Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	re: Health Care Reform & the Congress (5 pages)	n.d.	P5
002. memo	Howard Paster to POTUS & FLOTUS; re: Health Care Initiative (2 pages)	04/26/1993	P5 4252
003. memo	From Chris Jennings & Steve Richetti; re: Congressional Update/Strategy for Health Reform (8 pages)	04/14/1993	P5
004. draft memo	re: Health on the Hill (8 pages)	04/05/1993	P5

COLLECTION:
Clinton Presidential Records
Healthe Care Task Force
Robert O. Boorstin
OA/Box Number: 3516

FOLDER TITLE:
Health Care - Hill Strategy

Jimmie Purvis
2006-0885-F
jp2846

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
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THE WHITE HOUSE

WASHINGTON

93 PR 26 All :08

April 26, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT
HILLARY RODHAM CLINTON

FROM: HOWARD PASTER

SUBJECT: HEALTH CARE INITIATIVE

As we prepare to begin the active consultation with Congressional leaders on the health care initiative, I wanted to share with you very briefly what I am hearing from Capitol Hill. I do not think this will be at odds with what you know, but I wanted to make certain we were prepared to discuss these items with Members of Congress.

1. There is growing sentiment among Democrats in Congress that we should slow down the health care initiative. This sentiment has different origins, but the most common is the concern that the Republican attacks on the high taxation policies of the Administration are beginning to take hold. This leads to the suggestion, similar to that advanced by some in the Administration in our Roosevelt Room discussion of several weeks ago, that health care be held until after reconciliation. The problem is the same one we had when this was discussed internally -- it acknowledges implicitly the plan will not be enacted this year. If it becomes necessary to bow to Hill sentiment on timing it is essential we extract concessions about process, length of referrals, etc., in order to be certain momentum is not lost as we turn the corner to 1994.

2. Increasingly the two extremes of the abortion issue are setting up the inclusion or exclusion of reproductive rights in the basic benefits package as an issue that will distract from the entire thrust of the program. The leaders of the choice movement went so far on Friday as to threaten me with non-support of health care reform if reproductive rights were not in the basic package. While this will come up for discussion in our meeting in the next two weeks, I think you may want to discuss it more informally and privately with choice advocates who are key to health reform, individuals such as Henry Waxman and Ted Kennedy. We have always known this was a difficult issue; I sense the pressure building.

3. The AFL-CIO is reacting nervously to every hint that the plan may include taxation of employee benefits, and you may anticipate advocacy of the labor position on this issue in our meetings with

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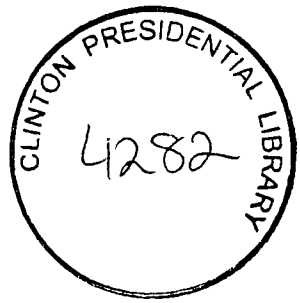
Democratic leaders. Whatever is said will get back directly to the AFL-CIO, so it may make sense to invite Tom Donahue or Lane Kirkland over for a discussion of this issue at your level.

cc: Ira Magaziner
Steve Ricchetti



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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001 memo	Ira C. Magaziner to POTUS et al; re: Universal Coverage (2 pages)	05/25/1994	P5

4295

COLLECTION:
Clinton Presidential Records
Health Care Task Force
Jack Lew
OA/Box Number: 3783

FOLDER TITLE:
ICM to POTUS

Jimmie Purvis
2006-0885-F
jp2860

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THE WHITE HOUSE

WASHINGTON

May 25, 1994

MEMORANDUM FOR PRESIDENT BILL CLINTON
VICE PRESIDENT AL GORE
HILLARY RODHAM CLINTON
ELIZABETH GORE
MACK McLARTY
HAROLD ICKES
PAT GRIFFIN
GEORGE STEPHANOPOULOS

FROM: IRA C. MAGAZINER

SUBJ: UNIVERSAL COVERAGE

To achieve **real** universal coverage requires mandates or broad-based taxes. Independent analyses by the Congressional Budget Office and Lewin-VHI show that, without them, tens of millions of Americans will be without health insurance.

There will be strong pressure to pass a bill which achieves greater health insurance coverage for Americans but does not include any mandates. Proponents of this approach point to a recent Lewin analysis of the Cooper/Breaux bill which shows that a voluntary system would result in 91 percent of all Americans covered with health insurance and 97 percent of all health care costs covered by insurance plans. This, they argue, would be a vast improvement over today's system where 85 percent have insurance and 94 percent of costs are covered.

While the rhetoric sounds attractive, there are several substantive and political problems with the Cooper/Breaux 91 percent approach:

- **Leaves millions of Americans uninsured.** Twenty-five million Americans would be uninsured. As many as 40 million Americans would be without health insurance for some period of time each year. Working Americans would be at risk of losing health insurance if they changed jobs, moved or lost their jobs. Families without insurance would be at risk of financial catastrophe if one of their family members become ill and required medical care.

- **Increases the deficit**. From 1996-2004, the federal deficit increases by over $300 billion to fund subsidies and tax incentives to make purchasing insurance more affordable. The deficit increases despite taxing employer benefits above the low-cost plan in an area.

- **Places heavy burden on individuals.** Many people, even with subsidies, will pay over 10 percent of their gross income for health insurance. A worker earning $30,400 would have to spend over $6,000 to buy a family policy and would not be eligible for government subsidies.

- **May encourage employers to drop coverage.** The existence of low-income subsidies may encourage firms that currently provide health insurance to drop coverage for low-wage workers. The Lewin analysis assumes that firms currently providing health insurance will continue to do so, even though firms have been dropping health care coverage in today's system. From 1989 to 1992, the number of Americans with employer coverage dropped by three million.

It would be very difficult to convince the American people that the President has met their expectations and his promise of guaranteed private health insurance under a 91 percent proposal. Millions of Americans would not have the security of knowing that their health insurance is always there when they need it. It would be too easy to portray the President as being "slippery" -- redefining universal coverage so that he can say he has achieved it. Many would be cynical.

A Better Compromise

We have always envisioned potential compromises for softening the employer mandate, delaying universal coverage a few years, tying the cost of adding benefits to system savings, etc. We could even find ways to introduce an automatic trigger for mandates if targets for coverage were not achieved.

The American people favor universal coverage. We should stand firm on this goal and challenge members of Congress to stand firm. We can compromise on the exact means to achieve this goal, including the ones mentioned above, but we should not cross the President's "line in the sand" for universal coverage. With resolve, we should be able to win this debate. Even if we were to lose, the American people are likely to appreciate the President's fighting for his principles.

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	
001. memo	Ira C. Magaziner to POTUS & FLOTUS; re: Health Care Reform & the Economic Package (7 pages)	03/07/1993	P5	4296
002. memo	Ira C. Magaziner to POTUS & FLOTUS; re: Health Care Reform & the Economic Package (7 pages)	03/07/1993	P5	7 Dup
003. memo	Ira C. Magaziner to POTUS & FLOTUS; re: Health Care Reform & the Economic Package (7 pages)	03/07/1993	P5	

COLLECTION:
Clinton Presidential Records
Health Care Task Force
Christine Heenan
OA/Box Number: 9677

FOLDER TITLE:
Loose Material

Jimmie Purvis
2006-0885-F
jp2859

RESTRICTION CODES

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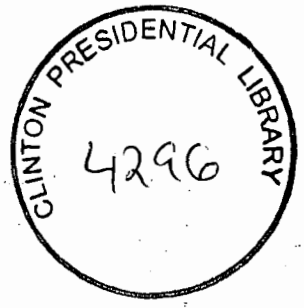
THE WHITE HOUSE

WASHINGTON

March 7, 1993



MEMORANDUM FOR PRESIDENT BILL CLINTON
FIRST LADY HILLARY RODHAM CLINTON

FROM: IRA C. MAGAZINER

SUBJECT: HEALTH CARE REFORM AND THE ECONOMIC PACKAGE

Many of your advisers question the desirability of wrapping health care reform legislation up with the economic package in reconciliation. They point out, quite rightly, that doing so may compromise the possibility for quick passage of the economic package. They understand "the President's got only one vote" mentality on the Hill, and their advice is that something is better than nothing: health care can be next year's project.

Others believe that decoupling does not necessarily mean that your health care bill must be put off until next year. They feel that the momentum of an early victory will add to your ability to push for a vote for health care, and that the continued urgency of the issue will keep the heat on members to pass it this year. Though they acknowledge that 60 votes is a lot more difficult to get than 50, they don't believe it's impossible.

I am not a congressional strategist. However, I am concerned about the risks of reducing the chances for health care reform to be passed this year. I believe that if it is not passed this year, the possibility of passing comprehensive health care reform during your first term may be severely diminished. As James Carville put it in a meeting last week, "the more time we allow for the defenders of the status quo to organize, the more they will be able to marshal opposition to your plan, and the better their chances of killing it."

