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REMARKS BY MRS. CLINTON
TO THE SENATE LABOR COMMITTEE

Capitol Hill

SENATOR: -- (inaudible) --

MRS. CLINTON: Senator, I think you've very well described what we think the advantages or some of the advantages of this kind of approach will be. It does build on the present system which for a lot of reasons -- (inaudible) -- as a better point to start then trying to -- (inaudible) -- what people have become accustomed to, move a lot of the players immediately from the system to try to impose something new and different, untried in America on our people. And I think that there is a real -- (inaudible) -- of building on the present system which is very important.

Paying into a central purchasing entity is the sort of basic concept of managed competition because in so doing you're not only maximizing bargaining power but you are also, we believe, minimizing administrative costs and waste. Because, in effect, what we have done in the last year is permit -- (inaudible) -- insurance companies to move from being insurers to being administrators, as many of them are. They administer the large plans, the self-employed companies or self-insured companies, they administer the small group and non-group insurance at a tremendous cost to the entire system. More importantly, at a particular burden to small businesses and individuals.

We believe nationalizing bargaining power and diminishing the administrative costs will save money within the entire universe of the health care system in both the public and the private sector. And there are lots of complex -- (inaudible) -- issues that we have been struggling with to be sure that the way that the concept is designed is, number one, workable; number two, understandable and produces the kinds of results we think will flow from it. I believe that we are at the point where we think that the savings that will be realized from moving toward this system will permit us to phase in the burden on small business over a reasonable period of time. We will also be saving small business money as we

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phase in and -- (inaudible) -- workers compensation and -- (inaudible) -- of health care particularly workers comp -- (inaudible) -- single biggest burden on many small businesses which we hear a lot about from small businesses.

We will be making insurance affordable for the smallest of businesses which now very often are priced out of the market because of their situation. We will be solving some of the problems that you and I heard about when we were together in Hyde Park in Boston of small businesses who couldn't even any longer afford to insure the families -- (inaudible) -- because of -- (inaudible) --

So, for all of those reasons we think that this is a system that will -- (inaudible) -- to -- (inaudible) -- the least costly way if you compare tax burdens, if you compare changes in the system, if you compare administrative costs on small business which I know is a major concern of everybody around the table.

SENATOR: -- (Inaudible.) --

MRS. CLINTON: That's a very good point, Senator. We have looked at -- (inaudible) -- exclusive contract have also been anticompetitive in another sense in addition to the -- (inaudible) -- they have kept other professional in addition to physicians out of the market. I mean they destroyed the -- (inaudible) -- They have basically prevented the use of a lot of -- (inaudible) -- without being overseen by a physician so that the whole thing has been a stark example of how out of control this system is because there's no budgetary discipline on it that people have to live -- (inaudible) -- and it is, unfortunately, the case that if one is a, say, a surgeon or an internist working in a hospital you don't pay much attention to what the radiologist or pathologist charges; that just goes on the bill. You don't even know what -- (inaudible) --

In managed competition with a budget, it's going to be the business of those internists and those surgeons to make sure their getting the best possible delivery of care from qualified professionals at a fair price, which is not now the case.

So, we think that the system itself will drive a lot of those contractual arrangements out of business. We are also of the belief that removing a lot of the anticompetitive state laws that currently help -- (inaudible) -- those monopolistic positions will help a great deal and -- (inaudible) -- additional ideas from the committee or from your staff, Senator, we would -- (inaudible) --

SENATOR: -- (inaudible) --

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MRS. CLINTON: Let me back up, Senator, to try to explain what we are attempting to do.

We're attempting to get good figures on both the cost side and the savings side. And that has been the most difficult task that we have confronted because, as I have learned, even getting good figures -- (inaudible) -- is difficult within the federal government itself. Different agencies use different economic models -- (inaudible) -- and you know the rest. That they come up with very, very -- (inaudible) -- to what costs are.

We have been working very hard and I think will be able to show you figures that we think accurately describe what the costs will be for universal coverage, that means insuring the uninsured. It means giving drugs and long-term care to older citizens under Medicare. It means bringing up some benefits for the under-insured. It means increasing the public health facilities that we've got so we truly have access once we expand to universal care whether it is rural Kansas or inner-city -- (inaudible) --

And we believe that there will be some way of balancing that among the public and the private sector. What our best estimate is that on the cost side accomplishing all of that is somewhere in the area of \$100 billion. And I don't want to be held to it and I hope nobody goes and holds a press conference about it because we want to give you the exact figures.

We are also working hard to do the savings side of it because the savings side really will kick in, in the first year. And, so, the net cost will be considerably less than \$100 billion and will grow over time so that it is a \$100 billion up front cost that will be quickly paid for, in a sense, by the savings that we think both the public and the private sector will realize.

