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INTERVIEW OF THE FIRST LADY WITH  
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SEATTLE, WASHINGTON

Q One of the things that people are, I think, most worried about is that the Washington Plan is very similar to the Clinton Plan, and this new news that the Clinton Plan is being redone: Does that mean that our Washington Plan ought to be redone?

MRS. CLINTON: Oh, absolutely not. The features of the Washington Plan will still be the features of any plan that comes out of Congress, because they are the only features that will really work. We learned a lot from what Washington did. And there will also be protections for states like Washington that were willing to assume leadership and get out front. So what Washington is doing will not only continue but be strengthened by health care reform.

Q Does that mean that you will go for an ERISA waiver for us, which we desperately need?

MRS. CLINTON: Well, there hopefully won't be needs for ERISA waivers by the time we finish. That's right.

Q Right. Because you'll get yours done.

MRS. CLINTON: Right.

Q I think a lot of people are feeling that what has happened in Congress is giving impetus to the people here who don't support the Washington Plan, and that they will go into the legislature and say, "Well, even the Democrats wanted to do redo the Clinton Plan, so we should overturn ours, or at least, redo it substantially."

MRS. CLINTON: Well, they are misreading what the congressional process is supposed to be about. Because when we introduced the original proposal, we said we had no pride

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of authorship; we wanted changes to be made; we had one bottom line: universal coverage, guaranteed insurance. And we believed the best way to do it was with an employer-employee based system. That is still the bottom line.

And what people in Washington ought to realize is that they are already beginning to save money, unlike the rest of the country, because they have taken these steps. And what we hope is that the rest of the country will learn from Hawaii and Washington and Oregon about what you have to do if you are actually going to have real health care reform.

Q Who is getting in the way of health care reform now? I mean, I would like it if you would list them in order of how much you wish they would go away.

MRS. CLINTON: I think that there are really two big problems that we still have to discuss. One is, there are people who are very confused. This is a complicated issue. And they want answers. And we want to give answers.

I fully respect anyone's concern, because people want to know whether they will be better off. And we are absolutely confident that, under reform, people who have insurance will be much better off, both in terms of their coverage and their costs. So that is part of what we have to do. But I think that is a natural part of the process we are engaged in.

Then there are those who, for political or financial reasons, don't want health care reform. And they try to manipulate emotions and put out misinformation. But those are the people who are going to have to start answering to the questions from the public. For example, why can't Congress give to Americans what Congress has: guaranteed health insurance paid for with an employer-employee contribution? And once those questions really start getting focused, I think you will see some real movement.

Q Are you talking about insurance companies here? Who are you talking about who would have financial reasons?

MRS. CLINTON: Well, there are many different industries that do not want insurance more affordable, do not want to do anything to contain costs. There are businesses that are happy to be freeloaders on the rest of the system; they don't want to contribute to insurance or have their

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employees contribute. So those are the kinds of people that we see trying to stir up opposition for their own benefit.

Q Why stick with an employer mandate, because it seems to make people so crazy? If you want universal coverage, there are other ways to do it. What is it that is sacred about the employer mandate?

MRS. CLINTON: Well, there are only three ways to get to universal coverage. Either you have a tax, like a single-payer system does. Or you have an individual mandate, where you put the entire burden on the individual, which I don't think anybody in Washington or anywhere in America would like. Because that would, in effect, undermine the existing employer-employee relationships. Or you build on what works in America, and that is that businesses and individuals working for those businesses share the responsibility and cost of insurance. There isn't any other alternative than those three as to how we get to a universal system.

Q What about tax single-payer?

MRS. CLINTON: Well, single-payer is an option that we want to leave to states, if that is what they choose. And some states will be looking very seriously at that.

But what works for most Americans is the most familiar: namely, building on the employer-employee system. And we think that is what is most comfortable for most Americans, because they have experience with it.

Q Do you envision a plan that might let individual states have some different kinds of plans, then?

MRS. CLINTON: Oh, yeah. In fact, that was part of our original proposal.

Q And you are still sticking with that, even though businesses have complained that this would make it impossible for them if they do business in more than one state?

MRS. CLINTON: There are ways of working that out. I mean, California is going to have an initiative on the ballot for single-payer, and I don't think businesses will leave more than 35 million people without services if single-

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payer passes. People will make adjustments.

Q What is wrong with the medical IRA? I mean, that seems like it puts the responsibility on the person, and you have talked a lot about responsibility. Why is that a bad idea?

MRS. CLINTON: Well, it is an inadequate idea because it doesn't end cost shifting; it rewards people who try to avoid getting primary, preventive care because they get to take the money out if they don't use the health care services. So it does nothing to reverse this backwards health care system we have got, which is, we pay for acute care, but we don't pay for people that get annual exams or pap smears or mammograms or well child exams or immunizations or prenatal care. And we therefore end up paying more money than we would have if we had paid to take care of people in a primary way.

