[8/13/79-Not Submitted-DF]

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

13 August 1979

TO: JOHN WHITE

FROM: RICK HUTCHESON

SUBJECT: Federal Employee Participation in HMOs

Per our conversation, I will hold HEW's memo to the President on this subject for the time being in order to give you time to work out differences with OPM and HEW.

For your information, I have attached copies of comments from OPM and CEA on HEW's memo. Eizenstat, Kahn and Freeman concurred with HEW.

Thanks.

cc: Stu Eizenstat
Scotty Campbell



COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN
GEORGE C. EADS
LYLE E. GRAMLEY

August 7, 1979

MEMORANDUM FOR RICK HUTCHESON

FROM: GEORGE EADS G.E.

SUBJECT: Secretary Califano's Suggestion Re Federal Workers HMO Participation

CEA has no objection to making sure that Federal employees are fully aware of the advantages offered by HMOs during the annual "open season." (It is our impression that the government deal is already during a good job here, but a little more information never hurt anyone.)

My primary reason for drafting this is to suggest that the 9 percent participation rate referred to in the Califano memo may be due not to a lack of information but to a lack of incentive. HMOs may save the government money, but in the District of Columbia at least, they cost the government worker more. So long as that is the case, low participation rates can be expected.

This illustrates the importance of the suggestion we have been making at CEA in connection with National Health Insurance to make it more in the employee's interest to choose plans that are less expensive overall. If this were done, HMO participation rates would likely soar.

United States of America
Office of Personnel Management
Washington, D.C. 20415

In Reply Refer To:

Your Reference:

AUG 7 1979

MEMORANDUM FOR:

Mr. Rick Hutcheson
The White House

Subject: Califano Memo Re Participation of Federal Employees in HMO's

I concur in the action being recommended by HEW. I have worked with Secretary Califano and Under Secretary Champion since late 1978 to coordinate a joint effort between the Federal Employees Health Benefits Program and OHMO Program of HEW. We are preparing internal announcements to health benefits officials of the Federal agencies and installations in support of the memorandum recommended by HEW.

One important difference, however, should be noted. The Office of Personnel Management takes the position that an evenhanded approach is essential in the administration of the FEHB Program. Therefore, all communication and action by the OPM will reflect fair and equitable treatment of all carriers in the Federal program, including HMO's.

Alan K. Campbell
Director

United States of America
Office of Personnel Management
Washington, D.C. 20415

In Reply Refer To:

AUG 7 1979

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MEMORANDUM FOR:

Mr. Rick Hutcheson
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Subject: Califano Memo Re Participation of Federal Employees in HMO's

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Alan K. Campbell
Director

ID 793303 T H E W H I T E H O U S E

WASHINGTON

DATE: 04 AUG 79

FOR ACTION: CHAIRMAN CAMPBELL ADMINISTRATOR FREEMAN

STU EIZENSTAT JIM MCINTYRE

CHARLES SCHULTZE RICK HERTZBERG

ALFRED KAHN

INFO ONLY: THE VICE PRESIDENT JACK WATSON

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM TUESDAY 07 AUG 79 +

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ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

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

AUG 9 1979

MEMORANDUM FOR: Rick Hutcheson

FROM: John P. White

SUBJECT: Federal Employee Participation in Health Maintenance Organizations

We have reviewed HEW's memorandum to the President concerning increased participation of Federal employees in Health Maintenance Organizations (HMOs). We believe there are several reasons why HEW's proposal should not be pursued at this time:

-- Since the "open season" for changing health benefits coverage is over three months away, it is not timely for the President to send out during August a special request to agency heads about this matter.

-- Situations can exist for individual Federal employees where selection of a high deductible policy, rather than high premium comprehensive HMO coverage, is more appropriate and equally supportive of cost containment objectives. Federal employees should receive accurate information on all such alternatives, rather than being encouraged to enroll in high option HMO plans which have higher premiums than other health plans. In addition, for the Federal Government to decide to promote employee enrollment in all HMOs, we need to know whether the existing HMOs can absorb increases in enrollment without affecting the quality of care delivered.

It is also important to note that labor unions actively support many of the competing health plans available to Federal workers. Presidential advocacy of HMO plans to the exclusion of other health plans could be interpreted as an anti-labor union action.