I have been reluctant to say well I will tell you exactly because -- we've got Treasury, OMB, HHS and CRS -- (inaudible) -- all these people running these -- (inaudible) -- and when I tell exactly how much it is and how much real savings we think we can get and how much of that real savings we think is -- (inaudible) -- I want to be able to -- (inaudible) --

But we believe we are looking at a wash. We think there will be \$100 billion up front but with savings kicking in immediately.

SENATOR: -- (inaudible) --

MRS. CLINTON: Senator, I regret very much because I want to be as honest with both Republicans and Democrats as people

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who have different points of view as I can. So when somebody asks me a direct question I want to be honest and I hope this can be done in the spirit in which I offer it which is we continue to -- (inaudible) -- around the truth is. And, so, I agree with you because I do not want there to be a lot of loose speculation because I don't think that's fair to the American people. But on the other hand I don't want to look a senator in the eye who asks me a question and say I don't know, I don't have any idea. I want to be as honest as I can. But then I don't want to have to read about it in the paper the next day. That's my dilemma.

SENATOR: -- (inaudible) --

MRS. CLINTON: That's definitely true. You know, one of the things we are working toward being able to do, which I think helps answer your question, Senator, is we want when we get all of this down and we're ready to have everybody look at it, pick over it, we're going to lay all this out. And the Chairman's point is a very good one. What is the cost of doing nothing. We are going up \$100 billion a year now and there's no end in sight. And we know that's a result of our inaction.

So, that laying it out on a matrix so you can make those hard decisions and you can answer those questions in town meetings is something we're going to try to -- (inaudible) --

SENATOR: -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: Senator, we believe that we can phase everyone in. And we're looking at trying to have as early a -- (inaudible) -- as possible. The administrative issues having to do with whether we deal only with children in uninsured families or children in the custody of a parent who is insured but another parent isn't. Those are just as complicated as trying to set up an administrative -- (inaudible) -- give a health card to everybody by day 30.

That is our present intention. I think that if we were -- (inaudible) -- population group I would share your belief that we have to start with children. I'm hoping that we will be able, though, to phase in at least adequate coverage for everyone within -- (inaudible) -- assuming we get legislation within a relatively expedited period of two to three years after that.

And, you know, that's why we need to get these numbers right -- (inaudible) -- very specifically when we think different levels of care can be promised to different people in different parts

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of the country and all that -- (inaudible) -- make -- (inaudible) -- decisions.

I'm certainly open to suggesting to the President that in the event that those numbers don't work out that we start with the children.

Also, in the benefit package, we are stressing primary preventive health care because we think it will save us money. And we are enumerating the kind of diagnostic tests which we think are very important to people to have and we are enumerating by age the kind of -- (inaudible) -- clinical visits that we think children should be entitled to in addition to such things as immunizations.

With regards to special needs children, we think that phasing in the Medicaid -- (inaudible) -- will be a benefit to Medicaid disabled -- (inaudible) -- short -- (inaudible) -- because managed care -- (inaudible) -- been well done, has worked effectively for the Medicaid disabled adding much less cost than we currently have in the private -- (inaudible) -- or in the non-managed Medicaid system. So, we think that we will actually be able to cover more of our special needs children when we better manage the resources we are currently using, which is one of the very important reasons to try to get Medicaid into this system -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: In other countries, Senator, in countries with more -- (inaudible) -- they have a series of -- (inaudible) -- that children are expected to make and immunizations are part of those. And there is a level of primary care that is acceptable. For many of the people in the housing projects -- (inaudible) -- they don't have a primary physician. The emergency room is their primary physician which costs all of us money when they show up there.

We need -- I had -- (inaudible) -- meeting with representatives from the Catholic Hospitals Association the other day who were explaining to me one of their new models, which is to take people from emergency rooms to clinics which they run even if they show up at the emergency room. You've got to get them used to going somewhere where they begin to think primary preventive health care. -- (inaudible) -- immunizations then you've linked to ongoing care for the whole family instead of this -- (inaudible) -- event that may or may not happen to them.

And I think that's a very important part of this change in psychology.

SENATOR: -- (inaudible) --

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MRS. CLINTON: Senator, this may be a -- (inaudible) -- you've got a lot of expertise -- (inaudible) -- but I think we have to look at ways of offering treatment with physicians in certain populations because we have a large number of mentally ill homeless. We now have the TB epidemic. All too often, the people, once they are treated, do not continue their treatment get very sick again and show back up at the emergency room where they then cost us a million dollars or whatever.

