

THE WHITE HOUSE

WASHINGTON

April 14, 1982

MEMORANDUM FOR JAMES A. BAKER, III

FROM: ELIZABETH H. DOLE *EHD*

SUBJECT: Meeting with Dr. Robert Hutter, et al.

For an hour this afternoon, I met with Dr. Robert Hutter of the Cancer Association and key representatives from the Heart Association and Lung Association in response to Hutter's call to you requesting a meeting to discuss the views of those private sector organizations which feel the Administration should be more active in alerting the public to the health dangers of smoking. The discussion focused on two central issues as follows, both related to the current language on the Hill:

- Hazardous to Health Warnings - After my reiteration of the Administration's position, as outlined in David Stockman's attached letter to Representative Madigan, the group argued that rotating labels was much more effective. However, they admitted they had no scientific evidence in support of this approach. Much of the discussion addressed their concerns about financial clout of the tobacco industry and the difficulty in their attempts as private organizations to advocate protection of people's health.
- Additives - They wanted to know our position about additives, which was articulated by HHS Assistant Secretary Ed Brandt. He stated our effort at continuing work with the tobacco industry for voluntary disclosure. They acknowledged appreciation for that effort but felt the industry was stalling. They thought it difficult to justify tobacco smoke as the only item ingested into the body, the contents of which do not require prior approval and certification by the government.

The meeting was amicable although they constantly sought out commitments that went beyond our current public position. I suggest that we work on the draft Presidential letter to Dr. Hutter and utilize this as a vehicle for conveying our sensitivity to their concerns. The draft, currently in circulation and attached, is due for comment tomorrow.

Attachment



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

March 23, 1982

The Honorable Edward R. Madigan  
United States House of Representatives  
Washington, D.C. 20515

Dear Ed:

Thank you for requesting clarification of the Administration's policy regarding warning labels affixed to cigarette packages.

As HHS Assistant Secretary Edward M. Brandt has testified, the Administration is deeply concerned by the compelling evidence linking cigarette smoking to a wide range of illnesses. The Administration believes that warning labels alerting the public to these hazards are entirely appropriate, and that the present warning could be strengthened without overstating the hazards posed by cigarette smoking.

Little is known, however, about the relative efficacy of the many alternative labeling schemes being proposed. For this reason, the Administration takes no position on the various approaches now being considered in the Congress.

Thank you again for the opportunity to clarify the Administration's views.

Sincerely,

David A. Stockman

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/14/82 ACTION/CONCURRENCE/COMMENT DUE BY 

SUBJECT: DRAFT RESPONSE TO ROBERT HUTTER, PRESIDENT, AMERICAN CANCER SOCIETY

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input type="checkbox"/>	HARPER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input type="checkbox"/>	JAMES	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input type="checkbox"/> SS	WILLIAMSON	<input type="checkbox"/>	<input type="checkbox"/>
DOLE 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WEIDENBAUM	<input type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

For your approval. Thank you.

Richard G. Darman  
Assistant to the President  
(x2702)

Response:

THE WHITE HOUSE

WASHINGTON

Dear Dr. Hutter:

Thank you for your letter of March 18 regarding our policy on cigarette warning labels. I am afraid there have been some recent misunderstandings about this subject and I welcome the opportunity to provide some clarification.

This Administration is deeply concerned by the compelling evidence linking cigarette smoking to a variety of major illnesses. We have endorsed the recently released findings of the Surgeon General on the conclusive link between smoking and several diseases, including cancer -- findings I cited again on April 3 in proclaiming this Cancer Control Month. We believe, and have recently restated to the Congress, that warning labels alerting the public to the serious health hazards posed by cigarette smoking are entirely appropriate and could, in fact, be strengthened without overstating those dangers.

As you know, Congress is now considering a number of alternative labeling proposals for cigarette packages. Since there is very little evidence, though, on how effective such approaches might be, we have decided not to take a position on them at this time. We trust that Congress will study this question thoroughly, giving great weight to the need to adequately inform the public of health hazards, while avoiding approaches that impose burdens bearing no real relation to the overriding goal of warning labels.

I appreciate the fine work of the American Cancer Society on this and other issues, and hope this letter will clarify any misunderstandings that may have arisen. I look forward to working with you in the future.

Sincerely,

Robert V.P. Hutter, M.D.  
President  
American Cancer Society, Inc.  
777 Third Avenue  
New York, New York 10017

# AMERICAN CANCER SOCIETY, INC.

777 THIRD AVENUE • NEW YORK, N.Y. 10017 • (212) 371-2900

March 18, 1982

The President  
The White House  
Washington, D.C.

Dear Mr. President:

The American Cancer Society strongly supports S. 1929, the Comprehensive Smoking Prevention Education Act of 1981.

Cigarette smoking causes more than 300,000 deaths a year, including 145,000 cancer deaths, and costs our country \$25 billion in lost productivity. The attendant cost of smoking to our economy, not to mention the cost in human suffering and misery which cannot be quantified is one for which there can be no justification. According to the 1982 Surgeon General's Report, cigarette smoking is the major single cause of deaths from cancer in the United States; cigarette smoking is a major cause of cancers of the lung, larynx, oral cavity, and esophagus, and is a contributory factor for the development of cancers of the bladder, pancreas, and kidney. In his statement at the presentation of the report, the Surgeon General added that "cigarette smoking is clearly identified as the chief preventable cause of death in our society."

We were heartened to hear from representatives of your administration that you would support current legislative initiatives which would require more specific warning labels and the registration of additives with the FTC and the Department of HHS. We were further encouraged when Secretary Brandt, representing your administration, testified in support of H.R. 5653 before the House Subcommittee on Health and the Environment, on 11 March. You can, therefore, understand our profound disappointment at the testimony presented by Secretary Brandt on your behalf on 16 March before the Senate Labor and Human Resources Committee.

The American Cancer Society has joined with the American Heart Association, the American Lung Association, and the National Interagency Council on Smoking and Health to support this and other smoking legislation. We deem this to be among our highest legislative priorities since this bill would provide the mechanism to bring information on smoking tobacco and health to the public so they can make informed decisions as to whether to start or continue to smoke.

RESEARCH  
EDUCATION  
SERVICE

3/22/82

The President  
March 18, 1982  
Page 2

We look to your leadership as a major source of strength and resolve for us, the private, non-profit voluntary health agencies, in our battle against this insidious health hazard which jeopardizes the lives and well being of our citizens, especially our young people.

We urge you to restore your support for this legislation to the level represented by Drs. Brandt and Koop in their testimony before the House Subcommittee on Health and the Environment. We are prepared to be of assistance to you in any way possible with regard to this issue, and look forward to our continuing work together.

Sincerely,

A handwritten signature in cursive script that reads "Robert V.P. Hutter". The signature is written in dark ink and is positioned above the printed name.

Robert V.P. Hutter, M.D.  
President

RVPH:rds

DRAFT RESPONSE TO DR. ROBERT HUTTER OF THE AMERICAN CANCER  
SOCIETY

Dear Dr. Hutter:

Thank you for your letter of March 18 regarding our policy on cigarette warning labels. This is a subject where, I am afraid, there has been some recent misunderstanding and where clarification is perhaps needed.

This Administration is deeply concerned by the compelling evidence linking cigarette smoking to a variety of major illnesses. We have endorsed the recently released findings of the Surgeon General on the conclusive link between smoking and several diseases, including cancer-- findings I cited again on April 3 in proclaiming this Cancer Control Month. We believe, and have recently restated to the Congress, that warning labels alerting the public to the serious health hazards posed by cigarette smoking are entirely appropriate and could, in fact, be strengthened without overstating those dangers.

As you know Congress is now considering a number of alternative labeling proposals for cigarette packages. Since there is very little evidence, though, on how effective such approaches might be, we have decided not to take a position on them at this time. We trust that Congress will study this question thoroughly, giving great weight to the need to adequately inform the public of health

HUTTER LETTER, PAGE 2

hazards, while avoiding approaches that impose burdens bearing no real relation to the overriding goal of warning labels.

I appreciate the fine work of the American Cancer Society on this and other issues, and hope this letter will clarify any misunderstandings that may have arisen. I look forward to working with you in the future.

Sincerely,

RONALD REAGAN

# AMERICAN CANCER SOCIETY, INC.

177 BROAD AVENUE • NEW YORK, N.Y. 10017 • (212) 371-2500

March 18, 1982

The President,  
The White House  
Washington, D.C.

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RESEARCH  
EDUCATION  
SERVICE

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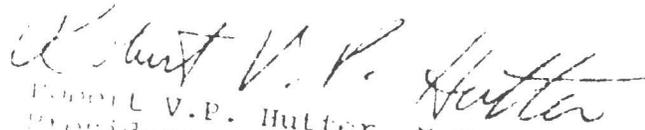
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The President  
March 18, 1982  
Page 2

We look to your leadership as a major source of strength and resolve for us, the private, non-profit voluntary health agencies, in our battle against this insidious health hazard which jeopardizes the lives and well being of our citizens, especially our young people.

We urge you to restore your support for this legislation to the level represented by Drs. Brandt and Koop in their testimony before the House Subcommittee on Health and the Environment. We are prepared to be of assistance to you in any way possible with regard to this issue, and look forward to our continuing work together.

Sincerely,

  
Robert V.P. Hutter, M.D.  
President

cc: Fred.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 3, 1982

CANCER CONTROL MONTH, 1982

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

This year marks the tenth anniversary of our country's commitment of major resources to the control of cancer through the National Cancer Program. While progress against this dread disease has been slow, each step forward can save thousands of lives since statistics show that one out of four Americans now living will become a victim of cancer.