We recommend against adopting HEW's proposal at the present time. As an alternative, we suggest OPM be asked to work with HEW on developing better comparative information on the range of options, including HMOs, which are available to Federal employees. Please advise me of the decision on this issue and Scotty Campbell's views so we can know whether to proceed to request development of this alternative.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

AUG 2 1979

MEMORANDUM FOR THE PRESIDENT

I am writing to ask for your support in an effort related to our hospital cost containment initiative -- increasing the participation of Federal employees in Health Maintenance Organizations (HMOs).

During the past two and one half years we have developed strategies to expand the growth of HMOs nationwide because of their demonstrated effectiveness in reducing health care costs while providing comprehensive, quality care. In 1978 HMOs achieved hospital cost savings of approximately $442.1 million more than care provided on a fee-for-service basis. In addition, where HMOs are present in the market place, competing health insurance plans have slowed the rate of premium increases, controlled hospital utilization, and, at the same time, increased benefits coverage.

HMOs have already provided direct savings to the government. The inclusion of the HMO Kaiser plan in determining the Federal contribution rate for each employee's health benefits coverage has reduced the rate by approximately 52 cents every day. This amounts to annual direct savings of $44 million.

Currently, however, only 9 percent of Federal employees are enrolled in HMOs. We need to increase the participation rate of Federal workers in HMO programs by providing information about the coverage options available to them during "open season", which is when Federal employees have the opportunity to change their health benefits coverage.

Most Federal employees choose their health benefits coverage once and it is renewed automatically, unless they take the initiative to select another health plan. We need to market HMOs directly in order to familiarize Federal employees with the benefits, coverage, and cost of HMOs.

I have discussed these problems with Scotty Campbell, and he also believes we need to make a special effort to highlight "open season" this year and to facilitate the marketing presentations of the various health plans.

We are asking you to encourage the heads of all Federal agencies to promote "open season" activities. In particular, we would like you to ask them to coordinate their efforts with Scotty Campbell and Paul Goulding of General Services Administration to ensure that information about coverage options and costs are prominently displayed and that the health plan representatives are given the proper space and time to make their presentations.

I have enclosed a letter for you to send Cabinet officials to request their support. Awareness of health care plans can have a considerable effect on the Administration's and each employee's efforts to reduce rising health care costs.

for Joseph A. Califano, Jr.

It is important that you provide employees with clear information about "open season" and the range of health plans available. Paul Goulding of the General Services Administration and Scotty Campbell of the Office of Personnel Management would like to improve access to this information by ensuring that marketing materials are prominently displayed and that the representatives of HMOs and other health insurance carriers have the necessary time and space to make their presentations to Federal employees.

I am asking you and every manager to support and coordinate this effort. The health benefits coverage that employees select can enable them, and the government, to achieve considerable cost savings.



THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

As you know, one of our major initiatives has been to reduce rising health care costs. Part of this effort involves promoting Health Maintenance Organizations (HMOs) and expanding the role they play in our health care system.

In 1978, HMOs achieved hospital cost savings of approximately $442.1 million over care provided on a fee-for-service basis. Where HMOs are present in the market place, competing health insurance plans have slowed the rate of premium increases, controlled hospital utilization, and, at the same time, increased benefits coverage.

HMOs have already provided direct savings to the government. The inclusion of the HMO Kaiser plan in determining the Federal contribution rate for each employee's health benefits coverage has reduced the rate by approximately 52 cents every day. This amounts to annual direct savings of $44 million.

HMOs, with their built-in incentives for providing comprehensive quality care and greater cost savings, are an attractive alternative to traditional fee-for-service health care. Yet only 9 percent of our Federal employees are currently enrolled in HMOs.

I would like you to help increase the participation of Federal employees in HMOs. One way to do this is by encouraging them to shop carefully and critically for their health benefits coverage during "open season", which is scheduled this year from November 12 to December 7.