We have got to think through how we can have treatment with condition so that when people refuse to follow what our basic public health guidelines, we have some recourse. And I don't -- you know I think we have to think very dramatically about this. I mean we cannot let a TB epidemic spread in our big cities and we are on the brink of that in a number of cities. I mean I don't know if we have to look at sanitariums -- I'm not suggesting exactly what we do but we're going to have to take very strong public health medicine or we will never get ahead of the curve on the most difficult population that we're currently paying for and not really being able adequately to handle.

SENATOR: -- (inaudible) --

MRS. CLINTON: Senator, that is not something we have looked at directly. I know that Secretary Espy has been looking very closely at the feeding programs. What we have looked at is what role nutritional and dietitians kinds of -- (inaudible) -- and systems -- (inaudible) -- with our home-bound elderly and others who are in need of -- (inaudible) -- Let me follow up on that -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: And you're right, the payoff is tremendous. One thing we have looked at -- (inaudible) -- linking -- (inaudible) -- with some of the guidelines or requirements for what we want people to do when they are getting public assistance. -- (inaudible) -- -- (inaudible) -- but I haven't looked at -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: Senator, we are looking at the long-term care with particular emphasis on home health care, health -- (inaudible) -- care, intermediary care. And we believe that we need to pursue those as alternatives -- (inaudible) -- not because, as you point out, at least 30 percent do not need to go to nursing homes. But we need an infrastructure of home-based intermediary care because of our exploding population. I mean it's 30 percent now the absolute

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numbers that that will represent in 10 or 15 years is growing by leaps and bounds.

So, that here again is one of those problems if we don't get ahead of it we are going to be paying dearly for it. And a number of states have done some very creative work in this. They've gotten some waivers. They've put some state money in; took long-term care. And they're beginning to have the very results you're talking about. They are keeping people out of nursing homes which, of course, saves them money which permits them then to cover -- (inaudible) -- people.

So, we are going to recommend that we take a good beginning on long-term care. We're not going to solve the long-term care problem by any means but that we begin to invest in some of the programs that have been proven at state levels in a number of states. That we free up some of the regulations that currently exist in the Medicaid system so that states can use that money more effectively. And, I believe we'll begin then to build an infrastructure for long-term care that will enable us to make additional decisions -- (inaudible) --

SENATOR: -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) -- They run an adult day care center and most of their patients are family members kept at home whose children or other caring relatives go out to work during the day. So, they bring their older relatives and they stay at the hospital, which when you think about it is a great location because you have on-site help should anything happen. You have a lot of trained personnel. But it costs \$35 a day and for a lot of working families that is too much. So, there needs to be some kind of sliding scale with some reimbursable opportunity there. But look at what we do. We say to these families, well, you want to keep your adult parent home, it's going to cost \$35 a day, we're not going to give you any help; go ahead and put them in a nursing home -- (inaudible) -- carry the whole -- (inaudible) --

SENATOR: -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) -- careful with what I say so I don't raise any speculation unnecessarily. We're going to have to see -- (inaudible) -- look at what we give you -- (inaudible) --

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We are looking very hard at medical malpractice and are trying to construct a system that will do what medical malpractice was originally intended to do, which is to serve as a deterrent against negligent medical practice. I mean, that's the whole point behind it. And we are looking at a variety of approaches. We're engaged in intensive conversations with people from all over the country because this has been an area that's been left to the states. And those states have a variety of approaches to it. And we're trying to make sure that we have the best information about what really does work in what state -- (inaudible) --

But we do intend to address medical malpractice. That will be a -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: We have looked at that issue very closely for exactly the reasons that you just outlined. And even in urban areas, Senator, -- (inaudible) -- We have a 100 percent differential in medical costs if you compare, for example, Los Angeles with Rochester, New York or Miami with Rochester. And what we are trying to figure out how to do is that given where everybody is now and the fact that they are charging more in Miami than they're charging in other places and the like, how do we begin to try to get an accurate estimate of what medical costs truly are to try to move towards a more level playing field because those differences in costs, as best as we can tell, are there no matter whether you hold constant population characteristics, indices of wellness and sickness.

You go and you try to figure out everything that could possibly explain why they would charge so much more in one town than they would in others. To move too quickly toward some kind of level budget that tries to treat everybody the same, we don't think is practical. So, therefore, we do have to phase it in. And we have to have incentives for changing practice patterns because that's what's really at the root of a lot of difference in price.