Research has demonstrated that lifestyle and environment play a crucial role in the development of cancer. Reports issued by the Surgeon General increasingly link cigarette smoking with cancer of the lung and other parts of the body. We have developed greater understanding of the effects of exposure to carcinogens and radiation in the workplace and have also learned the importance of diet and nutrition as factors in the development and prevention of cancer. Advances in biochemistry, microbiology, and other basic research have improved our comprehension of the cellular events that lead to cancer formation, but researchers still seek a clearer understanding of the cause of cancer as they strive to halt the progress of this disease more effectively.

Improved surgical procedures, new discoveries in recombinant DNA and hybridoma technology, and developments on the frontiers of immunotherapy hold out the possibility not only of better treatment, but also of the significant breakthrough long prayed for. With continued advances, this ancient scourge may yet pass from mankind.

In 1938, the Congress of the United States passed a joint resolution requesting the President to issue an annual proclamation declaring April to be Cancer Control Month.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, do hereby proclaim the month of April, 1982, as Cancer Control Month. I invite the Governors of the fifty states and the Commonwealth of Puerto Rico, and the appropriate officials of all other areas under the United States flag, to issue similar proclamations. I also ask the health care professions, the communications industry, and all other interested persons and groups to unite during this appointed time to reaffirm publicly our nation's continuing commitment to control cancer.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of April in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

RONALD REAGAN

# # # #



# EXECUTIVE OFFICE OF THE PRESIDENT

## OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 30, 1982

MEMORANDUM FOR JOE WRIGHT

FROM: Don Moran 

SUBJECT: Update on Cancer

Our record vis a vis the cancer folks is a mixed bag.

### Cancer Research

Due to the heavy overemphasis on cancer research in the past, we have pared back slightly on funding for the National Cancer Institute of NIH. Compared to the 1981 level enacted when we took office (\$989 million), we are requesting \$955 million in FY 1983, or three percent less.

This overall drop, however, masks the following programmatic increases within the NCI budget:

	<u>1981</u>	<u>1983</u>	
Detection & Diagnostic Research	\$49M	\$62M	+27%
Treatment Research	298	312	+5%
Cancer Biology	161	177	+10%
Cancer Center Support	69	77	+12%

### Proselytizing

The President stated during his campaign in North Carolina, in response to his view of Joe Califano's war on smoking, "my Cabinet Secretaries will have better things to do."

Accordingly, we have wiped out Califano's Office of Smoking & Health, and the budget for these activities have been cut from \$12 million in FY 1981 to \$2 million in the FY 1983 budget.

### Position on Labelling

We are, on balance, getting a bad rap here. While attention has focused on our foulup in clearing testimony speaking to specific Congressional initiatives, our position on the substance of the case hasn't changed one iota. The Administration has, from the beginning:

- Endorsed the Surgeon General's findings as evidence of a conclusive link between smoking and disease;
- Endorsed cigarette labelling as an appropriate public health initiative;
- Indicated that we believe warnings could be strengthened without overstating the hazards of cigarette smoking.
- Indicated that, while we don't oppose current Congressional initiatives, lack of evidence on the relative efficacy of different warning scemes inclines us to take no position on specific alternative proposals at this time.

THE WHITE HOUSE

WASHINGTON

March 30, 1982

MEMORANDUM FOR ELIZABETH H. DOLE

THROUGH: DIANA LOZANO

FROM: VIRGINIA H. KNAUER

SUBJECT: Cancer Control Month Proclamation

In light of the Stockman letter and the immediate attention given to the flip-flop cigarette warning labels, I think it would be a mistake to retreat any further. Therefore, I would suggest that the proclamation not be altered.

Attachment

EHD  
Red  
Diana L  
Virginia R

MAR 30 1982

March 30, 1982

MEMORANDUM FOR ELIZABETH DOLE, FRED FIELDING, ED HARPER

FROM: Dodie Livingston (480-EOB, x2941)  
SUBJECT: Cancer Control Month Proclamation

Comments on the draft proclamation on Cancer Control Month (April) reflect concern from Ken Duberstein and Craig Fuller/III S on inclusion of smoking as a cause of cancer. From a political standpoint, they feel, it would be better not to mention smoking.

If you concur in this, I will edit the draft to eliminate references to smoking.

Thank you. And, if possible, I need your response by COB today.

# WHITE HOUSE STAFFING MEMORANDUM

DATE: March 9, 1982 ACTION/CONCURRENCE/COMMENT DUE BY: COB: March 11, 1982

SUBJECT: Draft proclamation designating April 1982 as Cancer Control Month

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	JAMES	<input type="checkbox"/>	<input type="checkbox"/>
MEISE	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
LEAVY	<input type="checkbox"/>	<input type="checkbox"/>	WILLIAMSON	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	WEIDENBAUM	<input type="checkbox"/>	<input type="checkbox"/>
HARPER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HICKEY	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	ROSBUSH	<input type="checkbox"/>	<input type="checkbox"/>
BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>	CIQ	<input type="checkbox"/>	<input type="checkbox"/>
CANZLER	<input type="checkbox"/>	<input type="checkbox"/>	OSIP	<input type="checkbox"/>	<input type="checkbox"/>
DOFF	<input checked="" type="checkbox"/>	<input type="checkbox"/>	USTR	<input type="checkbox"/>	<input type="checkbox"/>
HILDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DEBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
FUTLER (For Cabinet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Rec'd:

Draft proclamation as noted. To you. Please comment as you feel appropriate.

*Handwritten initials/signature*

Thank you!

*Dodie*

Dodie Elympton (52941)

for

Richard G. Donnar

Assistant Secretary

and

Director of the White House Staff

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20501

COUNCIL

January 19, 1982

MEMORANDUM FOR: THE PRESIDENT  
FROM: MICHAEL J. HOROWITZ  
COUNSEL TO THE DIRECTOR *MJH*  
SUBJECT: CANCER CONTROL MONTH, 1982

Enclosed is the annual proclamation which, in accordance with a joint resolution of the Congress adopted in 1938, would designate April as Cancer Control Month.

The proposed proclamation, which was prepared by the Department of Health and Human Services, was retyped in this office solely as to format.

The proposed proclamation has the approval of the Director of the Office of Management and Budget.

Enclosure

CANCER CONTROL MONTH, 1982

BY THE PRESIDENT OF THE UNITED STATES

A PROCLAMATION

This year marks the tenth anniversary of our country's commitment of major resources to the control of cancer through the National Cancer Program. While progress against this dread disease has been slow, each step forward can save thousands of lives and is to be celebrated because statistics show that one out of four Americans now living will become a victim of cancer.

Research has demonstrated that lifestyle and environment play a crucial role in the development of cancer. Reports issued in the Surgeon General's increasingly <sup>link</sup> ~~link~~ cigarette smoking with cancer of the lung and other parts of the body. Exposure to carcinogens and radiation in the workplace as well as diet and nutritional factors are also recognized as influences in the development and prevention of cancer. Advances in biochemistry, microbiology, and other basic research have improved our comprehension of the cellular events that lead to cancer formation, but researchers must seek a clearer understanding of the cause of cancer to halt the progress of the disease more effectively.

Improved surgical procedures, new discoveries in recombinant DNA and hybridoma technology, and developments on the frontiers of immunotherapy hold out the possibility not only of better treatments but, also, the significant breakthrough long prayed for. With continued advances, this ancient scourge may pass from mankind.

In 1972, the Congress of the United States issued a joint resolution requesting the President to issue an annual proclamation setting aside the month of April as Cancer Control Month.

Now, on the 10th day of Donald Reagan, President of the United States of America, I hereby proclaim the month of April, 1982, as Cancer Control Month, and I invite the Governors of the fifty states and the Commonwealth of Puerto Rico, and the appropriate officials of all other jurisdictions of the United States that, to issue similar proclamations.

I call on the health care professionals, the pharmaceutical industry, and all other interested persons and organizations during this appointed time to reaffirm public confidence in our continuing commitment to control cancer.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_, in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

THE WHITE HOUSE

WASHINGTON, D.C.

March 29, 1982

MEMORANDUM FOR ELIZABETH H. DOLE

THROUGH: DIANA LOZANO

FROM: VIRGINIA H. KNAUER

SUBJECT: Call for Strong Cigarette Warnings by  
the American Cancer Society

On March 11, OHS Assistant Secretary for Health Brandt testified for the Administration before a House Committee in favor of a bill that would require five strong and very specific health warnings on cigarette packages. The warnings would rotate; i.e., only one would appear on each package. On March 16 Dr. Brandt testified before Senator Packwood's Commerce Committee that the Administration took no position on the rotating warnings. The Senate testimony came to a floor comment with a 30-minute turnaround time. We raised the point then, however, that the change was too drastic and inadequate explained and would provoke severe reaction.

The March 18 letter from the ACS, which ultimately came to me for reply was part of the reaction we predicted. We have also heard from the American Heart Association, the American Public Health Association, the American College of Preventive Medicine and similar organizations.

OMB prepared a policy statement for Mr. Stockman's signature in response to Congressional inquiries. We checked with Brandt and Ben Neuman's staff at OMB and both consider it the definitive statement of the Administration's current policy on this issue. We plan to use it as a response to the letters we have received and a copy is attached.

For the ACS letter, however, we recommend reply by Mr. Baker. Dr. Packwood General Koop and Mr. Stockman have made it clear that there is no dispute on the evidence relating smoking to a wide range of health problems and the need for stronger warnings.

The reasons for the change in Administration position are essentially political and should be handled as such. We recommend a reply by Mr. Baker and an invitation to discuss the issue with him, preferably before the next Senate hearing which will be sometime in May.

There is, incidentally, no scientific evidence for the efficacy of rotating warnings, although Swartz attributes a decline in smoking there in part to such.

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

March 23, 1982

The Honorable Edward R. Madigan  
United States House of Representatives  
Washington, D.C. 20515

Dear Ed:

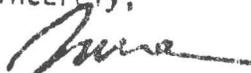
Thank you for requesting clarification of the Administration's policy regarding warning labels affixed to cigarette packages.

As HHS Assistant Secretary Edward M. Brandt has testified, the Administration is deeply concerned by the compelling evidence linking cigarette smoking to a wide range of illnesses. The Administration believes that warning labels alerting the public to these hazards are entirely appropriate, and that the present warning could be strengthened without overstating the hazards posed by cigarette smoking.

Little is known, however, about the relative efficacy of the many alternative labeling schemes being proposed. For this reason, the Administration takes no position on the various approaches now being considered in the Congress.

Thank you again for the opportunity to clarify the Administration's views.

Sincerely,

  
David A. Stockman

THE WHITE HOUSE

WASHINGTON

March 30, 1982

MEMORANDUM FOR JIM BAKER  
MIKE DEEVER  
ED MEESE

FROM: CRAIG FULLER 

SUBJECT: Cigarette Package Labeling

I understand that you are discussing our position regarding cigarette labeling.

Officially, our position is that we have "no position on the various (labeling) approaches now being considered in the Congress." Additionally, we have stated that "the Administration is deeply concerned by the compelling evidence linking cigarette smoking to a wide range of illnesses." We have also indicated that "the Administration believes that warning labels alerting the public to these hazards are entirely appropriate, and that the present warning could be strengthened without overstating the hazards posed by cigarette smoking." [see Tab A]

These statements satisfied the various administration interests. You will recall several Senior Staff meeting conversations about the issue. One of the principal reasons for our position is that it is not at all clear that by imposing the additional cost associated with a new labeling scheme any smokers would be aided in quitting since polls show that 95% of the people who smoke believe that it is bad for them.

In addition to our current position, other options involve multiple labels with various messages that highlight the specific dangers associated with smoking. Sweden requires several messages to appear on a single pack of cigarettes. That has been discussed, but a more practical option requires that the multiple messages be rotated.

You might consider asking HHS to evaluate the multiple message approach to determine its effect. Or, possibly take the position that the message can be changed once a year and the surgeon general can provide the new message at the appropriate time each year. Any "new" option should be checked by the "system," but I believe we would get support from HHS for almost anything that goes beyond the status quo.

In addition to the OMB letter, an HHS summary of the cigarette problem and testimony is attached.



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

March 23, 1982

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Thank you again for the opportunity to clarify the Administration's views.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Stockman".

David A. Stockman

Cigarette smoking is clearly the single most important preventable cause of premature illness and death in the United States. Estimates of the number of deaths related to smoking exceed 300,000 annually. Smoking contributes at least \$13 billion to the cost of health care in the country.

Cigarette smoking is one of the three major independent risk factors for coronary heart disease and vascular disease; a major cause of cancer of the lung, larynx, oral cavity and esophagus; and a major cause of chronic bronchitis and emphysema. It is a contributory factor in cancer of the urinary bladder, kidney and pancreas, and is associated with peptic ulcer disease. Approximately 30 percent of all cancer deaths are attributable to tobacco use.

Cigarette smoking by pregnant women is associated with retarded fetal growth, an increased risk for spontaneous abortion and prenatal death, and slight impairment of growth and development during early childhood.

Cigarette smoking acts in conjunction with oral contraceptives to enhance the probability of coronary and some cerebrovascular disease; with alcohol to increase the risk of cancer of the larynx, oral cavity, and esophagus; with asbestos and some other occupationally encountered substances to increase the likelihood of cancer of the lung;

and with other risk factors to enhance cardiovascular risk.

Scientific research makes it clear that cigarette smoking represents a typical dependence process and in fact is the most widespread example of drug dependence in this country. It is the establishment of tobacco dependence with its consequent impairment of an individual's ability to easily discontinue behavior that he or she intellectually knows is self-damaging which leads to the multiple grave health consequences.

The public must be informed about the health hazards of cigarette smoking. Although the percentage of Americans smoking continues to decrease, and although 90% of the population agrees that cigarette smoking is harmful, there are still 53 million smokers.

According to a recent FTC report, the public is not sufficiently aware of the specific risks of smoking and the current cigarette warning is ineffective.

We support stronger warnings to make it possible for smokers and potential smokers to make better informed judgments as to whether to continue or begin smoking, and such warnings should be directed toward the risk of specific diseases.

INSERT re: rationale for rejecting rotational labelling as proposed in pending legislation. (Wording to be supplied by OMB.)



FOR RELEASE ONLY UPON DELIVERY

STATEMENT BY  
EDWARD N. BRANDT, JR., M.D.  
ASSISTANT SECRETARY FOR HEALTH

BEFORE THE

~~SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT~~

~~COMMITTEE ON ENERGY AND COMMERCE~~

~~MARCH 11, 1982~~

Senate sub + Human Resources  
Committee

March 16, 1982

*Cante*

Mr. Chairman and Members of the ~~Subcommittee~~

I am pleased to submit to you today this statement of the Department of Health and Human Services on the health effects of cigarette smoking. These health effects and their significance to the American people must necessarily provide the rationale and justification for whatever action your Committee may take in regard to the bill before you.

With me today are Dr. C. Everett Koop, Surgeon General, *and* Dr. Vincent DeVita, ~~Director, National Cancer Institute, Dr. Peter Fremmer, Acting Director, National Heart, Lung, and Blood Institute, and Dr. William Pollin, Director, National Institute on Drug Abuse~~ *Johnna Jacob, Dir. of Staff*

I will begin by presenting a capsule description of the health effects of cigarette smoking and then a more detailed description of smoking and cancer and cardiopulmonary diseases. I will also address research efforts by the National Institute on Drug Abuse on the addictive characteristics of cigarette smoking.

In summary, cigarette smoking is clearly the single most important preventable cause of premature illness and death in the United States. Estimates of the number of deaths related to smoking exceed 300,000 annually. One may compare this figure with the 105,000 deaths that occur each year as a result of all injuries, 20,000 deaths from homicides, or the 40,000 infant deaths.

Cigarette smoking is one of the three major independent risk factors for coronary heart disease and arteriosclerotic peripheral vascular disease; a major cause of cancer of the lung, larynx, oral cavity and esophagus; and a major cause of chronic bronchitis and emphysema.

Cigarette smoking is a contributory factor in cancer of the urinary bladder, kidney, and pancreas. It is also associated with peptic ulcer disease. Maternal cigarette smoking is associated with retarded fetal growth, an increased risk for spontaneous abortion and prenatal death, and slight impairment of growth and development during early childhood.

Cigarette smoking acts synergistically with oral contraceptives to enhance the probability of coronary and some cerebrovascular disease; with alcohol to increase the risk of cancer of the larynx, oral cavity, and esophagus; with asbestos and some other occupationally encountered substances to increase the likelihood of cancer of the lung; and with other risk factors to enhance cardiovascular risk.

Involuntary or passive inhalation of cigarette smoke can precipitate or exacerbate symptoms of existing disease states, such as asthma and cardiovascular and respiratory diseases and may be carcinogenic for nonsmokers. Smoking is also the major identifiable cause of deaths and injuries from residential fires.

Mr. Chairman, cancer was the first disease to be associated with cigarette smoking. As Dr. Koop pointed out in introducing our 1982 report on smoking and health a few weeks ago, reports linking smoking and lung cancer began appearing in the scientific literature as long as 50 years ago. In 1964, when the Surgeon General's Advisory Committee's report was issued, lung cancer in men, and chronic bronchitis in both men and women, were the two diseases which the Committee identified as being caused by cigarette smoking.

The evidence which links cigarette smoking with lung and other cancers was reviewed in the most careful detail in the 1982 report just issued. Today, 18 years after the 1964 report, additional human experience and enormous amounts of new research make it possible for science to conclude that cigarette smoking is a major cause of cancers of the lung, larynx, oral cavity, and esophagus, and that it is a contributory factor in the development of cancers of the bladder, pancreas, and kidney. Lung cancer accounts for one out of every four cancer deaths, and 85 percent of these are due to smoking. Overall, approximately 30 percent of all cancer deaths are attributable to tobacco use.

A subject which was hardly touched upon in the 1964 report is the effect of smoking on women, and, in the case of maternal smoking, its effect on the fetus and infant. In 1980, this was the topic of the Department's report to Congress. Its conclusions were that women are not immune to the damaging effects of smoking, and that the lesser occurrence of smoking-related diseases among women smokers is a result of women having lagged one-quarter century behind men in their widespread use of cigarettes.

The 1980 report established that cigarette smoking is a major threat to the outcome of pregnancy and the well-being of the baby. The risk of spontaneous abortion, fetal death, and neonatal death increases directly with increasing levels of maternal smoking during pregnancy. Smoking causes a markedly increased risk of heart attack and subarachnoid hemorrhage.

Another public health question, now enormously important, relates to the use of the new, low-yield cigarettes. This was the subject of the Department's 1981 report. The Report's conclusions were that although there is no safe cigarette, smoking cigarettes with lower yields of tar and nicotine poses a lower risk of lung cancer than smoking higher-yield cigarettes, provided there is no compensatory change in smoking patterns. Increasingly, smokers have turned to these lower-yield products; there is evidence to suggest that in doing so, at least some have increased their smoking or changed the way they smoke. This may have negated any potential benefit in their having switched to these products.

### Smoking and Cancer

The 1982 Report of the Surgeon General on the Health Consequences of Smoking focussed upon cancer. The report noted that the more than 100 diseases we call

cancer are the second leading cause of death in the United States. The report also made these important points:

o It is now clear from a large number of epidemiologic studies--both retrospective and prospective--that smoking is causally related to at least 30 percent of all cancer deaths. This means that approximately 129,000 people a year die of cancers related to smoking. ~~In 1964 the Surgeon General's Advisory Committee was able to conclude that cigarette smoking causes lung cancer in men. Now subsequent studies show it causes lung cancer in women as well. Smoking is also the major causal factor in cancers of the larynx, mouth and esophagus. The habit contributes to development of cancers of the bladder, pancreas and kidney. Although cigarettes are the major concern because of the number of people who smoke them regularly, pipes and cigars are also implicated in cancers of the lung, larynx, mouth and esophagus. The cancers I have mentioned are ones that have not been especially responsive to our current treatment methods.~~

o The causal relationships are strong. If we just look at lung cancer, the major cause of cancer death among U.S. males, a cigarette smoker is 10 times more likely to die of this disease than a nonsmoker. And this risk increases with the number of cigarettes smoked--a direct dose-response relationship. One optimistic point in the report was that the risk decreases among persons who have quit smoking. ~~Former smokers who quit 15 years ago or longer have lung cancer mortality rates only slightly above those of nonsmokers. In terms of time trends, since 1950 we have seen the lung cancer rate increase more than five percent a year among American women. They started smoking in large numbers after World War II, about 20 years later than men. Our statistics suggest that cancer of the lung may soon overtake breast cancer as the major cause of cancer death for women.~~

o For the first time, two preliminary epidemiologic studies are suggesting an increased risk of lung cancer in nonsmoking wives of smoking husbands, implicating sidestream smoke as a cancer risk factor. ~~A third study shows a trend in this direction, but the results are not statistically significant. More evidence is needed on the risk to "passive" smokers.~~

o We are encouraged by the figures on people who have been able to quit smoking, most of them through their own efforts. In 1965, 42 percent of adults in the United States smoked. In 1980, the proportion dropped to 33 percent. ~~We are also encouraged by the recent report of the National Institute on Drug Abuse showing a drop in the number of high school seniors who smoke daily, from 29 percent in 1977 to 20 percent in 1981. These encouraging trends reflect the work of both Government, voluntary and private health agencies in educating the public about the health hazards of smoking.~~

~~The National Cancer Institute's effort in smoking research has grown from a \$1 million program in 1968 to one costing \$12.5 million in 1982. The program's original goal was to reduce the risk of cancer in smokers who could not be persuaded to quit. Most of that effort focused on developing a less-hazardous cigarette and less-hazardous ways of smoking. In 1978, we decided to discontinue development of a less-hazardous cigarette, leaving that task to be continued by the tobacco industry. Our program now focuses on preventing smoking and involves:~~

- ~~o Behavioral studies to examine why people smoke, with the goal of finding ways to encourage them not to begin smoking or to help them quit;~~
- ~~o Epidemiologic studies of populations with high rates of lung and other smoking-related cancers to identify cofactors, such as occupation and alcohol consumption, that might increase a smoker's chance of developing cancer;~~

- o Toxicology studies to examine the content of substances in today's low-tar and nicotine cigarettes that initiate and promote cancer and to learn how these substances are handled by the body;
- o Pharmacologic studies to determine which factors in tobacco might be addictive and how those substances work;
- o A program to help smokers quit by encouraging physicians, dentists, and other health professionals to distribute information on smoking cessation to their patients.

The current programs of the National Cancer Institute include a number of studies being carried on by NCI epidemiologists in areas of the United States where lung and other smoking-related cancers are high, to evaluate risk factors in addition to cigarette smoking that may contribute to those high cancer rates.

This past year, NCI-supported investigators identified how the body handles two carcinogens found in tobacco smoke. They are now determining whether these carcinogens affect specific organs or tissues. This research is relevant because this particular class of carcinogens, called nitrosamines, can be reduced in smoke with the use of better filters.

In the area of behavioral studies, we have a group of four different grantees investigating smokers who have quit, to determine how they differ from smokers who can't quit. We know that 95 percent of smokers who quit do so on their own. From this study we hope to learn who they are, what techniques they used and how they differ from smokers who can't quit. These studies are nearly complete, and a workshop scheduled for this spring should yield some important new information on what motivates people to quit smoking and how these techniques might be applied to help others.

I would like to mention one program of the Office of Cancer Communications because we are proud of its success. Based on the well-documented evidence that counseling by a physician can motivate smokers to quit, the office developed a "Helping Smokers Quit Kit" for physicians to use with patients. More than 135,000 of these kits--which include posters for the waiting room, take-home materials for smokers, and information on counseling the smoking patient--were distributed. In fact, the kit was so well received that a similar one was created for dentists. This project was endorsed by the American Dental Association, which is cooperating with us to distribute the kit. Staff are now working with the American Pharmaceutical Association to develop a similar program for pharmacists.

The National Cancer Institute is interested in pursuing some new leads. There is a growing body of evidence that people who smoke low tar and nicotine cigarettes adjust their smoking behavior--inhaling more deeply or covering the ventilation holes in the cigarette filters. This is thought to be an attempt to compensate for the decreased nicotine yield. We plan to take a look at this question. If these preliminary studies are confirmed, it would imply that smokers of today's cigarettes are not decreasing their exposure to nicotine and in fact may actually be increasing their exposure to harmful combustion products such as hydrocarbons and carbon monoxide.

#### Smoking and Cardio-pulmonary Disease

~~Very often, when people think of the health consequences of smoking cigarettes, they think of lung cancer. Yet, the number of cigarette-related deaths resulting from (noncancerous) pulmonary and coronary heart diseases is far greater.~~

Chronic obstructive pulmonary diseases (COPD) today represents the fastest growing of the major causes of death, now ranking fifth. In 1980, 55,000 Americans died of pulmonary diseases. Almost three million Americans now suffer from emphysema, a terribly debilitating disease. More than seven million have chronic bronchitis. Chronic respiratory diseases account for approximately ten percent of disability benefits for lost work hours. And, the evidence is substantial and unequivocal that cigarette smoking is the chief culprit in the onset or exacerbation of these diseases.

Research has for some time provided us with data demonstrating that smokers have higher mortality rates from chronic bronchitis and emphysema and that smokers have far less pulmonary function than nonsmokers. During the past ten years, we have also obtained a far better understanding of the mechanisms of lung damage, including the destruction of elastin, a major structural protein of the lung which is adversely affected by cigarette smoking. And, within recent years, evidence has been reported which suggests that the small airways function of the lung may be adversely affected in healthy nonsmokers if they are exposed to cigarette smoke from others.

Research continues in this area to give us a better basis of knowledge in order to prevent or arrest the progress of pulmonary diseases. Studies have demonstrated the benefits of smoking cessation, including improvements in lung performance on standard spirometric (breathing) tests soon after one quits. However, pulmonary diseases represent a progressive condition and once a certain point is reached we can only hope to retard its progression. Investigators are working towards developing a simplified means of detecting the disease condition at an early enough stage to intervene and reverse the process. At the same time, research continues to try to develop and evaluate programs designed to help individuals give up smoking, since smoking prevention or cessation represents the only effective intervention measure we now have.

Despite a dramatic decline in mortality during the past decade, coronary heart disease remains the number one killer in this country, claiming three-quarters of a million lives in the United States each year. For every minute of the day, there are about three Americans who suffer a heart attack. While the progress in reducing coronary heart disease and other cardiovascular deaths during recent years is heartening, the scope of the problem remains enormous.

Cigarette smoking is one of the three major risk factors for coronary heart disease; the other two being high blood pressure and high serum cholesterol. Epidemiological evidence clearly places the smoker at a higher risk of heart disease than the nonsmoker. The more one smokes, the greater the risk. There is also evidence that smoking cessation can decrease the risk. After only one year free of cigarettes, a former smoker may be able to reduce the risk of heart disease to close within that of the nonsmoker.

The exact mechanisms of how cigarette smoking affects coronary heart disease are still unknown and are the subject of considerable research now underway. Nevertheless, the evidence based on epidemiologic and autopsy studies clearly linking the amount of smoking with higher incidence of heart disease, is indeed impressive.

#### Addictive Properties of Cigarette Smoking

On the issue of drug dependence and the addictive properties of cigarette smoking, and on the basis of research conducted by the National Institute on Drug Abuse (NIDA), it is our view that cigarette smoking represents a prototypic dependence process and in fact is the most widespread example of drug dependence in this country. It is important to note that DSM-III, the standard diagnostic manual of psychiatric disorders in the U.S., and the World Health Organization's International Classification of Disease both include tobacco dependence as a dependence disorder.

NIDA researchers are exploring the same questions that we ask of any other drug-using behavior: what factors (1) determine initial experimentation of use; (2) the progression from casual recreational use to regular, compulsive use; (3) the achievement of abstinence; and (4) the high rate of relapse.

The key findings to date implicate nicotine as the main factor in establishing and maintaining dependence on tobacco. This results in part from its multiple,

powerful biological and psychological effects, which include stimulation of the release of a number of hormonal substances (norepinephrine, epinephrine, growth hormone, cortisol, vasopressin, and probably beta endorphin); the production of behavioral/arousal and EEG alerting patterns; and the fact that it is one of the most rapidly metabolized of all self-administered substances.

It is the establishment of tobacco dependence with its consequent impairment of an individual's ability to easily discontinue behavior that he or she intellectually knows is self-damaging which leads to the multiple grave health consequences that I have previously summarized. The extent of tobacco's ability to do this is most easily comprehended when one notes that whereas the large majority of Americans who use alcohol are subjectively and objectively able to satisfactorily control their level of use, over 75 percent of tobacco smokers would like to quit but have difficulty in doing so. Along with all the devastating health effects that are a consequence of tobacco smoking is the fact that we are talking about an addictive disorder that is as challenging as that of any other drug we know about.

~~Mr. Chairman, in closing, I would like to turn my attention to the bill before your Subcommittee, H.R. 4957.~~

This bill would establish an Office of Smoking and Health within the Department of Health and Human Services. We oppose this provision. An Office created by statute would not provide flexibility. At present, we can alter the program as needed. Indeed, since 1966 the Department has maintained an active smoking component, which has worked closely with State and local governments and with voluntary health and educational agencies to help bring about great changes in the smoking behavior of adults and teenagers alike. This Administration, and in particular this Department, has placed great emphasis on prevention. We are concerned about the health problems that smoking causes, and we will continue to operate an effective program.

Mr Chairman in your 5.11.27,

We support the bill's requirements for strong health warnings because we believe they would increase the public's knowledge of the hazards of smoking and make it possible for smokers and potential smokers to make better-informed judgments as to whether to continue smoking or begin smoking. We believe however, that several modifications are needed.

We would strongly suggest that in proposed section 4 of the Federal Cigarette Labeling and Advertising Act, the Secretary of Health and Human Services be given the responsibility for determining and modifying the actual wordings of the multiple warnings.

We believe that the system recommended in proposed section 4(b) might be more effective if all of the proposed warnings appear on each brand simultaneously, so that the smoker does not know which warning may appear on the packages he buys. This is the system in use in Sweden, where 16 different warnings appear on packages at a given time. In addition to greater effectiveness, this system would minimize industry expense and compliance oversight requirements. We would however, want the flexibility to adopt other systems should this prove to be ineffective.

Cigarette manufacturers are currently allowed to cite levels of tar and nicotine as determined by the methods specified by the FTC when new or reformulated brands are advertised which have not yet been tested by the FTC. Such a provision should be added to proposed section 4(c).

Insert intro of Dr Koop's presentation

Mr. Chairman, this concludes my statement. We will be pleased to respond to questions you may have.

DRAFT

William Pollin, M.D.  
Director  
National Institute on Drug Abuse

Alcohol, Drug Abuse, and Mental Health Administration  
Public Health Service  
Department of Health and Human Services

before the

Committee on Labor and Human Resources  
United States Senate

on

Addictive Properties of Tobacco Smoking

Tuesday, March 16, 1982  
9:30 A.M.

Mr. Chairman and members of the Committee, thank you for the opportunity to testify on the addictive properties of tobacco smoking. On the basis of our review of this question and of research conducted in our own laboratories, it is our conclusion that cigarette smoking represents a prototypic dependence process and is in fact the most widespread example of drug dependence in this country. Let me summarize the evidence for these conclusions.

There had been frequent suggestions in the past from both research and policy sources that the question of the possible addictive nature of cigarette smoking needed review. In July 1978, NIDA and the National Academy of Sciences cosponsored a conference which explored the background of this issue: a copy of the proceedings of that meeting "Cigarette Smoking as a Dependence Process" has been submitted for the record. Finally, in August 1979, a NIDA sponsored Technical Review was held to specifically review the question "Is cigarette smoking an addiction?"; it concluded, and I quote, "Cigarette smoking behavior should be considered a form of addiction, and tobacco in the form of cigarettes, an addicting substance." More recently, the National Advisory Council on Drug Abuse passed a resolution:

"The National Advisory Council on Drug Abuse strongly recommends to the Surgeon General that words be added to the warning on cigarette packages. The label should read 'The Surgeon General has determined that cigarette smoking is addictive and dangerous to your health'."

Consistent with these conclusions and recommendations is the fact that DSM-III, the current standard diagnostic manual of psychiatric disorders in the United States and ICD-9, the World Health Organization's International Classification of Disease, both include "Tobacco Dependence" as a drug dependence disorder.

"Dependence" in the classic sense is indicated by (1) persistent regular use of a drug, (2) attempts to stop such use which lead to discomfort and which often result in termination of the effort to stop, (3) continued drug use despite damaging physical and/or psychological problems, and (4) persistent drug seeking behavior. People are drug dependent when a drug takes over and controls their ability to choose to take the drug or not. The relative degree of dependence between the two most widely used licit drugs in this country--alcohol and tobacco--is demonstrated by the fact that whereas the large majority of Americans who use alcohol are subjectively and objectively able to satisfactorily control their level of use, and only some 10 percent lose control, the opposite is true with tobacco smokers: the great majority of smokers report they would like to smoke less, or quit smoking, but find it very difficult or impossible to do so.

Data from the National Center for Health Statistics tell us that 99 percent of those who say they smoke tobacco, smoke regularly. Seventy percent of those who report current smoking, say they smoke more than 15 cigarettes a day. Nine out of 10 smokers say they would like to quit smoking. Unfortunately, between 80 and 85 percent of smokers who have ever tried to quit say they have been unable to do so for more than three months. Smokers spend time, money, and a lot of energy on a behavior they would rather not engage in. This view of dependence is consistent with how we use the term "dependence" with other drugs, such as alcohol and cocaine.

NIDA researchers are exploring the same questions that we ask of any other drug-using behavior: what factors determine (1) initial experimentation of use; (2) the progression from casual recreational use to regular, compulsive use; (3)

the maintenance of abstinence; and (4) the high rate of relapse.

The bulk of research findings to date implicate nicotine as the main factor in establishing and maintaining dependence on tobacco. This results from its multiple, powerful biological and psychological effects, which include stimulation of the release of a number of substances (norepinephrine, epinephrine, growth hormone, cortisol, vasopressin, and probably beta endorphin); the production of behavioral arousal and EEG alerting patterns; and the fact that it is one of the most rapidly metabolized of all self-administered substances.

Nicotine is a psychoactive drug! That is, it influences subjective state and behavior. Not all psychoactive drugs lead to dependence or craving: the major tranquilizers, for example, are powerful drugs which do not do so. NIDA's Addiction Research Center has developed a test --the ARC Inventory-- for precisely quantifying psychological and/or subjective drug effects. Over the years, this test has been administered to over 3,000 individuals, both with and without drug abuse histories. A major finding of current NIDA studies, derived from this euphoria sub-scale of the ARC Inventory, is the marked similarity that exists between morphine, cocaine, and nicotine. During the first several minutes after administration of the drugs, there is an immediate and marked change in feeling-state (euphoria). This reflects the fact that during this period morphine, cocaine, and nicotine all "feel" very much alike. The subject experiences a "rush," which after a few minutes shows a variable course depending on the particular drug.

Both from self-reported information and from intravenous administration of nicotine, we have found that subjects who have histories of narcotic addiction say they "like" tobacco and/or nicotine as well as or even more than other drugs. A British study of 210 subjects seeking treatment for opiate addiction showed that (on a scale of one to five, with five being the "most liked"), tobacco received a "liking" score of 4.3, compared with 4.7 for heroin, 4.2 for cocaine, and 2.4 for amphetamine.

From interviews with individuals in treatment settings, we have some indication of how people perceive their "need" for tobacco. (On a scale of 0 to 4, with 4 representing the "most needed"), tobacco received a score of 3.3, compared to 2.9 for methadone, 2.8 for heroin, and 1.5 for cocaine. Although there may be questions as to the generalizability of the felt needs of individuals in treatment for drug abuse to the general population, we think that these data are indicative of the powerful, compulsive effect of tobacco smoking in general and the ingestion of nicotine in particular. The data support the common anecdotal report that heroin addicts find it more difficult to give up tobacco than heroin.

As with other classic drugs of abuse such as the opioids and sedatives, tolerance and physical dependence are important characteristics of a drug because they may exacerbate the user's tendency to continue its use. Tolerance, for instance, reduces the pharmacological effects of drugs and may lead to more frequent administration of higher doses of the drug, which in turn may produce graver health and social consequences for the user. Tolerance has been demonstrated for the effects of smoking cigarettes and also to the effects of many of the components of cigarettes. As most of us know, nausea and dizziness

is common among novice smokers, but disappears with experience. Metabolic tolerance can be demonstrated in smokers to various components of cigarette smoke (for example, nicotine), as well as to a wide variety of drugs such as barbiturates and chlorpromazine. As with other drugs of abuse, withdrawal signs do appear when heavy smokers abruptly quit. There is some variability in withdrawal symptoms, but it is not unusual for a smoker who stops smoking to show a decrease in excreted epinephrine and norepinephrine and its metabolites. Furthermore, there is a decrease in mean EEG frequency, in heart rate, an increase in appetite and weight, and an impairment in performance on psychomotor tasks and in concentration. Disturbance in sleep may occur and the individuals may feel anxious, irritable and even aggressive. Finally, most individuals who are trying to stop feel an increased craving for tobacco smoking.

Mr. Chairman, it is likely that drugs such as nicotine and cocaine, which are very powerfully habit forming, and yet do not show irrefutable evidence of being physically addictive, do not do so because we have not yet learned enough about the relationship between brain, drugs, and behavior to be able to identify those physical systems which are at the basis of compulsive drug use patterns. The important point which must be stressed in the discussion of psychoactive drugs is the relative degree of control over the behavior of users which that drug is able to achieve. We have heard about the severe health consequences that result from smoking. Smoking itself is the disease process and if we could stop smoking then the hundreds of thousands of lives that are lost to cancer and heart disease yearly could be saved.

Thank you, Mr. Chairman. I would be happy to respond to any questions you may have at this time.

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THE WHITE HOUSE

WASHINGTON

April 9, 1982

MEMORANDUM FOR JIM CICCONI

FROM: RED CAVANEY 

SUBJECT: USSR Gas Pipeline Sanction

Attached you will find a copy of a memo provided Ed Meese on the pipeline issue. Earlier information had been provided the NSC immediately following the initial sanctions.

I thought it would be helpful to bring you up-to-date on GE concerns.

GENERAL  ELECTRIC  
COMPANY

777 FOURTEENTH STREET, N. W.  
WASHINGTON, D. C. 20005

P. S. PETER  
VICE PRESIDENT

April 8, 1982

Mr. Red Caveny  
Deputy Assistant to the President  
for Public Liaison  
The White House  
Washington, D.C. 20500

Re: USSR Gas Pipeline Sanction

Dear Red:

I was among those who had lunch yesterday with Ed Meese at the Carlton Club, and the attached letter and memo from me to Ed is a follow-up to our discussion at lunch on the USSR gas pipeline sanction. As the letter indicates, time is of the essence since Alstom of France could step in to pick up the GE portion of the transaction as early as next month.

I would appreciate your making the attached letter and memo available to Jim Baker since, through you, Jim has been kept current as to our position on this matter, and he should be aware of our communication to Ed Meese.

Thank you again for your assistance on a matter we feel is of real importance to the U.S. and U.S. business.

Sincerely,

*Phil*

mwb  
attachments

GENERAL  ELECTRIC  
COMPANY

777 FOURTEENTH STREET, N. W.  
WASHINGTON, D. C. 20005

P. S. PETER  
VICE PRESIDENT

April 7, 1982

Honorable Edwin Meese III  
Counsellor to the President  
The White House  
Washington, D. C. 20500

Re: USSR Gas Pipeline Sanction

Dear Ed:

As we discussed at lunch today, enclosed is a memo covering our latest intelligence on the USSR gas pipeline sanction. In our judgment, the continued imposition of the sanction will have an adverse impact on current and future U. S. business, employment, balance of payments, and reliability as an international supplier.

We understand that Alsthom of France could step in to pick up the GE portion of the transaction as early as next month; thus time is of the essence. We believe the climate is right to make appropriate changes in the sanction, e.g., grandfathering contracts in existence at the time of the Polish upheaval or allowing GE shipment of the gas turbine rotor components to the three Western European companies (AEG of West Germany, Nuovo Pignone of Italy, and John Brown of Scotland), but restricting trans-shipment to Russia without prior U. S. approval.

GE recognizes and accepts that U. S. foreign policy concerns must override U. S. business interests, but sufficient time has passed so it is clear the sanction will not stop or materially delay the pipeline -- to continue to impose the sanction when its original premise is no longer viable results in the adverse consequences to the U. S. outlined above and in the memo.

We would appreciate your making this intelligence available to the highest level of the Administration, and we are available at any time to supply additional information or expand upon the memo.

Thank you for your willingness to consider a matter which we feel is of real importance to the U. S. and U. S. business.

Sincerely,

*Phil*

## USSR GAS PIPELINE

- ⑥ GE is affected by the Administration's sanction on the Russian gas pipeline because of GE's manufacturing agreements with AEG of West Germany, Nuovo Pignone of Italy, and John Brown of Scotland who are providing gas turbines for the pipeline.
- ⑥ For the last fifteen years, GE has had manufacturing associate agreements with these three companies plus four other worldwide producers of gas turbines to supply them the critical rotor components -- some 1500 of these turbine sets, or \$1.2 billion of U. S. exports, have been supplied by GE to these seven companies over this period, and prior to the sanction, GE export sales of \$2.5 billion over the next ten years to these companies were forecast.
- ⑥ These agreements account for half of the GE design gas turbines sold worldwide, and provide access to markets essentially closed to U. S. manufacturers because of nationalistic buying practices -- GE's U. S. exports under these agreements have produced a positive trade balance of \$500 million a year for the last five years.
- ⑥ On the USSR gas pipeline, GE received an order for 120 turbine rotor sets worth \$175 million, representing almost 1000 man-years of work at GE's plants in New York and South Carolina, and an equal number of jobs for GE's U. S. suppliers, mostly in Pennsylvania, Virginia and Michigan.
- ⑥ The technology for these turbines dates back to the mid-1960's, and turbines like the current version were sold by Nuovo Pignone to the Soviets in 1972 -- so there is no technology transfer to the Soviets.
- ⑥ Prior to the Administration's December 29, 1981 sanction, GE had shipped 21 turbine rotor sets to the three Western European companies, with the shipment of the remaining 99 sets, which were to have been delivered this year and into early 1983, being stopped by the sanction.
- ⑥ GE recognizes and accepts that U. S. foreign policy concerns must override U. S. business interests, but during the three plus months since the imposition of the sanction on the pipeline, and despite efforts by the Administration to secure their support of the sanction, the Western European governments have reaffirmed their decision to have their companies proceed with the pipeline.
- ⑥ Moreover, Western European manufacturers (Alstom in France and possibly Rolls Royce in the UK) are prepared to expand their capacity to meet Soviet

pipeline requirements without dependence on U. S. suppliers -- such expanded European gas turbine capacity would be available not only for future Soviet business but for other gas turbine orders around the world.

- ① If this occurs, the U. S. will have created a real tragedy, since the French will be using GE's technology to tie up the European turbine manufacturers on the pipeline job and on future gas turbine business -- this will result in the permanent loss of substantial U. S. jobs, and further damage to the U. S.'s long-term viability as a reliable international supplier, while the Russians get the pipeline.
- ② However, the climate is right to make appropriate changes on the pipeline sanction since (a) the Administration has the opportunity to gain Western European support for other sanctions on Russia, e.g., credit or technology transfer restrictions; and (b) in any event, there are actions that can be taken now which protect the U. S.'s interests but keep the affected U. S. and Western European employment in place, and which strengthen the alliance with the Western European governments.
- ③ These actions entail grandfathering contracts in existence at the time of the Polish upheaval or allowing GE shipment to the Western European companies but restricting trans-shipment to Russia without prior U. S. approval.
- ④ Sufficient time has passed so that it is clear the sanction on the pipeline will not stop or materially delay it -- to continue to impose the sanction when its original premise is no longer viable results in the sanction inflicting permanent harm on U. S. employment, on the U. S.'s reputation as a reliable international supplier, and on the opportunity for U. S. commercial leverage on extensions on the pipeline, e.g., because of the sanction the Soviets are pressuring Nuovo Pignone to manufacture a Soviet gas turbine.
- ⑤ There is much to be gained for the U. S. and its businesses, while at the same time protecting U. S. interests, by moving now to grandfather GE's contracts with the three Western European companies, or by allowing GE to ship to these companies now with trans-shipment to Russia coming later with U. S. approval.

THE WHITE HOUSE

WASHINGTON

March 30, 1982

MEMORANDUM FOR EDWIN MEESE III  
JAMES A. BAKER, III  
MICHAEL DEEVER  
DAVE GERGEN

FROM: ELIZABETH H. DOLE 

SUBJECT: Medicare/Reimbursement of "Union-Busting"  
Consultant Fees

Of late, the AFL-CIO has undertaken a campaign against the Administration with regard to our January 1982 Health Care Financing Administration (HCFA) ruling involving subject issue.

Testimony by the HCFA Deputy Administrator is scheduled in the House on April 1 and, therefore, the issue could be raised at the President's Wednesday Press Conference.

In short, service employee unions cite our change of a 1979 HCFA rule, which has the effect of authorizing Medicare reimbursement to "employee education" programs with regard to unions, as evidence that we fund campaigns designed to oppose employee membership in labor organizations.

TAB A contains an HHS position paper on the matter. TAB B contains the 1979 version of the Medicare Provider Reimbursement Manual, Section 2180, the Section in question.

A suggested response might be a restatement of the President's long-standing support for the right of employees to collectively bargain. He may also wish to add that he will have a staff member look further into the issue.

cc: Darman  
Fuller  
Harper



MEMORANDUM TO CRAIG FULLER

SUBJECT: Reimbursement Under Medicare for Hospital Costs  
Relating to Activities of Labor Organizations

This memorandum responds to Bob Bonitati's interest in background information on the policy of the Health Care Financing Administration (HCFA) regarding reimbursement under Medicare for hospital costs relating to activities of labor organizations.

Summary

HCFA's policy, announced in January 1982, is to reimburse health care providers for costs of customary and appropriate activities, as defined by the National Labor Relations Act, in connection with labor organizations. This includes costs associated with collective bargaining and providing information, facts, opinions, and arguments on the perceived advantages and disadvantages of forming a union. HCFA will not reimburse costs associated with activities not allowed under the National Labor Relations Act, including refusal to bargain in good faith, efforts to interfere with the free exercise of employee rights, or any other unfair labor practice.

This policy is entirely consistent with the Medicaid law and general Medicaid reimbursement standards, is administratively workable, and is based upon long-standing Federal labor-management relations policies established by Congress and the National Labor Relations Board.

General Rules for Reimbursement for Administrative Costs

HCFA reimbursement policies are based on the general rule that, to be reimbursable, costs must be related to patient care. Under this general rule, HCFA reimburses health care providers for most costs which are reasonable and customary in connection with general administration of a facility. This includes the hiring of attorneys and consultants to assist in handling a wide range of technical, professional, and legal matters which arise in normal management of a facility.