There are five key operative questions:

1. Economic gains may not be felt by the American public in 1996 if we have not reformed health care.

2. Keeping health care out of reconciliation may virtually guarantee that health care doesn't happen this year.

3. Delaying action on health care may erode the possibility of passage during your first term.

4. We should not accept a situation in 1996 where the economic

plan has passed but health care reform has not.

5. There may be a way to introduce a placemarker for health care without endangering the budget resolution.

1. Economic gains may not be felt by the American public in 1996 if we have not reformed health care.

You have long known that the future of the health care system and the economy are inextricably linked.

Recent figures developed by David Cutler of the National Economic Council and Sherry Glied of the Council of Economic Advisers estimate that increased health care spending will consume 64% of the total projected per capita growth in GDP between now and 1998.

This doesn't tell the whole story.

Workers pay, either directly or through taxes, a significant share of the health care expenditures for children and the elderly. Numbers produced by Ken Thorpe, health economist at HHS, indicate that increases in health care spending will take up well over 100% of the total increase in worker compensation over the next five years.

Also, neither of these estimates assumes we invest to insure the 37 million uninsured American.

If there is no health care reform, most Americans may well feel that their living standards have not improved in 1996.

The health care system may theoretically advance during that time. However, having more frequent, more sophisticated tests, filling out more medical forms or even being cured more quickly than would otherwise be the case does not register with most Americans as improved living standard in the same way as does more money in a paycheck or better ability to afford a house or a car.

You know all of this. You also know that increased health care spending accounts for 40-50% of total projected increases in federal spending and that health care was 2/3 responsible for "breaking the back" of the 1990 budget agreement.

Unchecked, rising health care costs may overwhelm economic growth and hinder attempts at deficit reduction. As costs rise, companies may continue to respond by cutting back on, or eliminating, coverage for employees and retirees. The Medicaid rolls may continue to expand at a rapid pace.

2. Keeping health care out of reconciliation may virtually guarantee that health care doesn't happen this year.

There are reasons why comprehensive health care reform has not been enacted despite commitments by every Democratic President since Franklin Roosevelt to do so.

- The issues are complex;
- The lobbying powers for the status quo are powerful and widely dispersed;
- The financial implications of any change are staggering;
- Any change must be dramatic if it is to make a difference.

The only significant health care reform -- Medicare/Medicaid -- came after Lyndon Johnson had won a landslide victory and made it his top priority for his first year.

The enormity of the task suggests why so many of your advisers feel that it will take time to pass health care reform and why they feel it is so risky to tie it to the economic package. Their judgments are prudent.

Looking at the history and the powerful forces arrayed against comprehensive reform, how on earth do we think we can achieve health care reform under any circumstances?

The possible answer lies in an historic opportunity which has been created by recent events.

- The health care crisis has really hit home to many middle-income Americans these past few years.
  - Health care costs skyrocketed while the rest of the economy slumped;
  - Many companies for the first time went after health care costs in a serious way, cancelling benefits, increasing co-pays, etc;
  - Many white-collar employees lost their jobs and their benefits.
- Your emphasis on health care in the campaign following on the heels of Harris Woffords' victory kept the issue front and center in the political debate.

- Your appointment of the First Lady to head the Health Care Task Force persuaded many in Congress, in the health care community, and in the public at large that you were serious about health care reform.

- Your willingness to take on the drug companies showed political courage.

- Your impassioned and eloquent statement about health care reform in the State of the Union address drove home your seriousness.

The results of this building crescendo have been dramatic to those of us who are working on health care every day.

Interest groups, afraid of being left behind in a reform effort, now believe reform may well happen this year, and are coming to the table with incredible offers to support positions they have historically opposed. The American Medical Association, other physician groups, the American Hospital Association, groups of large insurers, large and small business groups, drug companies, have all been in my office these past two weeks proposing ideas on short-term controls to hold health spending to inflation while a new system is implemented. They have demonstrated a willingness to support employer mandates under certain conditions and a willingness to support budgets for health care over the long term.

I am not so naive to think that all these groups will ultimately be with us, but they are running scared. We have them on the defensive. We have a possibility to achieve a breakthrough.

It is important to note that the fear that has coerced their cooperation is bred from the speed of your actions on health care thus far in your presidency. I cannot guarantee that this momentum will be sustained, nor that it will ensure the passage of the health care plan. But I feel that the likelihood of passage may well diminish as time passes.

