

**5/17/79 [1]**

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THE WHITE HOUSE  
WASHINGTON

5/17/79

Jim McIntyre  
Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson



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

May 17, 1979

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. McIntyre, Jr. *J. McIntyre*  
SUBJECT: Proposed Request for 1979 Appropriations for  
Disaster Relief

Attached for your approval is a request for a \$400 million 1979 supplemental appropriation for the Small Business Administration's Disaster Loan Fund. This proposal is necessary at this time because tornado damage in Texas, Arkansas, and Oklahoma and severe flooding in the South and along the Red River have created claims against the Fund that cannot be met with available resources.

RECOMMENDATION

That you sign the letter transmitting this request to the Congress as soon as possible.

THE WHITE HOUSE

WASHINGTON

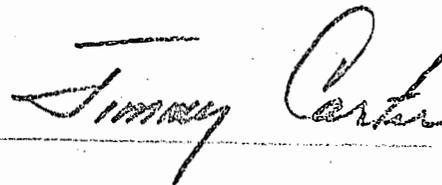
The Speaker of  
the House of Representatives

Sir:

I ask the Congress to consider a request for supplemental appropriations for the fiscal year 1979 in the amount of \$400,000,000 for the Small Business Administration.

The details of this proposal are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned above a horizontal line that spans the width of the signature.

Enclosure

THE WHITE HOUSE  
WASHINGTON

C  
-

5/17/79

Jim Free said all but two  
of the Georgia delegation  
agreed to/signed Panama resolution....  
(exceptions MacDonald and Gingrich)

--SSC

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3:15 PM

THE WHITE HOUSE

WASHINGTON

May 17, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: MEETING WITH GOVERNOR BRENDAN BYRNE,  
SENATOR HARRISON WILLIAMS, CONGRESSMAN  
JAMES HOWARD - Thursday, May 17, 1979,  
at 3:15 P.M., Oval Office (5 minutes)

This small group has requested this "courtesy call" in order to satisfy serious political problems back home concerning the amount of money the State will receive from UMTA in FY 79-80.

Although New Jersey is receiving a 50% increase over last year, they feel it is short of their overall commitment from DoT. In addition, New Jersey has not received much money from UMTA over the last decade compared to the amounts we are putting into new starts. For example, Miami is scheduled to get approximately \$155-million this year for beginning its new light rail system, while the entire State of New Jersey will get \$76-million for rehabilitation of commuter rail and subway.

Senator Williams and Congressman Howard met with Stu and Frank last month asking for more money. They have made this a high priority political issue, as has Governor Byrne. Everyone agrees that this is the number one substantive issue in New Jersey, and that, politically, it is the number one issue for our supporters in the State.

We have been working to obtain the extra funding to satisfy these political needs. After initial attempts, Brock had to tell Williams and Howard that we could not help further. Last week, the House Appropriations Subcommittee action reopened the issue and gave us a new opportunity to work for New Jersey.

The purpose of this meeting is to show the people back home that the Governor, Senator, and Congressman are talking to you about New Jersey's transportation problems.

TALKING POINTS

I recommend that you listen to their very brief presentation and then say that we will work to try to deal with their problems within the limits of our budget and, of course, subject to Congressional action.

PARTICIPANTS

Governor Brendan Byrne

Senator Harrison (Pete) Williams

Congressman Jim Howard

Louis J. Gambaccini, New Jersey State  
Commissioner of Transportation

Jack Watson

Bruce Kirschenbaum

Bill Cable

11:30 AM

THE WHITE HOUSE

WASHINGTON

May 16, 1979

PHOTO SESSION WITH SPEAKER BUDDIE NEWMAN

Thursday, May 17, 1979

11:30 a.m. (2 minutes)

The Oval Office

I. PURPOSE

To greet and have photo session with C. B. (Buddie) Newman, Speaker of the Mississippi House of Representatives.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Speaker Newman is from Valley Park, Mississippi and has served in the Mississippi legislature for thirty-one years. He farmed before he entered politics and, in his spare time, specializes in the field of industrial development. His wife's name is Betty and he is a deacon in the Baptist Church.

Newman is an ultra-conservative and is very influential as Speaker of the House. Statewide, he is quite powerful politically and is a member of the Eastland coalition. His major legislative interest is fiscal responsibility and balancing the budget. Newman was of little support to us in 1976, but indicates he will be more helpful in the future.

Participants: The President, Speaker Buddie Newman, Jim Free and Bill Simpson.

Press Plan: White House Photographer only.

III. TALKING POINT

Inquire about Mississippi's flood damage and ask him for his support for the future.

THE WHITE HOUSE

WASHINGTON

May 17, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Three Mile Island Commission  
Subpoena Authority

John Kemeny just called and asked, in behalf of the Commission, that I convey the following message to you:

"The Commission is cancelling the taking of testimony until it is granted legislative authority to put witnesses under oath, issue subpoenas and grant immunity. The Commission seeks your assistance in getting expeditious Congressional consideration of legislation granting such authority to it."

You should know that the Administration has been working with the Senate Judiciary Committee staff for several weeks to get the appropriate legislation introduced and passed.

There has been delay over one technical matter in the draft bill which has occasioned an unfortunate delay in Senate consideration. I have been in touch with Judge Bell's office and believe we will resolve this matter today or tomorrow. Once resolved, the legislation should move through the Congress without delay.

Gene Eidenberg has briefed John Kemeny on all of this. I expect a bill on your desk within the next ten days.

cc: Frank Moore

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THE WHITE HOUSE

WASHINGTON

May 17, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: National Health Plan Update

The EPG met this morning and agreed that the most important issues are:

- o The reinsurance issue
- o Federalization of Medicaid
- o Physician fee controls

The EPG recommendation, consistent with the recommendation which Frank, Dick Moe, and I made last night, is that you tentatively approve the HEW proposal as a basis for two weeks of Congressional consultation but that in addition you should ask HEW to submit within one week alternate options for:

- o Reform of Medicaid without federalization, and
- o Ways to encourage physician cost containment without controls, including encouraging increased competition through HMOS and similar forms of group practice.

