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WASHINGTON

April 4, 1980

## MEMORANDUM TO THE PRESIDENT

FROM: ALFRED E. KAHN

SUBJECT: Our Meeting with Representatives of the Health  
Care Industry, March 27

I feel that this was an extremely successful meeting. Your attendance made a great difference. Several of the attendees expressed their appreciation in glowing terms.

One important by-product of the meeting was that it brought my office and HEW closer together. Assistant Secretary John Palmer, who represented HEW at the meeting, and Under Secretary Nathan Stark have been very cooperative in promoting improved working relationships. We have begun to work together -- more effectively than during the past year and a half -- to develop a joint strategy for short-term monitoring and long-term structural reform.

The strongest recommendation issuing from the meeting was that the Administration promptly develop a specific proposal for Congressional action to encourage competition among health plans, and press very hard for its passage. The Ullman and Durenberger bills, pending in the Congress, both seek to do this. Both bills would require that, in order for the employer's contribution to health insurance to remain non-taxable income to the employee, the employer must offer employees a selection of plans and contribute an equal dollar amount to each. The employee is rebated the difference between the employer contribution and any less expensive plan he may choose. (Both would also place a limit on the tax-free employer contribution to health insurance premiums; but this provision is not central to the competition-stimulating goal.)

Several of the participants strongly urged us not to relegate the encouragement of competition to some future "long-range" program. They insist that if the Administration would agree on the main features of a bill and press hard for it, there is a good chance we could get it this year..

This contention is, as you probably know, extremely congenial to me -- I testified generally in favor of the Durenberger bill a couple of weeks ago -- and I strongly urge it on you. John Palmer and Jim Mongan, of Stu's staff, reflecting Pat Harris' and Stu's views, counsel that it is premature to consider Administration support of a freestanding competition bill of the types now pending before Congress for two reasons. First, while there is substantial agreement within the Administration on the desirability of several of the features of these bills, there continue to be some disagreements. These have to be resolved.

More important, they point out that your current legislative program, represented by the Hospital Cost Containment and National Health Plan Phase I proposals -- which are now in mark-up in the Senate Finance Committee -- has the promotion of competition and containment of costs high among its objectives. (Several of the features of the Ullman and Durenberger bills are contained in the systems reform title of our NHP proposal.) In light of these considerations we are all agreed to press ahead to develop a consolidated internal administration position on changes in the tax code to promote competition; but Stu and Pat Harris want to defer consideration of Administration support for a freestanding competition bill until the course of Senate action on your current legislative program becomes clearer and a strategic review can be undertaken.

I disagree. I cannot of course oppose withholding new legislative initiatives if they would jeopardize or conflict with high priority proposals we have already sponsored. But I do oppose passing up an opportunity to sponsor imaginative and constructive new proposals that are totally in the spirit of your whole attitude toward regulatory reform, and that may have a real chance of being passed, while we wait interminably for our favored legislation, if we are ourselves convinced (if we confront the question honestly) that it has no chance of enactment in the foreseeable future.

The second object of enthusiastic agreement at the meeting was the proposition that large businesses can do much on their own to encourage the development of more cost-effective methods of providing and paying for medical care, through support of HMO's, IPA's and other forms of group practice. As you probably know, private efforts like these have achieved considerable success in the Minneapolis area. Recently, the automobile companies along with the UAW announced similar plans in Detroit.

Just last week I had a long conversation with Governor Bob Graham, who is very eager to promote this kind of enterprise

in the Miami area. At the request of his staff, I telephoned Frank Borman (since Eastern is the largest employer in that area) to explain that this was a way of attacking the medical cost control problem purely through private initiative. Borman was enthusiastic and promised active personal cooperation with the Governor in this endeavor. I have also had several conferences over the past several months with groups of businessmen and others, to encourage more private initiatives. Since big businesses lay out millions of dollars for health protection for their employees, they have a very strong economic interest in promoting more cost effective care.

Third, several representatives of drug companies complained about drug legislation now in Congress. The Drug Regulation Reform Act is designed to (1) speed the approval of important new therapies; (2) help stimulate drug innovation; (3) reinforce patent protection and (4) create new jobs for American workers by relaxing the export rules on drugs. The industry contends, however, that the bill contains specific provisions that could increase the lag time for introducing new drugs. John and I promised to look into this criticism.

Fourth, one of the participants representing a drug company complained about regulatory burdens. When I asked for specific suggestions, he referred to a Schweiker bill, which would instruct OSHA to reward companies with consistently good safety records by reducing the number of required reports and inspections. This strikes me as an imaginative suggestion, and I assured them that I would make an effort (as is my regular practice) to follow up on suggestions like these.

In addition to these points, there was a good deal of reference to the perceived contradictory message of the government on the one hand soliciting voluntary cooperation from the health care industry to restrain costs and on the other hand continuing to pursue mandatory hospital cost containment. I observed, in response, that there is nothing necessarily illogical about the Administration pursuing two different approaches at the same time, leaving it to the passage of time to decide what combination of the two will be most effective. The Administration's view that the threat of a more detailed and pervasive regulatory control might encourage the members of the industry to practice more effective cost containment on their own initiative is hardly irrational. This might well lead them, for example, to introduce reimbursement methods that provide greater incentives for economy than exist today, and explore the possibilities of introducing more effective competition..

