

5. STRENGTHENING HEALTH CARE

Nothing is more critical to the securities of our families, the strength of our communities. Health is something we take for granted until we or our loved ones don't have it anymore.

President Clinton
August 1998

Today, the health of the American people is better than ever. Last year, infant mortality reached an all-time low and the average life span for Americans reached an all-time high. Major progress was made toward preventing and controlling diseases. For the first time in 20 years, cancer death rates declined, and AIDS dropped out of the top 10 causes of death. Not only were immunizations at record high levels, but the large, historical disparities for immunizing children of different races were curbed. These gains were matched by the slowest growth in health care spending in almost 40 years.

These improvements reflect the extraordinary commitment of President Clinton to making health care more affordable, accessible, and effective. Even without the passage of any significant health care legislation last year, the Administration took significant steps toward this goal. Medicare beneficiaries gained access to new preventive benefits, managed care choices, and low-income protections. The no-tolerance approach toward Medicare fraud was stepped up, yielding hundreds of millions of dollars in savings. While the President's Patients' Bill of Rights, with its strong and enforceable measures, did not become law last year, the President took executive action to extend patient protections to the 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees. He also took immediate actions to improve the quality of care in nursing homes. The President also worked with States to expand health coverage to the 43 million uninsured Americans. All but three States started enrolling over 2.5 million uninsured children in the new Children's Health Insurance Program (CHIP); over 10 Federal agencies have joined with the private

sector to help enroll the millions of uninsured children eligible for Medicaid, as well as CHIP; and the President authorized a new regulation that provides States the option to cover two-parent families in Medicaid.

The budget builds on these accomplishments with initiatives that include:

- *Responding to the need for assistance with long-term care:* The budget includes: a \$6 billion initiative that includes a tax credit to compensate for the cost of long-term care services; a new National Family Caregivers Program; a national campaign educating Medicare beneficiaries about long-term care options; and a proposal to provide the authority to allow the Federal Government to offer private long-term care insurance to its employees at group rates. It also includes a new investment to strengthen nursing home quality; an innovative housing initiative to create and integrate assisted living facilities and Medicaid home and community-based long-term care; and a new Medicaid option that equalizes eligibility for people with long-term care needs in community settings.
- *Improving access to health insurance:* The budget provides more than \$4 billion over five years for: expanding new health insurance options for people ages 55 to 65; increasing access to insurance for small businesses through purchasing coalitions; extending Medicare and Medicaid to workers with disabilities; restoring Medicaid eligibility to legal immigrants affected by welfare reform; extending Medicaid eligibility to foster children up to age 21; improving the transitional Medicaid for people moving from welfare to work; and providing States with

additional funds for children's health insurance outreach.

- *Safeguarding and improving public health:* In order to protect and advance public health, the budget supports: a stringent tobacco control policy; a new \$1 billion program over five years that funds local communities to integrate traditional safety net providers (e.g., public hospitals and clinics) into networks that help the uninsured; and important initiatives to address coverage of cancer clinical trials, the challenges of AIDS, bioterrorism, asthma, mental health, and racial disparities in health status.
- *Improving fiscal soundness of Medicare and Medicaid:* The budget proposes aggressive efforts to reduce Medicare fraud, waste and abuse, and to improve the management of Medicare and Medicaid.

Long-Term Care

The need for long-term care will surely be one of the great challenges as the baby boom generation ages. Unlike acute care, long-term care is rarely paid for by private insurance or Medicare, requiring out-of-pocket expenditures. It also takes a financial and emotional toll on family and friends on whom the burden of unpaid care often falls. The budget proposes a multi-faceted initiative, as follows:

Tax Credit for Long-Term Care: This tax credit will help people with chronic illness or the families with whom they live. People with significant long-term care needs or their care givers would receive a \$1,000 tax credit beginning in 2000. Approximately two million people would benefit, at a cost of \$5.5 billion.

National Family Care Givers Program: This program is designed to assist approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. The budget invests \$125 million to support a care giver support system in all States that provides information, education, counseling, and respite services directly to care-giving families.

National Long-Term Care Information Campaign: This campaign will help Medicare beneficiaries and their families better understand their long-term care options. Information

for Medicare beneficiaries would include an explanation of long-term care coverage under the Medicare and Medicaid programs, private long-term care insurance, and other consumer information.

Private Long-Term Care Insurance for Federal Employees: This proposal will make group long-term care insurance available to Federal employees, annuitants, and their families. Employees would pay the full cost of insurance premiums, which, at group rates, are expected to be 10 to 15 percent lower than the individual rates otherwise available.

Medicaid Initiatives to Encourage Expansion of Home and Community-Based Long-Term Care Options: This initiative gives States the option of expanding Medicaid eligibility for people with incomes up to 300 percent of the Supplementary Security Income (SSI) level who need nursing home care but choose to live in the community, extending its reach from only those at this income level who live in nursing homes. Competitive capital grants will also be provided for the conversion of Section 202 elderly housing projects to assisted living facilities. Grants are available when States agree to provide new Medicaid home and community based services in the facility.

Nursing Home Quality Initiative: On July 21, 1998, the President announced an initiative to strengthen nursing home enforcement tools and Federal oversight of nursing home quality and safety standards. As part of this initiative, the Administration will work with the States to improve their nursing home inspection systems, crack down on nursing homes that repeatedly violate safety rules, and require nursing homes to conduct criminal background checks on all new employees.

Improving Access to Health Care Coverage

The President is committed to expanding access to health care, particularly to vulnerable groups such as children, the near-elderly who are not yet eligible for Medicare benefits, older displaced workers, and immigrants.

Health Insurance Options for People Aged 55 to 65: People between the ages of 55 and 65 often face special problems of access and affordability. Because of job and family transitions, fewer people in this age group have access to employer-based health insurance. And when they seek to purchase insurance on their own, many find the cost prohibitive, or coverage unavailable because private companies refuse to sell insurance to age groups with greater health risks.

The budget includes the Daschle-Moynihan-Kennedy proposal that will help an estimated 300,000 members of this vulnerable population by either allowing them to pay for coverage through the Medicare system, or guaranteeing access to a private insurance plan.

- *Allowing Americans between 62 and 65 to buy Medicare coverage:* This policy will give older Americans the security of knowing that they have an affordable, high quality health insurance option. Because this proposal is self-financing, it protects the integrity of the Medicare Trust Funds.
- *Expanding health insurance options for displaced workers:* The budget also offers the option of a Medicare “buy-in” to workers between the ages of 55 and 62 who have lost company-sponsored health care coverage because their hours were scaled back, or their employer relocated or stopped operations.
- *Protecting retirees whose employer-based health benefits have been abolished:* This proposal targets “broken promise” retirees between the ages of 55 and 65. Employers who have canceled the insurance of these retirees would be required to guarantee access to health insurance, by providing these retirees the option to “buy in” to the company sponsored plan at a fair price.

Small Business Health Purchasing Coalitions: Fewer small businesses offer health insurance because of higher administrative costs and premiums relative to large businesses. As a result, nearly half of uninsured workers are in firms with fewer than 25 employees. This \$44 million initiative would provide a tax credit to small businesses who join voluntary coalitions to provide insurance cov-

erage, establish a tax incentive to encourage foundations to fund the start-up costs of coalitions, and provide technical assistance through the Office of Personnel Management.

Flexibility to Cover People With Disabilities: Building on a provision of the 1997 Balanced Budget Act (BBA), this proposal will give States broad flexibility to set higher income and resource standards in Medicaid to encourage people with disabilities to return to work. In addition, Medicaid will allow States that adopt the more generous income and resource standards to cover individuals who no longer meet SSI and Social Security Disabled Insurance (SSDI) disability criteria because of medical improvement. States offering new options would receive grants to develop support systems that help people with disabilities who return to work. The budget also creates a capped demonstration program allowing States to offer health coverage to individuals who meet an expanded definition of disability set by the States. This is intended to allow people with disabilities to retain health coverage while they work, potentially preventing illness and impoverishment. In addition, the budget would allow people with disabilities who leave SSDI to retain Medicare coverage. This provision ensures that, regardless of whether States have taken advantage of the Medicaid option, people who leave SSDI have access to affordable health coverage.