Proposed Talking Points

- o I approve the HEW plan as the basis for two weeks of intensive negotiation on the Hill, focused on the Senate Finance Committee and Senator Long.
- o I want these negotiations conducted by a team consisting of Secretary Califano, Stu, and Dan Tate (Senate) and Bill Cable (House) of Frank Moore's staff.
- o I am willing to meet early next week with the Speaker and Senator Long.

- o At the end of the two-week period, I will make a final decision on the key issues (outlined in Stu's memorandum of yesterday).
- o Within one week HEW should submit alternate approaches to:
  - reform Medicaid without Federalization
  - contain physician fees without controls, including ways to encourage competition.
- o My goal is to achieve a proposal
  - that will assure universal catastrophic coverage
  - that will improve health care for the poor, the near poor, and the elderly
  - that will improve prevention
  - that will encourage system reform
  - and, very importantly, that will serve as the basis for enactment of legislation in this session of Congress.

THE WHITE HOUSE

WASHINGTON

May 17, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: NHP

Attached is a comparison of the Kennedy, Long-Ribicoff and Administration's health plans prepared by HEW. Secretary Califano is prepared to brief you further on the comparison at the meeting.

Attachment

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PROBLEMS

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- LACK OF COVERAGE
  - More than 35 million without adequate basic coverage
  - More than 80 million without catastrophic
  
- ESCALATING COSTS
  - Health care 9% of GNP and rising
  - Health care is 12½ cents of the Federal tax dollar
  
- SYSTEM AND DISTRIBUTION FAILURES
  - 51 million in underserved areas
  - Lack of emphasis on prevention

*2X in 10 yrs*

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GOALS OF HEW'S PHASE I OPTION

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● EXPAND COVERAGE

- Universality: Catastrophic for all Americans
- Equity: Expanded comprehensive coverage for poor, near poor,  
aged, disabled
- Min* Uniform Benefit package across system: public/private

7

● HOLD DOWN COSTS

- Hospital and Physician cost containment
- Capital Controls

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● DISTRIBUTE RESOURCES MORE EFFICIENTLY AND EFFECTIVELY

- Enhanced competition (*Hmo*)
- Prevention
- Improve management of public programs

LAY FOUNDATION FOR UNIVERSAL, COMPREHENSIVE  
NATIONAL HEALTH PLAN

STRUCTURAL OVERVIEW

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TO ACCOMPLISH THESE OBJECTIVES, THE PLAN WILL HAVE FOUR MAJOR ELEMENTS:

- HEALTHCARE -- THE FEDERAL INSURANCE PLAN FOR THE AGED, DISABLED, POOR, NEAR-POOR AND HIGH RISK EMPLOYMENT GROUPS ✓
  
- EMPLOYER MANDATE -- ALL EMPLOYERS ARE REQUIRED TO PROVIDE INSURANCE FOR FULL-TIME WORKERS (25 HOURS PER WEEK, 14 WEEKS): BASIC BENEFIT PACKAGE, OUT-OF-POCKET LIMITED TO \$2500 ✓
  
- REINSURANCE FUND -- QUALIFIES ALL PRIVATE INSURANCE PLANS AND REINSURES PRIVATE COSTS THAT EXCEED \$25,000 7
  
- SYSTEM REFORMS -- E.G., CAPITAL CONTROLS, HMOs, COMPETITION, REIMBURSEMENT, PREVENTION INITIATIVE ✓

## ISSUES

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- COST

- DESIGN

- Employer Mandate
- Subsidies for small businesses/low income employees
- Healthcare
- Physician Reimbursement - *fee schedule public and/or private*
- Reinsurance Fund

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IMPACT OF NHP: SUMMARY

GROUP	CURRENT LAW	NHP
<ul style="list-style-type: none"> <li>● 24 MILLION AGED/DISABLED NON-POOR</li> <li style="margin-left: 20px;">-- AGED (22 MILLION)</li> <li style="margin-left: 20px;">-- DISABLED (2 MILLION)</li> </ul>	<p>MEDICARE COVERS 23 MILLION</p> <ul style="list-style-type: none"> <li>— LIMITS HOSPITAL DAYS</li> <li>— NO CATASTROPHIC</li> <li>— MEDICAID 1 FOR 1 SPEND-DOWN</li> </ul>	<p>HEALTHCARE COVERS 24 MILLION</p> <ul style="list-style-type: none"> <li>— NO DAY LIMITS</li> <li>— IMPOSE CEILING ON COST-SHARING <i>12.50/yr med</i></li> <li>— IMPROVED SPEND-DOWN PROTECTION (2 FOR 1) <i>-?</i></li> </ul>
<ul style="list-style-type: none"> <li>● 31 MILLION LOW-INCOME *</li> <li style="margin-left: 20px;">— 18 MILLION CASH ASSISTANCE</li> <li style="margin-left: 20px;">-- 13 MILLION POOR NOT COVERED BY WELFARE</li> </ul>	<p>MEDICAID COVERS 20 MILLION</p> <ul style="list-style-type: none"> <li>— 18 MILLION CASH ASSISTANCE</li> <li>— 2 MILLION OTHER (SPEND-DOWN)</li> </ul>	<p>HEALTHCARE COVERS 31 MILLION</p> <ul style="list-style-type: none"> <li>— 18 MILLION CASH ASSISTANCE</li> <li>— 13 MILLION OTHER</li> </ul>
<ul style="list-style-type: none"> <li>● 157 MILLION NON-POOR EMPLOYED INCLUDING FAMILIES</li> </ul>	<p>100 MILLION WITH ADEQUATE INSURANCE</p> <p>57 MILLION WITH NO CATASTROPHIC</p>	<p>100 MILLION WITH ADEQUATE BUT UPGRADED INSURANCE</p> <p>ALL HAVE CATASTROPHIC</p>
<ul style="list-style-type: none"> <li>● 19 MILLION OTHER</li> </ul>	<p>7 MILLION ADEQUATELY INSURED</p> <p>SOME FAMILIES ELIGIBLE FOR STATE-SPECIFIC SPEND-DOWN (1 FOR 1)</p>	<p>7 MILLION FULLY INSURED</p> <p>ONE MILLION PEOPLE BUY INTO HEALTHCARE</p> <p>ALL PEOPLE PROTECTED BY NATIONAL HEALTHCARE SPEND-DOWN (2 FOR 1)</p>

\* / 55% of poverty or welfare eligible (AFDC/SSI)

IMPACT OF NHP ON THE AGED/MEDICARE DISABLED

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	<u>CURRENT LAW</u>	<u>NHP</u>
ELIGIBILITY:	APPROXIMATELY 1 MILLION AGED DO NOT QUALIFY, NUMBER GROWING.  MEDICAID ELIGIBLE IF ON SSI OR MEET SPEND-DOWN REQUIREMENTS (4 MILLION)	ALL AGED AND MEDICARE DISABLED ENROLL IN HEALTHCARE.  COVERAGE FOR ADDITIONAL 1 MILLION
COST SHARING:	<u>MEDICARE: HOSPITAL</u>  1 DAY HOSPITAL DEDUCTIBLE FOR EACH SPELL OF ILLNESS: CO-INSURANCE FROM 61st DAY  <u>MEDICARE: PHYSICIAN</u>  \$60 DEDUCTIBLE; 20% CO-INSURANCE ON ALL SERVICES, NO MAXIMUM	LIMIT OUT-OF-POCKET TO \$1250 PER PERSON: \$2500 PER COUPLE
FINANCING:	HI PAYROLL TAX ON NON-GOVERNMENT EMPLOYERS/ EMPLOYEES: SMI PREMIUM PAID BY BENEFICIARY	CONTINUE PAYROLL TAX AND PHYSICIAN PREMIUMS

IMPACT OF NHP ON THE POOR

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CURRENT LAW

NHP

ELIGIBILITY:

STATES SET INCOME AND ASSET TESTS FOR CATEGORICALLY ELIGIBLE PERSONS (AFDC FAMILIES).

FEDERAL GOVERNMENT SETS SSI ELIGIBILITY LEVELS.

OTHERS (SINGLE INDIVIDUALS AND CHILDLESS COUPLES) NOT ELIGIBLE

● WELFARE GATE

STATES CONTINUE TO SET INCOME AND ASSET TESTS FOR CATEGORICALLY ELIGIBLE PERSONS (AFDC, AFDC-U)

FEDERAL SSI STANDARDS

● INCOME GATE

ALL OTHER PERSONS ELIGIBLE WITH INCOME UNDER 55% POVERTY

● SPEND-DOWN GATE

SPEND DOWN TO 55% ON 2 FOR 1 BASIS

COST SHARING:

NONE (EXCEPT SOME NOMINAL CO-PAY REQUIREMENTS FOR DRUGS)

NONE

FINANCING:

FEDERAL/STATE

FEDERAL/STATE SHARE FOR CATEGORICALLY ELIGIBLE

FEDERAL FINANCING OF ALL OTHERS AND SPEND-DOWN

IMPACT OF NHP ON EMPLOYED PERSONS

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	<u>CURRENT LAW</u>	<u>NHP</u>
ELIGIBILITY:	ARRANGEMENTS (IF ANY) AS AGREED BY EMPLOYER/EMPLOYEES.	ALL FULL-TIME EMPLOYEES MUST BE COVERED UNDER PRIVATE PLAN
COST-SHARING:	VARIES WIDELY. OF EMPLOYEES AND DEPENDENTS WITH COVERAGE, 57 MILLION HAVE INADEQUATE CATASTROPHIC PROTECTION.	EMPLOYEE OUT-OF-POCKET LIABILITY CANNOT EXCEED \$2500
FINANCING:	MOST EMPLOYERS WHO OFFER INSURANCE PAY AT LEAST 88% OF PREMIUM	EMPLOYER MUST PAY AT LEAST 75% OF PREMIUM; EMPLOYEES NO MORE THAN 25 PERCENT

IMPACT OF NHP ON 3-N GROUP

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	<u>CURRENT LAW</u>	<u>NHP</u>
ELIGIBILITY:	PURCHASE PRIVATE INSURANCE AT RATES SET BY INSURANCE PLANS. MANY IN GROUP ARE "UNINSURABLE" AND CANNOT OBTAIN COVERAGE. 12 MILLION DO NOT HAVE ADEQUATE INSURANCE AGAINST HIGH COSTS	CAN PURCHASE HEALTHCARE AT SUBSIDIZED PREMIUM RATE  OR  ENTER HEALTHCARE THROUGH SPEND-DOWN
COST-SHARING:	VARIES WIDELY (ALL PAYMENTS MAY BE DENIED FOR PRE-EXISTING CONDITIONS)	\$2500 DEDUCTIBLE: NO CO-INSURANCE
FINANCING:	BY INDIVIDUAL	INDIVIDUAL PREMIUM WITH FEDERAL SUBSIDY

## HEALTHCARE

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- PROBLEM

- 53 separate Medicaid programs
- Overlap between Medicaid/Medicare (4 million)

- FUNCTIONS

- Intake and eligibility for newly covered
- Claims Processing and Reimbursement: Extensive Use of  
Private Sector

## THE CASE FOR HEALTHCARE

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### ACCOUNTABILITY

- DUAL SYSTEM RETAINS STATE POLICY CONTROL, STATE RESPONSE TO INTERNAL POLITICAL AND BUDGETARY PRESSURES
- FEDERAL FINANCING, ACCOUNTABILITY MUST BE ACCOMPANIED BY AUTHORITY OVER CONTRACTORS: FEDERAL AUTHORITY INCOMPATIBLE WITH STATE ROLE

### EFFICIENCY AND REDUCTION OF FRAUD, ABUSE AND WASTE

- HEALTHCARE ELIMINATES PROCESSING DUPLICATION
- HEALTHCARE ELIMINATES CROSSOVER CLAIM PROBLEM

### CONSISTENCY/UNIFORMITY

- HEALTHCARE PROVIDES CONSISTENT FINANCING, BENEFITS AND COST CONTROLS
- HEALTHCARE CONSISTENT WITH EXPANSION IN SUBSEQUENT PHASES

BUILDING BLOCK FOR FUTURE

PHYSICIAN REIMBURSEMENT FOR COVERED SERVICES

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Option #1:

Fee Schedules and Manadatory Assignment in both public and private programs

Option #2:

Fee Schedules and Manadatory Assignment in public programs only

FEDERAL REINSURANCE FUND

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FUNCTIONS

- REINSURE QUALIFIED PRIVATE PLANS FOR COVERED BENEFITS EXCEEDING \$25,000 PER FAMILY PER YEAR
- IMPLEMENT STANDARDS IMPOSED UNDER THE EMPLOYER MANDATE
- CERTIFY ANY INSURANCE PLAN SEEKING QUALIFICATION FOR PREFERENTIAL TAX TREATMENT

RATIONALE

- REDUCE PREMIUM DIFFERENCES AMONG EMPLOYER GROUPS: ADVANCE EQUITY
- STIMULATE SELF-INSURANCE AMONG EMPLOYERS AND HMOs: PROMOTE COST CONTAINMENT
- PROVIDE FLEXIBLE MECHANISM FOR FEDERAL REGULATION OF QUALIFIED PLANS

EMPLOYER AND EMPLOYEE SUBSIDIES

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● EMPLOYERS

- FOR MAJORITY OF EMPLOYERS WITHOUT PLANS COSTS OF MANDATED PLAN WILL NOT EXCEED 1-2% OF PAYROLL
- FOR A VERY FEW COSTS COULD RUN AS HIGH AS 7-8% OF PAYROLL
- PLAN WOULD SUBSIDIZE EMPLOYER COSTS IN EXCESS OF 5% OF PAYROLL

● EMPLOYEES

- MANDATED PREMIUM COSTS COULD IMPOSE SUBSTANTIAL BURDEN ON LOWER INCOME FAMILIES
- DIRECT EMPLOYEE FAMILY PREMIUM COSTS \$150-\$180
- FOR LOWER INCOME FAMILIES PLAN WOULD EXPAND EARNED INCOME TAX CREDIT AND PROVIDE MAXIMUM ADDITIONAL SUBSIDY OF \$150-\$220

COST: WITHOUT OFFSETS

POPULATION GROUP/ITEM	PROPOSAL	COST	
		Federal	Private
Aged and Medicare Disabled	Remove benefit restrictions and limit cost-sharing at \$1250 per person with spend-down (2 for 1).	\$2.6	
	Extend eligibility to aged not currently covered by Medicare.	\$1.6	
Low Income	Full subsidy to poor under 55% of poverty (includes .5 for aged under 55% of poverty).	\$6.6	
	Additional cost for present cash assistance recipients (primarily raising present Medicaid physician fees to average Medicare level).	\$1.4	
Employed	Additional cost to employers as a result of the mandate:		\$5.2
	Subsidies: <ul style="list-style-type: none"> <li>• <u>To Employers:</u> <ul style="list-style-type: none"> <li>-- Premium Subsidy of HealthCare buy-in for firms with 0-9 workers (\$-.2)</li> <li>-- HealthCare buy-in at 5% of payroll: Option open to all firms (\$-.2)</li> </ul> </li> <li>• <u>To Employees</u> (extend EITC to cover direct premium costs for low-wage workers (\$1.2)</li> </ul>	\$1.6	
Other (non-aged, non-poor, non-employed)	Spend-down to 55% of poverty (2 for 1)	\$3.9	
	HealthCare deficit to subsidize buy-in	\$ .3	
Prevention	Grant Program	\$ .3	
Administrative	Federal cost for aged, low-income, spend-down and HealthCare buy-in	\$1.5	

PHASE I TOTALS WITHOUT OFFSETS

\$19.8

\$5.2

OFFSETS

OFFSETS	Costs (in billions)	
	Federal	Private
<u>Other Savings in NHP-Phase I Legislation</u>		
<ul style="list-style-type: none"> <li>• <u>Tax Savings.</u> There will be approximately a \$1 billion revenue loss due to higher employer premium payments (which can be deducted as a business expense). But this is more than offset by \$2 billion in revenue gained by raising the threshold for the medical expense deduction from 3 percent of Adjusted Gross Income to 10 percent of AGI. This latter change generates \$2 billion of revenue.</li> </ul>	- \$1.0	
<u>Savings from other Administration Legislation</u>		
<ul style="list-style-type: none"> <li>• <u>Assume passage of the Child Health Assurance Program.</u> CHAP will provide a full subsidy to some of the low-income population covered by NHP-Phase I. Costs for CHAP are already in the budget for Fiscal 1983, and should not be counted against NHP-Phase I costs.</li> </ul>	- \$0.5	
<ul style="list-style-type: none"> <li>• <u>Assume passage of welfare reform.</u> Welfare reform will decrease the Federal costs of NHP-Phase I because it will move some welfare recipients out of full Federal subsidy into joint Federal-State coverage for the poor and because it will move some individuals off welfare altogether (through provision of a job).</li> </ul>	- \$0.5	
<u>Other</u>		
<ul style="list-style-type: none"> <li>• <u>Savings From Hospital Cost Containment in Fiscal 1983 (discounted to Fiscal 1980 dollars).</u> In order to afford minimum benefit expansion for the four population groups, it is necessary to commit savings from Hospital Cost Containment. It is appropriate to use these health savings to finance additional health coverage for the poor, near poor and aged.</li> </ul>	- \$4.5	
<b>PHASE I TOTALS WITH OFFSETS</b>	<b>\$13.3</b>	<b>\$5.2</b>

CASH FLOWS

CASH-FLOW	AMOUNT	
	Federal	Private
<ul style="list-style-type: none"> <li> <p><u>Reinsurance Fund.</u> The reinsurance fund is created by a premium surcharge. Thus, no new premium payments are required and a portion of existing premium payments merely flow through the reinsurance fund and back to the insurance industry. There are precedents -- such as the Pension Benefit Guarantee Corporation established under ERISA -- for according the Reinsurance Fund off-budget treatment.</p> </li> </ul>	\$2.7	
<ul style="list-style-type: none"> <li> <p><u>Healthcare Premiums for 3N group.</u> The HEW proposal allows the non-aged, non-poor, non-employed to buy-in to HealthCare. The premium is subsidized and that subsidy cost is included in the cost of NHP-Phase I. However, the premiums voluntarily paid by the members of the 3N group are not counted as a cost of the plan.</p> </li> </ul>	\$0.9	
<ul style="list-style-type: none"> <li> <p><u>Mandated Employee Premiums.</u> Although the net premium cost to employers is counted as a cost of the plan, the net premium cost to employees (\$2 billion) is not. The rationale is that, while employees in the aggregate pay greater premium costs under the plan than at present, they will face significantly smaller out-of-pocket costs (-\$4.6 billion), and thus the net impact of NHP-Phase I on the employed population is -\$2.6 billion.</p> </li> </ul>		\$2.0
PHASE I TOTALS WITH OFFSETS, WITHOUT OTHER CASH FLOWS	\$ 13.3	\$5.2

STATE AND LOCAL SPENDING FOR COVERED  
SERVICES, BEFORE AND AFTER NHP  
(FY 80 dollars in billions)

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	PRESENT LAW	NHP	CHANGE
<u>TOTAL</u>	<u>\$13</u>	<u>\$11.0</u>	<u>\$ -2.0</u>
<u>MEDICAID</u>			
COVERED SERVICES <u>1/</u>	\$ 4.7	\$ 4.7	\$ 0
SPEND-DOWN <u>1/</u>	\$ .9	\$ .4	\$ -0.5
NON-COVERED SERVICES <u>2/</u> (DRUGS, DENTAL, INPATIENT MENTAL)	\$ 1.0	\$ 1.0	\$ 0
LONG TERM CARE <u>3/</u> (SNF, ICF, HOME HEALTH)	\$ 3.8	\$ 3.8	\$ 0
<u>OTHER</u>			
PUBLIC HOSPITALS AND HEALTH CENTERS -- FACILITY DEFICITS	\$ 2.0	\$ .7	\$ -1.3
MATERNAL AND CHILD HEALTH AND OTHER GRANT PROGRAMS	\$ .6	\$ .4	\$ - .2

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- 1/ Assumes State maintenance of effort for Medicaid expenditures for categorically eligible; some fiscal relief for spend-down.
- 2/ Assumes continued Federal matching for these services provided to categorically eligible beneficiaries.
- 3/ Assumes continued Federal matching for these services provided to categorically eligible beneficiaries.

SOME POTENTIAL ADD-ONS  
(FY 80 DOLLARS IN BILLIONS)

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FEDERAL COSTS

DRUGS FOR THE AGED

-- \$250 DEDUCTIBLE AND 20% CO-INSURANCE	+ \$2.0
-- \$500 DEDUCTIBLE AND 20% CO-INSURANCE	+ \$0.6

PREVENTIVE CARE

-- FULL PREVENTION PLAN FOR ADULTS	+ \$2.9
------------------------------------	---------

SOME POSSIBLE DELETIONS FROM PLAN  
(FY 80 DOLLARS IN BILLIONS)

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	<u>FEDERAL SAVINGS*</u>
NO CONTINUING PAYMENT FOR PRESENT FEDERAL SHARE OF NON-COVERED MEDICAID ACUTE CARE SERVICES (PRIMARYLY DRUGS AND DENTAL)	- \$1.3
NEGOTIATE INCREASE IN MEDICAID FEES TO MEDICARE LEVEL WITHOUT AGGREGATE INCREASE	- \$1.4
DROPPING COVERAGE OF AGED CURRENTLY INELIGIBLE FOR MEDICARE	- \$1.6
REDUCING SPEND-DOWN FROM 2-FOR-1 TO 1-FOR-1	- \$1.5
DROPPING COVERAGE OF NON-AGED, SINGLE INDIVIDUALS AND CHILDLESS COUPLES	- \$3.3

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\*Savings not necessarily additive because of overlap of groups affected by changes.

SUMMARY

	LONG/RIBICOFF	ADMINISTRATION	KENNEDY/LABOR
COST ( <u>Very Tentative</u> )	About 10 Federal About 3 Employer	20 Federal * 5 Employer	26 Federal * 33 Employer
FINANCING	General Revenue + Mandated Premiums	General Revenues + Mandated Premiums	"Earnings Related Premium" (Payroll Tax)
ADMINISTRATION	Private Insurors Administer Cata- trophic  Federal Adminis- tration of Medicaid	Private Insurors Administer Cata- strophic under Federal Regulations  Federal Admin- istration of Health Care	By "Private Insurors" (in effect insurors become quasi-federalized)
REIMBURSEMENT	Present Medicare controls	- HCC  - Physician fee schedules man- datory for Healthcare  - ? for Private coverage	Centrally developed national budget with  - Hospitals paid on budget basis  - Mandatory physician fee schedules

\* Without offsets

THE WHITE HOUSE

WASHINGTON

May 16, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
 FRANK MOORE *F.M./BR*  
 DICK MOE *DM*

SUBJECT: National Health Insurance Strategy

A brief summary of the HEW proposal and an analysis of key substantive issues is presented in the accompanying memo from Stu. The purpose of this memo is to outline a strategy for development of a final legislative proposal.

Following your decisions of last March, the Administration's public position has been:

- o That we would prepare and submit a targeted "first phase" legislative proposal and at the same time spell out in more general terms our version of an ultimate "comprehensive" plan.
- o That we would not endorse a catastrophic health plan alone as a "first phase", but would insist that universal coverage against catastrophic illness be combined with important improvements in health coverage for the poor and elderly, and with system reforms.

Above all, our strategy has been to prepare and submit legislation that can pass, that can make important substantive improvements including universal catastrophic coverage, and that can be a strong political plus both for you and for Democratic members of Congress in the coming election. We cannot responsibly match the promises of the Kennedy/ Labor proposal. To turn the National Health Plan from a negative to a positive issue for us requires enactment of a responsible bill.

HEW has done a good job of developing the basis for a proposal to Congress. As Stu's accompanying memo points out, there are a number of controversial issues of which the most serious are as follows:

- o Cost (\$20 billion to the federal government and \$26 billion overall in 1980 dollars, and \$26 billion to the federal government and \$34 billion overall in 1983 dollars).
- o Federalization of Medicaid through establishment of "Healthcare." Although supported by strong substantive justification and favored by Senator Long, this may prove to be too major a change for Congress to accept this year.
- o Treatment of private health insurers who will vigorously resist the requirement to buy federal reinsurance for claims above \$25,000 and the provision of subsidies to employers with high insurance costs only through enrollment with the federal government.
- o Strict cost controls on physicians' fees which will be strongly opposed by the medical lobby.
- o Possibly inadequate subsidies for small employers.

We urge in the strongest possible terms that you not try to reach a final decision on these questions now. Instead, we urge you to tentatively approve the HEW plan as a basis for two weeks of Congressional consultations focused on Senators Long and Ribicoff, with companion discussions on the House side. We do so for the following reasons:

- o To meet the Senate timetable for enactment of legislation this session we must have detailed specs on our final proposal within three weeks. Otherwise, the Finance Committee will move without us. We simply cannot afford further lengthy discussions within the Administration now, followed by Congressional consultations.
- o Since our goal is enactment of a bill, Congressional views should be a major factor in your final decision. Knowledge of Congressional views will help us resolve the issues which are now outstanding and enable us to propose detailed specs sooner.
- o The HEW plan raises the right issues and is a good vehicle for Congressional consultation.

We recommend:

(1) That you tentatively approve the HEW plan as a basis for discussion, noting that final decisions will be made at the close of the consultation process on the issues outlined above.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

(2) That you establish a consultation team consisting of Secretary Califano, Stu Eizenstat, and Dan Tate and Bill Cable of Frank Moore's staff.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

(3) That you meet early next week with the Speaker, emphasizing the political importance to Democrats of a targeted bill that can pass, and our desire to fully accommodate the House while the early movement will take place in the Senate. In the past O'Neill has expressed approval of our general approach, and his continued support is essential. After the meeting the negotiation team can follow up with other House leaders.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

(4) That you follow the meeting with the Speaker with a brief meeting with Senator Long, stressing our desire for a close working relationship.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

(5) That you instruct the negotiating team to report back within two weeks with final recommendations including views of concerned agencies.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

(6) That at that time a series of meetings involving either you or the Vice President be scheduled with key constituencies including the AFL, UAW, and unions' groups.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Senator Kennedy presents a special problem. There is no hope of securing his approval of a bill which can move in the Finance Committee. However, while negotiating with Long and House leaders, we would propose that the Kennedy staff be asked to brief us fully on their plan so that they would be involved in the process and some element might be incorporated in our proposal.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

NOTE: Secretary Califano agrees with the approach recommended here.

We have just learned that OMB may recommend that the Administration take a sharply curtailed version of the HEW Plan

to the Hill. Congressional consultation may convince us to modify our bill in the direction OMB favors, and the bill that finally passes is even more likely to reflect OMB's concerns. However, we believe it would be a mistake to adopt OMB's approach now. This approach would anger key elements in the Democratic party, far beyond the Kennedy NHP coalition, and would sharply limit our ability to negotiate on the Hill for legislation which can pass. If you accept our recommendation that the HEW Plan serve as a basis for consultation with the Hill, you will retain the flexibility to review the proposals of OMB and other senior advisors before you decide on the final shape of the legislation.



Office of the Attorney General  
Washington, D. C. 20530

C  
/

May 16, 1979

MEMORANDUM FOR THE PRESIDENT

Re: Chrysler Corporation

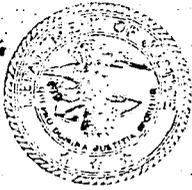
The Antitrust Division today gave antitrust clearance to Chrysler's new technical assistance agreement with General Motors. GM will provide prototype emissions control and passive restraint systems to Chrysler, as well as technical consultation to assist Chrysler in meeting the 1980 and 1981 regulatory standards in a timely and competitive fashion.

Chrysler has given appropriate assurances that it will continue its own independent research and development efforts on emissions control and safety devices, and the agreement provides for procedures and monitoring rights to the Justice Department similar to those in the American Motors Corporation-General Motors technical assistance agreement given similar antitrust clearance in 1970.

Respectfully,

Griffin B. Bell  
Attorney General

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# Department of Justice

FOR IMMEDIATE RELEASE  
WEDNESDAY, MAY 16, 1979

AT  
202-633-2014

The Department of Justice announced today that it has no present intention of challenging Chrysler Corporation's entry into a proposed technical assistance agreement with General Motors Corporation.

Ky P. Ewing, Jr., Deputy Assistant Attorney General of the Antitrust Division, said the agreement would require General Motors to furnish Chrysler with two prototype emission control systems, two prototype passive belt systems, and occasional engineering consultations on emission control and passive restraint technology. The agreement would be in effect through September 1, 1980.

Chrysler had sought the Department's views on the proposed agreement because provisions of a consent decree that terminated a 1969 suit brought by the Justice Department prohibit the two automakers from agreeing to exchange confidential information about emission control devices without the Department's prior approval. Although agreements to exchange confidential information about passive restraint devices are not specifically prohibited by the consent decree, such agreements might also raise antitrust concerns.

Chrysler, the nation's third largest automobile producer, reported a \$205 million loss for the 1978 calendar year and

(MORE)

recently announced a \$53.8 million first-quarter deficit this year. Mr. Ewing said an Antitrust Division analysis indicated the proposed agreement would save Chrysler significant amounts of money it would otherwise have to risk on completing the research and development of automobile emission control and passive restraint systems necessary to meet federal standards and remain competitive.

The Division's analysis also indicated that technical assistance acquired from General Motors under the proposed agreement could significantly help Chrysler develop systems that would comply with the federal standards without impairing the fuel economy, performance, or safety of Chrysler's vehicles.

Chrysler also expressed particular concern that, without technical assistance, it might not meet 1980 and 1981 emission control standards on some of its engines in time for the start of those model years. Consequently, the Division concluded that the agreement might enable Chrysler's vehicles to compete more effectively with vehicles sold by other automakers.

Mr. Ewing said Chrysler had agreed to limit the dollar amount of its purchases of technical assistance from General Motors under paragraphs 1 through 3 of the proposed agreement to no more than three percent of its total budget

for emission control and passive restraint research and development. Chrysler also had agreed to follow recording and reporting procedures on its technical discussions with General Motors' engineers that will enable the Department to monitor activities under the agreement.

Mr. Ewing said these restrictions, together with Chrysler's assurance that it would continue to maintain a substantial independent research and development effort in these areas, convinced the Department that the pact might help make Chrysler a stronger competitor for future automobile sales. In addition, the agreement would not significantly diminish the existing competition between the two automakers in their development of emission control and passive restraint devices, Mr. Ewing said.

The Department's position was expressed in a Business Review Letter issued May 16, 1979.

Under the business review procedure, a firm or organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division would challenge that action as a violation of federal antitrust laws.

A file containing the business review request, the nonconfidential information supplied to support it, and the Division's letter is available to the public for inspection in the Legal Procedure Unit of the Antitrust Division, Room 7416, Department of Justice, Washington, D.C. 20530.

Some of the information submitted was withheld from the public file as confidential at Chrysler's request. That is in accord with Department regulations, and may be done only with approval of the Antitrust Division.

# # #

United States Department of Justice

WASHINGTON, D.C. 20530

16 MAY 1979



ASSISTANT ATTORNEY GENERAL  
ANTITRUST DIVISION

Mr. John J. Riccardo  
Chairman of the Board  
Chrysler Corporation  
1200 Lynn Townsend  
Highland Park, Michigan 48203

Dear Mr. Riccardo:

This is in response to your request for a statement of the Department's present enforcement intentions under the consent decree in United States v. Automobile Manufacturers Ass'n., Inc., et al., Civ. No. 75-69-JWC (C.D. Cal. 1969), and under the antitrust laws in general, with respect to Chrysler Corporation's entry into a technical assistance agreement with General Motors Corporation. Our understanding of the agreement, and the obligations and activities of the parties under it, is derived from Chrysler's submissions of February 22 and 28, March 20, April 6, April 12, and May 11, 1979, and representations made by Chrysler representatives during our April 6 and May 10, 1979 meetings.

It is our understanding, from information which you have submitted, that Chrysler has recently encountered financial difficulties which may adversely affect its ability to develop and obtain timely certification of emission control and passive restraint devices for some models of its vehicles. You have represented to us that without some form of technical assistance in overcoming its short-term difficulties, Chrysler's ability to sell vehicles in several automobile submarkets may be severely hampered.

Under the proposed agreement, General Motors will furnish Chrysler with two prototype emissions control systems and two prototype passive belt systems, and technical consultation to assist Chrysler engineers in the installation of these systems. In addition, General Motors engineers will, from time to time, provide technical consultation to Chrysler engineers on various aspects of vehicle emissions control, air cushion restraints, and passive belt systems.

Chrysler will pay \$50 per GM man hour for such technical consultation; consultation meetings will be initiated by written requests from Chrysler. The Department of Justice will be provided with a written report on each consultation or other meeting held pursuant to the agreement. Such report shall contain, inter alia, a summary of subject matter discussed and an identification of all documents disclosed by either party to the other. At the request of the Department, each party will separately supply the Department with copies of all such documents, and make available a company representative qualified to explain such documents.

The agreement will be in effect through September 1, 1980.

Chrysler has agreed to limit the dollar amount of its purchases of technical assistance from General Motors under paragraphs 1 through 3 of the agreement to not more than three percent of its total budget for emission control and passive restraint research and development during the period the agreement is in effect.

Finally, nothing in the agreement in any way limits Chrysler's right to use competitively information furnished it by General Motors, nor does the agreement impose any restriction on Chrysler's independent research and development efforts. Chrysler has assured the Department that, notwithstanding the agreement, it will continue to maintain a substantial research effort in the development and application of emission control and passive restraint technology.

On the basis of the information you have submitted and the representations you have made, we have concluded that we do not presently intend to initiate any action challenging Chrysler's or General Motor's entry into the proposed agreement, or the parties' activities under it. This expression is of our current enforcement intentions only and would not bar appropriate action should circumstances subsequently indicate that the activities of the parties under the agreement may have anticompetitive effects in the research, development or sale of emission control or passive restraint devices, or in any other automotive market or submarket.

You are advised of this statement of our present enforcement intentions pursuant to the Antitrust Division's Business Review Procedure, 28 C.F.R. §50.6, a copy of which is enclosed.

Sincerely yours,

*Ky P. Ewing, Jr.*

Ky P. Ewing, Jr.

Deputy Assistant Attorney General  
Antitrust Division

1:30 PM

THE WHITE HOUSE

WASHINGTON

May 16, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT  
LOUIS MARTIN

*Stu  
Louis*

SUBJECT: Reception Observing the 25th Anniversary -  
Thursday, May 17, 1:30 p.m., East Room (20 minutes)

Background

Twenty-five years ago the Warren Supreme Court handed down the Brown decision which outlawed racial discrimination in public schools. The decision was a culmination of a twenty-year effort to outlaw the separate-but-equal doctrine. You will be greeting approximately 800 persons, about one-half of them are your honorary or paid appointees.

The purpose of the reception is threefold: first, to observe the end of legally sanctioned dual school systems; second, to reaffirm the Administration's commitment to civil rights enforcement; and third, to greet most of your Black appointees.

Participants

In addition to your appointees and their spouses, you will be addressing representatives of all major education associations, national civil rights groups, and participants in the Brown case.

Program

- 1:15 .....Greetings  
Louis Martin
- 1:18 .....Future Implications of  
the Brown Decision  
Dr. Mary Berry, Assistant  
Secretary of Education
- 1:25 .....Remarks  
Secretary Joseph Califano
- 1:30 .....Presidential Remarks

Program (continued)

1:50 .....President Departs

2:30 .....Reception Ends

Speech

The speechwriter's office is preparing your remarks.

Press Coverage

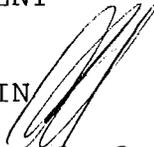
Representatives of the Black press will be in the audience.  
The White House Press Office is coordinating full press  
coverage.

THE WHITE HOUSE

WASHINGTON  
May 15, 1979

*Nate Jones*

MEMORANDUM FOR THE PRESIDENT

FROM: LOUIS MARTIN 

SUBJECT: Brown v. Board of Education Reception,  
Thursday, May 17, 1979

As you know, on Thursday, May 17, at 2:00 P.M., you will be addressing a gathering celebrating the 25th Anniversary of Brown v. Board of Education. It is the most important of all Civil Rights cases. It ended the "Separate but Equal" concept in the field of education.

The decision on Nate Jones' nomination to the Sixth Circuit is still pending. The vacancy has been in existence since June, 1978, and we have had the list from the Circuit Court Panels since the summer of 1978. Nate is the General Counsel of the NAACP and his name is synonymous with desegregation in the educational area.

There will be 600 people at the reception, the majority of whom favor and are concerned about the appointment of Nate Jones. If it is possible, I urge that you indicate in some manner that Nate is your choice for the vacancy.

Thank you.

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1:30  
-

THE WHITE HOUSE

WASHINGTON  
May 17, 1979

MEMORANDUM FOR PHIL WISE

FROM: LOUIS MARTIN 

Here are two items that I hope are not overlooked by the President in his remarks at the reception:

1. A. Philip Randolph, union leader and pioneer in the civil rights movement, died yesterday in New York City at the age of 90. (See Page 7 - Washington Post today.)
2. The President should announce the appointment of Marcus Alexis as the new member of the Interstate Commerce Commission. He will be the first Black to serve on that regulatory body. Alexis is Chairman of the Department of Economics at Northwestern University. He will be at the ceremony.

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G. Stewart  
5/16/79  
5:45 p.m.

BROWN VS. BOARD OF EDUCATION

Twenty-five years ago the <sup>legal</sup> basis ~~in law~~ for segregation by race was finally struck down in this republic by the Supreme Court in Brown vs. The Board of Education. *This was the most important of all Civil rights cases.*

Twenty-five years later the basis in reality for racial segregation still exists in our schools. So does discrimination in ~~our~~ housing, *and other aspects of human life.*

Let us not be discouraged, *only more determined.*

Three hundred and sixty years ago, the first enslaved people were unloaded on the shores of Virginia. One year later the first Pilgrims stepped onto Plymouth Rock to found a free society.

In a real sense the story of America ever since has been our struggle to resolve this horrible contradiction.

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A sad truce was dictated in 1896 when the Supreme Court, by a vote of eight to one, made the fraudulent Jim Crow concept of separate but equal into the law of the land.

We know that there can be no lasting peace without justice. So did the thousands of organizers, teachers, lawyers, laborers, and ordinary parents who kept clearing the way for May 17, 1954 -- when something changed at last. Even as Chief Justice Warren began to read, the wire service bells rang out and every newsroom in the nation fell silent.

First, it was black people themselves who were appearing before the courts in defense of their own rights. That was different. There had been change.

Second, the Court was unanimous. All nine members spoke as one conscience of one country. That too was different. There had been change.

Third, there were thousands who now felt free to work side by side, in state by state, changing law after law.

Many of you helped to make those differences.

I don't have to tell you <sup>that</sup> change is <sup>not easy.</sup> tough. You certainly don't have to tell me. <sup>The evidence is everywhere.</sup> Too many doors are still locked.

In one area significant legal action is still necessary. We have to <sup>realize</sup> make the promise of equal opportunity in housing real if we are to make the educational benefits of Brown as available to the Northern poor as they are becoming in the South. We must amend the Fair Housing Act to remove the burden and expense of enforcement from the victims of discrimination. I have urged the Congress to give HUD the power to resolve complaints directly by providing Secretary Harris with cease and desist authority -- and I propose we do it now.

The first great campaign of the war for equality was the emancipation from slavery. The second was the elimination of legalized social oppression, in which Brown was the decisive victory. The third campaign -- for equal opportunity in the economic structure of our country -- may be the most difficult of all. Victory here will demand both determination and sensitivity.

We also know the final economic struggle will not be won tomorrow, ~~or~~ in the 361st year since human beings were brought in slavery to a country founded on freedom.

I believe that we can bring together the wisdom of history and the will of our time -- and that once again we shall overcome. Because in the long run Americans are proudest of <sup>our</sup> ~~their~~ country's progress towards world peace, social justice, and a fair, open economic order.

Those are the goals of this Administration, <sup>and</sup> ~~and~~ of this

family gathered here today to celebrate and join <sup>with</sup> the unanimity of the nine justices twenty-five years ago, ~~with our own today.~~

If you look around this reception you will see most of the 166 black Presidential appointees, ~~more than in any Administration in American history.~~ There <sup>are</sup> ~~is~~ also about the

same number of black secretarial appointees here today. This is an unprecedented achievement, but we still have a long way to go together.

Many of you were making history long before Brown did. Some

of you have been born since that historic <sup>Court</sup> decision. <sup>One decision</sup>

*I would like to ~~make~~ announce today ~~in~~ that I <sup>will</sup> ~~have~~ nominate ~~chosen~~ Nate Jones, General Counsel of the NAACP to serve ~~on~~ the as federal judge in the 6th Circuit --*

Let the words of the Court 25 years ago join us to-

gether again today:

"We come, then, to the question presented: Does segregation of children in public schools solely on the basis of race .... deprive the children of the minority group of equal education opportunities?" And the court said as the world waited: "We believe that it does."

By the same principle would not poor quality in education

*-- and Marcus Alexis as a new member of the Interstate Commerce Commission.*

also deprive a child of equal opportunity to enter the

mainstream of the American economy?

*All of us*

~~We~~ are here working together in this government be-  
*such deprivation does exist --*  
cause we believe that ~~it would~~ and we are here to see

that all American children will have equal opportunity

for quality education.

Can not racial discrimination in housing ~~to preserve~~  
~~old patterns of segregation~~ also deprive our children of  
equal opportunities?

We are joined here today because we believe that it  
can -- and we are committed to equal opportunity in housing.

Finally do not all practices of exclusion by race  
from employment or advancement also result in depriving  
our citizens of their rights to equal opportunities?

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We are all here today because we know that they do --  
and we are in this government to see that there will be  
equal opportunity for all in every aspect of American life.

We will not be pushed back. We will not be turned away.

*fight to*  
We will see <sup>to</sup> it that no one is left outside -- *That justice*  
*equality of opportunity and justice will prevail in*  
*the land of the free.*

I don't want to have to wait another twenty-five years  
for this family to come together to celebrate our victory in  
the fight for equal opportunity.

We will win it together -- and we will do it now.

# # #

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