In general, however, all the participants promised to cooperate and, specifically, to get in touch with John or me in the weeks immediately ahead to pursue some of the suggestions that surfaced at the meeting, and others.

THE WHITE HOUSE

WASHINGTON

April 4, 1980

MEMORANDUM TO THE PRESIDENT

FROM: ALFRED E. KAHN

Fred

SUBJECT: The Attached Report on the Health Care Meeting:  
A Specific Recommendation

You will observe the one strong, specific recommendation that emerged from this meeting was that the Administration get together on a single bill to promote more effective competition in the provision of health care reimbursement plans by requiring employers (as a condition for the tax exemptions that contributions now enjoy) to offer employees a choice of plans, make equal contributions to each and let employees pocket the difference between that contribution and the cost of any less costly plan they choose.

These main features are already embodied in the Ullman and Durenberger bills; and I believe we could fairly quickly reach agreement within the Administration on what we wanted, if directed to do so. And if we did, and pressed for it, everyone at the meeting asserted, there is a good chance we could get it, in this session of Congress; and you could show a concrete achievement (instead of the empty promise of Hospital Cost Containment) this year in holding down inflation in the cost of medical care.

The obstacle is the Administration's commitment to Hospital Cost Containment (which I believe we will not get) and to the National Health Insurance bill, the passage of which is obviously far off.

One of the most frustrating aspects of my job has been the resistance of HEW to any structural reform initiative in medical care that seemed to them to interfere with their own -- largely regulatory and paternalistic rather than competitive -- agenda. This resistance is well known to every one who is working for structural reform.

I urge you, therefore, to react to the attached memorandum by instructing HEW to work with Stu's people and me to come up promptly with a version of the Ullman and Durenberger bills

that we can support -- set a deadline, say, April 20 -- and meanwhile get Frank Moore's people to help us explore right away the possibility of getting a bill in this session of Congress.

I don't know any other way of assuring results.

ID 801927

THE WHITE HOUSE

WASHINGTON

DATE: 07 APR 80

FOR ACTION: STU EIZENSTAT

FRANK MOORE

*Copy memo  
not sub per  
taken*

INFO ONLY: THE VICE PRESIDENT

SUBJECT: KAHN MEMO RE REPORT ON THE HEALTH CARE MEETING: A  
SPECIFIC RECOMMENDATION

+++++  
+ RESPONSE DJE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM WEDNESDAY 09 APR 80 +  
+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

April 9, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Message on the Handicapped

You have been invited to address the President's Committee on Employment of the Handicapped this May 1. The meeting will be attended by nearly 5,000 handicapped community leaders from every state. No President since Lyndon Johnson fifteen years ago has addressed the Committee.

Members of my staff have been working for some time on a number of initiatives which we had hoped to package into a Congressional message on the handicapped. However, I believe your personal appearance at the Committee announcing these initiatives and highlighting your outstanding record on behalf of handicapped people would be extremely effective and well received.

Major Administration accomplishments for handicapped people include:

- o Signing the Rehabilitation Act Amendments of 1978
- o Hosting the first White House Conference on the Handicapped in 1977
- o Dramatically increasing funding for education of handicapped children
- o Signing the Education of the Handicapped Amendments of 1977
- o Proposing National Health Insurance and the Mental Health Systems Act
- o Increasing job opportunities for the handicapped through the Comprehensive Employment and Training Act, the Revenue Act of 1978, and the 1977 Tax Reduction and Simplification Act.

New initiatives which could be announced include:

- o A spinal cord injury research and services program
- o An independent living interagency demonstration
- o The designation of a new lead agency to enforce section 504 regulations
- o The finalizing of all section 504 regulations by the end of the year
- o The adoption of government accessibility standards, and the designation of an agency to monitor compliance with those standards
- o The first post-Census disability survey
- o Submission of the Florence Agreement for ratification by the Senate (the Florence Agreement allows duty-free importation of items for the handicapped).

A strong statement on your commitment to handicapped civil rights should also be included in this address. A recent Supreme Court decision on 504 has concerned and confused many as to future enforcement and progress of handicapped civil rights.

I have suggested to Jody as a possible additional initiative, having your public speeches interpreted for the deaf. This idea has been suggested by a number of individuals and organizations and appears to be logistically feasible. With your approval, we will pursue this initiative.

ID 801932

THE WHITE HOUSE

WASHINGTON

DATE: 07 APR 80

FOR ACTION: FRAN VOORDE

*attached*

PHIL WISE



INFO ONLY: JIM MCINTYRE

SUBJECT: EIZENSTAT MEMO RE MESSAGE ON THE HANDICAPPED

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM WEDNESDAY 09 APR 80 +  
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW: