DATE: July 12, 1996

TO: Area Agencies on Aging Directors
    SOFA Advisory Committees
    LTC Ombudsman Program Directors
    Legal Services Providers
    Interested Parties

FROM: Sandra R. Longworth

SUBJECT: Status of FFY 1997 Appropriations

Labor/HHS/Education Appropriations Bill (H.R. 3755): On June 12, the House passed the Labor, Health and Human Services, Education and Related Agencies appropriations bill. Funding for Older Americans Act programs did not change from amounts passed by the House Appropriations Committee on June 25 (see 96-LM-16.) The Senate Appropriations Committee is scheduled to mark up the bill on July 23.

VA/HUD Appropriations Bill (H.R. 3666): On June 26, the House passed the FFY 1997 Veterans Affairs (VA)/Housing and Urban Development (HUD) appropriations bill. Section 202 elderly housing received an additional $100 million when the House approved an amendment by Rep. Rick Lazio (R-NY), which passed the House on a vote of 269-146. Section 202 elderly housing would now receive $695 million in FFY 1997. The Lazio amendment also increased funding for Section 811 disabled housing by $40 million. The increases would be offset by a $140 million decrease in the funding for Section 8 assisted housing contracts. The House also passed an amendment by Rep. Todd Tiahrt (R-KS) to zero out funding for the AmeriCorps program and increase VA medical care spending by $40 million. AmeriCorps places volunteers in community service, pays them a stipend and gives them college tuition grants. This amendment could lead to a presidential veto of the bill.

Transportation Appropriations Bill (H.R. 3675): On June 27, legislation to fund Department of Transportation programs for FFY 1997 passed the House by a vote of 403-2. The bill provides $400 million in formula grants, which include funding for elderly and disabled transportation assistance.
STATUS OF OTHER FEDERAL LEGISLATION:

**Medicaid/Welfare Reform (S. 1795, H.R. 3507):** On June 26, the Senate Finance Committee passed by a vote of 11-9 legislation to reform the Medicaid program and welfare system. The bill would block grant and cut Medicaid by $72 billion over six years and cut welfare spending by $50 billion over the same period. An amendment by Senator Max Baucus (D-MT) to separate the Medicaid and welfare portions of the bill failed. Inclusion of Medicaid with changes in welfare was likely to lead to a veto by President Clinton who is adamant that Medicaid should be retained in its current form, guaranteeing coverage for those now covered. The Senate bill closely resembles the House version (H.R. 3507) which was reported out of the House Budget Committee on June 19.

At the request of Robert Dole, House Republican leaders decided on July 11 to drop Medicaid from the first budget reconciliation bill and focus on sending a welfare reform package to President Clinton. The Senate is expected to consider the welfare reform package on the floor on July 17.

**Health Insurance Reform (H.R. 3103, S. 1028):** Republicans and Democrats still cannot agree on a proposal to create special medical savings accounts, tax-deductible savings to be used solely for medical expenses by people who have high-deductible insurance plans. The House included the savings accounts in its bill (H.R. 3103), but the Senate rejected them by a 52-46 vote. Senate bill sponsors Nancy L. Kassebaum (R-KS) and Edward M. Kennedy (D-MA) both initially opposed them. However, Senator Kassebaum softened her stand on June 10th by endorsing a modified version of the House medical savings accounts. The compromise endorsed by Senator Kassebaum would create a four-year pilot program, making savings accounts available to the self-employed and to employees at companies with 50 or fewer workers. It is estimated that the proposal would make the accounts available to about 41 million workers, of which only 6 million currently have health coverage. Of those, it is estimated that between 800,000 to 1.4 million would likely open the accounts.

When Democrats and the White House opposed the compromise, Senate Majority Leader Trent Lott (R-MI) offered an alternative proposal to respond to some of the concerns regarding an affirmative vote on the continuance of the pilot and cut the self-employed from the initial pilot. However, he expanded the initial pilot to include employees at companies of 100 or fewer employees. The House Ways and Means Committee estimates that this would create an eligible pool of 48.8 million people.

Senate Democrats have been blocking a formal House-Senate conference because they want assurances that the savings accounts will not be included in the conference agreement. If talks falter, they plan to attach the unanimously passed Senate bill, which has no medical savings accounts, to another bill.