### Carter Administration Policy Clarifications

In 1979, HCFA issued a policy clarification in its Provider Reimbursement Manual to provide that, while most costs relating to personnel management and dealing with labor organizations are reimbursable, HCFA would not reimburse expenses related to "persuasion of employees" concerning their choice about whether to form a union. Prior to 1979, no effort was made to distinguish such costs, and they were, if included by providers under general management expenses in cost reports, reimbursed.

After receiving many questions and protests regarding this 1979 issuance, and after being challenged in court on its legality, HCFA issued a further clarification, by Federal Register notice, on January 16, 1981. This clarification said that HCFA would reimburse costs for "consultants and/or attorneys . . . to familiarize supervisors and employees with labor law," and would also reimburse costs associated with the "expression of facts and opinions" regarding employees' decisions on forming a union. This clarification also promised "to provide further clarification and examples in the Provider Reimbursement Manual."

### Reagan Administration Policy Clarification

In reviewing what further clarifications would be useful in helping providers and fiscal intermediaries distinguish costs relating to hiring attorneys or consultants to advise providers about labor law procedures, rights, and requirements and to assist in expressing facts and opinions, from those associated with efforts to persuade, we concluded that such a distinction was not administratively workable and placed an undue burden on fiscal intermediaries to analyze providers' motivations. We decided there was a need to provide a clear set of standards for distinguishing between costs which are customary and appropriate and those which are not.

Such a clear set of standards exists under the National Labor Relations Act (NLRA). Under the Act, employers may not engage in unfair labor practices, including attempts to coerce employees or otherwise interfere with or restrain the exercise of employee rights to organize and collectively bargain. Consistent with the policy of the Act that employees should have the opportunity to make a free and informed judgment on whether to form a union, employers and unions are allowed to express opinions and make arguments on the perceived advantages and disadvantages of forming a union. Rather than trying to develop a new set of labor-management relations rules, the HCFA policy adopts these NLRA standards. (On the basis of this clarification, the legal challenge made by the American Hospital Association to the 1979 issuance was dismissed.)

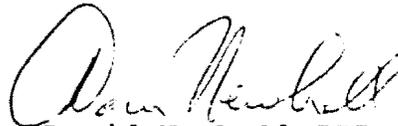
Cost Implications and Procedural Requirements

Because we are aware of no workable way to separate "persuasion" costs from costs for expression of "facts and opinions," we believe there are no measurable costs to the Medicare program relating to this policy.

The policy clarification issued in January 1982 was issued in the same fashion as that in 1979, through the Provider Reimbursement Manual. Our clarification did not require use of the rule-making process of the Administrative Procedures Act.

Conclusion

Rather than being "pro-union" or "anti-union," the HCFA policy preserves government neutrality in matters relating to employee choice on whether to form a union by using the long-standing rules on what employer conduct is customary and appropriate as the guide for determining what provider costs are customary and appropriate for purposes of reimbursement under Medicare.

  
David Newhall III  
Chief of Staff

cc: Bob Bonitati

## Provider Reimbursement Manual

Part I

ADVANCED COPY

Transmittal No. 218

MAY 1979

<u>New Material</u>	<u>Page No.</u>	<u>Replaced Pages</u>
Table of Contents Chapter 21 Sec. 2180-2180.2	21-2.1--21-2.4a (5 pp.) 21-44.1 (1 p.)	21-2.1--21-2.4b (5 pp.) 21-44.1 (1 p.)

CLARIFICATION--Effective Date: Not Applicable

Section 2180, Reimbursement for Costs Incurred in Relation to Union Activities explains allowable and nonallowable costs of providers in reference to activities related to persuasion of employees and collective bargaining. It has been brought to our attention that some providers are engaging in certain activities involving persuasion of employees that are clearly not related to patient care and, as such, the costs of these activities are not allowable. However, costs related to collective bargaining activities are related to patient care and, therefore, are allowable.

This revision constitutes a clarification of existing policy with respect to the costs applicable to these activities. Intermediaries should not routinely re-examine cost reports which have already been settled. However, intermediaries should reopen cost reports and make necessary adjustments to reflect this policy when they are aware of cases needing corrections that are subject to the reopening provisions specified in Health Insurance Regulations No. 5, Section 405.1885.

Mildred L. Tysnowski  
Acting Director  
Medicare Bureau

2180. REIMBURSEMENT FOR COSTS INCURRED IN RELATION TO UNION ACTIVITIES

2180.1 Persuasion of Employees.--Costs incurred for activities directly related to influencing employees regarding their right to organize or not to organize and to form a union or to join an existing union are not related to patient care and, therefore, are not allowable costs. Such costs are unallowable whether such activities are performed directly by the provider or through an independent contractor, consultant or outside attorney.

EXAMPLE: The costs applicable to a consultant who furnishes literature opposing union membership for provider employees or furnishes training to provider management to oppose employee membership in labor organizations are not allowable costs.

2180.2 Collective Bargaining.--Reasonable expenses incurred by a provider for collective bargaining and related activities are allowable costs. Contract negotiations and any procedures which flow from enforcement of contract terms, whether in a collective or individual setting, are necessary to maintain the continued operation of the provider and, thus, are a precondition for the delivery of health services.

EXAMPLE: The cost of the services of management's representative in collective bargaining activities is an allowable cost.

# Medicare: Aid Keeping Unions Out

By Howie Kurtz  
Washington Post Staff Writer

At a time when it is cutting back on federal outlays for health care, the Reagan administration has decided to allow hospitals to spend Medicare dollars to hire consultants who specialize in blocking unions.

After a heavy lobbying campaign by the hospital industry, the Health and Human Services Department has agreed to pick up the tab for efforts to defeat union drives at hospitals and nursing homes.

The new policy, which abruptly reversed a regulation adopted during the Carter years, quickly drew fire from labor union officials, who said it would cost the Medicare program more than \$30 million a year.

"We urge you to reconsider and reverse this wasteful and illegal use of Medicare to finance a multimillion-dollar union-busting industry," John J. Sweeney, president of the Service Employees International Union, said in a letter to HHS Secretary Richard S. Schweiker.

Claire Dorrell, an aide to Schweiker, said that "we found it very difficult to distinguish" between educational activities by consultants, which were covered by Medicare, and antiunion propaganda, which was not. "We are absolutely not antiunion. [But] the old policy was virtually impossible to administer."

Union officials say there is a growing number of consulting firms that specialize in stopping organizing drives through the use of what they call slick films and pamphlets, intimidation techniques and selective firings. The firms, they say, are hired for about three-fourths of the roughly 500 union elections held each year at health care facilities.

The Carter administration ruled in June, 1979, that payments to lawyers and consultants who work to block unions are illegal because they "are clearly not related to patient care." The policy was later published for public comment and formally adopted on Jan. 16, 1981.



RICHARD S. SCHWEIKER  
...agency accused of union-busting

But the American Hospital Association filed suit against HHS, which Dorrell said "forced us to reexamine the policy." When Schweiker's office promised to change the rule, hospital group officials said, they agreed to drop the lawsuit. The policy was changed in January, though never published in the Federal Register.

Dorrell said there was no need to publish the rule change because everyone's views on the issue are well known. She said antiunion activities are related to patient care because they affect hospital employees. She added that the cost to Medicare will be far less than \$30 million a year, although she couldn't cite a figure.

Sweeney, whose union represents 250,000 health workers, said, "We were caught completely by surprise. This announcement shocked nearly everyone in the labor movement."

Four House subcommittee chairmen, led by Rep. Henry A. Waxman (D-Calif.), also have written Schweiker that using Medicare money "to finance antiunion activity... is totally unacceptable."

HHS agreed to make back payments to hospitals for antiunion campaigns in the last two years, welcome news at such places as Prince William Hospital in Virginia. The hospital will try to recoup \$16,000 for a lawyer who fought a successful drive by the service employees' union last year to organize the hospital's 125 registered nurses, assistant administrator Phil Warman said.

## A WIDENING ATTACK ON THE FTC

Congress, with a helping hand from the Reagan Administration, now seems certain to curb the Federal Trade Commission's authority to regulate business and protect consumers. The FTC's legislative mandate expires on Sept. 30, and already a variety of critics, including Capitol Hill conservatives and business organizations, are moving to place new constraints on the agency.

Led by FTC Chairman James C. Miller III, a Reagan appointee, the commission's three-member Republican majority is taking the unusual step of proposing some major cutbacks in authority. The group is asking Congress to restrict the agency's sweeping power to move against practices that are deemed "unfair" to consumers. An alliance of advertising groups wants that authority scrapped entirely; a more limited proposal from the commission would restrict unfairness cases to situations in which shoppers cannot on their own avoid harm and where the injury is substantial. Consumerists are against any change in this area, but Congress is likely to give the commission at least the changes it is seeking.

Miller wants to go a step further and also curb the FTC's power to act against deceptive practices. But here Miller is acting on his own. None of his fellow commissioners and few in the advertising industry are willing to go along with his proposal because they have no problems with the statutes.

The biggest fight is shaping up over a power that Miller and his FTC colleagues want to preserve: regulation of professionals. Organizations representing physicians and dentists are promoting congressional efforts to ban the FTC from regulating professional services. Pressure for legislation clarifying the FTC's authority to regulate advertising by professionals increased on Mar. 23, when the Supreme Court left the issue unresolved in a case pitting the American Medical Assn. against the FTC.