That in addition to some of the disincentives that the federal government has imposed on rural areas. The difference in Medicare, for example, those are all the things we have to look at closely. So, we are planning on recognizing that disparity is there and our likelihood -- (inaudible) -- that we can move toward will be in the legislation so that they really are -- (inaudible) --

Now, with respect though to rural care we have to do some other things, some key things for people in rural areas. We have to build up their -- (inaudible) -- We're looking very hard at ways of doing that. And there are some very good ways of -- (inaudible) -- different personnel -- (inaudible) -- so that you

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don't need to have a physician on duty -- (inaudible) -- There are lots of things we can do that can help expedite better delivery of care in rural areas of your state while we move toward a more level budgeting field.

SENATOR: -- (inaudible) --

MRS. CLINTON: And for exactly the reason that -- (inaudible) -- point out. Because if we did a better job both examining and then curing the defects of our children, we not only help our children we save us all money. And, you know, we did the same thing in Arkansas, Senator, where we have the health department and volunteer doctors and nurses and dentists go out and examine these children. And I remember in one county we examined one day 154 children, and I think 128 of them had abscessed teeth. And they'd never been to a dentist before. And I remember thinking to myself how on Earth can you expect them to learn anything in school when they've got these abscessed teeth.

So, it's not just health issues. There are a lot of other issues that have to do with education and the like. So, we're very -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: We are going to emphasize primary preventive health care. I wish we could pass a law that would make people have a better diet and exercise but I don't know that we could get that done. But we're sure going to try to get them to go to their physicians and to go to have exams where they can be told.

SENATORS: -- (inaudible) --

MRS. CLINTON: Yes, sir. Yes, sir.

Well, of course, we could also have you travel around and be a living example of what nutrition and exercise will do. If you'd be willing to do that, I could put you on the road. (Laughter.) -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) -- if we could wave a magic wand and lower medical costs -- (inaudible) -- we -- (inaudible) -- We are spending so much more over and above the CBI definition of inflation that that's what we're trying to achieve. We're trying to bring down the costs so that they are more comparable to what the national growth would be in most other -- (inaudible) --

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What we've got to help the American people understand is that why should the health care system be immune from the market, from common sense expenditures that family, businesses and government should be making if they really cared about costs. And so we really are talking about different pots of money. It's going to go up about \$110 billion if we just sit here, going up every minute that we sit here.

We think we can begin to stabilize it and then -- (inaudible) -- did this 20 years ago we were spending eight percent of GDP instead of where we now are spending 14 percent and rising. We've got to start -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: Yes. My assessment is that we can stabilize it and we can -- and that's a huge savings -- (inaudible) -- that saves the money the Chairman was talking about. We don't then continue to 10, 12, 14 and 15 percent increases. We stabilize it and then begin to drive it down.

SENATOR: -- (inaudible) --

MRS. CLINTON: Right.

SENATOR: -- (inaudible) --

MRS. CLINTON: Right, that's what our goal is. And the other thing that keeps reminding -- (inaudible) -- is that while we sit it here it builds up \$110 billion a year we haven't covered one more person and 100,000 Americans lose their insurance every month. So, it's not as though we are in even a stable situation -- (inaudible) -- frequent costs.

SENATOR: -- (inaudible) --

MRS. CLINTON: Well, -- (inaudible) -- Let's see what it would mean in terms of doctor's income. We say a doctor who makes \$200,000 a year. Instead of next year making \$212,000, \$213,000 they might make \$205,000 or \$206,000. That's not a big tax cut if you look at it from the American people's point of view -- (inaudible) -- margin between the inflation increase and what we consider medical hyperinflation saves this country a bunch of money. It saves a lot of companies a bunch of money in the short-term -- (inaudible) -- in acute care and the first thing we have to do is stabilize our vital signs, stop this absolute hemorrhaging of money that's going out. -- (inaudible) -- and then let the competitive system work so that we can begin to give it a better balance and deal with the problems -- (inaudible) --

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SENATOR: -- (inaudible) --

MRS. CLINTON: Well, it's a voluntary -- if the drug companies and AMA and others that we will hold our prices to inflation-plus whatever it would be -- you've got the federal government, you've got the state government, you've got insurance companies, you've got lots of other uncompensated care -- (inaudible) -- we know that.

So, that what we will actually get will probably be a little worse than that. Even -- (inaudible) -- if we don't then follow with a system that works we will see the same thing that always happens when you take off that kind of -- (inaudible) -- people make up for lost time. We've got to construct a system in which that making up for lost time can't occur because you've got all these checks and balances -- (inaudible) --

The other thing, too, Senator, is that we -- (inaudible) -- administrative -- (inaudible) -- to do what they do in Germany, for example. In the German government: -- (inaudible) -- when their health care percentage of GDP went from 8.1 to 8.3. So, they had mechanisms in place to immediately -- (inaudible) -- and negotiate with plans and negotiate -- (inaudible) -- position so that they could begin to try to cut it back because they didn't want it to get out of control.