Also unresolved is a Senate bill provision that would require insurers to cover mental illnesses as they cover physical ailments. Senators initially planned to drop the provision as a deal-breaker and replace it with a small study on mental health coverage. However, the lead advocate for the provision, Pete V. Domenici (R-NM), revived interest in it by suggesting a scaled-back version that would require insurers to equalize the lifetime and annual benefits caps for mental health and physical health coverage. It is unclear whether Senator Domenici's alternative will be included in a final package.
In the House, Speaker Newt Gingrich (R-GA), said on June 20 that if Senate Democrats continue to block a conference then the House would introduce, pass and send to the Senate a bill identical to the Senate compromise agreed to by Senator Kassebaum.

**Patient Care (H.R. 2976):** On June 27, the Health and Environment Subcommittee of the House Commerce Committee approved the Patient Right To Know Act of 1996 aimed at prohibiting health care insurers and health maintenance organizations (HMOs) from interfering with patient care. The vote was 22-0. The bill would allow doctors to give their patients all the information they need about possible treatments, no matter how expensive they are. The measure aims to prevent health plans, such as HMOs, from retaliating against doctors for telling patients about possible treatments that might be costly to the health plan. Under the measure, doctors who provide such information could not be removed from a health plans' list of authorized health care providers. Moreover, the health plan could not break the doctor's contract nor refuse to pay the cost of treatment.

The bill would be effective 90 days after enactment. The subcommittee accepted on a voice vote an amendment by Greg Ganske (R-IA) stipulating that state law could only supersede the federal measure if state law was more protective of patients' rights.

**Medicare (S. 1926):** Legislation introduced by Senator Thad Cochran (R-MS) would implement President Clinton's $118 billion in Medicare cuts over the next six years, excluding his provision which would transfer the costs of home health care from the Hospital insurance program to the Supplemental Medical Insurance fund. In addition, the bill would create a commission which would have one year to consider options to ensure the long term solvency of Medicare. After the commission agreed to a set of reforms, the President would review the proposal, and if he approved, Congress would vote on them, with no amendments allowed. The bill was referred to the Senate Finance Committee.

**Legal Service Corporation (LSC) Reauthorization (S. 1221, H.R. 1806 and H.R. 2277):** On June 26, the Senate Labor and Human Resources Committee approved by a vote of 10-3 a bill to reauthorize the LSC at its current funding level of $278 million through the year 2000, down from its FFY 1995 funding level of $400 million.

The bill, sponsored by Senator Nancy Kassebaum (R-KS), would curtail legal aid service's activities. The bill would prohibit Legal Services from filing cases on behalf of prisoners or illegal aliens and in such areas as state welfare reform or abortion rights. Its lawyers would be restricted from lobbying for public dollars and from filing class action lawsuits against government. Due to strong opposition, it is more likely that the fate of LSC will be determined in the appropriations bill.

A bill similar (H.R. 1806), sponsored by Bill McCollum (R-FL) and Charles W. Stenholm (D-TX), has been referred to the House Judiciary Committee. Another bill (H.R. 2277), sponsored by Rep. George W. Gekas (R-PA), would abolish LSC and send federal grant money directly to the states.

**Single Audit (H.R. 3184, S. 1362):** Legislation entitled the Single Audit Amendments of 1996 was introduced in the House and Senate. The bills represent the first revision to federal single audit requirements since the original act was passed in 1984. The amendments would broaden the scope of the Act to cover universities and other nonprofit organizations, streamline the audit process,
improve accountability and reduce audit and paperwork burdens on grant recipients.

Some specific highlights of the proposed amendments include:

- All state and local governments and nonprofit organizations that receive federal assistance would be covered under the provisions of the Single Audit.

- The dollar threshold for requiring a Single Audit would be raised from $100,000 to $300,000 of total federal expenditures for all programs.

- Auditors would be required to assess the risk of the programs an entity operates and select the riskiest programs for testing.

- Auditors engaged to perform the Single Audit must determine and report on whether the audited entity has an internal control system that can provide reasonable assurance that federal assistance is being managed in compliance with applicable laws and regulations.

- Auditors would be required to obtain an understanding of internal controls, assess control risk and perform tests of controls unless the controls are deemed ineffective.