Medicaid eligibiligy for legal immigrants: The budget would restore Medicaid benefits to three vulnerable groups of legal immigrants: children; pregnant women; and disabled immigrants whose eligibility for SSI would also be restored. As the President has pledged, and has achieved for other groups so affected, this would reverse an inequity enacted in welfare reform.

- *Children:* States would have the option to provide Medicaid and CHIP coverage to qualified legal immigrant children who entered the United States after the enactment of welfare reform.
- *Pregnant Women:* States would have the option to provide Medicaid coverage to qualified legal immigrants who become pregnant and who entered the United States after enactment of welfare reform. Such coverage would help reduce the num-

ber of high-risk pregnancies, ensure healthier children, and lower the cost of emergency Medicaid deliveries.

- *SSI Recipients:* The budget provides funding for Medicaid benefits to immigrants who became eligible for the program as a result of SSI restorations proposed in the budget.

Other Medicaid Improvements: The budget supports a number of important initiatives to expand Medicaid and CHIP coverage, including:

- *Children's Health Insurance Outreach:* This initiative, designed to inform eligible children and their families about the CHIP program and Medicaid, will provide States with flexibility to develop innovative and effective outreach approaches.
- *Transitional Medicaid simplification:* The budget proposes to simplify and improve transitional Medicaid programs to help the working poor, whose income makes them ineligible for the traditional Medicaid program. By eliminating burdensome reporting requirements and giving States an incentive to serve more working families, this proposal would help beneficiaries retain temporary health insurance through Medicaid until they can secure private insurance.
- *Foster Care Medicaid benefits:* The budget would give States the choice to extend Medicaid eligibility to children up to age 21 who were eligible for Foster Care assistance at age 18. Continued access to medical, mental health, and rehabilitative care beyond age 18 is critical to ensuring that these youth can successfully make the transition from foster care to independent living.
- *Aid for the territories:* The budget proposes \$144 million in increased funding under CHIP for Puerto Rico and the other four territories, fulfilling the President's promise to provide more equitable funding for children's health care in the insular areas.

Renewing Commitment to Public Health

This budget affirms the Administration's commitment to improving public health, with

renewed emphasis on measures to combat smoking, especially among young people. The budget also increases access to powerful AIDS therapies, enhances food safety, promotes childhood immunization, improves reporting of public health threats, and reduces infant mortality.

Stopping Youth Smoking: Every day, 3,000 children become smokers—1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17—37 percent of all high school students—smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems. To end this public health crisis, we must have a focused public health effort to reduce youth smoking. The 1998 State tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable. The Administration believes additional steps must be taken at the national level to reduce youth smoking:

- *Raise the price of cigarettes, so fewer young people start to smoke:* Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. Last year, the President called for an increase of \$1.10 per pack (in constant dollars) to help cut youth smoking in half within five years. This year, we build on the increases already agreed to between the tobacco companies and the States and those already legislated by the Congress. As a result, we can reach the target with a legislated increase of half this amount.

The funds that result from this policy will offset tobacco-related Federal health care costs. Each year, the Federal Government spends billions of dollars treating tobacco-related diseases for our Armed Forces, veterans, and Federal employees. It is fitting that the tobacco industry reimburse U.S. taxpayers for these costs, just as it has already agreed to do for the States.

- *Reaffirm the Food and Drug Administration's (FDA's) full authority to keep cigarettes out of the hands of children:* The Administration will again support legisla-

tion that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. While the State settlement limits tobacco advertising, it still allows certain marketing practices targeted at children, including newspaper and magazine advertising and retail signs near schools. Moreover, only by reaffirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing. We should take this matter out of the courts and ensure that the FDA—the Nation's leading health consumer protection agency, providing oversight over food, drugs, and medical devices—has full authority to protect our children from tobacco.

- *Support critical public health efforts to prevent youth smoking:* To help support tobacco prevention programs in States and local communities, the Administration's budget will double the funding for the FDA's tobacco enforcement budget to \$68 million and increase funding for the Centers for Disease Control's tobacco control efforts by one-third, from \$74 to \$101 million. In addition, the Administration will continue to support measures that hold the tobacco industry accountable for reducing youth smoking.
- *Protect farmers and farming communities:* The Administration remains committed to protecting tobacco farmers and their communities, and is monitoring closely ongoing efforts by State, farmer, and industry representatives to provide funding and purchase commitments to tobacco farmers. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in ex-

change for a commitment by the States to use tobacco money to support shared national and State priorities which reduce youth smoking, promote public health and children's programs, and assist affected rural communities.

