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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

August 16, 1993

*Steve E.
file
+ thanks*

MEMORANDUM

To: Chris Jennings, First Lady's Office
From: Patty Forbes, Majority Counsel *PF*

Here are my notes from the Senate Small Business Committee luncheon with Mrs. Clinton (August 5, 1993). I hope you find them useful.

Thanks for your help in arranging the luncheon. I think the Senators appreciated the opportunity to hear from Mrs. Clinton and to let her know their concerns.

If I or any of the Committee staff can be of help, please let me know.

Attachment

Those in attendance at the Senate Small Business Committee's Health Care Luncheon on August 5, 1993, were Mrs. Clinton and Ira Magaziner; Democratic Senators Bumpers, Levin, Wofford, Kerry, Harkin, Kohl, Lieberman, Wellstone and Lautenberg; and Republican Senators Pressler, Bond, Bennett, Hutchison, Burns, Chafee and Kempthorne.

Mrs. Clinton described the following options for Health Care Reform:

- Single Payer

low administration costs
universal coverage
individual mandate

- Like Automobile Insurance

Individual responsibility
Problems: Can't reach individual coverage
Can't subsidize low wage earners without tax increase.
Can't keep current companies that do insure from backing off

- Build on Employer/Employee System, like Hawaii

Minimize cost in entire system especially on small business
No general tax increase needed, only a mandate
No increase at all to firms that are currently insuring, (most are)
It will be less or same as current payment

- The Plan:

Discounted coverage to small business, especially if they have low-wage workers.
100% deductibility for self-employed
Particularly advantageous to small business.

Senator Pressler:

Mentioned that he had a letter signed by 41 Republicans opposed to employer mandate to fund health reforms. Mrs. Clinton refers to NFIB/Motley; two-thirds of all small businesses currently provide insurance. One-third who provide none will have to pay more, because they are paying zero now. We have all been paying for the uninsured; hope to overcome objections because overall cost will be the same or less than now and will cover everyone.

Senator Bennett:

Disagrees with Mrs. Clinton's statement about businesses that don't provide health care. He believes these companies can't get best employees if no health care. He thinks they can't afford to provide it. He disagrees with Mrs. Clinton saying "competitive advantage" and he thinks "competitive disadvantage." He's nervous at suggestions to solving all the problems right now. He thinks health care costs will come down. "Purchasing cooperatives" are his big point. Nation with best, most innovation, etc. is the U.S.

Mrs. Clinton responds, uses Wal-Mart example, temporary worker argument.

Senator Bennett: Temporary worker problem is not solely due to health care cost. It is also the overall regulatory burden of government which has lots to do with it.

Senator Lautenberg:

Very interested in temporary employee phenomenon. He believes companies are trying to escape responsibilities to employees.

Senator Bond:

He believes government should provide some subsidy to low-income people. He suggests doing so through the tax code with tax credits. Financing, tax cap on amount of deductibility on health care insurance; protection against dropping employees. He sees problems with mandates; costs affect behavior; mistake with 1990 tax code re luxury boats or cars, etc. He cites Kaiser example. They surveyed Hawaii businesses; 20% knew firms out of business since health care mandate; also knew some with fewer employees.

Mrs. Clinton: Premium cap is in the plan and was a Republican idea. Will be similar to workers compensation, auto insurance payment. Plan: Eliminate separate workers compensation payments, etc., and provide health care coverage for everyone. Unemployed: public funds would pick up for period an individual is unemployed in a given year. Medicaid recipients now pay zero. Even if employed part of the year. They would pay if employed for time employed. Individual mandate doesn't work well in disorganized market. Assumes bargaining power on part of companies or individuals and assumes good faith on part of employers. Plan will try to discount cost for small business, to phase in gradually over time.

Mr. Magaziner: Keep an open mind.

Senator Bond wants bipartisan approach.

Senator Chafee: Wants to work with Mrs. Clinton.

-- Workers comp, 60% of workers comp is lost wages.
 -- Mandate on employee. Doesn't understand. Incentive for employer to drop employees? 70% employer mandate, 30% from somewhere.

Mrs. Clinton's response: Hoping to include rehabilitation in the plan. Only lost wages will still be in workers comp. Device tied to pay of employees for collecting payments. Voluntary system now. Giving government approval to individual mandate would encourage people to drop employees from existing coverage, etc.

Senator Lieberman:

-Bipartisan, many, other than just Republicans, have reluctance about mandate. It's an attitude now, but not conclusion. Keep open minds.

- Business people look to bottom line not ideology. Problem for those who don't cover employees. Most do cover.

Senator Levin:

- Small business approach; be careful. Don't over-promise.
 - Those that now cover will be better off. Don't exaggerate. Those who don't pay now will have to pay more.
 - How will plan subsidize those with less than 50 employees who currently provide? 5-year and 3-year phase-in period?
 - Wants subsidy not to be permanent. Subsidy for those who currently provide, size of business and wage level of employees should be considerations.

Senator Kerry:

Unemployment insurance: when will it be part of plan?
 Mr. Magaziner replied health care will be phased in with new system. A study of unemployment insurance to be ASAP. Ideally pass health care by Christmas. 1994 and 1995 begin implementation. Workers comp; finish study at end of 1994, will implement in 1995.

Senator Bumpers: Keep open-minded.