that its "cost and savings projections are solid, credible, and conservative" when you have not yet even finalized those projections. How can these projections be audited by an "outside group of economists and actuaries" when final projections are not yet available?

The confident assurances in this publication are further put in doubt by recent reports of officials in your own Administration admitting as much as a \$16 billion error in their calculation of the cost of premium subsidies under your plan for low-wage employers. How can the Administration report to small business owners that its figures are "solid, credible, and conservative" when you have essentially admitted they are not final or accurate?


Another problem with the SBA publication is a colorful feature pretending to show case studies of how your health care reform plan will actually reduce the cost of health coverage for business owners.

The publication tells the story of "Charles" who is "an electronic equipment manufacturer" and "Danita and her husband" who own "a small construction company." Readers are told the reform plan will save Charles \$126,278 and will save Danita and her husband \$4,900. It is unclear, however, if these case studies are fictional and what assumptions the cost savings are based on. No details are given about the circumstances resulting in the extraordinarily high premiums currently being paid by these individuals, or characters. It is our concern that much of the indicated savings are the result of exaggerated and misleading estimates of current insurance costs.

Are Charles and Danita real people or fictional characters? What were the circumstances, or assumptions, which resulted in their current premium rates? Why were such atypical examples used to demonstrate alleged cost savings under your plan?

If a private insurance company put forward this type of information without explaining if its case studies were real or fictional, or without providing details about the circumstances or assumptions involved, we are sure you would agree they would be subject to Federal Trade Commission sanctions and possibly private lawsuits for false advertising, or fraud. We hope you would also agree the government should not try to sell its health plan in a manner which is illegal for private companies. We feel this SBA publication crosses that line.

The Honorable Bill Clinton  
October 18, 1993  
Page Three

Glenn - Erskine Bowler  
Needs answers  
to them. Please  
provide - Thanks  


Another shortcoming of this publication is the many questions it simply does not answer. The "Questions and Answers" section ignores or glosses over serious areas of concern for the business community. We would be interested in answers to the following critical questions, which are certain to be of interest to the business community as well:

- o How is "payroll" defined under your plan?
- o Should the true cost estimates fail to be "solid, credible, and conservative," how will the federal government make up any shortfall in revenue?
- o Will the employer payroll tax (premium) be increased to offset any revenue shortfall?
- o For what period of time will the employer subsidies remain in place under the Clinton plan? Are they permanent, or will they be phased out at some point?
- o What happens to a company which currently does not provide insurance to its employees and cannot afford to meet its minimum employer obligations under your plan? What is your definition of "affordable" health care? How can we know all businesses can "afford" your plan?
- o What type of record-keeping will employers be responsible for? For what period of time must records be retained?
- o What is the estimated new paperwork burden on employers, both in terms of time and in new equipment that may be required to report the information?
- o What penalties are employers subject to for failing to meet the huge number of mandates and new requirements under your plan?
- o How does the Clinton plan deal with fluctuating payrolls caused by irregular overtime hours in determining the average wage for a business?
- o What are the estimated job losses and business failures under your plan?

These are only a few of the many questions we, and many business owners and employers around the country, have about your plan. They are questions which should have been answered, but were not even addressed, in the slick SBA brochure sent out to the small business community.

The Honorable Bill Clinton  
October 18, 1993  
Page Four

Over 150,000 copies of these SBA brochures were printed at a cost of over \$50,000 to the taxpayers -- money that could have easily paid for a job-creating, start-up business loan. These brochures were, at best, misleading about the reliability and finality of the cost and savings estimates of your plan, a critical component upon which the entire plan rests. They failed to address key business concerns. And, despite these flaws, the publication will be completely obsolete in a matter of months once the plan is altered by Congress. And yet, we may reasonably assume there are now small business owners and employers out there relying upon the faulty and incomplete information the SBA has provided.

If we are to have real health care reform, the debate must stay centered on the facts. We trust you will agree it does not help to have government agencies distributing false and misleading information in an obvious attempt to persuade the public to support one particular plan. In that spirit, we have several questions about how you plan to correct the harm done by this SBA publication.


Will your Administration publicly repudiate this misleading SBA publication, halt its dissemination, and send out a statement of correction to all persons who have received a copy of it? Assuming this is the proper role of the SBA, will a future publication contain answers to the missing questions we have suggested (questions which we would like the answers to ourselves as soon as possible)?