In addition to these Medicaid costs, tobacco-related health problems have cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the Department of Justice intends to bring suit against the tobacco industry, and the budget contains \$20 million to pay for necessary legal costs. The Administration will propose that recoveries will be used to enhance the security of Medicare for future generations.

Safeguarding and Improving Public Health: The budget includes numerous policies to improve the health and health systems in the United States. These include:

- *Reinforcing the Nation's safety-net:* A new public health initiative will strengthen the health care safety-net for uninsured and other at-risk individuals. The initiative, which makes use of competitive grants, is designed to encourage local public officials and others to work closely with providers to improve coordination of the delivery of services, to establish accountability in the system for assuring adequate patient care, and to increase the number of services delivered, improving the quality of care and expanding access for the uninsured.
- *Increasing biomedical research:* Biomedical research is a foundation for combating disease and providing new technologies, from the eradication of smallpox to the disappearance of polio in the Western Hemisphere to prevalence of cardiac pacemakers and organ transplants that help restore normal lives. In last year's budget, the President made a commitment to increasing the National Institutes of Health (NIH) budget by nearly 50 percent over five years. Last year, NIH received an historic \$2 billion increase, putting us ahead of schedule in meeting the President's commitment to expanding biomedical research. This year, with an investment of \$15.9 billion in NIH, the budget renews that commitment to biomedical research.

- *Establishing Medicare cancer clinical trial demonstration:* The budget gives more Americans access to these cutting-edge cancer treatments and encourages higher participation in clinical trials by establishing a three-year, \$750 million demonstration program. Medicare beneficiaries who participate in certain cancer clinical trials will be covered for the patient care costs for those trials. Funding priority will be given to trials that would most assist the Health Care Financing Administration (HCFA) in making future coverage policy decisions for cancer-related treatments and to substantive trials designed to address specific research questions. Although HCFA would run the demonstration, it would not draw upon Medicare's trust funds.
- *Ensuring access to powerful AIDS therapies and improving quality of care through Ryan White HIV/AIDS Treatment Grants:* The budget proposes a \$100 million increase in Ryan White treatment grants to help States provide AIDS treatment, especially the powerful "combination therapy" AIDS drugs through the AIDS Drug Assistance Program. In total, the budget proposes \$1.5 billion in Federal spending for activities authorized by the Ryan White CARE Act, a seven-percent increase over 1999 levels and a 291-percent increase over comparable 1993 levels.
- *Helping to reduce racial disparities in health status:* Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is more than twice that of Caucasians. American Indian and Alaska Natives are about three times as likely to die from diabetes as other Americans. To address these and other disparities, the budget includes \$135 million for health education, prevention, and treatment services for minority populations. The budget also proposes to provide an additional \$50 million to address HIV and AIDS issues in minority communities.
- *Providing quality health care to Native Americans:* The budget proposes a four-pronged funding strategy for the Indian Health Service (IHS), which includes: 1) increased resources; 2) a coordinated effort to ensure that HHS health grants provide assistance to Native Americans; 3) review of reimbursements from Medicaid and Medicare; and 4) increased vigilance to ensure that Federal funds are used properly.

The budget proposes a \$170 million increase for IHS. This eight-percent increase will allow IHS to finance an additional 34,000 breast cancer screening mammographies for Native American women between ages 50 and 69, create 44 new dental unit teams to provide an additional 25,000 dental visits, reduce incidence of complications related to chronic diseases such as diabetes and enable approximately 130 new community-based public health nurses to provide outreach activities, including home visitations, well-child examinations, immunizations, prenatal care, health fairs, follow-up visits, and missed clinical appointments. The budget also supports the continuation of the construction of two health care facilities (Fort Defiance and Parker Health Clinic). From 1998 to 2000, IHS expects to collect an additional \$82 million in reimbursements due to Medicaid and Medicare collection rate increases.
- *Increasing Federal support for improving the mental health of all Americans:* The budget provides a \$5 million, 19-percent, increase for the Projects for Assistance in Transition from Homelessness (PATH) program, which provides much-needed supportive services to persons with a mental illness who are homeless. In addition to increasing funding for this vulnerable population, the budget provides a \$70 million, or 24-percent, increase for the Mental Health Block Grant, which provides integral support to States for services for people with mental illness.
- *Expanding anti-substance abuse activities:* The budget includes an \$85 million increase for anti-substance abuse activities. These new funds continue the Administration's commitment to expand substance