You know, we don't have anything like that in place right now. So, I think that's the reason why people look at this closely and come back with some kind of short-term cost controls preferably of a voluntary nature or stand-by authority, if that's what we can work out with the -- (inaudible) -- of the economy. But even there -- (inaudible) -- not everybody will participate -- (inaudible) --

SENATOR: -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) -- hospitals from working together. -- (inaudible) -- everything we can to encourage collaboration and cooperation among different sectors of the medical community. -- (inaudible) -- opposite end of the problem. Senator Metzenbaum talked about -- (inaudible) -- often times monopolistic practices that the inside of hospitals pretty much determine who is going to be able to be radiologists, for example, and how much they'll be paid. So, we have to deal with this on both ends -- (inaudible) -- We have to open up the competitive process but we have

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to do it in a way it doesn't unfairly penalize people who are cooperating together.

And that's one of the reasons we need -- (inaudible) --I would argue because within a budget those decisions will realistically be made. In the average health plans we're looking at there will be a number of hospitals cooperating. They will have to take on -- maybe they'll take on a different population basis but just as likely they can take on different specialties and they can take on different kinds of high-tech equipment. And they have to be free to do that. So, we're going to change these laws.

SENATOR: -- (inaudible) --

MRS. CLINTON: Yes, removing some of the -- (inaudible) -- kind of prohibitions that stand in the way --

SENATOR: -- (inaudible) --

MRS. CLINTON: Yes. And preempting some of the -- there is a state antitrust law. There are -- (inaudible) -- and we're having -- (inaudible) -- antitrust division we're getting -- (inaudible) -- coming up with some specific proposals.

SENATOR: -- (inaudible) --

MRS. CLINTON: Let me check on that, Senator, and I'll get back to you on that. I don't know. Do you have a suggestion on that?

SENATOR: -- (inaudible) --

MRS. CLINTON: In fact, I think that -- (inaudible) -- whole antitrust section of the legislation will be is a series of -- (inaudible) -- for certain kinds of activities that -- (inaudible) -- would encourage better health planning and better cooperation among health -- (inaudible) --

Let me get the latest -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: I don't know, sir. I'll find out.

SENATOR: -- (inaudible) --

MRS. CLINTON: Yes, we are considering that. We think that that has a lot of -- (inaudible) -- removed the burden, the -- (inaudible) -- or the onus -- (inaudible) -- the individual position

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for negligent acts not for both negligence or malicious -- (inaudible) -- those are beyond the pale. But for the kind of -- (inaudible) -- that happens it also provides, we think, a deterrent effect that would enable the health plan to be -- (inaudible) -- supportive of peer review and peer discipline.

SENATOR: -- (inaudible) --

MRS. CLINTON: That's right. That's exactly right. And I think that we're talking a lot about this with physicians groups to see what their feeling about it is.

SENATOR: -- (inaudible) --

MRS. CLINTON: Not if you also mandate arbitration. You have to go through a mandatory -- (inaudible) -- resolution that you have to go through before you can even think of getting into -- (inaudible) -- I think it will do two things. I think it will eliminate many, many cases from the courts and I think it will also -- (inaudible) -- it will enable these decisions to be made at the lower level cases that are now not -- (inaudible) -- by anybody. You know, there are a lot of people who have got minor problems that they don't get any recourse for so this will be a way of helping them because they will be in the system.

SENATOR: -- (inaudible) --

MRS. CLINTON: That's exactly right. I mean what we want to do is to encourage physicians and hospitals to do a better job policing themselves. And -- (inaudible) -- our ultimate goal is to minimize malpractice. We don't want to have to remedy it, we want to try to prevent it as much as possible. And that's why we're trying to focus on what we can do to change the culture in which medicine is practiced so that we get more encouragement on people being willing to -- (inaudible) -- take on their colleagues and being willing to band together and say we don't want to practice with this person. Right now there's very little incentive -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: We think, Senator, there are two ways that are built into the system. One is that -- (inaudible) -- in such a way that rural areas will be -- (inaudible) -- as urban areas. It may be that the physician -- (inaudible) -- becomes an employee of an HMO if he stays in -- (inaudible) -- because that HMO is responsible for the population in -- (inaudible) -- Right now we're losing a lot of physicians out of rural areas because they're not linked to an integrated delivery network. They're out there on their own. They

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pick up the phone and they refer to a specialist they went to medical school with but they're not part of a continuum of care.

And I think that we actually believe that much of what they -- (inaudible) -- about this, Mayo is setting up satellite clinics and contracting with rural physicians and they're all part of the Mayo network. But they are still in their same office on the same Main Street in Strawberry. I think that's going to be a boon for rural areas.

-- (inaudible) -- delivering health care, I think, is just -- (inaudible) -- There is now very good work being done in extremely rural parts of Texas, for example. An interactive video, - - (inaudible) -- in your -- (inaudible) -- network of care will enable them to be multiplied many times over.

So, I am very sensitive to rural health care issues because of my own experience in Arkansas and travels that I've done with you and others. And I honestly believe this is going to be a big net plus for rural areas. I am actually more concerned about the under-served urban areas than I am about the under-served rural areas. I am more concerned about how we're going to deal with the TB epidemic in a reasonable way which -- (inaudible) -- health -- (inaudible) -- I think rural health care is actually going to benefit from this.

SENATOR: -- (inaudible) --

MRS. CLINTON: Yes, we -- well, I hope that we're making progress. I consider this whole research -- (inaudible) -- but I know, for example, that you and Senator -- (inaudible) -- hearing about -- we were laughing at how relatively minor adjustments in terms of the federal budget -- we could literally find a cure for a lot of neurological diseases by the turn of the century, which would, of course, save us billions of dollars -- (inaudible) -- to do that. So I think that language is one -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) --

SENATOR: -- (inaudible) --

MRS. CLINTON: Oh, no, no. -- (inaudible) --

SENATOR: -- (inaudible) -- (laughter) -- portion of these individual plans a person has -- (inaudible) -- and how that trust fund -- appropriately -- (inaudible) -- airline tickets -- That would give us -- (inaudible) --

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SENATOR: -- (inaudible) -- apprehension -- in spite of the fact that they are -- (inaudible) -- bothers me here just a little bit -- (inaudible) -- all of this talk about how we're going to do this and do that -- don't lose sight of the fact that our there today -- (inaudible) -- we're at Miami or maybe in Philadelphia, there are places that -- (inaudible) -- and there's a reason -- government and politicians -- the issue of geographic disparity. The importance of you mentioned the word -- (inaudible) -- very, very important. But thinking beyond dollar targets -- (inaudible) -- so that we can demonstrate -- (inaudible) -- they'd be a lot better off or to -- (inaudible) -- performance target is going to be -- hopefully that will get community such and such that are high priced today and -- (inaudible) -- The bottom -- (inaudible) -- because you and I could -- everybody here can say -- (inaudible) -- high quality care for a -- (inaudible) -- start with the whole -- (inaudible) --

MRS. CLINTON: What we -- (inaudible) is a lot of different models and -- (inaudible) -- be sure that you don't -- (inaudible) -- maximum amount of competition and responsibility so that they can help create or -- (inaudible) -- not so that they can -- (inaudible) -- what we're looking towards is an atmosphere at the state level that frankly does permit some experimentation so that we can watch each other and see how they -- (inaudible) -- because the tragedy of the Mayo Clinic is that there aren't very many imitators. Now if it works so darn good, got high quality at low cost why don't we have 10,000 of them? The reason is because we've never had a system -- (inaudible) -- Mayo brothers who did it against tremendous opposition when they first started and called socialism and you know all of that. And there's no incentive for people to go in that direction. We're hoping that in this new endeavor there will be adequate to create that kind of high quality for care -- (inaudible) -- and that really is the idea between a common health -- (inaudible) -- is basically invite people to serve the market that they have so that it might be in some states you have three or four different population areas and in another state only one or two given the size of the population.

You would have to be willing to cover this million people or this geographic areas. It could mean you take the high paying as well as the low paying or the racially and ethnically diverse combination and you would have to be willing to abide by certain quality standards, offer the benefits package -- but that's how you piece all that together, there would be a certain amount of discretion. -- (inaudible) -- they had a couple of different ideas. They were going, for example, to the minority dental community in New Orleans and asking them if they would essentially become contracting physicians so that they could cover that population that they -- (inaudible) --

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In other parts of Southern Louisiana they were setting up satellite clinics that they themselves would run but they would administer all of that and everybody would be a part of the integrated delivery network. -- (inaudible) -- health plans -- (inaudible) -- we do want to require that there be a fee for service options available in every specific area now. But that will require some differences in the way that they deliver medicine in order for them to be cost effective. So the accountable health plans would have to be some broad federal requirements, so we want some variety. Now, for example, -- (inaudible) -- I wouldn't be surprised if the purchasing coop in San Francisco gave some -- (inaudible) -- acupuncture with probably a -- (inaudible) -- facility as a participant when they need to -- (inaudible) -- Well, acupuncture won't be an option in Arkansas, but it would be for the Chinese-American community of San Francisco. So those are the kinds of varieties we want to encourage -- (inaudible) -- follow the -- (inaudible) -- on setting those -- (inaudible) -- but there will be a number of plans families -- (inaudible) -- and what the typical responsibility -- is to take the Kassebaum plan which would be a plan, for example, that you as an existing HMO would come an say, here are the services we are offering in this basic medical package and we can guarantee we will serve this population that you require us to serve because we've got contracts or clinics or whatever and here's what we're offering. Now, the Jeffords plan might come in and what we are is not an HMO, we are a network of fee-for-service physicians and we think a lot of people in this area would prefer to have a total fee-for-services instead of an HMO system particularly the elderly people, but we know we can manage it because we've got these kinds of guidelines. So there will be a number of plans that can be certified as being eligible. Then when it becomes the enrollment time -- I mean, I have as an employee made my contribution, my employer has made the contribution. I then enroll in a plan.

You know, Senator Durenbeger was saying that federal employee benefits plan gives you this wide variety of plans to go with. There are problems with it but it's analogous to what I will do now as citizens. I don't have to -- if my employer issues a notice that says, my brother-in-law, Joe, is a doctor in this health plan, I like to be free to go there and I don't have to -- (inaudible) -- I can go into any plan I chose. And then the next year, if I'm not happy, because maybe the plan I chose hasn't got it's act together and so when I go to the physician I wait three hours whereas my sister down the block can go on a different plan, she gets in, she gets better care, feels more satisfied, I'll join this one. And you know that's the way to --

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SENATOR: -- (inaudible) -- I just wanted to add -- myself, Pete Domenici and others. I think the key here -- (inaudible) -- I think the key to Tom's question about what's going to happen out in the rural areas -- (inaudible) -- yes, I mean, -- (inaudible) -- run into a lot of doctors who feel like they've lost their power to make -- (inaudible) -- too greedy to try and make a lot of money. You could run into a lot of people who feel like they've been excluded -- (inaudible) -- health care physicians -- (inaudible) -- the key to me is what -- (inaudible) -- in terms of whether or not the network -- whether or not somehow this would be -- the relationship to these -- (inaudible) -- whether or not networks -- (inaudible) -- independent of -- (inaudible) -- gobbled up by large insurance agencies. -- (inaudible) -- huge chain -- (inaudible) -- you don't really have the sort of choice that you say you have. -- (inaudible) -- some large chain. -- (inaudible) --

MRS. CLINTON: I agree with that and I have spent a lot of time talking to a lot of people who know a lot more about all of this than I do and most recently had a long conversation with several people from the -- (inaudible) -- Hospital Association who -- (inaudible) -- president -- two years -- seemed to pretty much include an integrated delivery -- (inaudible) -- and from their perspective, as well as mine, we believe that will create more opportunity. Now, will there be -- we will have to guard against abuses, will we have to guard against shoddy people not delivering what they're supposed to deliver and how many -- (inaudible) -- yes, we probably will. And we have to do this, we have to create competition in systems where there was none, where we have to make sure -- (inaudible) -- but if we -- (inaudible) -- we are going to create employment in health care community, number one; we're going to be taking care of people but we're going to be asking these people to pay for it for a change instead of uncompensated -- (inaudible) -- and I think we're going to inspire a variation among big networks that they will actually learn something from. And that is what -- that is my hope.

Now, some of the large insurance companies are very supportive of this plan because they believe that they know how to manage care and then they will have a big piece of the market -- you know, some of the criticisms that you and others have rightly voiced about the what the net result will be. But -- (inaudible) -- that country in which there are so many different approaches to the -- (inaudible) -- that I really believe if we let individuals states have enough flexibility to encourage different kinds of a -- (inaudible) -- health plan, we're going to see some real variety and we're going to find out what works. And I don't know any other way to really move towards a good universal system that delivers high quality care in a short-term -- (inaudible) -- to come up with different approaches. So that's the basic, you know, answer to your

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concern that it's going to be dominated. Right now, we've got Medicaid and Medicare run by the government and we know there are problems there but what we're trying to do is to set up a system where we avoid that on the front end and where we learn from it.

SENATOR: -- (inaudible) --

SENATOR: -- (inaudible) -- unless some of you want to respond, I think we're about out of time.

SENATOR: -- (inaudible) --

MRS. CLINTON: -- (inaudible) --

SENATOR: -- (inaudible) -- and all that.

MRS. CLINTON: I agree with you -- (inaudible) -- We're still looking at this -- this is my personal feeling that I really believe that we need to move toward -- (inaudible) -- as soon as possible means -- (inaudible) -- it would be a tragedy if Medicare stayed outside of this system and this system was working and really holding -- (inaudible) -- health care but in Medicare because we hadn't gotten a handle on it was still growing at this huge hyper-inflation rate. So, I think we need to move -- and I think we've got a very good argument in offering a -- (inaudible) -- and long-term care to seniors -- (inaudible) -- that their interests are well taken care of.

SENATOR: -- (inaudible) --

SENATOR: I think we're all enormously grateful, I think all of us want to try and find ways to -- (inaudible) -- and help particularly the time barrier -- (inaudible) -- (break in the tape) -- meet with Mrs. Clinton on the health care issue. All Americans understand that health care reform is necessary. The administration understands it, the Congress of the United States understands it. And we know that there are billions of men and women and children across this country that are not covered and they need the peace of mind of being covered. And there are millions of Americans who are working and they are just a pink slip away of not having any health insurance and they need the peace of mind of being covered. The administration's program is going to give the insurance a code that do have health care -- (inaudible) -- better health care program.

And -- (inaudible) -- last -- of the administration's program is that at last there will be an important effort to cut back on the increase and doctors bills and hospitals bills and -- (inaudible) -- I think all of us on the committee understand -- this is the Republican and Democrat alike -- that there is a necessity to cover all Americans and that it is -- (inaudible) -- necessity that

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we have a containment of the costs. It's clearly differences on how best to get there but I think speaking for all of us we feel that Mrs. Clinton is certainly been available to listen at recommendations and suggestions and respond to many of the ideas brought by the members of the committee, Republican and Democrat alike, which is really reflective of what the concerns -- (inaudible) -- America have been in contact with all of us over the period we've -- (inaudible) -- this issue. The time I've been in the United States Senate there has never been -- (inaudible) -- a major responsible figure on a public policy issue that's been as available or as acceptable as Mrs. Clinton has been to all Americans, as well as to the Senate and the Congress and that is something that all of us are very grateful for of her.

Today is just a continuing process for the better understanding about the directions the administration programs and we are enormously grateful to Mrs. Clinton for the two hours that she took with us answering every type of question that all of us had -- (inaudible) -- direction this administration needs to go. -- (inaudible) --

SENATOR: -- (inaudible) -- Senator Kennedy said. We have worked for some time on -- (inaudible) -- I too -- (inaudible) -- Mrs. Clinton's dedication, endurance and perseverance. She has extraordinary patience in listening to all of us give our thoughts on what direction they should go. And -- (inaudible) -- all of us -- (inaudible) -- President Clinton has said one of our top priorities -- (inaudible) --

MRS. CLINTON: I want to thank Senator Kennedy, Senator Kassebaum and the other Democratic and Republican members of the committee who met with me who very eloquently expressed their points of view and their wide range of interests. This particular committee has a number of interests that we talked about in depth relating to the research to something that has great health care benefits if pursued, the concerns that were expressed also about professionals who deliver health care and how we can get a better mix so that we are not relying just on specialist but have a much broader range of primary preventative health care professionals, quality issues about how to be sure that every American no matter where that American lives in the urban areas or rural areas can be secure in knowing that he or she will have access to quality health care.

I was -- as always I'm very impressed by the expertise, the experience and the insight that various members offer to me on this complex issue and I want to thank them.

SENATOR: Thank you.

Q Mrs. Clinton, -- (inaudible) --

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Q Step up to the mic --

Q -- (inaudible) --

SENATOR KENNEDY: -- I think that Mrs. Clinton has stated repeatedly they're doing cost assessments as well as savings that will be achieved by this program and has spelled out parameters of those -- and those are -- (inaudible) -- parameters to our committee. And I would assume -- the bottom line figures are going to be available and they'll be discussed by the members of Congress. We talked as well and cut the cost of doing nothing -- and that would be about \$150 billion a year if no steps are taken. The best estimates now are about \$700 billion is the next four and a half years and we take no steps at all and that doesn't buy us one more band-aid and it doesn't cover the children who are not covered. It doesn't cover workers who are not covered and the 65 million Americans who are under-covered. So I think it will be important that we finally are able to assess the total savings and the costs.

Q Did you talk about -- (inaudible) --

Q What kinds of cost control are you talking about?

MRS. CLINTON: We talked a lot about how we could try to control the exploding growth in costs in the health care system. Various senators expressed the ideas that they had. A number of the senators with whom I just met have introduced their own health care legislation in the past and they're very knowledgeable about the different methods available to control costs. But I think all of us are agreed that that's one of the primary reasons we're engaged in this is to look for the most successful way that we can to try to control the growth and then bring it down to the affordable.

Q Will they be mandatory or voluntary?

MRS. CLINTON: We didn't talk about that.

THE PRESS: Thank you.

Q -- (inaudible) --

MRS. CLINTON: There haven't been any decisions made --

Q Thank you all.

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