At stake is the credibility of your Administration. The need for health care reform is too important to risk allowing such misleading and destructive efforts to discredit this admirable goal. Knowing of your commitment to our shared goal, we trust you will take the proper actions to address this situation and answer our questions.

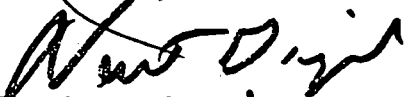
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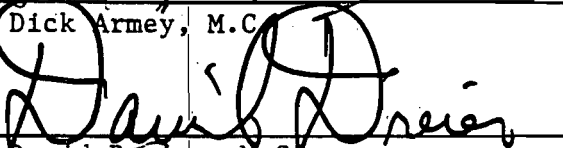
Mel Hancock, M.C.



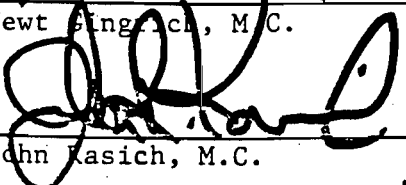
Dick Arney, M.C.



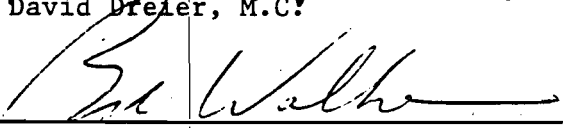
Newt Gingrich, M.C.



David Dreier, M.C.



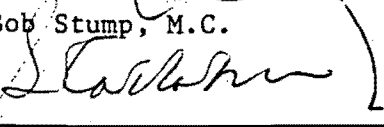
John Kasich, M.C.

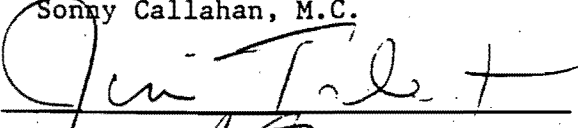


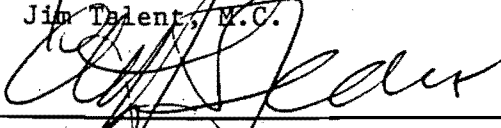
Bob Walker, M.C.

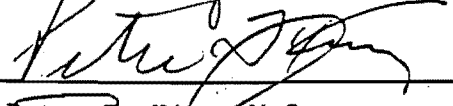


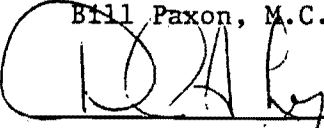
  
Bob Stump, M.C.

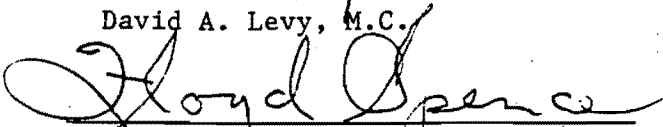
  
Sonny Callahan, M.C.


  
Jim Talent, M.C.


  
Cliff Stearns, M.C.

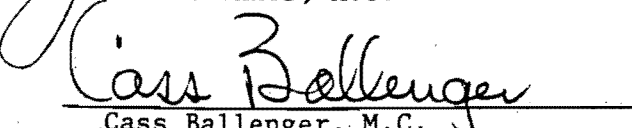
  
Peter I. King, M.C.

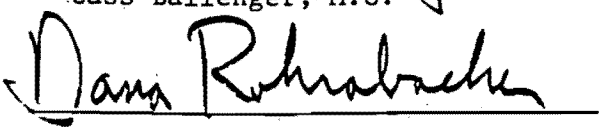
  
Bill Paxon, M.C.

  
David A. Levy, M.C.


  
Floyd Spence, M.C.


  
John Boehner, M.C.

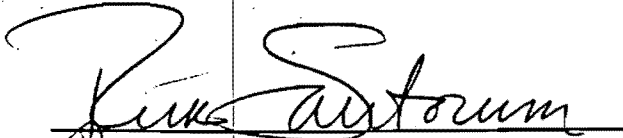
  
Cass Ballenger, M.C.