abuse treatment for hundreds of thousands of high-risk youth, families moving from welfare-to-work, and other underserved Americans. To help communities address gaps in substance abuse treatment for emerging areas of need, the budget proposes \$110 million for Treatment Targeted Capacity Expansion grants. This proposed funding level is double the 1999 funding level and, with additional funding for the Substance Abuse Block Grant, will provide treatment for another 21,000 individuals.

- *Improving asthma treatment for low-income children:* The budget proposes \$50 million in demonstration grants to States test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive the most appropriate care, and keep their asthma in check. To judge the success of the project in improving asthmatic children's quality of life, participating States will measure the program's success in averting asthma-related crises—such as decreased emergency room visits and hospital stays. To complement these efforts, the budget provides \$23 million for the Environmental Protection Agency's (EPA) childhood asthma initiative for education and outreach, research, and expansion of EPA's outdoor pollution air monitoring network.
- *Creating superior public health surveillance:* The budget proposes \$64 million to begin development and implementation of a new National Electronic Disease Surveillance Initiative at the Centers for Disease Control (CDC). A standardized national system to collect and analyze epidemiological information on the occurrence of communicable diseases is a critical missing link in the Nation's public health infrastructure, and will help address problems such as the emergence of the drug-resistant bacteria—so called superbugs—as well as food safety and bioterrorism.
- *Supporting a strong FDA:* The budget proposes an increase of 17 percent, or \$190 million, over the 1999 level for FDA to: 1) ensure the timely review of important drugs, medical devices, and food additives; 2) expand inspection coverage of facilities under their jurisdiction (e.g., registered blood banks); and 3) improve the quality of information on injuries and product defects associated with FDA-regulated products.
- *Improving public health's response to bioterrorism threats:* The budget proposes a \$71 million, or 45-percent, increase for medical and public health response and preparedness related to potential terrorist use of biological and chemical weapons. At this level, HHS will expand research and development activities on potential biological and chemical terrorist agents, including research on smallpox and anthrax vaccines and therapeutics and expedited regulatory review to facilitate these activities. This increase will improve public health surveillance of these threats and expand epidemiological and laboratory capacities to address such incidents, at the national, State and local levels. The proposed increase would also support 25 new local health care response systems (Metropolitan Medical Response Systems). These funds will be in addition to investments in the Departments of Defense and Justice.
- *Enhancing food safety:* The budget increases funding by \$72 million, or 24 percent, over the 1999 level for the Administration's inter-agency food safety initiative. The additional funds would increase the frequency of inspections of high-risk domestic establishments, double inspections and evaluations of foreign food establishments, improve science-based inspections of meat and poultry plants, and expand food safety research, risk assessment, education and surveillance activities. In 1998, the President established the Council on Food Safety to develop a comprehensive strategy for Federal food safety activities, including coordinating research efforts and budget submissions among the various food safety agencies.
- *Promoting childhood immunizations:* The budget proposes \$1.1 billion for the Childhood Immunizations Initiative, including the Vaccines for Children program and CDC's discretionary immunization pro-

gram. As a result of the Administration's Childhood Immunization Initiative, the Nation exceeded its childhood vaccination goals for 1997, with 90 percent or more of America's toddlers receiving each basic childhood vaccine. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, are at all-time lows. The budget also includes \$83 million to eradicate polio—preventable through immunization throughout the world.