In the antitrust area, the U. S. Chamber of Commerce would dearly love to rein in the FTC power to move against unfair methods of competition. "But lacking such a restriction on the reauthorization bill might be tricky, since the move would require that Judiciary Committees in the House and

Senate would have to consider the legislation once it cleared the Commerce Committees. There does not appear to be sufficient time for such a maneuver to succeed.

With Miller determined to take the lead in proposing some FTC constraints, the only question left seems to be how deeply Congress trims—and whether the FTC can keep the process from going too far once Congress takes up Miller's opening bid.

## THOSE BIG DEFICITS KEEP GETTING BIGGER

Strenuous efforts by the Office of Management & Budget to keep the projected deficits for fiscal 1982 and 1983 below the politically charged \$100 billion level have been undone by a weaker-than-expected economy. The chances are now good that when the OMB sends its spring budget reestimate to Congress as required by law on Apr. 10, the projected deficit for the coming year will be at least \$105 billion, up from the \$91.5 billion estimated in the February budget.

The original budget numbers were based on the assumption that the worst of the recession occurred in the 4.5% drop in real gross national product in the fourth quarter of last year. But the Commerce Dept. now estimates that results for the first quarter match the dismal fourth-quarter performance. Although Administration officials expect the pattern for the year to conform roughly to their forecast—a barely positive second quarter followed by growth averaging 5% in the second half—that means the anticipated recovery will be starting from a much lower base than expected. Receipts, in turn, could be down by \$10 billion in fiscal 1983—and more if inflation continues to drop.

The prospect of a triple-digit deficit has renewed the fight within the Administration over how candid to be in revising the budget. OMB officials want to come out with a new forecast showing lower GNP numbers and higher projected outlays, which would raise the deficit. But some political aides are fighting for only minimal changes, arguing that admitting to a larger deficit will increase Reagan's problems with deficit-shy Republicans in Congress.

## Capital wrapup

**FEDERALISM:** The General Accounting Office has created a special task force to determine whether states have adequate management and accounting systems to handle increased responsibilities under President Reagan's New Federalism program. The GAO plans to study nine states, chosen at random, by the end of the year. The aim, according to Comptroller General Charles A. Bowsher, is to avert the kind of financial mismanagement that plagued some of Lyndon Johnson's Great Society programs in the 1960s.

**PEOPLE:** Peter Broccoletti, acting deputy enforcement counsel for the Environmental Protection Agency, is making waves in his new job. Broccoletti is a former "strength and weight coach" for the Denver Broncos football team and an official of the Nixon-era Committee to Reelect the President. He has startled some EPA bureaucrats by his practice of giving out CREEP lapel pins, featuring tiny American flag emblems, to new arrivals on the agency enforcement staff. EPA holdovers, who have been driven to heights of paranoia by Administrator Anne M. Gorsuch's staff reductions and budget cuts, suspect a sinister motive. Broccoletti is bestowing the CREEP pins, says one career bureaucrat, so that the Reaganites "know who to talk to." Broccoletti maintains that he distributed the pins purely as a patriotic gesture.

**LABOR:** A Health & Human Services Dept. decision to permit medicare reimbursement for lawyers and consultants who aid hospitals in fighting off union organizing challenges has further strained the Administration's ties with labor. Representative Phillip Burton (D-Calif.) plans to hold hearings to air health-care workers' charges that the proposal sanctions union-busting. A White House aide, concerned about President Reagan's dwindling blue-collar support, concedes that the ruling "looks terrible."

WALL STREET JOURNAL

Tuesday, March 30, 1982

**THE CHECKOFF:** House hearings begin Thursday on service employees union charges that the administration is allowing hospitals to use medicare funds to pay so-called "union-busting" consultants. . . . About 20 outplacement firms plan to form their first professional association to introduce industry standards of conduct.

—ROBERT S. GREENBERGER

# Protest Builds On Funds for Union-Busting

Chairman of four House committees concerned with health care costs have protested an Administration decision to allow hospitals and nursing homes to include fees paid to union-busting consultants as reimbursable expenses under Medicare.

The new policy, which the Dept. of Health & Human Services calls a "clarification," allows retroactive payments for anti-union expenses which had been disqualified under the previous Medicare reimbursement rule.

**AFL-CIO PRESIDENT** Lane Kirkland had termed the policy change "outrageous." And Service Employees President John J. Sweeney told a Washington news conference that his union will challenge its legality.

The congressional protesters wrote HHS Sec. Richard S. Schweiker that the change of policy means that "limited public funds under Medicare will be used to finance anti-union activities." Such a "misuse of public funds is totally unacceptable," they declared.

Signing the letter to Schweiker were Chairman John D. Dingell (D-Mich.) of the Energy & Commerce Committee; Henry A. Waxman (D-Calif.), chairman of its Subcommittee on Health & the Environment; Charles B. Rangel, chairman of the Ways & Means Subcommittee on Oversight, and Andrew Jacobs, Jr. (D-Ind.), chairman of the Ways & Means Subcommittee on Health.

**AT THE SEIU** news conference, Sweeney said health care institutions hire management consultants to direct efforts to thwart union organizing in at least 75 percent of representation elections, with billings averaging about \$100,000 a campaign.

SEIU documentation had helped bring about a tightening of Medicare reimbursement standards under the Carter Administration, and Sweeney wrote Schweiker that the union considers the reversal "illegal" because "it permits payments for costs which Medicare law flatly prohibits."

The American Hospital Association had brought a suit against HHS challenging the Carter Administration policy of denial of reimbursement for management consultants employed to "persuade" employees not to choose union representation.

**INSTEAD OF** letting the suit go to

the Energy & Commerce Committee; Henry A. Waxman (D-Calif.), chairman of its Subcommittee on Health & the Environment; Charles B. Rangel, chairman of the Ways & Means Subcommittee on Oversight, and Andrew Jacobs, Jr. (D-Ind.), chairman of the Ways & Means Subcommittee on Health.

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The American Hospital Association had brought a suit against HHS challenging the Carter Administration policy of denial of reimbursement for management consultants employed to "persuade" employees not to choose union representation.

**INSTEAD OF** letting the suit go to court, the Reagan Administration backed down and "settled" the case by agreeing to allow reimbursement for any consultant activities that did not violate the National Labor Relations Act.

It also agreed to make the change in policy retroactive, allowing hospitals to recoup expenses for anti-union activities in the past.

The Federation of Nurses & Health Professionals, a division of the Teachers, has also attacked the Administration turnabout and is exploring a legal challenge.

In an earlier letter to Schweiker, Kirkland said the AFL-CIO considers the new rule an abandonment of the government policy of neutrality in organizing situations since federal funds will be used to discourage workers from joining unions.

THE WHITE HOUSE

WASHINGTON

March 25, 1982

MEMORANDUM FOR JAMES A BAKER III

FROM: ELIZABETH H. DOLE 

SUBJECT: Housing Legislation

The National Association of Realtors wants us to understand that in terms of housing legislation they would reluctantly support the Lugar bill if a limit on aggregate expenditures was adhered to. They would oppose any bill that is more costly than the Lugar bill. This includes the legislation that the Democrats have proposed, which essentially includes the Lugar provisions plus provisions for existing housing stock. The Realtors fear that once the President endorses the Lugar concept it will be loaded with "Christmas ornaments" on the floor and will put the President in a very awkward situation later. They feel we should announce in advance should we decide to support Lugar, that we support the subsidies reluctantly, and that under no condition will we permit the amounts to go beyond a certain point.

The Realtors and the Forest Products Association are by far the best groups on the "cost issue" but have promised to help us if the subsidies go beyond a certain point.

CRITICAL ISSUE:

EMERGENCY TAX PROPOSALS TO SPUR HOUSING

- Housing is suffering its worst depression since the 1930's caused largely by prolonged record high interest rates. One major factor affecting interest rates is the massive size of the projected Federal deficit -- \$111 billion for fiscal year (FY) 1982, \$120.6 billion for FY 1983, \$128.9 billion for FY 1984, and \$139.6 billion for FY 1985.
- Because we recognize the critical nature of federal deficits and their impact on interest rates we have sought to develop an emergency housing program in a fiscally responsible way. For our program there is no new spending and we do not add to the budget deficit.
- There may be other ways to help housing as well as what we propose. We wish to help solve the problem without suggesting that our proposals are a total panacea. Only by reducing interest rates will the problem be finally solved.
- We are urging consideration of the following three-point program:
  1. Administrative and legislative improvements in operations of tax-exempt state and municipal housing bond programs to increase the number of bonds that can be issued and make mortgages provided by the bonds more widely available. These changes could provide as much as another \$7 billion for mortgages by mid-summer and up to \$15 billion by year's end, equivalent to helping an estimated 400,000 families seeking single-family homes and apartments. There is a bill in Congress, H.R. 4717, that will shortly be considered by a House-Senate conference committee. This gives a unique opportunity to put quickly into action what we are proposing.
  2. A tax credit for first-time homebuyers enabling lowered monthly payments or a down payment and thereby qualifying more families for housing loans. The use of existing funds could allow an additional 250,000 families to own their homes, or
  3. A tax credit for the lender who would pass along the savings to the buyer. The use of existing funds could allow an additional 250,000 families to own their own homes.
- This emergency program should be temporary and not add to current deficit estimates.
- No additional funds would be required for full implementation of the recommended regulatory and legislative changes in the mortgage revenue bond program.
- And the tax credit program could be funded by recouping money which will never be used by the All Savers program. That program will not expand significantly between now and December 31, 1982 (the end of the program), and \$2.6 billion will remain unused. That savings is what it will take to fund the tax credit we propose.