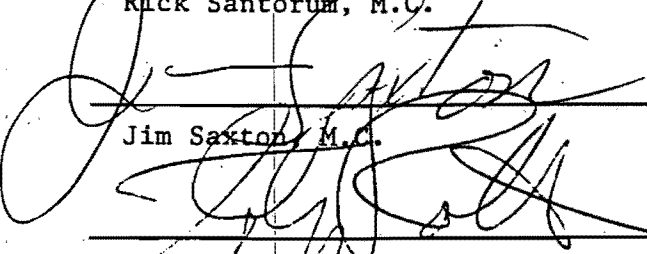
  
Dana Rohrabacher, M.C.

  
Martin Hoke, M.C.

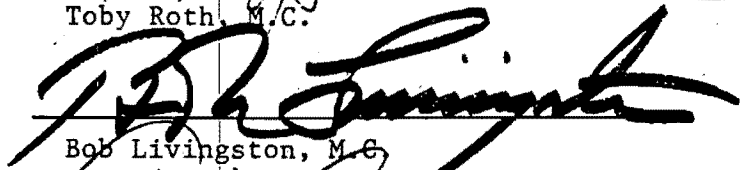
  
Steve Buyer, M.C.

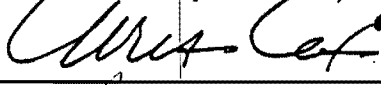
  
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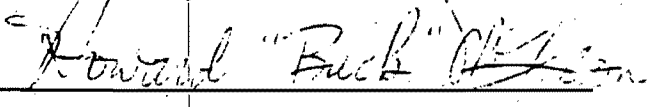
  
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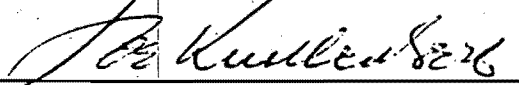
  
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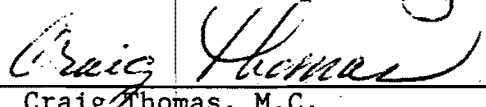
  
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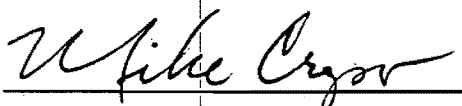
  
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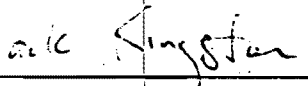
  
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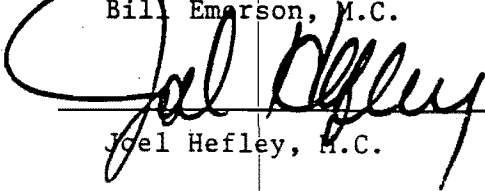
  
Tom Delay, M.C.

  
Craig Thomas, M.C.

  
Mike Crapo, M.C.

  
Jack Kingston, M.C.

  
Bill Emerson, M.C.

  
Joel Hefley, M.C.

*Scott Klug*

Scott Klug, M.C.

*John J. Duncan, Jr.*

John J. Duncan, Jr., M.C.

*Jim Nussle*

Jim Nussle, M.C.

*Jim Lightfoot*

Jim Lightfoot, M.C.

*Ernest Istook*

Ernest Istook, M.C.

*Dennis Hastert*

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John Linder, M.C.

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Jay Kim, M.C.

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*Ron Mackey*

Ron Mackey, M.C.

*Phil Crane*

Phil Crane, M.C.



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*Duncan Hunter*  
Duncan Hunter, M.C.

02

Date: \_\_\_\_\_

Time: \_\_\_\_:\_\_\_\_

**THE WHITE HOUSE**

*Medicare  
Prescription Drugs*

**FAX COVER SHEET**

TO:           KEN THORPE          

Phone: ( ) \_\_\_\_\_

FAX: ( ) 401-7321

FROM:           CHRIS JENNINGS          

Phone: (202) 456-2645

Pages following cover sheet =   2

October 8, 1993

**TO:** Ken Thorpe  
**FROM:** Chris Jennings  
**SUBJECT:** Options to Lower Medicare Program Drug Cost Projections

Hope the following is helpful in your efforts to reduce the cost of the Medicare prescription drug benefit. Please keep me informed of your final decisions. Thanks.

1. **Lower Induced Demand Projections.**  
CBO originally projected that the Medicare prescription drug benefit would result in a 4 percent induced demand for prescriptions; they now are at a 10 percent induced demand. (Apparently, once they learned about the 10 percent HHS induced demand assumption and had recurring nightmares over their memories re the Catastrophic health care bill, they upped it to 10 percent.) In light of CBO's past assumptions, the fact that the Rand Corporation assumption is at 4% -- Steve Long, Project Hope is at 5%, and Don Muse is at 5%, the Administration should be able to go down to at least 7%.
2. **Increase Rebate on Single Source and Innovator Multiple Source Drugs.**  
Current rebate is 15 percent off Average Manufacturers' Price (AMP). Increase rebate to 17 percent off AWP.
3. **Institute Rebate on Generic Medications.**  
Institute a rebate on non-innovator multiple source drugs of 7 or 8 percent of the AMP. (You have nothing now.)
4. **Make certain that non-prescription drugs are not covered in the new Medicare benefit.** Under current law, the Medicaid drug benefit also covers non-prescription (over-the-counter) medications. If the Medicare benefit now assumes this benefit, you should be able to save dollars by not including this benefit in the new program expansion.
5. **Look at assumed future growth rates of prescription drug prices.** CBO may be at or around 6.5 percent; I am not certain where you are I heard around 8 percent. Don Muse is at 7% and Project Hope is at 6.8%. You may want to see if this has any implications for your numbers, even though we should have an indexed, inflation protected benefit.

6. **Lower Pharmacy Dispensing Fees.**  
Current proposal provides that the dispensing fee per prescription is \$5.00 for participating and \$3.00 for non-participating pharmacies. Lower to \$4.50 for all pharmacies. (If necessary, you can look at \$4.00.)
  
7. **Strongly Enforce "Mandatory Generic Dispensing Policy."**  
There may well be room for higher generic substitution assumed numbers. Apparently, there are private plans that reach 95 percent levels for generic dispensing of all prescriptions written for multiple source drugs.
  
8. **Assign Savings to the Secretary's Authority to Negotiate over New Drug Prices.**  
New drug costs will be a major factor in escalating program expenditures. The Secretary's authority to negotiate with manufacturers over new drug prices should result in lower new drug costs, and as a result, some program savings.
  
9. **Attribute Savings to Drug Use Review.**  
The Medicare drug use review program and the electronic claims management system should reduce the level of ineligibles, duplicate prescriptions, and result in overall program efficiencies.
  
10. **Define "Estimated Acquisition Cost" for reimbursement to pharmacists for single source and innovator multiple source drugs as Average Wholesale Price (AWP) minus 8 percent.** (I don't know much about this one.)

October 8, 1993

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**FROM:** Chris Jennings  
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# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. memo	Chris Jennings to Greg L. Re: FEHB Issue and Balanced Billing (1 page)	10/23/93	P5
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**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
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Clinton Presidential Records  
Domestic Policy Council  
Chris Jennings (Health Security Act)  
OA/Box Number: 23754

**FOLDER TITLE:**

October 1993 HSA [3]

gfl10

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**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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House of Representatives

Committee on Post Office  
and Civil Service

Washington, DC 20515-6243

TELEPHONE (202) 225-4054

FACSIMILE COVER PAGE**COMMITTEE ON POST OFFICE AND CIVIL SERVICE**

309 CANNON HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

202 225-4054

ATTENTION: NicoleTO: Melanne RevereFROM: Gail WeissPHONE NUMBER: 225-4054

NUMBER OF PAGES (INCLUDING COVER PAGE):

3**COMMENTS:**

Please contact me concerning Mr. Clay's request for a meeting on Monday with the First Lady. Please see that the First Lady sees the chairman's letter as soon as possible. Thank you for your assistance.



## ONE HUNDRED THIRD CONGRESS

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Committee on Post Office  
 and Civil Service

Washington, DC 20515-6243

TELEPHONE (202) 225-4054

October 21, 1993

Mrs. Hillary Rodham Clinton  
 White House  
 Washington, D.C.

Dear Mrs. Clinton:

I am writing to express my great frustration and deep anger concerning a decision by the Administration to break an agreement with the Committee on the timing of the enrollment of Federal employees and retirees into the state regional alliances and the final dissolution of the Federal Employees Health Benefits Program (FEHBP).

The Administration has proposed that Federal employees be enrolled in state regional health alliances. While the Committee has so far reserved judgement on the threshold issue of whether Federal employees should be enrolled, the Committee felt that if that were to happen, the FEHBP should continue serving its enrollees until all fifty states have begun operating regional alliances; only then would Federal employees and retirees be enrolled in the alliances and the FEHBP abolished. If Federal employees were to be enrolled as each state regional alliance commenced operation, OPM would have to administer the FEHBP for the remaining enrollees with a *rapidly declining and unstable risk pool*.

The phase-in transition the Administration is about to propose would make the FEHBP *unadministrable*. FEHBP rates could be very unstable and, in some instances, could skyrocket. Administrative expenses would be spread over fewer and fewer enrollees. A shrinking risk pool will make it difficult for some FEHBP plans to remain viable enough to continue operating; their enrollees could be subjected to steep premium increases and a decline in service, in addition to the unnecessary disruption from being moved into the government-wide service plan during the transition period. Even the viable plans would have difficulty establishing their rates and may defensively price their premiums upward.

On Wednesday, September 29th, the Committee Staff Director and Deputy General Counsel met with Mr. Ira Magaziner, among others, to discuss this and several other issues. After a discussion of this particular point, *Mr. Magaziner agreed to include a provision in the Administration's health care reform bill that provided that FEHBP enrollees would enroll in regional alliances only after all of the state regional alliance systems had become fully operational*. His agreement to the provision sought by my staff was unambiguous and

Mrs. Hillary Rodham Clinton  
October 21, 1993  
Page 2

unqualified. A second provision requiring OPM to offer supplemental benefits to FEHBP enrollees to avoid any diminution in benefits or increase in out-of-pocket costs under the new system was agreed to as well.

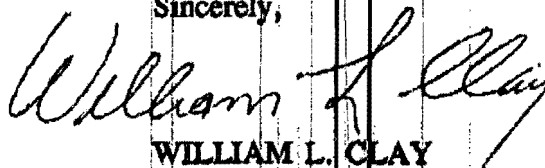
This afternoon, my staff was formally notified that the Administration has reneged on its agreement with the Committee and will proceed to propose the phase-in integration of the FEHBP into the new system. In addition, we were notified that the bill will authorize, but not require, OPM to offer supplemental benefits to Federal employees and some retirees.

The Administration's proposal to enroll Federal employees and abolish the FEHBP on a phase-in basis is unacceptable to the Committee. It further complicates an already difficult situation for me. To begin with, I already have very grave concerns over the whole idea of abolishing a generally well-run program that serves 9 million people. So if the program is to be abolished, I want to ensure that it is done right -- that is, dissolved in the least disruptive, most rational and most orderly manner. I would also point out that Federal employee organizations view the possibility of a phase-in transition with the same degree of concern and trepidation as I do and will be communicating those views to you.

Therefore, unless the decision is reversed and the agreement reflected in the legislation, I may be forced to oppose outright the Administration's proposal to integrate the FEHBP into the state regional alliances. Given both my desire to work with you and the President on solving the Nation's health care crisis and to keep an open mind on the President's proposal to dissolve the FEHBP, being forced to take this course of action would truly be regrettable.

In closing, I respectfully urge you to reverse the Administration's decision and include in the bill the agreement entered into between the Committee and Mr. Magaziner on both the timing of the integration of the FEHBP into the new system and the provision of supplemental benefits for Federal employees. I would like to meet with you on Monday to discuss this matter further.

Sincerely,



WILLIAM L. CLAY  
Chairman



**National Puerto Rican Coalition, Inc.**

*Hispanic  
Caucas*

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San Juan, PR

Juan A. Figueras  
Puerto Rican Legal Defense &  
Education Fund  
New York, NY

**President**  
Louis Núñez

October 13, 1993

Mr. Chris Jennings  
Office of the First Lady  
Old Executive Office Bldg.  
Room 213  
Washington, D.C. 20500

**FAX No. 456-7739**

Dear Chris:

It was good meeting you through Dr. Arthur Flemming this past Monday at Twigs, even for such a short time.

We are committed to supporting the President's program on healthcare, and our major concern at this time is our desire to be involved in the process.

I would like to meet with you to discuss the National Puerto Rican Coalition's programs further. I will call your office in the next few days to set up a time to meet.

Kind regards,

Sincerely,

*[Handwritten Signature]*  
Louis Núñez

LN:mcs

101293.mcs