We will be in a better position to know our chances in May after our plan is developed and released.

3. Delaying action on health care may erode the possibility of passage during your first term.

Those who have argued for decoupling health care reform from the budget have made convincing arguments for the threats that coupling brings to the budget package. They have not made convincing arguments that health care reform has a serious chance

of passing if it is decoupled from the budget package.

Here are the risks.

1. If we do not include a placeholder, it may signal to members of Congress and health care interest groups that we are not serious about health care reform this year. They may begin retreating from our efforts. Even supporters such as the elderly might be angered by the Medicare cuts in the absence of a health care package.

2. If we now need 60 votes to pass reform, it gives the Republicans the opportunity to mount their own initiative which is bound to be less comprehensive and less serious than ours, but which will be more acceptable to the conservative health care providers.

3. At best, we will wind up with a pitched battle over their less comprehensive proposals and ours. Since the urgency to vote will be diminished, the debate will inevitably be put off until next year.

4. Interest groups may then decide to mobilize in opposition to our plan and in favor of a variety of watered down alternatives.

5. In an election year, with pharmaceutical companies, trial lawyers, insurance companies, physicians and other interest groups' money at stake, passage of a comprehensive bill will become less likely.

We will have to start over in 1995 with a Congress that may be more Republican (if history holds true to form). As the 1996 election cycle gears up, passage of comprehensive health care reform is then less likely.

4. <u>We should not accept a situation in 1996 where the economic plan has passed but health care reform has not.</u>

The initial popularity of the economic program started a train to accelerate the passage of a budget resolution and of the budget itself in reconciliation in record time. Looked at from the point of view of the economic package, "waiting" for health care, even accommodating the possibility of joining them by putting in a placemarker for health care, muddies the waters of a package that otherwise seems guaranteed quick and (relatively) painless passage.

Many of your advisers make compelling arguments for passing the economic package this summer and postponing health care reform, guaranteeing you at least one victory rather than risking the single-package approach and failing. Combining the two in the budget reconciliation process is risky -- if you lose this one, you may lose everything.

Further, if you score a victory with the Congress on the economic plan, you'll win points with the American people by breaking the gridlock that has characterized this nation's government for too long, and could perhaps translate that support into support for your health care reform bill.

But, you may only get one shot to pass comprehensive legislation this year. No member of the leadership nor any Committee Chair or Subcommittee Chair that we've met with thinks it is possible. They, without exception, characterize the decision of whether or not to include health care in reconciliation as the decision of whether or not to do health care this year.

The American people are supporting the economic plan, even though it calls for sacrifice, because they believe that you are true to your vision to stimulate the economy, to provide better jobs, to ensure health care for everyone. They expect a brighter future.

Your economic plan accomplishes three things: 1) it reduces the budget deficit; 2) it fills some gaps in programs for the poor and underserved; and 3) it redistributes income. It is a good plan.

However, rising health care costs may undermine it. In 1996, the vast majority of Americans may not have experienced rising real incomes. They will have sacrificed, but they may not be much better off than they are today.

Most of your senior economic and political advisers are understandably focused on the economic plan. The health plan is still weeks away from even a first full draft. They quite rightly feel uncomfortable holding up their plan for a health care plan they neither have seen nor have confidence they or the American people would support.

Even though the health care plan is not yet fully formed, however, a threat to its chances should be taken with equal seriousness as a threat to the economic plan.

My main concern is that you don't let the focus on pursuing this economic plan keep you from taking steps which, in the long run, will be far more important to the nation and your

presidency.

5. There may be a way to introduce a placemarker for health care without endangering the budget resolution.

I suggest that we explore whether a compromise is possible. If we can make certain decisions about the effect of health care on the budget, could we perhaps preserve the flexibility of a placeholder in the budget?

- We could decide that the health care plan be deficit neutral.
- We could assure that all new revenues will be limited to health care sector recapture and perhaps to cigarette taxes or other "sin tax" groupings.

Ultimately, if we are likely to reject a massive new middle class tax to finance health care, let's just say so.

This leaves us a choice between how fast to phase in universal coverage versus how fast we move to control costs. If we make these decisions soon, that can better inform the work of the policy groups and guide our plan's development appropriately.

Great presidencies are defined by a few major achievements. You should pick the ones that really count and plan for them carefully.

Comprehensive health care reform is clearly one that has such potential.

Reducing the deficit to $200 billion, though very important, may not carry the same historical significance.

I urge you to look at the big picture and to think long-term when deciding on your legislative strategy.