And you can see that most clearly, again, in Hawaii. Hawaii has our only system that is a universal system. And the average Hawaiian actually sees the doctor more frequently than the average American on the mainland, yet the costs are less, because they get problems taken care of before they actually get real serious and expensive.

With the medical IRA, you are telling people, "Keep holding off. Don't go for that. Don't get that care." And then, maybe, if you really get by through the year without needing it, you get that money. Well, that is not the way the system will be most efficient in bringing costs down.

Q But it does seem like one of the reasons that the costs have gotten out of control is that people are not paying for health care out of their own pocket; somebody else is paying for it. And this system leaves the insurance companies intact and leaves -- it is still not coming out of your own pocket. So that you are still having somebody else pay for it.

MRS. CLINTON: But the plan that the President proposes has individuals paying for health care and leaves the insurance system intact. So, I mean, why go to something as radical as putting the whole burden on the individual? How many individuals do you know could bear the whole burden? I don't know very many.

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But most individuals are able to bear some of the burden, which is the way the system works now. Why would we want to change a system that works for 86 percent of Americans?

What we need to do is, let's get the people who are the freeloaders into the system. Why on earth are we being intimidated by a small minority who don't want to pay their fair share, when the rest of us are paying for them? I mean, the employees of businesses that don't insure get sick. They go to the hospital. And you and I pay for them, through increased costs to us.

Q They tell me, though, that they pay their own bills, just like everybody else does. And they say they are not charging me anything. And the small businesspeople that I talk to say that they can't afford it. That they have wanted to have health insurance, but they can't afford it.

MRS. CLINTON: In the current system, that is true, because small businesses are discriminated against. But again, look at Hawaii. It has an employer-employee responsibility system. Small businesses pay 30 percent less than business in the mainland.

Now, those businesses are doing fine. They are growing. And in fact, if you look at some big businesses in America -- take Pizza Hut, for example. Pizza Hut pays for insurance for workers in foreign countries, pays for insurance for workers in Hawaii. A pizza costs less in Hawaii than it does in Alaska, which has no employer responsibility. So these are just false, bogus arguments.

Now, individual small businesses are rightfully concerned because they look at the existing insurance market, which has been so bad for them, and they say to themselves, "How on earth can I afford it?"

What they don't understand is they will go into large buying pools that will give them discounts, and they will get subsidies. So, for the first time, they will be able to get insurance at an affordable cost.

If we let the system keep going the way it is, and try to shift burdens onto individuals, we will have more and more people losing insurance; we will have more and more uninsured costs; and those of us who remain insured will pay

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higher and higher costs. And the whole system will collapse. We will be spending so much more money than any of our competitors and not even taking care of as many people.

And you can see that. In the 1980s, the number of insured working people went from 88 percent of the work force to 83 percent. We are talking about one-sixth, nearly, of Americans who are uninsured, and they are growing in number. And these are working Americans.

Q Can't you take care of that just by insurance reform?

MRS. CLINTON: No, you cannot.

Q What happens?

MRS. CLINTON: What happens is that, if you look at the states which have tried to do it -- and I have some material here for you. You have that, Neil?

A VOICE: Yeah, I sure do.

MRS. CLINTON: If you look at the states which have tried to it, here is what happens. And it is what we have to avoid.

There was an excellent study done by the Catholic Health Association, and I brought a copy for you, which outlined the impact of so-called incremental reform on household spending as compared to universal coverage.

Incremental insurance reform -- you know, guaranteed issuance, pre-existing conditions -- this is the outcome. For people making between \$30,000 and \$50,000, under universal coverage, their costs will go down. That is the argument that insured people have to hear because, right now, they are concerned about losing what they have got. In effect, they will be guaranteed they will never lose it, and it will cost less.

If you just do insurance reforms, their costs go up. Now, why does that happen? Well, here is why it happens. This is a vicious, upward spiral. Insurance reforms extend coverage to the sick and older higher users of health services. But without universal coverage kicking in at some point, then what happens is, the high-risk people go

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into the pools with low-risk people, so the average level of risk increases.

Then what happens is higher-risk insurance pools have to increase the cost to people who are currently insured. The costs go up for healthy people; they go up for businesses. Therefore, people make a, to them, rational decision to no longer participate in insurance. They then drop their insurance, which therefore shrinks the pool even further, leaving it only with higher, sicker users of health care. Additional premium increases drive people out.

That is what happens in the absence of universal coverage. It happened in New York, which tried to do it; it happened in Iowa; it happened in South Carolina. In fact, if you look at the number of insured people, working insured people, in states that have tried incremental reforms, you can see that they are losing insurance coverage.

What is good about Washington is you have a phase in where, yes, you are going to let people with pre-existing conditions into the pool, but within a year, you are going to have universal coverage. So you won't have people being driven out of the pool the way they are if all they have got is incremental insurance reform.

Q How do you envision -- if business has to pay 80 percent or 50 percent or whatever ends up here -- what is going to make me buy my other 50 percent? Especially if I am not working, say. What do you envision as the force that is going to -- because I know it is really important to get all those people in there. How are we going to make them do it? If you would answer that and answer that for Washington State, too, because we are just about to face it.

MRS. CLINTON: Well, there are several different ways of doing it. If you are working, it can be done the way we pay for Medicare. I mean, one thing I wish your readers would understand is that Medicare is paid for with a payroll contribution from employers and employees. And I bet if you took a poll, you wouldn't have 5 percent of people in Washington who know that, that this thing called FICA on their paycheck pays for health care for their parents and their grandparents. Now, that is one way of doing it. So you just take it out of your paycheck, and it goes into the insurance pool.

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Another way of doing it is to make sure that you have to show that you have got an insurance card when you go for health care so that you will pick up people who think they never will get sick when they do finally need care.

So I think it can -- that is a problem that has been worked out in Hawaii; it has been a very minor problem in Hawaii. The whole Hawaii health care system, as I understand it, is run with, like, three or four people in the Bureau of Labor. Because it didn't create a government bureaucracy; it just told everybody they had to buy private insurance. And that is what you are doing here in Washington.

Q But if you leave the insurance companies in charge still, isn't that kind of leaving the fox in charge of the henhouse still?

MRS. CLINTON: No, because what will happen is what happened in Hawaii. Once insurance companies can't compete on the basis of discriminating against potential insured populations, and once they have to offer the standard benefits package to everybody -- even though you can buy something more than that; that has to be offered -- people will, for the first time, know what they are buying.

Most of us don't even read our insurance policies. We only read them and get to the fine print when we need them, and then we find out, my gosh, they don't cover this, that, or the other.

And so what happened in Hawaii is that commercial insurance companies could no longer, basically, discriminate and fool people. They left the island. So you are left with two large not-for-profits: a Blue Cross and a Kaiser plan. They compete vigorously to the benefit of the insured instead of themselves. That is what will happen around the country.

The reason commercial insurance companies make money is because they discriminate against people, and they are not going to be permitted to do that anymore.

A VOICE: We have got to finish up. I'm sorry. We have got somebody else, and I have got to keep her on schedule. I'm sorry.

MRS. CLINTON: Let me give you -- read this. It is

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excellent. It tells you why incremental reforms won't work.

Look at this. People say, "Where will the money come from?" This is one doctor's office today. All of these boxes are a transaction. And that is why doctors have to spend so much money hiring people. This is what, under reform, you get to a single-form system with a standard benefits package, even though you have many different insurance companies. This is what will happen.

Q Who is this Dr. Gladen (phonetic)? Is this a real doctor?

MRS. CLINTON: He is a real doctor in Iowa.

Q What is he? In Iowa?

MRS. CLINTON: He is a real internist, or family practice guy. He is a real family practice guy. He just did this and sent it to us.

Q Great.

MRS. CLINTON: This is the impact of Dole's health reform plan on state budgets. The bottom line is that it would devastate state budgets because it takes all the Medicare and Medicaid money to subsidize the poor which, in turn then, does this vicious spiral. Because then the people who are working can no longer afford it.

Q If we get state-by-state health reform, is this going to take away the pressure to do national health reform? Are you worried about that?

MRS. CLINTON: No, because we have to have national health reform, or state reform won't work. Your plan won't work if we don't eventually get to national reform, because you are not an island, like Hawaii. And it will be a big problem for you if we don't have real national reform.

And all of the gains you have made in terms of cost cuts and stuff you will lose. You have 505,000 uninsured people in Washington. Ninety-one percent are in working families. You have a much higher percentage than the rest of the country, who are working for a living every day and deprived of insurance, including 122,000 children.

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Now, these are the people who, because they do get health care at some point -- you know, these people who say, "I'll pay for it out of my own pocket." Yeah, right. Maybe they can pay for something that costs \$100, \$200, even \$1,000. Suppose they have an accident on the side of the road with a head injury. They are not going to be able to pay for it.

So part of what you have to point out to people is with this heavy load of the uninsured, unless everybody is in it, you cannot control costs for the insured. And so, anyway, here is some more stuff.

Q Thank you, thank you, thank you. Thank you for being such a fast talker. Okay. Take my cell phone. Thank you very much.

MRS. CLINTON: You're welcome. Good-bye. Thank you.

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