- *Promoting full participation in the Women, Infants, and Children (WIC) program:* Last year, WIC reached over 7.4 million low-income women, infants, and children, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC also provides prenatal care, which reduces premature birth and infant death. Due in large part to expansion during this Administration, participation has grown by 30 percent, and the program now helps half of America's infants. The budget proposes \$4.1 billion to serve 7.5 million people through 2000 and fulfills the President's goal of full participation, making sure that all who are eligible take part in WIC.
- *Ensuring continued educational excellence in the Nation's children's hospitals:* The budget proposes \$40 million to support graduate medical education at free-standing children's hospitals. Children's hospitals play an essential role in the education of the Nation's physicians, training 25 percent of all pediatricians and over half of many pediatric subspecialties.
- *Enhancing family planning:* Publicly subsidized family planning services help women prevent over a million unintended pregnancies each year. The budget provides a \$25 million increase, to \$240 million, to support over 4,400 family planning clinics, which make up a national network providing these services to low-income women. The budget also includes \$50 million in mandatory funding for States to conduct abstinence education projects to help reduce unintended pregnancies.
- *Providing contraceptive coverage in the Federal Employees Health Benefits Pro-*

gram (FEHBP): The budget continues the policy of providing the health care coverage necessary for Federal employees, annuitants, and their families to reduce unwanted pregnancies and the need for abortions. The budget proposes to continue the requirement, enacted in the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act, that health plans in FEHBP offer the full range of contraceptive options.

- *Improving health care quality:* The budget proposes a \$35 million, or 21-percent, increase for the health care quality activities of the Agency for Health Care Policy and Research to enhance knowledge about how best to measure and improve the outcomes and quality of medical services and expand information on new priority health issues (e.g., vulnerable populations, the impact of managed care, pharmaceuticals research and other activities).
- *Caring for veterans:* Continuing its commitment to veterans programs, the Administration proposes \$18.1 billion, including an expected \$749 million in medical care collections, for the Department of Veterans Affairs health system. This funding will support such initiatives as testing and treating Hepatitis C, smoking cessation, and emergency care for high-priority veterans.

Improving the Fiscal Integrity of Medicare and Medicaid

The budget proposes improvements to Medicare and Medicaid to improve the efficacy and strength of these programs.

Strengthening Medicare Program Integrity: The budget includes several policies that would reduce Medicare fraud, abuse, and overpayment. Since 1993, the Administration's efforts to combat fraud and abuse in Medicare have increased prosecutions for health care fraud by over 60 percent, increased convictions by 40 percent, and saved billions of dollars in health care claims. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse, ensure that Medicare payments to hospitals and other providers are reasonable, and promote competitive pricing. In addition, the budget will expand the Cen-

ters of Excellence program, eliminate overpayments that facilities receive for drugs used to treat anemia, reform outpatient mental health benefits, and require insurance companies to provide information that will ensure that private insurers pay claims for which they are legally responsible.

Maintaining Fiscal Responsibility in Medicaid Administrative Cost Allocation:

The budget treats shared Medicaid and Temporary Assistance for Needy Families (TANF) administrative costs similar to the way the Agricultural Research Act of 1998 addressed common Food Stamp and TANF costs. The budget proposes a State-by-State approach that gives States flexibility in the use of TANF block grant funds.

Improving Medicare Managed Care: In 1998, 99 managed care plans chose not to renew their Medicare contracts, leaving about 50,000 beneficiaries without a managed care option. While these decisions affected less than one percent of Medicare managed care enrollees, they caused severe difficulty for many of these beneficiaries. The budget includes a set of proposals designed to ensure that sufficient options remain available to Medicare beneficiaries. First, the budget would help both el-

derly and disabled beneficiaries whose plans leave the program by providing earlier notification and broadening their access to Medigap coverage. The budget also proposes to reduce administrative burden on health plans by easing various reporting requirements; to extend plan coverage proposal deadlines and streamline other rules; and to stabilize plan revenue by phasing-in payment adjustments for enrollees' health status.

Strengthening HCFA Management Capacity:

HCFA faces the formidable challenge of modernizing a massive administrative infrastructure, meeting pressing statutory deadlines for program change, and, perhaps most importantly, by being highly responsive to its customers. The budget outlines a continuing management reform process that will increase HCFA's flexibility to adapt to the changing health care market while also increasing accountability. This process includes: 1) management flexibilities; 2) increased accountability; 3) program flexibilities; 4) structural reforms; and 5) contractor reform. In addition, the Administration will explore ways to stabilize HCFA's funding sources. (See Section IV, "Improving Performance through Better Management," for details on these management reforms.)