Sta's office

ID 793303 THE WHITE HOUSE

WASHINGTON

DATE: 04 AUG 79

FOR ACTION: CHAIRMAN CAMPBELL - attached ADMINISTRATOR FREEMAN - concur attached

concur STU EIZENSTAT - in Sta's office JIM MCINTYRE - attached being retyped

CHARLES SCHULTZE - attached RICK HERTZBERG

ALFRED KAHN Concur

INFO ONLY: THE VICE PRESIDENT JACK WATSON

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM TUESDAY 07 AUG 79 +

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ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

MEMORANDUM FOR EXECUTIVE DEPARTMENTS AND AGENCY HEADS

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It is important that you provide employees with clear information about "open season" and the range of health plans available. Paul Goulding of the General Services Administration and Scotty Campbell of the Office of Personnel Management would like to improve access

to this information by ensuring that marketing materials are prominently displayed and that the representatives of HMOs and other health insurance carriers have the necessary time and space to make their presentations to Federal employees.

I am asking you and every manager to support and coordinate this effort. The health benefits coverage that employees select can enable them, and the government, to achieve considerable cost savings.

✓	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

add: SSA - Freeman
for action OPM - Campbell

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
	✓	WATSON
		WEXLER
		BRZEZINSKI
✓		MCINTYRE
✓		SCHULTZE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
✓	~~FALLOWS~~ Hertzberg
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE
✓	KATH W

ID 793303 THE WHITE HOUSE

WASHINGTON

DATE: 04 AUG 79

FOR ACTION: CHAIRMAN CAMPBELL ADMINISTRATOR FREEMAN

STU EIZENSTAT JIM MCINTYRE

CHARLES SCHULTZE RICK HERTZBERG

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INFO ONLY: THE VICE PRESIDENT JACK WATSON

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM TUESDAY 07 AUG 79 +

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ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

I strongly support HEW's recommendation. Encouragement of HMO's is an important part of any good program to restrain inflation in medical costs.

Fred Kahn

8/6/79

[redacted]

Hutcheson - could you
ask

ID 793303 THE WHITE HOUSE

WASHINGTON

DATE: 04 AUG 79

FOR ACTION:	CHAIRMAN CAMPBELL	ADMINISTRATOR FREEMAN
	STU EIZENSTAT	JIM MCINTYRE
	CHARLES SCHULTZE	RICK HERTZBERG
	ALFRED KAHN	
INFO ONLY:	THE VICE PRESIDENT	JACK WATSON

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

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+ BY: 1200 PM TUESDAY 07 AUG 79 +

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ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

Looks fine to me - text of memo is good.

Rick Hertzberg

ID 793303 THE WHITE HOUSE

WASHINGTON

DATE: 04 AUG 79

FOR ACTION: CHAIRMAN CAMPBELL — ADMINISTRATOR FREEMAN

STU EIZENSTAT — JIM MCINTYRE

CHARLES SCHULTZE — RICK HERTZBERG

ALFRED KAHN

INFO ONLY: THE VICE PRESIDENT — JACK WATSON

8/7/79

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

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+ BY: 1200 PM TUESDAY 07 AUG 79 +

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ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: (✓) I CONCUR. ( ) NO COMMENT. ( ) HOLD.
(Signed) R. G. Freeman III

PLEASE NOTE OTHER COMMENTS BELOW:

Have replaced "Paul Goulding's" name with R. G. Freeman, III new Admininstrator of GSA, on second page of letter.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

AUG 2 1979

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for Joseph A. Califano, Jr.

MEMORANDUM FOR EXECUTIVE DEPARTMENTS AND AGENCY HEADS

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XC: Bert
David
Joe Onek

ID 790302

THE WHITE HOUSE

WASHINGTON

DATE: 04 AUG 79

FOR ACTION: CHAIRMAN CAMPBELL — ADMINISTRATOR FREEMAN
STU EIZENSTAT — JIM MCINTYRE
CHARLES SCHULTZE — RICK HERTZBERG
ALFRED KAHN

INFO ONLY: THE VICE PRESIDENT — JACK WATSON

SUBJECT: CALIFANO MEMO RE PARTICIPATION OF FEDERAL EMPLOYEES IN HEALTH MAINTENANCE ORGANIZATIONS

RESPONSE DUE TO RICK HUTCHESON, STAFF SECRETARY (456-7052)
BY: 1200 PM TUESDAY 07 AUG 79

ACTION REQUESTED: YOUR COMMENTS.

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

PLEASE NOTE OTHER COMMENTS BELOW: