

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Chris Jennings to Hillary Clinton Re: Ways and Means Subcommittee Meeting (2 pages)	6/29/93	P5
002. briefing paper	Ways and Means Health Subcommittee (3 pages)	6/29/93	P5
003. memo	Chris Jennings to Hillary Clinton Re: Meeting with Senator John Chafee (2 pages)	6/30/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

June 1993 [6]

Gary Foulk

pg92

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Ways and Means Subcommittee Meeting
cc: Melanne, Lorraine, Steve, Jeff, Distribution

June 29, 1993

Tomorrow you are scheduled to meet with the Democratic Members of the House Ways and Means Subcommittee on Health. All of the 7-Member Subcommittee, with the exception of Congressman John Lewis, will be in attendance. (Although you are very familiar with these Members, a brief profile on each of their health care backgrounds is attached for your reference.) In addition to the Members, the Ways and Means staff of David Abernethy, Tricia Neuman, and Jamie Reuter will be present.

BACKGROUND

Tomorrow's meeting was requested almost immediately after Congressman McDermott made public statements about his multi-Member single-payer meeting with you. Apparently McDermott's comments about separate single-payer "subcommittee" meetings with the White House egged on a number of the Ways and Means Subcommittee to complain to Pete Stark and urge that he request one on their behalf.

MEETING SUBSTANCE AND FORMAT

After talking with you yesterday afternoon, Ira and I discussed what would be the best material to present to the Committee Members. We decided that the optimal course would be to provide them with a fairly detailed outline of the plan as we currently envision it. Attached for your review is the 10 page document that has been prepared for this purpose. The summary does not go into any great detail about the two most difficult issues: financing and short-term cost containment. However, Ira and Judy will be prepared to discuss the options in some detail.

David Abernethy and I agreed this afternoon that the best format for the meeting tomorrow would probably be one that starts off with some brief opening comments from you, followed by a proposal from you about how best to structure the limited time constraints faced by all. Based on my conversations with David, Ira, and Judy, I believe you should consider suggesting the following format for the meeting:

- (1) Pass out the document that summarizes the current state of the plan and allocate 20 minutes for Judy to present it;
- (2) Following the presentation of the written document, have Ira briefly outline the financing and the short-term cost containment options that are now being discussed internally;
- (3) Allocate the bulk of the meeting and the next 45 minutes or so to any and all questions, comments, suggestions the Members will have on what they have just heard; and
- (4) Finally, reserve the last 15 minutes to get the Members' advice on process, timing, political strategy regarding the health reform proposal.

At the conclusion of the meeting, we will need to pick up from the Members the paper that was distributed. (This is something that happens all the time in the Congress.) To ease this process, it would be helpful if you mention the need to pick up the paper before you turn it over to Judy for her presentation.

The last point I would make is that we should be careful to say that the plan as we currently envision it has taken into account many of the suggestions and priorities of the Members of this Committee. Moreover, the President will want to review his final decisions with the Leadership and the Members before he unveils the legislation.

WAYS AND MEANS HEALTH SUBCOMMITTEE

June 29, 1993

CONGRESSMAN PETE STARK (D-CA), CHAIRMAN - For some time Congressman Stark has backed a single payer model for health care reform based on extension of Medicare to the entire population. As vice-chairman of the Pepper Commission he voted against its pay-or-play plan -- partly because it was not a single payer plan but more importantly because in his view, it made concession to more moderate to conservative elements of the Commission without winning their support.

As the First Lady knows, Stark is outspoken and does not have a problem criticizing anyone. Earlier this year, Stark released a letter from the Director of Cal-PERS (the health insurance plan for California public employees) in which the Director denied that his approach was managed competition. He released a report from the Congressional Budget Office that compared various reform models in terms of their abilities to control costs. While the report found that a single payer approach would do a better job than managed competition, it used a pure managed competition model so its findings are not directly applicable to the combination plan being developed by the Administration is developing.

Stark's behavior is often unpredictable. However, he respects Rostenkowski and will be unlikely to go against his chairman.

Recent Developments: Stark continues to publicly belittle the Administration's health reform efforts and those charged with developing the plan. A June 16th AP story discussed how Stark had become a chief antagonist to the Administration on health care reform and laid out, in detail, some of his verbal bombshells. However the article also quotes Stark as saying that he is a "soldier" and that all he wants is a real bill with details and "empirical, absolute" cost controls. (Stark opposes voluntary measures, he compares them to voluntary taxes.)

CONGRESSMAN MICHAEL ANDREWS (D-TX) - Congressman Andrews is a moderate to conservative Democrat. A new member of the health subcommittee, Andrews supports managed competition. He sponsored the Conservative Democratic Forum's bill based on that approach along with Congressman Cooper (D-TN). This bill gathered strong support at the end of the 102nd Congress and helped stall efforts by Congressman Stark to move his health reform bill through the Ways and Means Committee. Lack of consensus among the Democrats caused Chairman Rostenkowski to end consideration of health reform measures.

On a substantive level, Andrews supports a tax cap on benefits and the use of excise taxes, particularly cigarette taxes, to fund health care reform. He is nervous about cost controls and the impact they might have on managed competition. He will also look out for rural health care. Congressman Andrews has many hospitals in his district, and his district tends to motivate his vote. While close to the Chairman, Andrews will not necessarily follow his lead.

Most of the people involved with legislative targeting on the Health Care Task Force believe his vote is a long-shot. In fact, Majority Leader Gephardt lists him as a "no." However, Lorraine Miller believes he is within reach, that he wants health reform, and if the President releases a very moderate package, he might be with us. The bottom line is that while Congressman Andrews will require significant work but should he support the plan he could be very influential with the CDF crowd.

Recent Developments: Congressman Andrews and a group of physicians from his district met recently with the First Lady and Dr. Phil Lee of HHS. He was very happy with the meeting and very appreciative of the attention they received.

CONGRESSMAN SANDER LEVIN (D-MD) - Congressman Levin is quiet member who can be helpful behind the scenes. He is not particularly close to Stark, and doesn't always follow his lead. He will be influenced mainly by unions and their retirees. In addition, Levin has a large teaching hospital in his district and he actively defends Graduate Medical Education payments. He helped draft the Stark-Gephardt compromise in the 102nd and was one of the last defenders of the Medicare Catastrophic Act.

Congressman Levin believes that consumers want fraud, waste and abuse cut before they are willing to pay more. He also believes that the Administration can cut costs by using home care and living wills. He feels that Congress will need plenty of Presidential leadership and warns about over-promising.

Recent Developments: Congressman Levin has been clamoring for more meetings and undoubtedly was one of the Members who contacted Congressman Stark about having a meeting with the First Lady after the McDermott cosponsors meeting.

CONGRESSMAN BEN CARDIN (D-MD) - Congressman Cardin filled Majority Leader Gephardt's seat on Ways and Means in 1989. Cardin is an insider and a team player who has been loyal to Chairman Rostenkowski. Although not particularly close to Stark, he has never crossed him. Cardin worked with Stark to draft the Stark-Gephardt health care plan in the 102nd Congress. Although relatively new to the House, is no newcomer to politics.

Maryland is a state out in front on cost control initiatives and Cardin will be protective of its initiatives. Cardin has advocated an all-payer rate setting system like the one he helped create when he was in the state legislature. In addition, he believes the federal government should adopt national standards and use the states for implementation. He urges the President and the First Lady to conduct extensive consultation before introduction. Cardin also believes that health care reform should be done this year.

CONGRESSMAN JIM MCDERMOTT (D-WA) - Congressman McDermott's key role in health care reform is obvious to all. His influence goes well beyond his being one of only two physicians in the House, his closeness to Speaker Foley, and his lead role as a single payer advocate. He is well-liked by his colleagues and at home in Seattle. His support of the final package will be key and every effort is being made to gain that support.

McDermott's checklist of criteria for measuring health care reform proposals includes: universal coverage; portability; a standard package sufficiently generous for people to stay in the system; choice of physician or provider; elimination of pre-existing condition exemptions; verifiable cost-containment; cost-containment applied to the entire health care delivery system; simplification of the administrative system; access for rural areas and inner cities; elimination of insurance company second guessing of medical decisions; and reduction of administrative costs in the health care budget.

Recent Developments: Following the meeting with the First Lady on June 23rd, Rep. McDermott stated that "we're getting into the realm of where it would be possible for us to support it [the Administration's plan]." However he still was seeking assurances that there will be "nothing standing in the way of a single payer system." That meeting was also the driving factor behind today's meeting -- after all the publicity that meeting received other subcommittee members also wanted the opportunity to meet with the First Lady. Congressman McDermott met with The Speaker and the Majority Leader today (June 29th). By all reports that meeting went very well.

CONGRESSMAN GERALD KLECZKA (D-WI) - Congressman Kleczka is a nine-year House veteran and one of the newer members on the Ways and Means Committee and its Health Subcommittee. He is from a safe, largely Polish, Democratic district from the south side of Milwaukee, Wisconsin. Known as a street-smart combative politician, he votes dependably with the Democratic Leadership. He is a smoker and takes money from the tobacco lobby. Kleczka was a cosponsor of Congressman Russo's single payer bill in the last Congress but Congressman Gephardt considers him a reliable vote for the Administration's health reform initiative.

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Meeting with Senator John Chafee
cc: Melanne, Steve, Distribution

June 30, 1993

Tomorrow you are scheduled to meet with Senator John Chafee. He will be accompanied by three of his staff: David Griswold, his Administrative Assistant, Christy Ferguson, his Legislative Director and long-time chief health advisor, and Katherine Hayes, his current health legislative assistant.

BACKGROUND

Last Saturday's Post detailed some comments made by Senator Chafee regarding the general outlines of a health reform bill that he said a number of Senate Republicans apparently intend to introduce. (Attached for your reference is the article and the speech on which it was based.) The article's spin was that there appear to be some real similarities between the Clinton and Chafee plans; to illustrate the point, Dana Priest cited that both approaches support reforming the insurance market, establishing a standard benefit package, and setting up purchasing pools.

On Monday, after discussing the article with you, Melanne, and Steve Ricchetti, I called up Christy Ferguson. In the conversation, she stated that Senator Chafee had not said anything new, but that Dana P. was finally waking up and paying attention to the substance of what the Senator has been saying for months. It also became clear that, perhaps because of the article, there is now even greater tension between the Dole and Chafee offices over health care. (This may be because Senator Dole and his staff are both jealous that Senator Chafee is getting so much attention on this issue and because they are angry that anyone could even be suggesting that there is very much common ground between the two approaches. This, of course, is not a bad development for us.)

During the course of the conversation, it also became clear that Senator Chafee still is not ready to move towards us on any support for a required employer contribution or strong budgeting mechanisms. I believe, and Ira does too, that Senator Chafee does not see it in his or the Republicans' interest to be too closely associated with the President before the unveiling. We both believe, however, that he does see it in his political interest (he is up in 1994) to eventually be perceived as the Republican dealmaker.

If the previous analysis is accurate, Senator Chafee probably cannot be counted on for support of any employer mandate or real budget until much later in the process -- when he thinks he has the best chance to obtain the most political credit (and least Republican criticism). To sell him on the concept of coming on board will be difficult and probably only has a chance through a very personal appeal from you. I would, therefore, one again, suggest that you ask for some private time with him at the conclusion of the meeting. Regardless of what happens, I view this meeting as critical because a close relationship with him will, at the very least, practically guarantee that he will not say anything overly critical when the package is unveiled, which forces him into a concrete, non-compromising position.

During the meeting, I believe it is more than fine to challenge him to discuss how he is going to finance an individual mandate. However, I would preface any such discussion with praise about our understanding that Senator Chafee is now apparently arguing for universal coverage and NOT just access to coverage.

Finally, attached for your review is a comparison, prepared by Christine H., of our current plan with our understanding of the current Chafee plan. We hope you find it to be useful.

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001. memo w/attach	Chris Jennings, Steve Edelstein Re: Meeting with Congressman Kasich (29 pages)	6/30/93	P5
002. list	Congressional List (7 pages)	nd	P5
003. briefing paper	Talking Points - Congressional Strategy (3 pages)	nd	P5

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Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

June 1993 HSA [7]

Gary Foulk

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PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Meeting with Congressman Kasich
cc: Melanne, Steve, Lorraine, Distribution

June 30, 1993

Tomorrow you are scheduled to meet with Congressman Kasich, the ranking Republican of the House Budget Committee. In his call to you earlier this week, the Congressman requested this private follow-up meeting to the dinner meeting he hosted for you and ten of his Republican House colleagues back on June 14th.

BACKGROUND:

Long an advocate of tough measures to control federal spending (including across the board freezes), Kasich took the lead in crafting the House Republican alternative to the President's budget. His plan was praised by some in the media for backing up the usual Republican rhetoric, with specific cuts, demonstrating how it would be possible to significantly reduce the deficit without raising taxes. It also received significantly more Republican support than his previous efforts.

Kasich is a relative newcomer to the health reform debate. However, as you know, he released the attached "White Paper on Health Reform." As you may recall, the report takes a rather stereotypical conservative position on health reform, such as the use of MediSave Accounts, means-testing Medicare, increasing Medicare beneficiary copayments, and categorical spending targets for health entitlements (but not for the private sector). However, it also includes a number of suggestions that are consistent with the direction the Administration has been heading including: Developing incentives for greater use of competition in the Medicare and Medicaid programs, providing flexibility/waiver authority to the states, reducing health care fraud, assuring insurance portability, establishing purchasing groups, and addressing the medical liability problem.

Kasich was very happy with and appreciative of the dinner meeting and it appears to have gained much good will. Since then, Congressman Kasich, has been quite complimentary about you, personally, and the Administration's consultative and outreach process for health reform. He was particularly pleased with how open you have been to Republican input and your commitment to a bipartisan health reform effort and has made a point of distinguishing it from other Administration initiatives.

This meeting should allow you the opportunity to cultivate this important relationship. Kasich, given his reputation as a smart and serious legislator, can be very helpful with mainstream Republicans. In addition, he seems to have gained the respect of the media so his supportive comments about you and the process can have a positive impact externally on public perception, as well. Even if he ultimately opposes the plan, his positive feeling toward you and the process may mute his criticism and moderate the Republican opposition effort.

Recently, Kasich was widely mentioned as a leading contender for the seat of Senator Metzenbaum, who announced Tuesday he would not seek reelection. Kasich decided against running when his friend, Ohio Lt.-Governor Mike DeWine, joined the race.

JOHN KASICH, (OH), RANKING MEMBER
ALEX McMILLAN, (NC)
JIM KOLBE, (AZ)
CHRIS SHAYS, (CT)
OLYMPIA SNOWE, (ME)
WALLY HERGER, (CA)
JIM BUNNING, (KY)
LAMAR SMITH, (TX)
CHRIS COX, (CA)
WAYNE ALLARD, (CO)
DAVID HOBSON, (OH)
DAN MILLER, (FL)
RICK LAZIO, (NY)
BOB FRANKS, (NJ)
NICK SMITH, (MI)
BOB INGLIS, (SC)
MARTIN HOKE, (OH)
RICHARD E. MAY, STAFF DIR.



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COMMITTEE ON THE BUDGET
REPUBLICAN CAUCUS
U.S. HOUSE OF REPRESENTATIVES

**Put Consumer Back in Health Care Market,
Urges Republican Budget Committee Report**

May 25,, 1993

(Washington, D.C.) — Successful reform of the nation's health care system will depend on boosting the control and decision-making power of American consumers, according to an analysis released today by Republican members of the House Committee on the Budget.

The committee Republicans' *White Paper on Health Care Reform* also partly blames inefficient government spending for contributing to health care cost inflation, and says that controlling government health outlays — if done in the proper way — can help ease the upward pressure on costs.

"We don't pretend that this report contains the silver bullet on health care reform," said Representative John R. Kasich, Ranking Republican on the House Budget Committee. "We don't presume that our suggestions can solve every problem in the health care market. But it is clear that unless we restore the consumer's role in the market, we will face a future of runaway health care costs, or rationing of services, or both."

According to the report, "The evolution of health care financing in the United States, encouraged by government tax policy, has increasingly isolated and insulated consumers from financial decisions about their own health care. . . . The prevailing third-party financing arrangement creates incentives for overuse of services and, consequently, higher spending — and the market has responded accordingly. Equally important, the arrangement has deprived consumers of real control over their health care decisions."

This situation is a fundamental contributor to the rapid upward spiral of health care spending, the report says. The analysis concludes that unless consumers are restored to their appropriate role in the health care — the same role they play in other markets — health care reform will fail to achieve the twin goals of controlling spending and providing broad access to prompt, high-quality health care.

"Any successful reform of the health care system must promote the vitality of this relationship." The paper notes that the consumer-provider relationship lies at the heart of what are typically called "market-oriented" approaches to health care reform. The analysis also contends that U.S. health care "suffers not from a lack of resources, but from *inefficient use of the resources available*. Health care reform can and should be financed out of existing resources."

[Copies of the *White Paper on Health Care Reform* are available from the House Committee on the Budget Republican Staff, 278 Ford House Office Building, Washington, D.C., 20515, (202) 226-7270.]

White Paper on Health Care Reform

**by the
Republican Members
House Committee on the Budget
John R. Kasich, Ranking Republican**

May 20, 1993

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Introduction

Of all the genuine problems related to health care in the United States, one stands out as central to the debate over reforming the system: health care spending is high and appears to be rising at unsustainable rates.

For individual Americans, the rapid pace of national health care spending growth translates into a variety of personal concerns: frustration over their personal health care costs and insurance premiums; a sense that they are receiving less care; concern about the quality of care they receive; and fear that they might find themselves exposed to unexpected, and possibly catastrophic, medical costs. It also has sensitized Americans to the plight of those unable to obtain or afford health insurance coverage.

Various proposals for addressing these problems have been developed over the past several years. The Clinton Administration is expected to release its reform proposals in the near future. Still other alternatives soon will be offered in Congress. Also proposed earlier this year was a health care reform plan developed by the House Republican Leader's Task Force on Health Care.¹ Legislation defining the "building blocks" of the Task Force reform plan currently is being developed.

As a contribution to the Leader's Task Force, this paper seeks to offer a concise assessment of the health care reform issue from the perspective of Republicans on the House Committee on the Budget. The perspective focuses on budgetary considerations, which will be substantial in any reform strategy. But this analysis also takes into account the fundamental economic factors of the health care market, especially those that appear to be driving up spending. The analysis leads to two primary findings:

- ***The government's expanding role in health care financing over the past 30 years has had an inflationary impact coinciding with — and in all likelihood substantially contributing to — the rapid growth of health care spending.*** Therefore, it is unreasonable to believe that expanding the government's role as a purchaser in the market can successfully address the true causes (as opposed to the symptoms) of rising health care costs.

- ***The evolution of health care financing in the United States, encouraged by government tax policy, has increasingly isolated and insulated consumers from financial decisions about their own health care.*** This pattern has interfered with one of the principal relationships on which successful and efficient markets depend — the relationship between the consumer and the provider. Health insurance in the United States is not really insurance but is, instead, a costly system of prepaid health care financed principally by third parties. Prices and levels of service are negotiated chiefly by those financing the system — government or private-sector insurers — and health care providers. The consumer — the patient — is a secondary participant.

The prevailing third-party financing arrangement creates incentives for overuse of services and, consequently, higher spending — and the market has responded accordingly. Equally important, the arrangement has deprived consumers of real control over their health care decisions. Therefore, any successful reform of the health care system must promote the vitality of this relationship. The consumer-provider relationship lies at the heart of references to “market-based” reforms.

Addressing the two concerns mentioned above will not cure every problem in the United States' health care market. The market truly is complex. The system features a variety of advanced and expensive technologies. The availability of providers and services is not uniform across the country; people in rural areas tend to have fewer choices of health care providers than those in urban areas. Some of the most costly medical services occur near the end of a patient's life, a fact that deepens the gravity of moral and ethical decisions facing families and physicians at such times. Furthermore, restoring more health care decision-making to consumers will not prevent some consumers from making unwise or inefficient decisions. Nor is this discussion intended to suggest that government should have no role at all in health care. Certain problems — such as providing a safety net to insure the poor and persons with serious health conditions who cannot find affordable coverage in the market — may demand a government response.

But neither will additional resources offer the responses necessary. Health care in the United States suffers not from a lack of resources, but from *inefficient use of the resources available*. Health care reform can and should be financed out of existing resources. With that in mind, two essential points should be clear from the analysis below: that policy-makers should not put government first in seeking solutions to the nation's health care problems; and that true reform must include restoring personal responsibility and the vitality of the doctor-patient relationship. Any reform attempts that circumvent these fundamental budgetary and economic factors will fail.

Background and Trends

During the past 25 years, the share of the U.S. economy devoted to health care has more than doubled, from 6 percent of Gross Domestic Product (GDP) in 1965 to about 12 percent in 1990. This year, spending on health care in the United States will total roughly

\$912 billion. That figure is projected to grow to almost \$1.7 trillion, or 18 percent of GDP, by 2000.² Per capita health care spending, in constant 1993 dollars, increased from \$443 in 1965 to \$2,879 in 1990. It is expected to be \$3,604 in 1993, rising to \$4,087 in 1995 and \$5,568 in 2000 (all in constant 1993 dollars).

The rapid growth of national health spending has coincided with an expanding government role in health care financing. In 1965, federal, state, and local governments furnished 24.7 percent of the total funds paid for health care. This figure roughly matched the share of financing by private insurance (24 percent) and was far less than the portion funded by out-of-pocket payments (45.7 percent). Since then, the public share of national health spending has grown to more than 42 percent of the total, while the portion assumed by out-of-pocket and health insurance funding has declined. As shown in Table 1 below, this trend is expected to continue.

Table 1: Projections of National Health Expenditures to 2000, by Source of Funds.
(By Fiscal Year)

	1965	1983	1987	1990	1992	2000
In Billions of Current Dollars						
Private						
Health Insurance	10	111	155	222	266	499
Out of Pocket	19	81	109	136	153	240
Other	<u>2</u>	<u>18</u>	<u>22</u>	<u>31</u>	<u>36</u>	<u>61</u>
Subtotal	31	211	286	390	455	800
Public						
Federal	5	103	144	195	255	583
State and Local	<u>5</u>	<u>44</u>	<u>64</u>	<u>91</u>	<u>123</u>	<u>249</u>
Subtotal	10	148	208	286	378	832
Total	42	359	494	675	832	1,631
Percentage of Total						
Private						
Health Insurance	24.0	31.1	31.3	32.9	32.0	30.6
Out of Pocket	45.7	22.7	22.0	20.1	18.4	14.7
Other	<u>5.5</u>	<u>5.1</u>	<u>4.5</u>	<u>4.6</u>	<u>4.3</u>	<u>3.7</u>
Subtotal	75.3	58.8	57.8	57.8	54.7	49.0
Public						
Federal	11.6	28.8	29.1	28.9	30.6	35.7
State and Local	<u>13.2</u>	<u>12.4</u>	<u>13.0</u>	<u>13.5</u>	<u>14.8</u>	<u>15.3</u>
Subtotal	24.7	41.2	42.2	42.4	45.4	51.0
Total	100	100	100	100	100	100

Source: Congressional Budget Office.

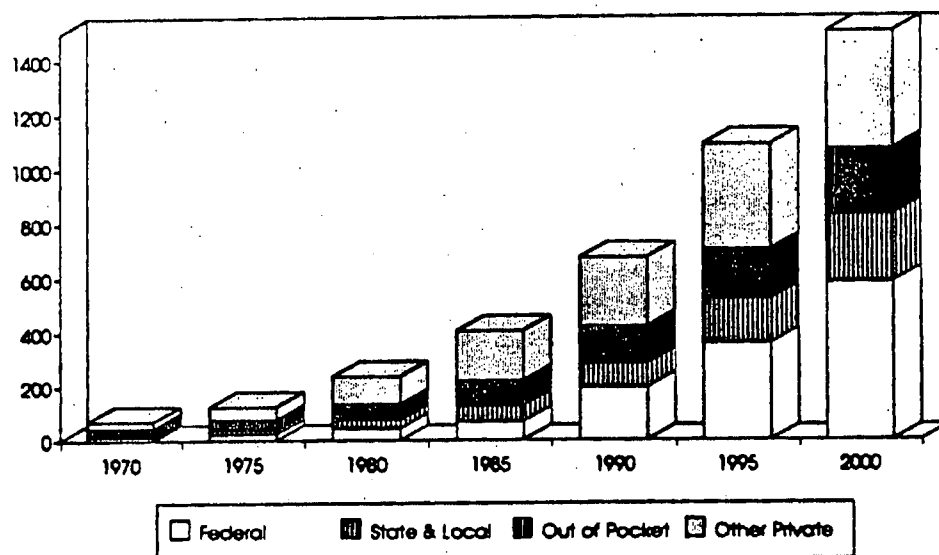
The growth in national health expenditures is partly a natural phenomenon in a mature and wealthy economy. "As national income rises, people may choose to purchase health services that improve their quality of life, as well as the basic services that are essential

to good health," writes the Congressional Budget Office. "In addition, the governments of wealthier countries may be able to spend more on public health and research."³ Nevertheless, U.S. health expenditures are growing at a rate that far exceeds normal expectations and that may be faster than the economy can sustain.

To federal policy-makers, a principal concern about the trend in national health care spending is its projected impact on the overall federal budget. As shown in Table 2 on page 5, Medicare and Medicaid — the Federal Government's two dominating health programs — are expected to grow from \$198 billion in FY 1992 to \$608 billion in FY 2002. During this period, the share of total federal outlays consumed by these programs will nearly double, from 14.1 percent to 26.3 percent. By 2002, spending for Medicare and Medicaid will exceed that for Social Security and will nearly match the total for all discretionary programs. Put another way, federal health spending will increasingly crowd out other programs in the competition for federal resources, or will demand substantially higher deficit spending or tax revenues.

Medicare and Medicaid also are projected to be the largest contributor to future federal deficit spending. The Congressional Budget Office projects that "under current policy the federal deficit, after declining in the first half of the 1990s, will swell to more than \$500 billion by the year 2002, *largely as a result of increased spending for Medicare and Medicaid.*" [Emphasis added.]⁴

Figure 1: Health Care Expenditures by Source, 1970-2000.
(In Billions of Dollars)



Source: *Statistical Abstract of the United States 1992*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census; Congressional Budget Office.

This projection is confirmed elsewhere. An April 1993 study by the Committee for a Responsible Federal Budget says, in part: "If government were to raise revenues and reduce non-health care spending enough to balance the budget next year, within a decade we once again would face \$300 billion-per-year deficits, unless we did something to restrain the growth in health expenditures."⁵

CBO also warns about the serious economic drag that would result from this level of deficit spending in the following passage:

Federal borrowing of this magnitude will significantly affect the economy because it will cut into private saving that would otherwise have been used for investment here or abroad. CBO's calculations suggest that if federal spending on Medicare and Medicaid could be held to its 1991 share of GDP, output (real GDP) would be about 2.2 percent higher than the CBO baseline by the year 2002. Incomes (as measured by real gross national product) could rise even more — by about 2.4 percent — because saving costs on debt to foreigners would be reduced.⁶

Table 2: Projected Distribution of Federal Outlays.
(By Fiscal Year)

	1992	1994	1996	1998	2000	2002
In Billions of Current Dollars						
All Discretionary	541	539	554	584	616	650
Social Security	285	319	351	385	420	459
Medicare and Medicaid	198	259	329	405	495	608
[Medicare]	[130]	[167]	[211]	[259]	[316]	[389]
[Medicaid]	[68]	[92]	[118]	[146]	[179]	[219]
All Other Outlays	378	390	409	465	524	595
Total (including deposit insurance, net interest, and offsetting receipts)	1,402	1,507	1,643	1,839	2,055	2,312
In Percentages of Total Outlays						
All Discretionary	38.6	35.8	33.7	31.8	30.0	28.1
Social Security	20.3	21.2	21.4	20.9	20.4	19.9
Medicare and Medicaid	14.1	17.2	20.0	22.0	24.1	26.3
[Medicare]	[9.3]	[11.1]	[12.8]	[14.1]	[15.4]	[16.8]
[Medicaid]	[4.9]	[6.1]	[7.2]	[7.9]	[8.7]	[9.5]
All Other Outlays	27.0	25.9	24.9	25.3	25.5	25.7
Total (including deposit insurance, net interest, and offsetting receipts)	100.0	100.0	100.0	100.0	100.0	100.0

Source: Congressional Budget Office, *The Economic and Budget Outlook: An Update*, August 1992; *Economic Implications of Rising Health Care Costs*, October 1992; *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 1993.

Causes of the Growth in Health Spending

A variety of factors are typically cited as partial explanations for inefficiencies in the health care market and the special difficulties consumers may have in making market choices. For example, it is often noted that in seeking health care, Americans tend to possess far less information about the choices and costs of treatment than they do for other goods and services. They generally put themselves in the hands of a single medical provider whose judgments and recommendations they accept. Furthermore, they often do so in a time of relative urgency — they are generally ill or in pain. In addition, competition among health care providers is not uniform across the country. People in rural areas have far fewer choices of medical providers than do those in urban areas. Those whose medical costs are funded by public health insurance or health maintenance organizations are often restricted in their choices of providers and services.

But not all of these factors are unique to medical care. People seeking automobile repairs often turn to just one mechanic and are usually much less well-informed than the mechanic about the repairs that are necessary and the appropriate costs. The consumer also may consider the need for auto repairs urgent. Yet consumers can exercise decision-making power in this market, and the market does appear to work more efficiently than that of health care, despite the similarities.

Three other factors do have a special impact on the health care market and are of particular interest for federal budgeting. These factors are the expanding role of government financing; the impact of government tax policy; and — partly as a consequence of the two — the declining role of consumers in decisions about their own health care and health care spending.

1. The Growing Role of Government Financing

As noted above, the public sector has represented an increasing share of health spending over the past 30 years, largely through the expansion of health care programs such as Medicare and Medicaid. This trend will continue in the future. One affect of this trend has been an interference with fundamental market mechanisms that normally would restrain spending growth. As the Congressional Budget Office puts it:

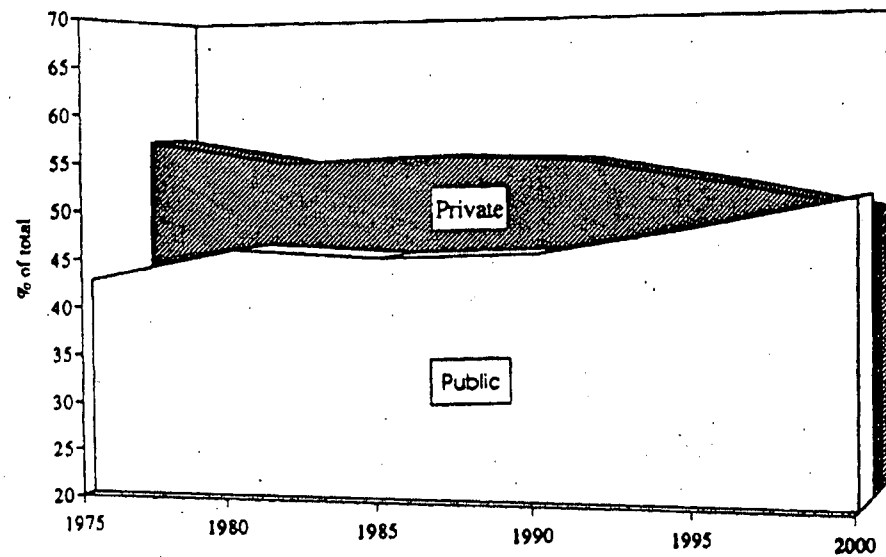
Although there is strong justification for government involvement in health care, this involvement may cause markets to work less well in conventional terms of efficiency. When the government subsidizes the purchase or becomes the insurer, the budget constraints on consumers of health care are relaxed and, as a result, lose some effectiveness in controlling less-valued spending. Likewise, federal budget constraints for health care do not operate with the same force as they do in the private sector or in much of the rest of the public-sector budget.⁷

In other words, government spending on health care is intrinsically less efficient than private-sector spending. Therefore, overall national health care spending is driven higher because of the government's growing participation in the market. CBO also writes: "Although these programs [government health programs] provide essential — and in some

cases life-saving — medical care to millions of people, the programs also dull the price signals from the health care markets, encouraging overuse of services.’⁸

In economic terms, “overuse” translates into higher spending. Considering that government has assumed an ever-increasing share of health care spending — now totalling about 42 percent of all national health care outlays — it seems clear that government spending is largely responsible for the overuse of health care services and, therefore, the rise in health costs. The government has essentially “bid up” the prices of the nation’s health care services.

Figure 2: Public versus Private Health Care Spending.
(As Percentages of Total Spending)



Source: *Statistical Abstract of the United States 1992*; Congressional Budget Office

Other cost-drivers in Medicare and Medicaid include the following:

- **Open Checkbooks.** Programs sponsored by the government tend to cover most of the services beneficiaries receive. This tends to discourage cost-consciousness on the part of consumers and providers when evaluating discretionary health care choices. The result is an overuse of government-financed services.
- **Increase in Services.** Policy-makers have expanded the medical services that will be financed by the government through both Medicare and Medicaid. In the case of Medicaid, the expansion of services beyond their original “safety-net” function has created a disincentive for recipients to leave the program because they then risk being left with no coverage.

- **Rising Prices.** Government health programs have had to respond to both medical inflation and general inflation in the economy.
- **Demographic Changes.** The aging of the U.S. population and extended life spans have increased the number of beneficiaries and the number of years for which their health care is financed by the government.
- **Fraud.** Fraud in the system cost the Federal Government an estimated \$8.58 billion to \$28.6 billion in 1993.⁹

Nor has the public sector been successful in restraining the growth of its own health expenditures. CBO notes that federal entitlement programs have tended simply to rise to meet increasing medical costs. This process clearly has maintained the spiral of rising health costs generally. When the government has attempted to limit spending on health care programs, it has relied mainly on two instruments: lowering reimbursements to hospitals and doctors and placing limits on the expansion of current health care programs. These efforts have had little, if any, discernible effect in reducing health expenditures. In 1983, Congress passed a new payment system for hospital reimbursement. The prospective payment system (PPS) designated 470 Diagnosis Related Groups (DRGs) and set flat fees for each group (with certain cost adjustments). The result was a change in the method of health care delivery, but no cost reduction. One effect of this change in payment is that hospital bed occupancy has steadily declined since 1983, but the intensity and volume of services have increased.

Various budget reconciliation acts have reduced reimbursement rates to doctors and other providers, but have not produced real savings. In some cases, reimbursement rates are now too low to cover the cost of providing services to Medicare patients. This forces cost shifting to private payers, driving up insurance rates. The 1990 Budget Reconciliation Act limited the expansion of entitlement programs, including Medicare and Medicaid, by enforcing a pay-as-you-go funding mechanism. Under the procedure, expansions of federal entitlement programs must be financed either by reductions in other entitlements or increases in taxes. This has done nothing, however, to limit spending increases in the programs that already exist.

Nevertheless, various reform proposals seek to expand the role of government, in most cases to provide insurance coverage to those unable to obtain insurance in the market. Among the government-oriented proposals are conversion to a Canadian-style "single-payer" system, and "play-or-pay" schemes that mandate employers to provide group insurance with an expanded government program to cover those still left unprotected. But the historical experience with government health programs gives ample reason to doubt that expanding the role of government will be consistent with the goal of slowing the upward spiral of health care costs.

2. Tax Policy

Government tax policy encourages employers to furnish health insurance to employees through deductibility of employer-paid premiums. The strategy has been effective in

expanding private health insurance to a large portion of the population. But the expansion has come with an economic price, as described in the following passage by CBO:

[Federal tax policy] has also encouraged inefficiency because of the resulting failure to confront choices. Favorable tax treatment of employer-paid health insurance premiums reduces the effective price and so increases the amount of health insurance through a hidden subsidy. Such tax breaks cause even higher levels of health expenditure at the expense of tax revenues that would otherwise be collected.¹⁰

The deductibility of premiums has helped promote health insurance arrangements that are not really insurance but are instead a costly system of prepaid health care (see the discussion of the consumer's declining role below). It also has distorted the perceived value of employer-paid health benefits. According to a study by the National Center for Policy Analysis, federal tax law makes \$1.44 of health benefits equivalent to a dollar of take-home pay for employees in the 15-percent tax bracket. This occurs because gross wages of \$1.44 would be reduced by 44 cents in taxes. This discrepancy is worse in the 28-percent tax bracket, where \$1.97 of health insurance benefits is equivalent to a dollar of take-home pay.¹¹ It is more valuable to the employee to demand a dollar more in health coverage than in wages. A March 30, 1993 *Medical Benefits* article¹² revealed the cost per employee of health benefits increased from \$1,724 in 1984 to \$3,968 in 1992 — a 130.2-percent increase in six years.

Tax deductibility is not available to the self-employed, who must pay the full cost of coverage with funds left over after taxes. Large corporations, meanwhile, bid up the price of health insurance through the use of the tax incentive, making coverage even more expensive for smaller businesses.

The structure of tax deductibility also favors the formation of employee-based insurance pools rather than other possible groupings. Many other kinds of insurance — automobile insurance, for example — are organized on the basis of regions. This makes possible the formation of larger and more diverse insurance pools. Such pools mitigate risks to the insurer, allowing for lower insurance premiums than might otherwise occur.

Tax deductibility also has had a significant impact on federal revenues. It is estimated that the effective subsidy of health insurance premiums through the tax code will total \$69.4 billion in FY 1994. When this amount is added to direct government outlays for health care, the government's share of health care financing nationally exceeds 51 percent.

It is desirable policy to continue using the tax code to promote the purchase of health insurance. If so, however, recognizing the economic effects of the current structure may help redesign the code for greater efficiency or equity. For example, expanding deductibility to individuals and the self-employed would help correct existing inequities and would lead to greater market efficiency. Tax deductibility also could be refined to encourage more cost-efficient kinds of insurance, such as coverage that protects against catastrophic costs but leaves consumers with more responsibility for discretionary, non-emergency, health care decisions.

3. The Declining Role of Consumers

Government spending and tax policies have contributed to a third, and crucial, problem: With respect to American health care, the principal market mechanism — the relationship between the consumer and the provider — has been distorted. Both public and private health insurance have tended to isolate and insulate consumers from making decisions about their own medical care — decisions that would require them to measure the benefits they expect against the prices they are willing to pay.

It is understandable that consumers should want protection from the catastrophic costs that come from, say, the need for major surgery or long hospital stays. But similar financial protections have extended to far more routine medical services — an arrangement that amounts to prepaid health care rather than health “insurance” comparable to other kinds of insurance. Consequently, the share of health care costs paid by consumers directly out of pocket declined from 45.7 percent in 1965 to 18.4 percent in 1992 (see Table 1, page 3 and Figure 3, page 11). CBO describes the impact as follows:

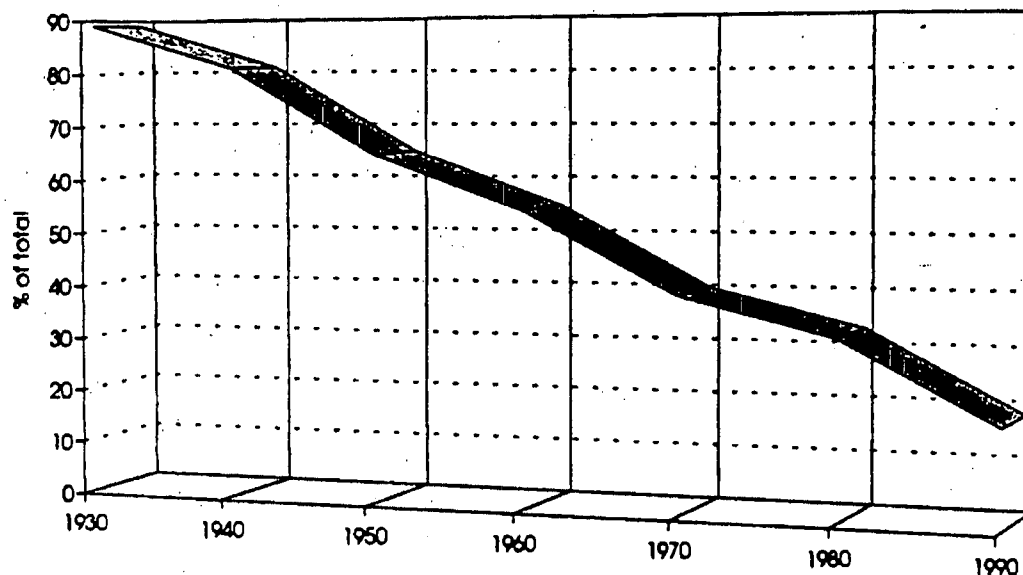
Most health payments are made by a third party — an insurance company or a government program — on a fee-for-service basis, and this reinforces the bias in health care toward higher spending and away from cost control. Neither the patient nor the doctor is likely to care much about the costs of the treatment at the point of service. Fee-for-service arrangements with distant third-party reimbursement ensure that patients have an incentive to accept, as well as providers have to offer, any treatment that may possibly have a positive benefit, with little regard for cost.

These features may encourage spending on health care procedures or services that cost more than the value consumers place on the benefits. The same features may spur the development and use of new, often expensive, medical technologies and drugs even when their benefits may be small compared with the costs. People who have insurance face a low out-of-pocket charge for health services at the point of delivery, and as a result go to doctors more often and have more tests and elaborate treatment than people who are faced with the full prices. One hypothesis is that cost-increasing technology raises the demand for health insurance and, hence, for health care, but the development of cost-increasing technology is itself encouraged by more extensive insurance. Together, it is argued, the two effects produce an upward spiral of health care costs. Because third-party reimbursement, based on provider charges, dominates the market, competitive pressures do not encourage the efficient provision of services. Doctors compete for patient loyalties, and hospitals compete for physician referrals but providers do not tend to compete with one another over fees.¹³

Once a third-party payer seeks to control costs — typically by limiting the kinds and amounts of services that will be financed — the patient begins to lose control over health care services. Negotiations over what services will be provided and at what costs take place between the provider and the payer; the patient is not a player in the process. This situation already occurs in many government and private insurance arrangements.

The most extreme form of third-party payment is a Canadian-style “single-payer” system, in which the government is the insurer. Just as in any third-party arrangement, controlling costs in a single-payer system, negotiations over costs involve the payer and the provider but not the patient. Because patients do not make the spending decisions involved in their treatments, they do not control the treatments they receive.

Figure 3: Percentages of Health Expenditures Paid Out of Pocket.
(As Percentages of Total Spending)



Source: The Heartland Institute, *Why We Spend Too Much on Health Care*, 1992.

To control spending, single-payer systems commonly resort to price controls or "global budgeting." If they did not take such steps, patients would tend to overuse services (because they are not paying the bills), leading to higher spending — spending that would quickly outpace any savings achieved by simplifying or streamlining the system's administration. *This is why resorting to a so-called "single-payer" system — or to other strategies that limit the number of insurance providers — cannot accommodate the twin goals of restraining the growth in spending levels and assuring the patients' control over their own health care decisions.*

Further limits on patient choices will be the certain result of arbitrary schemes such as price controls and global health care budgeting. *These mechanisms seek to limit the amount of aggregate health care spending on the surface, without addressing the factors that truly drive costs upward.* This inevitably leads to rationing of health care services, long waiting lines, and limits on advanced, and often life-saving, treatments. Equally important, it further deprives patients of control over their own health care, because their treatments are still governed, at least in part, by the price the provider receives for the service — and that price is determined by someone other than the patient.

The government is an especially strong contributor to this problem. Because it represents more than 50 percent of the nation's health care spending, the government is a massive

third-party payer (and one that is, as noted above, intrinsically less efficient than its private-sector counterparts). Furthermore, the government has no competitors, and therefore lacks any market incentive to become more efficient. This is another fundamental reason to doubt that broadly expanding government programs can successfully address the basic causes of rapidly rising national health care costs.

But appropriate alternatives to third-party payments — options that can slow the growth of health care spending and also maintain individuals' control over their own health care — involve shifting greater responsibility, and more of the costs, back to consumers. This probably would require higher deductibles in private and government insurance programs, especially for price-sensitive routine or non-catastrophic medical services.

To a large degree, this process already is occurring; insurers have for several years looked to adjustments in deductibles and copayments as methods of containing their own costs. But American consumers are not likely to welcome an expansion of this approach eagerly unless they recognize the personal benefits they would receive from it. Policy-makers will need to help consumers understand that only by assuming greater personal responsibility for their own health care can they achieve the benefits of both restraining the growth in costs and maintaining control over the services they choose. Alternatives that pledge both benefits without demanding greater consumer responsibility offer a promise that cannot be fulfilled.

Additional Concerns for Reform

1. Access to Health Insurance

Although access to health insurance is not a central theme of this analysis, it is an important and often-mentioned concern in the health care debate. But access to insurance is not distinct from issues of cost. Indeed, it is reasonable to conclude that if effective mechanisms for controlling costs were developed, the costs of health insurance could be moderated, making coverage available to a wider population. Hence, gaining control of rising health care costs can itself contribute to expanding access to insurance. Conversely, attempting to expand insurance coverage without genuinely addressing the cost-drivers described above will only transfer cost pressures elsewhere, resulting in rationing, slower improvements in the quality of care, and less control by consumers.

A few additional remarks about access to insurance also are appropriate.

Although a lack of *health insurance* does not necessarily deprive individuals of *health care* — medical ethics and the law require that persons who are without health insurance, or who are unable to pay for their own services, still receive health care when necessary — the uninsured can face considerable difficulties over their care. Some hospitals will not accept them. They are disinclined to seek health maintenance or preventive care, which can lead them to more serious health conditions which then require emergency treatments.

The children of the uninsured often do not receive immunizations and other regular treatments that are important to their development.

The costs of this uncompensated care are covered partially by Medicare and Medicaid payments to hospitals. Some costs also are shifted to private health plans. A certain percentage of every patient's bill can be directly attributed to the unrecovered cost of such services. This may not be the most desirable or efficient means of financing uncompensated care, and it certainly means that such patients have little control over the health care services they receive.

Second is the number of uninsured Americans. The commonly accepted figure asserts that about 37 million Americans have no health insurance all the time. But a U.S. Bureau of the Census report for the most current period for which reliable data are available — January 1987 through the fourth quarter of 1990 — offers the following breakdown:

- Sixteen million people (plus or minus 1.2 million) were uninsured for the entire year.
- Nine million (plus or minus 0.9 million) were uninsured for the full 28-month period of the study.
- Thirty-two million (plus or minus 1.2 million) were not covered by any kind of insurance on average in any given month.
- Seventy-nine percent (plus or minus 0.8 percent) of all people had continuous health insurance coverage for all of 1987.
- Fifty percent of the persons without health insurance coverage in the fourth quarter of 1990 were under the age of 25, a group that accounts for 36 percent of the entire population. This is also the age group that is just entering the job market and therefore subject to probationary waiting periods before becoming eligible for full work fringe benefits such as health insurance.¹⁴

The breakdown above is not intended to suggest that the problem of access to health insurance is unimportant. The intent is simply to show the true contours of the access issue so that policy reforms can be appropriately designed.

2. Other Factors

Various other factors complicate the problem of medical costs and access to health insurance. Although they are not the primary focus of this paper, they must be acknowledged. Among these factors are the following:

- **State Mandated Services.** States have established mandates that require specific kinds of benefits in health insurance plans sold within their borders. The well-intentioned original goal of these mandates was to protect consumers by ensuring that what they purchased truly was health insurance. But the number of mandates has tended to grow, sometimes requiring coverage that is not critical to entire populations.

Naturally, the expansion of mandates, by requiring greater coverage, has driven up premiums for health insurance.

Some employers escape state mandates by insuring themselves. With this approach, employers' health benefits are covered by the federal Employee Retirement Income Security Act (ERISA). This approach, however, is possible only for large companies that can pool sufficient resources to adequately protect their employees.

- **Malpractice and Defensive Medicine.** According to a study by Lewin-VHI Inc. of Washington D.C., the potential savings from reforming the medical malpractice system could range from \$7.5 billion to \$76.2 billion over five years. The savings would be achieved by discouraging "defensive medicine," which Lewin-VHI defines as "changes in practice carried out by health care providers for the sole purpose of avoiding malpractice claims."¹⁵
- **Pre-existing Conditions.** Many Americans have difficulty obtaining or keeping health insurance because of medical conditions that insurers consider too risky. The problem cannot easily be resolved. Requiring insurers to cover such persons would undoubtedly lead to higher premiums for other clients. Alternatively, the government could assume insurance responsibility for these individuals; but then other consumers would still finance the insurance through taxes rather than premiums. Public and social values support providing coverage for such persons. This is an area in which a government response may well be appropriate.

Reform Options

The preceding discussion should make it clear that two basic principles must guide any successful reform of the U.S. health care system. These principles are the following:

- ***The consumer's role in health care decision-making must be promoted.*** Not all consumers will make the wisest and most efficient choices at all times. But in the aggregate, the collection of choices freely made by consumers is the best mechanism for promoting efficiency in the health care economy. Furthermore, the only way to assure that patients control decisions about their own health care is by restoring their direct participation in making those choices.
- ***Restraint of government spending on health care can itself ease the upward pressure on national health costs.*** The expansion of government financing has coincided with the accelerated pace of health care cost increases. Government now finances more than 50 percent of the nation's health care. If government financing is not controlled, it will continue to fuel the upward spiral of health costs.

But controlling government spending in the proper way also is necessary. Arbitrary mechanisms, such as price controls and global budgeting, fail to address the

underlying causes of cost increases. Consequently, they only lead to rationing and to further limits on the consumer's control over health care. Government spending constraints must address the true cost drivers in health care, mainly by promoting the consumer's participation in the market.

The following account lists various options that would address reform issues analyzed in this paper:

1. Promoting the Consumer's Role

Although private health insurers must be the main players in this process, the Federal Government can legislate specific changes that boost the consumer's participation. Among these are the following:

□ MediSave Accounts

MediSave accounts would allow individuals to set up health saving accounts with tax free contributions from either the employer or the individual, or a combination of both. The individual would then purchase health insurance with a high deductible, and hold the balance of deposits in the account to pay for incidental medical expenses. Any unspent funds would roll over and accrue to individual.

Clearly, a central premise of MediSave is to promote the consumer's decision-making role in purchasing health insurance. To the extent that consumers shopped for policies that best served their needs, a degree of competition and cost-consciousness would be restored to the market. The strategy also could provide consumers with an economic incentive to look after their general health more carefully. Its roll-over provisions would allow consumers to accumulate savings in their overall health care spending — savings achieved through preventive care and health maintenance.

The National Center for Policy Analysis has argued that when consumers control their own health care dollars, as provided under MediSave, their increased cost-consciousness promotes competition and, therefore, lower prices in insurance premiums and health care services. The strategy also promotes the vitality of the doctor-patient relationship and tends to give patients more control over the services for which they choose to be insured.

The MediSave strategy is included in the Republican Leader's Task Force Health Care Reform legislation in the current Congress.¹⁶

□ Tax Deduction for the Self-Employed

This option, also contained in the Leader's Task Force plan, would make health insurance premiums paid by the self-employed 100 percent deductible. Policy-makers may also wish to refine the tax code so that deductibility applies to coverage that encourages the purchase of real health insurance — which would restore greater consumer responsibility in price-sensitive non-catastrophic services — rather than broad prepaid medical care coverage.¹⁷

□ **Medicare and Medicaid Health Allowance Checks**

When an individual goes into the hospital under a public insurance program such as Medicare, the doctor performs the procedures and the bill is sent to the insurance providers who administer the Medicare program under the Health Care Financing Administration (HCFA) in Washington. The bill is paid directly to the hospital and doctor and a dizzying array of bills and copies of bills are sent to the patient, billing him or her for various copayments and deductibles. The patient/consumer is basically at the mercy of the doctor, hospital, and HCFA.

Federal, state, and local government dollars could be re-packaged in such a way so that all senior citizens, poor people, and others deemed eligible for public insurance could receive money from the government based on their economic need. They also could receive a 100-percent tax deduction for the amount they would spend out-of-pocket for health insurance each year up to a national standard for basic health insurance coverage. In such an arrangement, each person could negotiate and bargain with a wide array of insurance companies and purchasing organizations to buy the best kind of health insurance for their own needs. This procedure boost competition and would restore the consumer's role in choosing health insurance.¹⁸

The principle works in the existing veterans program with the GI Bill. Each veteran gets an amount of money to attend any college he or she chooses. It also works in the VA Housing program, in which veterans can buy a house based on their choice, not what the government tells them they have to purchase.

□ ***Cutting Spending First***

The House Republican Budget Committee budget proposal for Fiscal Year 1994 — described in the 84-page document titled *Cutting Spending First* — called for \$93 billion in Medicare and Medicaid savings over five years. A central feature of these savings was the expanded use of deductibles and copayments by beneficiaries of these large health care programs.

Such an approach requires that beneficiaries assume more responsibility for their health care choices. But it maintains their control over those choices, producing savings in health care spending without sacrificing consumer choices.¹⁹

2. Controlling Government Spending

Slowing the growth of government spending in health care can by itself help slow cost increases generally by reducing demand. Among potential strategies are the following:

□ **Bringing Competition to Medicare and Medicaid**

Costs could be reduced by requiring the use of competitive, market-based systems to provide Medicare and Medicaid services. This could be done by integrating the two systems and then requiring health insurance providers to submit competitive bids for the right to serve Medicare and Medicaid patients. Competing for the contract for Medicare and Medicaid would provide a powerful incentive to hospitals, physicians,

and others to carefully consider the way they do business and take steps to reduce costs. Requiring providers to compete with one another would provide an incentive to cut their health care costs.

▣ **Income Testing Entitlements**

The current Medicare program provides the same level of coverage to all eligible participants regardless of income. Consequently, even wealthy individuals receive medical care at the expense of taxpayers.

Government health care costs could be reduced by targeting health care assistance to the most needy and requiring wealthier persons to assume more of their own costs. Income testing the Medicare hospital coverage deductible for those with adjusted gross incomes of \$100,000 or more would save \$1 billion in the next four years.²⁰

▣ **Managed Care for Medicaid**

The Arizona Health Care Cost Containment System (AHCCCS, pronounced "access") is run in the fashion of a health maintenance organization (HMO). Every person enrolled in the program joins a managed care plan, meaning a group of doctors and hospitals receive a fixed monthly sum for each patient they agree to treat. Every patient has a personal doctor. Patients and doctors are satisfied, and costs per patient are about 5 percent lower than in other states where the quality of care often is lower.

Arizona has the only state-wide Medicaid managed care demonstration project under waiver authority approved by the Secretary of Health and Human Services. According to the latest evaluation by the Health Care Financing Administration, AHCCCS has held down costs considerably compared to traditional fee-for-service Medicaid plans, despite enrollment increases. For the two years examined, FY 1990 and FY 1991, the average per capita cost increased 26 percent in AHCCCS compared to a 33-percent increase in traditional programs. Over the life of the demonstration (FY 1983 to FY 1991) the average annual increase in AHCCCS per capita cost was 6.8 percent, compared to 9.9 percent for a traditional Medicaid program.

States should be encouraged to pursue this option and not discouraged by a lengthy, tedious waiver application process. The Federal Government should explore broader application of managed care in the Medicaid program.²¹

▣ **Categorical Spending Targets for Health Entitlements**

In the case of Medicare and Medicaid, Congressional failure to contain spending over the past decade has led to a situation in which Medicare is growing 30 percent a year and Medicaid is growing at 18 percent a year. Categorical targets in these two federal health programs would force Congress to take action to deal with the underlying cost drivers in the health system. If no action is taken to reduce spending, reform existing programs or repeal coverage, the authorization committees would have to propose specific tax increases to finance the spending levels in excess of the targets. If such tax increases also were rejected, then a categorical sequester would take place only on the spending categories that exceeded the spending target for that year.

▫ ***Cutting Spending First***

As mentioned above, the House Republican Budget Committee proposal for FY 1994 recommended \$93 billion in Medicare and Medicaid Savings over five years. These savings could be achieved without any major overhaul of the health care system, and would ease upward pressure on national health care costs.²²

3. Other Potential Reforms

Various other reforms have been developed to address related problems in the health care market. Each can make a valuable contribution to reducing costs and improving access without price controls or other government interferences. Among them are the following:

▫ **State-Based Reforms**

Medicaid, being a shared federal-state program, binds states because the guidelines are mandated in Washington. To make substantial changes in the way it administers Medicaid, a state must obtain a waiver from the Health Care Financing Administration (HCFA), the department that oversees Medicaid and Medicare. This process is both lengthy and tedious both in obtaining the initial and then in retaining it. Enhanced Medicaid waiver authority would give states more flexibility to manage their health care needs and their budgets.²³

▫ **Fraud**

Although estimates are rough, losses due to health care fraud may range from 3 percent to 10 percent of the nation's total health care bill. This translates to somewhere between \$27 billion and \$91 billion being lost annually to schemes specifically designed to cheat the system. Legislation titled the Health Care Criminal Offense Act is being developed to specifically target the organized criminal activity in health care. This legislation will give law enforcement the tools it needs to strip away the financial motivation for this kind of criminal activity — namely asset seizure and forfeiture.²⁴ Such approaches already have proven successful in other areas.

▫ **Portability**

All Americans should have access to appropriate health care even if they have pre-existing conditions that deter insurers. The most effective method for reaching this goal is to place the purchasing power of health insurance with the individual, preventing cancellation as a part of a group, and policies that guarantee renewal. Pre-existing condition criteria, waiting periods, and portability issues would diminish with individual based policies. Portability is another health care issue addressed in the Republican Leader's proposed legislation.²⁵

▫ **Purchasing Groups**

To contain health care cost, pressure must be brought to bear on physicians, hospitals and other health care providers to lower their cost. Purchasing groups can often bring greater pressure on providers to be more cost conscious, thereby reaping savings for participants. Those participants might be individuals, families or small employers.

These arrangements also make health insurance more accessible to more people. Such plans already in existence have found lower health inflation, lower premiums, and increased access.

▫ **Legal Reform**

One possibility for easing the problem of malpractice and defensive medicine would be an arbitration system such as that proposed under the Medical Malpractice Reform Act of 1993. The Act calls for patients and medical providers to meet in binding arbitration in contested cases before resorting to the expensive process of lawsuits.

Reducing the risk of lawsuits would allow medical providers to focus on providing only those procedures that are medically necessary rather than providing a case history to protect the provider against potential lawsuits. Patients would also receive more immediate compensation for injuries caused by incompetence or negligence and a higher percentage of the claim than under current law.

Conclusion

This analysis has sought to focus on aspects of the health care market that lie within the expertise of the House Committee on the Budget. Specifically, the committee has a natural concern with the effect of rapidly increasing health care expenditures on the federal budget — and especially on future budget deficits.

The analysis has concluded that the rapid growth of government financing of health care has itself contributed to the rise in health care costs generally. Therefore, controlling government spending, if done properly, can ease upward pressure on health costs. The analysis also makes clear that a major problem in the American health care market is that consumers have been progressively insulated and isolated from their own health care decisions. The basic relationship between consumers and health providers must be revitalized if health care reforms are to achieve the twin goals of controlling costs and maintaining patients' control over their own care.

This discussion does not suggest that government should have no role at all in health care. Certain problems — such as insuring the poor and persons with serious health conditions who cannot find affordable coverage in the market — may demand a government response. But neither will additional resources offer the responses necessary. Problems with health care in the United States derive not from a lack of resources, but from inefficient use of the resources available. Health care reform can and should be financed out of existing resources, through greater efficiency in the use of those resources.

With all the above in mind, two fundamental points emerge from this analysis: policy-makers should not put government first in seeking solutions to the nation's health care problems; and true reform must include restoring personal responsibility and the vitality

of the doctor-patient relationship. Any reform attempts that circumvent these fundamental budgetary and economic factors will fail.

Budget Committee Republicans strongly recommend that these arguments be taken into account in any reform strategy, and stand ready to assist the Republican Leader's Task Force on Health Care in this effort.

Endnotes

1. Michel, Bob, et. al., the Action Now Health Care Reform Act (H.R. 101), 103rd Congress.
2. Congressional Budget Office.
3. Congressional Budget Office, *Projections of National Health Expenditures*, October 1992, p. 8.
4. Congressional Budget Office, *Economic Implications of Rising Health Care Costs*, October 1992, p. 8.
5. Committee for a Responsible Federal Budget, *Health Care Reform Project — Phase I: Cost Containment and Incremental Reform*, April 1993.
6. Congressional Budget Office, *Economic Implications of Rising Health Care Costs*, October 1992, p. 8.
7. Congressional Budget Office, *Economic Implications of Rising Health Care Costs*, October 1992, pp. 19-20.
8. *Ibid.*, p. 19.
9. According to the National Health Care Anti-Fraud Association, fraud accounts for 3 percent to 10 percent of health care spending. When applied to total national health spending, both public and private, these percentages would translate to \$27 billion to \$91 billion.
10. Congressional Budget Office, *Projections of National Health Expenditures*, October 1992, p. 11.
11. Gary Robbins, Aldona Robbins, John C. Goodman, *How Our Health Care System Works*, National Center for Policy Analysis, February 1993.
12. "1992 Health Care Benefits Survey: Medical Plans," *Medical Benefits*, March 30, 1993, p. 2.
13. Congressional Budget Office, *Projections of National Health Expenditures*, October 1992, pp. 10-11.
14. Short, Kathleen, "Health Insurance Coverage 1987-1990: Selected Data from the Survey of Income and Program Participation," *Current Population Reports, Household Economic Study* (Series P-70, No. 29), Department of Commerce Economic and Statistics Administration, Bureau of the Census.
15. Rubin, Robert J., M.D., and Mendelson, Daniel N., *Estimating the Costs of Defensive Medicine*, Lewin-VHI Inc., January 27, 1993.
16. Michel, Bob, et. al., the Action Now Health Care Reform Act (H.R. 101), 103rd Congress.
17. *Ibid.*
18. For a discussion of this arrangement as it would apply to Medicaid, see *Bridging the Gap: Health Care Coverage for Low-Income Families*, by the House Wednesday Group, March 30, 1992, p. 23.

19. See *Cutting Spending First*, by the Republican Members, House Committee on the Budget, March 10, 1993, pp. 31-39.
20. See *Cutting Spending First*, pp. 33-34.
21. See *Cutting Spending First*, p. 32.
22. *Cutting Spending First*, pp. 31-39.
23. See the Action Now Health Care Reform plan.
24. See Kolbe, Jim, et. al., the Health Care Fraud Act (H.R. 4930), 102nd Congress.
25. Michel, Bob, et. al., the Action Now Health Care Reform Act.

Appendix I

Myths and Facts about Health Care

The American public and its leaders seem to have reached similar conclusions on the major problems facing the health care system — soaring spending and inappropriate coverage. But just below the surface, this consensus breaks down and confusion abounds. The following myths and facts may help clarify some of these misunderstandings.

MYTH #1: Thirty-seven million Americans permanently lack health insurance coverage.

FACT: According to a U.S. Bureau of the Census Current Population Report written by Kathleen Short, for the most current period of time for which reliable data is available, January 1987 to the fourth quarter of 1990, the following facts are:

- Sixteen million people (plus or minus 1.2 million) were uninsured for the entire year.
- Nine million people (plus or minus 0.9 million) were uninsured for the full 28-month period of the study.
- Thirty-two million people (plus or minus 1.2 million) were not covered by any kind of insurance on average in any given month.
- Seventy-nine percent of all people (plus or minus 0.8 percent) had continuous health insurance coverage over the entire 1987 year.
- Fifty percent of the persons without health insurance coverage in the fourth quarter of 1990 were under the age of 25, an age group that accounts for 36 percent of the entire population. This is also the age group just entering the job market and subject to probationary waiting periods before becoming eligible for full fringe benefits.

This is not to suggest that the problem of the uninsured is unimportant. Regardless of the number, the uninsured often can face difficulties with their care. Some hospitals will not accept them. They are disinclined to seek health maintenance or preventive care, which can lead them to more serious health conditions which then require emergency treatments. The children of the uninsured often do not receive immunizations and other regular treatments that are important to their development. The details above are intended simply to illuminate the characteristics of the uninsured population.

MYTH #2: Not enough resources are being spent on health care in America.

FACT A: America will spend close to \$998 billion, or more than 15 percent of Gross Domestic Product (GDP) on health care in FY 1994. This represents a per capita expense of about \$3,992. This is more than 25 percent higher than the next industrialized country, Canada, which spends 11 percent of GDP on health care.

FACT B: Medicare cost per enrollee for FY 1994 is expected to be more than \$5,235.

FACT C: Medicaid cost per recipient for FY 1994 is expected to be more than \$6,461. The federal share is about \$3,615; the state and local matching share is more than \$2,884.

MYTH #3: There is not 100-percent access to health care in America today.

FACT: Individuals who do not have any health insurance or health coverage or are unable to pay currently receive care by law. These costs are covered partially by Medicare and Medicaid payments to hospitals and cost shifting to private health plans. A percentage of every patient's bill can be directly attributed to the unrecovered cost of such services.

This does not mean, however, that the lack of insurance among some Americans, is not a problem. Although a lack of *health insurance* does not necessarily deprive individuals of *health care* — medical ethics and the law require that persons who are without health insurance, or who are unable to pay for their own services, still receive health care when necessary — the uninsured can face considerable difficulties over their care.

MYTH #4: Poor people receive most of the federal entitlement dollars budgeted for health care.

FACT A: People making more than \$30,000 of income received close to 40 percent of all Medicare dollars, or more than \$60 billion, allocated in FY 1993.

FACT B: Less than 42 percent of the Medicaid budget goes directly for health care for recipients; the bulk of the Medicaid budget goes to hospitals and providers each year in the form of grants or allowances for construction and other projects.

MYTH #5: Medicare beneficiaries pay the full cost of Medicare through their Part B (SMI) premiums for physicians services at a cost of \$36.60 per month.

FACT A: The federal taxpayer subsidizes 75 percent of the cost of Medicare Part B through general revenues, or more than \$133 billion for FY 1994.

FACT B: When Medicare was passed into law in 1965, half of Part B coverage was paid by the enrollee through a premium, and half was paid by the government. If the original ratio were still in place today, \$77.6 billion would be saved over the next five years according to CBO. Part B premiums would be \$73.20, rather than \$36.60, per month.

FACT C: The market value of a health insurance plan similar to that received by a Medicare beneficiary could range from \$350 to \$700 per month or more in the market.

MYTH #6: Most of the federal entitlement health program money goes toward routine primary physician health care, disease prevention and wellness.

FACT: Twenty-eight percent of the Medicare budget is spent on recipients in the last year of a beneficiary's life with the majority of it being spent in the last 30 days.

MYTH #7: The eligibility age for Medicare is due to go up to age 67 when the eligibility age for Social Security goes up.

FACT A: The eligibility age for Medicare is *not scheduled to increase*. Social Security is scheduled to begin to go up in the year 2000 by two month increments per year until 2005 when age 66 will be the retirement age until the year 2016. Then it will go up again in two month increments per year until the retirement age for Social Security becomes age 67 in the year 2022.

FACT B: If the eligibility age for Medicare were to rise from age 65 to age 67 on January 1, 1994, \$77.7 billion would be saved over the next five years according to CBO.

MYTH #8: The cost of medical malpractice in the medical care system is very small, accounting for less than \$1 billion per year.

FACT: According to a study by Lewin-VHI Inc. of Washington D.C., the potential savings from reforming the medical malpractice system could range from \$7.5 billion to \$76.2 billion over five years. The savings would be achieved by discouraging "defensive medicine," which Lewin-VHI defines as "changes in practice carried out by health care providers for the sole purpose of avoiding malpractice claims."

RELIABLE:

Abercrombie	(D-HI)	-Armed Services; Natural Resources
Ackerman	(D-NY)	-Foreign Affairs; Merchant Marine and Fisheries; Post Office & Civil Service
Clyburn	(D-SC)	-Public Works and Transportation; Veterans Affairs; <i>Congressional Black Caucus</i> ; Freshman
C. Collins	(D-IL)	- Energy and Commerce ; Government Operations; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i>
Engel	(D-NY)	- Education and Labor ; Foreign Affairs
Evans	(D-IL)	-Armed Services; Natural Resources; Veterans' Affairs
Frank	(D-MA)	-Budget; Public Works and Transportation
Gejdenson	(D-CT)	-Foreign Affairs; House Administration; Natural Resources
Kennedy	(D-MA)	-Banking, Finance and Urban Affairs; Veterans' Affairs
Lewis	(D-GA)	-District of Columbia; Ways & Means; <i>Congressional Black Caucus</i>
Manton	(D-NY)	- Energy & Commerce ; House Administration; Merchant Marine & Fisheries
Markey	(D-MA)	- Energy & Commerce ; Natural Resources
Moakley	(D-MA)	-Rules (chairman)
Pelosi	(D-CA)	-Appropriations; Select Intelligence; Standards of Official Conduct; <i>Congressional Caucus for Women's Issues</i>
Sabo	(D-MN)	-Appropriations; Budget (chairman)
Schumer	(D-NY)	-Banking; Finance & Urban Affairs; Foreign Affairs; Judiciary
Scott	(D-VA)	- Education & Labor ; Judiciary; Science, Space & Technology; <i>Congressional Black Caucus</i> ; Freshman

Studds (D-MA) -Energy & Commerce; Merchant Marine & Fisheries
(chairman)

Swift (D-WA) -Energy and Commerce; House Administration

MORE INCLINED:

Andrews	(D-ME)	-Armed Services; Merchant Marine and Fisheries; Small Business
Becerra	(D-CA)	- Education and Labor ; Judiciary; Science Space and Technology; <i>Congressional Hispanic Caucus</i> ; Freshman
Beilenson	(D-CA)	-Budget; Rules
Berman	(D-CA)	-Budget; Foreign Affairs; Judiciary; Natural Resources
Blackwell	(D-PA)	-Budget; Public Works and Transportation; <i>Congressional Black Caucus</i>
Borski	(D-PA)	-Foreign Affairs; Public Works and Transportation; Standards of Official Conduct
Brown	(D-CA)	-Agriculture; Science, Space & Technology (chair)
Clayton	(D-NC)	-Agriculture; Small Business; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i> ; Freshman
B.R. Collins	(D-MI)	-Government Operations; Post Office and Civil Service; Public Works and Transportation; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i>
Coyne	(D-PA)	-Budget; Ways and Means
Dellums	(D-CA)	-Armed Services (Chair); <i>Congressional Black Caucus</i>
de Lugo	(D-VI)	- Education and Labor ; Natural Resources; Public Works and Transportation
Dixon	(D-CA)	-Appropriations; Select Intelligence; <i>Congressional Black Caucus</i>
Edwards	(D-CA)	-Foreign Affairs; Judiciary; Veterans' Affairs
Faleomavaega	(D-AS)	- Education and Labor ; Foreign Affairs; Natural Resources
Flake	(D-NY)	-Banking, Finance, and Urban Affairs; Government Operations; Small Business; <i>Congressional Black Caucus</i>

Furse	(D-OR)	-Armed Services; Banking, Finance & Urban Affairs; Merchant Marine & Fisheries; <i>Congressional Caucus for Women's Issues</i> ; Freshman
Gutierrez	(D-IL)	-Banking, Finance and Urban Affairs; Veterans' Affairs; Freshman
Hamburg	(D-CA)	-Merchant Marine and Fisheries; Public Works and Transportation; Freshman
Hilliard	(D-AL)	-Agriculture; Small Business; <i>Congressional Black Caucus</i> ; Freshman
Hochbrueckner	(D-NY)	-Armed Services; Merchant Marine & Fisheries
Lantos	(D-CA)	-Foreign Affairs; Government Operations
Martinez	(D-CA)	- Education & Labor ; Foreign Affairs; <i>Congressional Hispanic Caucus</i>
McCloskey	(D-IN)	-Armed Services; Foreign Affairs; Post Office & Civil Service
McDermott	(D-WA)	- Ways & Means ; District of Columbia; Standards of Official Conduct (chairman)
McKinney	(D-GA)	-Agriculture; Foreign Affairs; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i> ; Freshman
Meek	(D-FL)	-Appropriations; <i>Congressional Caucus for Women's Issues</i> ; <i>Congressional Black Caucus</i> ; Freshman
Miller	(D-CA)	- Education & Labor ; Natural Resources (chairman)
Mink	(D-HI)	- Education & Labor ; Budget; Natural Resources
Murphy	(D-PA)	- Education & Labor ; Natural Resources
Norton	(D-DC)	-District of Columbia; Post Office & Civil Service; Public Works & Transportation; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i>
Oberstar	(D-MN)	-Foreign Affairs; Public Works & Transportation
Olver	(D-MA)	-Appropriations

Owens	(D-NY)	- Education & Labor ; Government Operations; <i>Congressional Black Caucus</i>
Rangel	(D-NY)	-Ways & Means; <i>Congressional Black Caucus</i>
Romero-Barcelo	(D-PR)	- Education and Labor ; Natural Resources; <i>Congressional Hispanic Caucus</i> ; Freshman
Roybal-Allard	(D-CA)	-Banking, Finance & Urban Affairs; Small Business; <i>Congressional Hispanic Caucus</i> ; <i>Congressional Caucus for Women's Issues</i> ; Freshman
Reynolds	(D-IL)	- Ways & Means ; <i>Congressional Black Caucus</i> ; Freshman
Rush	(D-IL)	-Banking, Finance and Urban Affairs; Government Operations; <i>Congressional Black Caucus</i> ; Freshman
Stark	(D-CA)	- Ways & Means ; District of Columbia (chairman); Joint Economic
Stokes	(D-OH)	-Appropriations; <i>Congressional Black Caucus</i>
Thompson	(D-MS)	- <i>Congressional Black Caucus</i> ; Freshman
Torres	(D-CA)	-Appropriations; <i>Congressional Hispanic Caucus</i>
Towns	(D-NY)	- Energy & Commerce ; Government Operations; <i>Congressional Black Caucus</i>
Tucker	(D-CA)	-Public Works & Transportation; Small Business; <i>Congressional Black Caucus</i> ; Freshman
Underwood	(D-GU)	-Armed Services; Natural Resources; <i>Congressional Hispanic Caucus</i> ; Freshman
Velazquez	(D-NY)	-Banking, Finance & Urban Affairs; Small Business; <i>Congressional Hispanic Caucus</i> ; <i>Congressional Caucus for Women's Issues</i> ; Freshman
Vento	(D-MN)	-Banking, Finance & Urban Affairs; Natural Resources
Washington	(D-TX)	- Energy & Commerce ; Government Operations; Judiciary
Watt	(D-NC)	-Banking, Finance and Urban Affairs; Judiciary; Post Office and

Civil Service; *Congressional Black Caucus*; Freshman

Woolsey (D-CA) -**Education & Labor**; Budget; Government Operations;
Congressional Caucus for Women's Issues

Yates (D-IL) -Appropriations

NEED WORK:

Clay	(D-MO)	- Education and Labor ; House Administration; Post Office and Civil Service (Chair); <i>Congressional Black Caucus</i>
Conyers	(D-MI)	-Government Operations (Chair); Judiciary; Small Business; <i>Congressional Black Caucus</i>
Gibbons	(D-FL)	- Ways & Means ; Joint Taxation
Hinchey	(D-NY)	-Banking; Finance & Urban Affairs; Natural Resources; Freshman
LaFalce	(D-NY)	-Banking; Finance & Urban Affairs; Small Business (chairman)
Maloney	(D-NY)	-Banking; Finance & Urban Affairs; Government Operations; <i>Congressional Caucus for Women's Issues</i> ; Freshman
Mfume	(D-MD)	-Banking; Finance & Urban Affairs; Joint Economic; Small Business; Standards of Official Conduct; <i>Congressional Black Caucus (Chair)</i>
Nadler	(D-NY)	-Judiciary; Public Works & Transportation; Freshman
Payne	(D-NJ)	- Education & Labor ; Foreign Affairs; Government Operations; <i>Congressional Black Caucus</i>
Serrano	(D-NY)	-Appropriations; <i>Congressional Hispanic Caucus (Chair)</i>
Waters	(D-CA)	-Banking, Finance & Urban Affairs; Small Business; Veterans' Affairs; <i>Congressional Black Caucus</i> ; <i>Congressional Caucus for Women's Issues</i>

Talking Pt

C O N G R E S S I O N A L S T R A T E G Y

GOAL

To Achieve a Sufficient Amount of Congressional Support to Pass an Acceptable Health Reform Initiative

STEPS TO ACHIEVE GOAL

1. Incorporate Congress into Process. Develop and implement an active Congressional outreach process that incorporates and invests Members into policy development. (Give status).
2. Give Progress Reports Regularly and Consult Before Introducing/Unveiling Bill. The Congress, like the general public, needs to feel that there is progress and they are contributing to it. (Process Advocated by Andi).
3. Consult with and Don't Underestimate Interests Congress Cares About. Build on the environment of open Congressional consultation by making certain the groups and interests (noble and otherwise) that the Members care about have at least the perception that they too are being seriously consulted.

As difficult as the provider groups will be, they will be nothing next to the aging groups, the rural advocates, the small businesses, unions and the Governors. These are the groups the media and your Congressional detractors would love to see you have a battle with. These are also the groups that the Congress would like hide behind if they have another reason to not support. (This is extremely difficult and involves a great deal of cooperation and coordination between (1) Carol Rasco, Ira Magaziner, Judy Feder and the policy development folks, (2) legislative affairs, (3) intergovernmental affairs, (4) public affairs, (5) public liaison, (6) the DNC, and (7) the relevant Departments and Agencies).

4. Tap and Use Friendly Members and Committees. Most Members would loved to be called and asked to hold a hearing to keep a particular issue or bad guy in the headlines, or to make a statement/appearance in support of the Administration.
5. Create Environment in General Public that Inaction or Incremental Reform is Unacceptable. In the end, Congress responds to what it believes its constituents want. The general public desperately wants something, but does not know what it is and is extremely vulnerable to suggestion. The public affairs part of this effort, therefore, is critical. If this effort is unsuccessful, than the myriad of health care interests will excessively influence the debate in Congress. The only suggestion here is to be cognizant of where public events are held and give Members of Congress (and state and local officials as well) the opportunity to be seen in the picture.
6. Understand that Most Members Won't Sign Off on Anything Until they have Seen the Response to the Proposal. We must get as many Members to support our proposal from the beginning as possible. However, despite everything you and we do, it is important to know that most Members won't jump into the debate with you until after you have jumped in. That is why the next point is critical.
7. The Unveiling of the Proposal is Just the Beginning. Members will demand and have hearings held. Detractors will have opportunity to engage in assault. Many in Congress will want to significantly alter the package, while many others may choose that the best course of action is to hide behind the protection of the statement, "it's the President's proposal and we must be loyal.
8. Legislative Strategy Must Be Developed. If the decision is that the access/coverage provisions must be in place within the early years, it seems almost impossible to see how anything other than a reconciliation approach will work.
9. Message That No One Will Like Everything and We Will Be Reforming the Reform Must Be Given. Nothing will be perfect, but we can't accept nothing anymore.

IN THE END, WE NEED TWO POPULATIONS (don't care about break-down)

1. Those Members who are on board because they support the proposal or want to be associated with it.
2. Those Members who are on board because they are afraid of consequences of opposing it.

Conclusion

To achieve all of the above, we must work closely with HHS Secretary Shalala and her Assistant Secretary for Legislation, Jerry Klepner. Jerry has already indicated his willingness to provide the resources of the Department to assist in developing legislative strategy, analyzing internal (Administration) and external (congressional) legislative initiatives, and assisting setting up the data base for the Health Task Force War Room that Mike Lux will talk about later. Since I am working for the Department and have a good working relationship with Jerry, both Melanne and I are very optimistic about this working out.

To achieve success on my end, I will have to have access to a number of resources that are currently unavailable. I have outlined them in the longer memo and don't believe it is necessary to detail them at this time.

* Immediate Scheduling:

- House Majority Leadership and Member Meeting (to follow up the Senate meeting.
- Currently Scheduling a Republican Meeting as well

Withdrawal/Redaction Sheet

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001. memo w/attach	Chris Jennings Re: Congressional Requests/Events (5 pages)	7/22/93	P5

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Domestic Policy Council
Chris Jennings (Health Security Act)
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July 1993 HSA [1]

Gary Foulk

g194

RESTRICTION CODES

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

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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RR. Document will be reviewed upon request.

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: MT Date: 8-15-05

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton/Patti Solis
FR: Chris Jennings
RE: Congressional Requests/Events
cc: Melanne, Steve R.

July 22, 1993

Attached for your review is a summary of our highest priority, pre-August recess Congressional meeting requests. You will be familiar with most of the meeting requests outlined. A number of them have been on hold for some time now and, for those that you approve, it would be greatly appreciated if we could get them scheduled as quickly as possible.

In the "reconciliation-only" environment, there is understandable sensitivity by everyone within the White House about any meeting with Members that has any distraction potential. For example, one of the last requests outlined --the Caucus-- has already raised some concern with Howard's shop, and it may fall into this category.

Patti, give me a call if you have a need for any additional information at ext. 2645. Thanks for your assistance.

Congressional Request	Rational for Meeting	Time Frame	Staff Contact
Senate Small Business Committee (Bi-Partisan)	In response to request from Sen. Bumpers and to illustrate HRC's knowledge about and concern for small businesses.	July 27th or July 28th at lunch	Ann Logan or Laura Lecky 225-5175
Education and Labor Committee (Democrats)	In response to long-standing invitation from Chairman Ford and to hold meeting with the one major committee of jurisdiction the HRC has yet to meet.	Anytime on Tuesday, Wednesday, or Thursday during week of July 26th that is convenient with both HRC's and the Chairman's schedule.	Patricia Rissler 225-4527
Majority Leader Gephardt, Majority Leader Mitchell(?), Senator Daschle	Establish structure of and use of Health Care University for Members.	Tuesday at 5:00	Rima Cohen 224-2321
Cong. Bill Clay, Chairman of the House Post Office and Civil Service Committee	Response to long-standing invitation from Chairman Clay to discuss integration of federal employees health benefits into the health reform structure.	Anytime on Wednesday or Thursday during week of July 26th that is convenient with both HRC's and the Chairman's schedule.	Gail Weiss 225-4054

House Small Business Committee (Democrats and possibly Bi-Partisan)	Response to long-standing invitation from Chairman John LaFalce and for same reasons as outlined for Senate Small Business Committee.	Thursday, July 29th or early in the following week	Donald Terry 225-5821
Senator Bob Dole	We have not met on health care issues with Senator Dole for months, and a meeting would be advisable, if for no other reason than to attempt to create an environment in which he might tone down his criticism of the President's plan when initially released. In addition, ongoing separate meetings with Senate Republicans will be sure to raise hostility from Dole if he believes he is being subverted.	Late in week of July 26th or early in following week Under any scenario, if HRC approves, please contact Dole Office sometime this week.	Shiela Burke 224-2105
Combination Meeting with House Tuesday and House Wednesday Republican Groups	In response to invitation extended by Congressman Machtley (R-RI), who chairs the Tuesday Group, when he met with Ira recently. In combination, the Tuesday and Wednesday groups represent the most moderate Republicans in the House. It is advisable to interact with these members prior to the August recess because it will be unlikely that we will have time to met with them in September.	If possible, during the week of the July 26th or the following week.	Tim Meyer Office of Rep. Machtley Office 225-4901 Also, coordinate with Wednesday Group
Two Joint House Congressional Message Group Meetings	Continuation of HRC's involvement with the development of the health care reform message.	July 28th and August 4th at 12:30	Debra Silimeo 224-2322

Senate Democratic Policy Meeting	Response to Sen. Daschle's request for a presentation by HRC to the rank and file members on health care reform and small business.	Uncertain	Debra Silimeo 224-2322
Senator Rockefeller Meeting	To go over the details of where we stand on policy. We will benefit from both his guidance in this area, and he will be appreciative of our responding to his long-standing request to do this.	Week of August 2nd for a 2 hour time slot.	Tamera Stanton 224-6742
Congressional Leadership "friends of health care" meeting -- Gephardt, Mitchell, Bonior, Daschle, Pryor, etc. (Small).	To politically and substantively "vet" the policy currently under consideration and to get guidance prior to these Members' departure in August. It is advisable not to go to non-congressional leadership Members for this meeting because those Members we do not invite will feel slighted.	Week of August 2nd if these Members are available.	Chris J. X-2645
Reps. Kennelly, Matsui, Cardin, Levin(?), Hoagland, and Neal	These influential members of the House Ways and Means Committee want to meet with HRC in order to have a political discussion on how to get the support of this Committee for health reform.	Anytime in the next two weeks.	David Buonora 225-2265

House Leadership	Majority Leader Gephardt's Office has requested that HRC hold a meeting with the House Leadership (ie Foley Gephardt, Bonior, Rostenkowski, Dingell, Ford, Stark, Waxman, and Williams) prior to the August recess. (This meeting should at least be offered to the Leadership if the Democratic Caucus meeting --see below page-- does get scheduled.)	Week of August 2nd Status of this meeting request is uncertain pending discussions with Howard and Steve.	Andie King 225-0100
House Caucus	The House Caucus has requested that HRC address them on the political need and attractiveness on health care prior to August recess. This request is now on hold pending internal and Caucus decisions as to whether a pre-reconciliation-passage meeting is advisable. If the meeting occurs, the Caucus might like to follow it up with a few presentations that represent the kick-off of the Health Care University presentations.	July 30th, tentatively.	Melissa Schulman 226-3210
House Energy and Commerce Committee and Subcommittee (?)	Rep. Waxman has requested that HRC meet with the full committee or, perhaps, the Health Subcommittee to bring them up to date on the legislation and to calm their nervousness about the comprehensiveness of the plan and the utility of the plan for helping low-income Americans.	Anytime in the next two weeks.	Karen Nelson 225-0130

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Richard A. Veloz to Chris Jennings, Ira Magaziner Re: Meeting Request with Hillary Rodham Clinton (1 page)	7/13/93	P5
002. memo	Maureen Shea to Anne Bartley, Steve Edelstein, Chris Jennings, Melanie Ververr Re: Discussion with Judy Lichtman, WLDF, and Others (2 pages)	7/12/93	P5
003. political material	Democratic Congressional Campaign Committee - Health Care Campaign Packet (23 pages)	nd	Personal Misfile

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

July 1993 HSA [3]

Gary Foulk

gf95

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

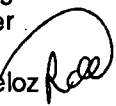
Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Initials: DT Date: 8-16-05

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

To: Chris Jennings
Ira Magaziner

From: Richard A. Veloz 

Re: Meeting request with Hillary Rodham Clinton

Date: July 13, 1993

It is my understanding that the First Lady will be in Los Angeles the latter part of this week. I recommend that if at all possible, it would be important for the First Lady to have a **PRIVATE** meeting with Supervisor Gloria Molina during this visit. The purpose of this meeting would be for Ms. Clinton to learn, first hand from Ms. Molina, the special health care needs of the largest and most diverse counties in this country. Because the size, demographics, and economic pressures facing Los Angeles are so complex and in many ways unique (immigrant entry port, cultural and language differences, provider uncompensated care burden) the proposed health care reform package can and will have tremendous economic and political impact here.

As I am sure you are aware, Supervisor Gloria Molina was a Clinton Presidential Campaign Co-Chair. She is a well respected and a nationally renown public official and especially amongst Latinos and Women is regarded as an influential opinion leader. I recommend that Ms. Clinton meet with Ms. Molina for the following reasons:

- Supervisor Molina represents approximately 1.8 million residents. This figure does not include the undercount of undocumented residents.
- Supervisor Molina represents more Latino citizens than any other elected official in this country.
- L.A. County has a large percentage of under and uninsured residents that are severely impacting on the county's budget.

Because of her status within the Latino community, her support for the Clinton presidency, and her understanding of the economic and political constraints of the health care needs of L.A. county residents, as well as the health care needs of the Latino community, this exchange of information would be invaluable. In addition, her views, ideas and opinions will provide the First Lady with insight on the Latino and underserved population's response to the President's National Health Care Proposal.

Because of the sensitive nature of the local politics I recommend that if a **private** meeting cannot be arranged at this time it is probably best to follow up on this issue during a different visit.

TO: ANNE BARTLEY, STEVE EDELSTEIN, CHRIS JENNINGS, AND
MELANNE VERVERR

FROM: MAUREEN SHEA

DATE: 7/12/93

RE: Discussion with Judy Lichtman, WLDF, and others

Today I had lunch with Judy and two of her staff plus Joanne Howes of Bass & Howes. I had asked to meet with Judy specifically to discuss F&ML and the political insights on members gathered in that seven year battle. I was clear that I do neither substance nor strategy on health care.

As you have guessed, their agenda and mine were not the same. I write this bloodied but unbowed! The addition of Joanne was the first clue that they wanted to send a message - using me as one of what I suspect are many messengers - to the White House. The rest was less subtle. Their message was, is, and I fear will be:

I. While they believe there are women who could for the first time be mobilized around the issues of women's health as contained in the health care package, that will only happen if comprehensive reproductive rights are included, because: one, those previously unmobilized women care about choice; and/or two, the leaders will abandon the mobilization effort if they are not happy with the handling of choice in HCR no matter what the newly mobilized women might want or think.

II. The groups will use reproductive rights in HCR as an organizing/membership tool - with the White House as the good guy or the bad as they see fit.

III. The only message they are getting from the White House is that there will be a compromise on choice. They either get their package in toto or they don't support health care reform. Health care reform without comprehensive reproductive rights is not reform.

IV. As the recent Hyde vote and debate and defection of Sen. Mosely-Braun demonstrate, the schism between the middle class and the poor on abortion, particularly minorities, is a painful one and getting worse. Compromise will mean the poor don't have a choice while the middle class do. Thus, compromise is unacceptable because it will leave the poor out.

V. The White House backed down on the Hyde vote and the groups fear that even if they like the reproductive parts of HCR, the White House won't sustain that fight in Congress. The groups will judge the White House actions there and act accordingly.

Needless to say, I've had more fun lunches. I did not feel it my

place to argue. However, having bitten my tongue throughout, I did ask the following - could they count a majority of the House who would vote for health care reform with the comprehensive reproductive rights package they support. That question did induce the only moment of silence. Judy finally said yes, with a closed rule and no Hyde/Natcher shenanigans.

I also told them that on a personal level, I felt I was not alone in believing that health care reform, even with a compromise on reproductive rights, was of singular importance to women, and needed to be passed. Needless to say, that launched another tirade on it's not reform without full reproductive rights.

Frankly, I was angry at beintg set up - this not being the "intelligence gathering" I had asked for - and saddened by their arguments. I fear the Lani Guinier episode still festers and is adding to the negative tone. That may be helped a bit by a strong stand in support of Dr. Elders.

While Joanne was a bit softer than the others, I was discouraged about any chance at all for a broad-based mobilization of women on health care without comprehensive reproductive rights as a key item. Or at least such a mobilization being undertaken by any of the leaders to whom we would normally turn.

I think Donna Lenhoff of WLDF has helpful information on F&ML and Joanne on fetal tissue/NIH but I will not followup without your okay.

We are off the 14th and I will call my leader, Steve, when we return next week.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Meeting with House Small Business Committee (16 pages)	7/27/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

July 1993 HSA [4]

Gary Foulk

gf96

RESTRICTION CODES

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

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PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Meeting with the House Small Business Committee
cc: Melanne, Steve, Lorraine, Distribution

July 27, 1993

Tomorrow you are scheduled to meet with Congressman John LaFalce and the bipartisan membership of his Small Business Committee. This is in response to a longstanding request from the Congressman for such a meeting, which he also relayed to you personally when he met with you on June 29th.

BACKGROUND:

This meeting is part of an ongoing outreach effort to the Chairman and to his committee. In addition to your meeting with Congressman LaFalce a month ago, Ira has also met with him, we have held a small meeting with his committee staff and also had Ken Thorpe brief the staff of the members who serve on the Committee.

As you recall, Congressman LaFalce is a cosponsor of the McDermott single payer bill. He feels that it is very important to break the link between employment and health care. His upstate New York district, which includes Niagara Falls, lies on the Canadian border. His constituents have a familiarity with the Canadian system (often through friends and relatives who live there) which makes the decision more comfortable for him.

He realizes, however, that single payer requires taxes which are too high. He also believes that the dislocation of people caused by the complete restructuring of health care is also a good argument against that approach.

Congressman LaFalce wants to help and while not a major player on health care, with sufficient attention, Congressman LaFalce can serve as a useful connection to the small business community. He is close to John Motley of NFIB. LaFalce's support may help us by taking some of the vitriol out of their public opposition. At the very least, his approval provides us with a credible counterweight to their attack. In addition, his committee can serve as a forum for airing our message on health care and small business.

Given the large Freshman class in the House, the House Small Business Committee, as one of the lesser committees, has a lot of new members, as more senior members of the committee have moved on to more coveted assignments. The 45-member committee includes 12 Democrat and 13 Republican freshman. It is also notable for its high representation from the House caucuses -- 9 members of the Congressional Black Caucus and 2 members of the Congressional Hispanic Caucus among its 27 Democratic members.

Attached for your review are brief profiles of the members of the Small Business Committee and the first draft of the small business notebook containing background information, charts and graphs which may be helpful in your meetings with those interested in small business.

HOUSE SMALL BUSINESS COMMITTEE

July 28, 1993

DEMOCRATS:

CONGRESSMAN JOHN LAFALCE (D-NY): The Chairman of the Small Business Committee, Congressman LaFalce can be a key player on health care reform and invaluable if it supports the Administration package. His support of Family and Medical Leave was crucial. LaFalce is on the Rural Health Care Coalition and close to labor.

Because his upper New York district borders Canada, both LaFalce and his constituents are familiar with and supportive of a single payer system. His role with the small business community and closeness to the National Federation of Independent Business make him skeptical of employer mandates. On the other hand, he understands why breaking the employer-employee link would be difficult. He wrote to the First Lady in February opposing employer mandates and offering to serve as liaison to the small business community. In May he discussed with Chris Jennings his excellent relationship with the NFIB and his regular meetings with their executive director.

He is supportive of universal coverage. The Task Force has been working closely with LaFalce, including Ira with whom he has worked in the past, and is hopeful that he will be helpful. While LaFalce does not have legislative jurisdiction on health care, he wants to hold hearings on its impact. His position may be influenced by his strong anti-choice views.

Recent Developments: In a June 23 meeting with the First Lady and McDermott cosponsors, LaFalce praised the Canadian system for being totally hassle-free and for that reason would prefer no co-payments in the reform bill. According to LaFalce, Small businesses who operate on a very small margin face the biggest obstacles, and he believes that anything other than a payroll tax would be more progressive. He is also concerned about how to overcome doctor opposition.

The First Lady also had an individual meeting with Chairman LaFalce on the 29th of June. He stated that he "feels passionately" about health care and thought that it was especially important to sever the link between health coverage and jobs. He senses that people don't want to pay more for what they are getting now. He recognizes that a single payer system would mean unacceptable taxes. LaFalce believes that a good argument to make to single payer advocates is the dislocation of people under a complete restructuring of health care. LaFalce prefers a premium to a payroll approach. He suggested a phase in over three or four years for low-wage workers and those under 25 to help minimize the impact on small business.

Regarding the NFIB, LaFalce hopes they can be persuaded to be simply opposed rather than undertaking a high mobilization opposition. He thinks their only concern is the financing mechanism. He would try to convince them to oppose that mechanism in a floor vote but not the whole package.

He recommends that the President release a set of health care principles and say that he feels his approach is best but that he is willing to look at alternatives - including financing mechanisms. He believes that would be a challenge to Congress and employers to put up or shut up.

In a personal note, he invited the First Lady to visit his Niagara Falls district and stated his interest in helping in whatever way possible. If used, he will be helpful.

CONGRESSMAN NEAL SMITH (D-IA): Congressman Smith has served in the House since 1959 and spends most of his time working on the Appropriations Subcommittee on Commerce, Justice, State and the Judiciary which he chairs. He is hopeful of someday chairing the full committee. Popular in his Des Moines district, Smith is a skilled parliamentarian who has never excelled at internal politics. His work on Appropriations has kept him from a prominent role on Small Business.

While Smith's general health care views are not known he should be supportive of the health care package. He is a liberal who cannot understand why other members, particularly Democrats, put deficit reduction ahead of social needs. He has voted pro-choice. In March, He flew with the First Lady to Iowa.

CONGRESSMAN IKE SKELTON (D-MO): A pro-defense, but not necessarily pro-Pentagon, Democrat, Congressman Skelton is in his ninth term in the House. He is a member of the Armed Services and Small Business Committees, Rural Health Care Coalition and Mainstream Forum. Skelton also served on the Select Committee on Aging. He has two sons pursuing military careers, one of whom served in the Persian Gulf. Congressmen Clay and Volkmer can be influential with him, and he and Secretary of Defense Aspin worked closely together when serving together in the House.

While Skelton's health care views are not known, he can be predicted to be sensitive to the concerns for rural areas and small business. He has said he does not believe the reform package should be voted on in 1993 but that he is worried about the runaway costs of health care. He is anti-choice.

CONGRESSMAN ROMANO MAZZOLI (D-KY): Congressman Mazzoli is best known for his role in the landmark immigration legislation of the late 1980's. Judiciary Committee Democrats, who felt that as Subcommittee Chairman he had sided with the Republicans too often, ousted him from his chairmanship. He did not defect to the GOP, as some speculated, and has since been returned to his chairmanship. Mazzoli represents Louisville and its suburbs and won with 53% of the vote in 1992. He has been less active on the Small Business Committee and tends to be a conservative vote on budget issues.

His general health care views are not known but he is expected to support the reform package. A Roman Catholic, Mazzoli is a strong opponent of abortion.

CONGRESSMAN RON WYDEN (D-OR): The former executive director of Oregon's Gray Panthers, Congressman Wyden is an ardent advocate for the interests of the elderly. An aggressive and tenacious Member, Wyden is a committed liberal who was first elected in 1980. He represents Portland and some of its suburbs, as well as a small rural area. Wyden won in 1992 with 77% of the vote. He serves on both Small Business and Energy and Commerce where he is a close ally of Chairman Dingell. Wyden is a team player who will be willing to broker a deal between liberals and conservatives. He serves on Congressman Waxman's Health Subcommittee and is close to him as well.

Congressman Wyden is an enthusiastic supporter of Oregon's health care reform demonstration program. He is a strong proponent of abortion rights, and sponsored a bill for NIH research on RU-486. Wyden was a major sponsor of legislation to constrain the costs of drugs sold to Medicaid patients, and recently backed a bill to establish a process to provide reasonable prices for drugs, devices and other products receiving NIH funding. In the 103rd Congress, he reintroduced a bill to establish Federal standards for long-term care insurance policies. His staffer participated in Global Budget and the Quality Measurement Working Groups.

CONGRESSMAN NORMAN SISISKY (D-VA): Congressman Sisisky is a World War II veteran and successful businessman whose aim in Congress is to make the Pentagon more fiscally responsible. He serves on the Armed Services Committee as well as Small Business and is a member of the Rural Health Care Coalition. Sisisky serves on the Select Committee on Aging. He is protective of both Portsmouth and the rural interests of his district, including tobacco and peanut farmers.

Sisisky's views on health care reform are not known. He signed the March 30 letter regarding tobacco excise taxes and has been against abortion rights. Sisisky voted against Family and Medical Leave and is not expected to support the Administration on health care.

CONGRESSMAN JOHN CONYERS, JR. (D-MD): The Chairman of the Government Operations Committee was instrumental in establishing the Congressional Black Caucus and is a long-time fighter for civil rights and minority concerns. Conyers, who is also on the Judiciary Committee, surprised many by dropping his sometimes abrasive style and skillfully, albeit sometimes painfully, investigating the charges against black judge Alcee Hastings. Ironically, Hastings is now a freshman Member of Congress.

Conyers favored putting the health care package into reconciliation. He believes health care reform is the most important program since Roosevelt but may be difficult because he strongly supports a single payer approach. Along with Congressman McDermott, Conyers is a leading sponsor of the House Single Payer bill and fights for recognition of that fact. He attended two early meetings with the First Lady. His district is overwhelmingly black and has all the problems one anticipates for a poor urban area. He will fight for those concerns and, while often still a loner, is very adept at press. One of Conyers' staff members served

on the Working Group.

CONGRESSMAN JAMES BILBRAY (D-NV): A lawyer from a well-connected Law Vegas family, Congressman Bilbray is a moderate who serves on both Armed Services and Small Business. Despite some missteps when he first came to the House, he is known to be highly intelligent and a successful fighter for his state. White House lobbyists counted him as a "real trooper" on the economic package.

On health care, Bilbray's views are not known. However, he has shown concern for both the elderly and veterans and supports home care. A Roman Catholic, he has stated that after discussion with his family, he now supports reproductive rights.

CONGRESSMAN KWEISI MFUME (D-MD): Congressman Kweisi Mfume (pronounced Kway-see Em-fume-ay) represents most of metropolitan Baltimore. He has been able to turn personal disappointments in his early life into positive life experiences. He was elected in 1986, after serving on the Baltimore City Council. He was first assigned to the Banking, Finance and Urban Affairs Committee and currently serves on the Small Business, Ethics, and Joint Economic Committees. He has spent most of his time on the Banking Committee working on housing issues.

Congressman Mfume is the current Chairman of the Congressional Black Caucus. The caucus has raised two main concerns regarding health care reform. The first is how to address the needs of underserved populations. The Administration's plan must incorporate and reach out to those who are currently underserved by the health care system. Secondly, the caucus is concerned that doctors, who are the primary providers in many African-American communities, are not unfairly treated by the Administration's reforms, and that in developing networks accommodations are made for community providers. Similarly, the CBC is interested in ensuring that traditionally black colleges are not disproportionately effected by health care reform. Congressman Stokes has taken the lead on health care reform for the caucus, and will be extremely influential in getting their support. Congressman Mfume has suggested that if Stokes is happy with the Administration's proposal, they will be happy.

CONGRESSMAN FLOYD FLAKE (D-NY): Congressman Flake is considered one of the new generation of black House members who are willing to work for change through the power structure rather than from the outside. There has been some controversy around Flake, a charismatic AME Minister. In 1991 the government dismissed a case against him in which he was accused of diverting federal housing funds from his church for his own use. In 1988 a church panel rejected claims of sexual harassment by a woman parishioner. Flake is a member of the Small Business and Banking Committees. He is a McDermott co-sponsor but is expected to be supportive of the Administration's health care reform efforts. Flake believes that VA hospitals are underutilized. He attended the First Lady's March meeting with the CBC.

CONGRESSMAN BILL SARPALIUS (D-TX): This is Congressman Sarpalius' third term in Congress, representing the eastern panhandle of Texas. He is a conservative Democrat who voted as often with President Bush as with the Democrats. Sarpalius has a compelling personal history – he was a victim of polio as a child, abandoned by his father at 10, and sent by his alcoholic mother to a home for wayward boys. He served in the State Senate. Sarpalius is now a member of the Agriculture and Small Business Committees. On the latter, he chairs the Health Subcommittee. He is also a member of the Mainstream Forum and the Rural Health Care Coalition. He voted against the budget package in May.

Sarpalius's health care views are not known, but he is said to want to play a major role through his Health Subcommittee. He opposes abortion.

CONGRESSMAN GLENN POSHARD (D-IL): Congressman Poshard treads a difficult line between his conservative outlook and a rural constituency which presses him to vote as a traditional labor Democrat. He serves on the Small Business Committee and is a member of both the Rural Health Care Coalition and the Mainstream Forum.

In December he wrote to the President-Elect about health care reform, in particular the need for access for those living in rural areas. Rural health care was one of Poshard's specialties in the state legislature. He also asked that reform focus on: preventive health care; technology sharing; increased usage of mid-level health care providers, including nurse-midwives, nurse practitioners and physician assistants; conversion of unused hospital beds into paying entities; and improved incentives to recruit health care professionals to rural areas. In March Poshard held three district hearings on health care reform. He forwarded that testimony to the First Lady stating that the result "confirms that major reform of our health care system is necessary and that your efforts in this process are indeed appreciated."

CONGRESSWOMAN EVA CLAYTON (D-NC): Congresswoman Eva Clayton has been elected Chairwoman of the Democratic Freshman class. She represents a tobacco-producing district and was one of the 30 co-signers of the March 30 letter urging caution on tobacco excise taxes. Clayton sits on the Agriculture and Small Business Committees. She is a member of the Congressional Black Caucus, and attended the March 2 meeting with the First Lady.

At that time she was concerned about the role of the Jackson Hole Group in formulating the health care package. In a February letter to the First Lady, she outlined her experience as a County Commissioner faced with the possibility of the only hospital in their rural community being closed. They were not only able to save the hospital but also create a primary preventive care system as well. Based on that letter, her health care focus will be on underserved populations – both rural and urban poor – and on preventive health care. She will be in a delicate position, balancing the conflicting tobacco and health care interests of her district.

CONGRESSMAN MARTIN MEEHAN (D-MA): Freshman Congressman Meehan made his reputation as a crime fighter when, as an assistant district attorney, he dealt with white collar and violent crime, and hate crimes against gays. Meehan comes to Congress with a liberal agenda which fits his Lowell constituency. He may also feel the need, however, to be independent. He serves on the Small Business and Armed Services Committees.

During his campaign, Meehan advocated a "play or pay" health care plan. He supports universal access and has proposed a cost-containment program to bring down doctor and hospital bills. A Roman Catholic, he supports abortion rights. He also supports sin taxes.

CONGRESSWOMAN PAT DANNER (D-MO): Freshman Congresswoman Danner represents a largely agricultural area of Missouri - an area she served in the state senate as well. She sits on the Small Business Committee, and is a member of the Mainstream Forum.

On health care issues, Danner opposes a national system and supports tax breaks for small businesses which offer health insurance. She would like to see costs cut by standardizing medical forms. She also advocates drug coverage for those under 65 and is opposed to rationing. Danner attended the Mainstream Forum meeting with Ira and the First Lady's meeting with the Caucus for Women's Issues. Danner's family is very involved with the medical profession: one daughter-in-law is a nurse; one son-in-law is a surgeon; and one daughter is an anesthesiologist.

CONGRESSMAN TED STRICKLAND (OH): Freshman Congressman Strickland won his first term by 51% and represents an industrial area. He is considered a liberal Democrat. A former professor who ran three times before capturing the seat, Strickland serves on both Small Business and Education and Labor.

He believes in a community based and employment-based approach with small business paying into a public insurance pool. He favors inclusion of mental health benefits in the Administration's plan. He also favors stronger emphasis on preventive care, immunizations and prenatal care. He has pledged not to accept the health care coverage offered to members until all Americans have coverage. He attended a briefing for Congressional members on mental health issues by Mrs. Gore, which he spoke eloquently about the need for reform.

CONGRESSWOMAN NYDIA VELAZQUEZ (D-NY): The first Puerto Rican woman to serve in Congress, Freshman Velazquez (pronounced NYD-ee-uh veh-LASS-kez) has, through a monthly column in the nation's largest Spanish-speaking newspaper and her work for the Government of Puerto Rico, focused her career on the needs of Hispanics, women and the poor. After a fierce primary, she won overwhelmingly in this district which includes lower Manhattan, and parts of Brooklyn and Queens. In addition to the Small Business Committee, she sits on the Banking Committee.

In a March letter inviting the First Lady to discuss health care and tour her district, Velazquez outlined some of the specific health problems of her Latino community: high uninsurance rates; population most likely to receive Medicaid benefits; infant mortality; tuberculosis; HIV; and the need for basic primary care for women. Velazquez is a McDermott co-sponsor and sits on the Banking and Small Business Committees. She is also a member of the Caucus for Women's Issues and the Hispanic Caucus. She attended the latter's March 2 meeting with the First Lady. Velazquez is pro-choice and co-signed the May 13 letter urging inclusion of abortion services in the health care package.

CONGRESSMAN CLEO FIELDS (D-LA): Freshman Congressman Fields is a former state legislator who represents parts of Monroe, Shreveport, and Baton Rouge. Fields is a lawyer and was, at 24, the youngest member in the history of the Louisiana Senate. He won in 1992 with 74% of the vote in his newly drawn district. He now sits on the Small Business and Banking Committees.

On health care reform, he is expected to take his cues from the Congressional Black Caucus. His state has a large charitable hospital system. Fields attended the March 2 meeting with the First Lady.

CONGRESSWOMAN MARJORIE MARGOLIES-MEZVINSKY (D-PA):

Congresswoman Marjorie Margolies-Mezvinsky rode a wave of anti-incumbent, anti-politician sentiment in order to eke out a slim victory in her race for the House. At one time a reporter for WRC-TV in Washington, she is married to former Iowa Democratic Congressman Edward Mezvinsky. She is very skittish about her district which has a Republican edge in registration. However, her constituents are liberal on social issues and have voted Democratic in recent elections. She has voted against the President on economic issues, presumably out of fear of a backlash from her fiscally conservative constituents.

The Congresswoman's particular concerns are children and child welfare, education, and issues related to families. She is the first unmarried American to adopt a foreign child and at one time or another she has had 11 children growing up in her household. She sits on the Energy and Commerce and Small Business Committees.

On health care reform, she has said she wants to be involved but most people believe she will need serious work before she votes for the plan.

CONGRESSMAN WALTER TUCKER (D-CA): The former Mayor of Compton, freshman Congressman Tucker's ethnically diverse district has perhaps the highest unemployment rate in California. Tucker has a law degree from Georgetown University and comes to Washington with a decidedly liberal, urban agenda. He is a member of the Small Business Committee.

Tucker campaigned for health care reform and for federally financed inner-city health centers, including mobile clinics. He attended the First Lady's March meeting with the Congressional Black Caucus.

CONGRESSMAN RON KLINK (PA): Freshman Congressman Klink is a former television anchorman who beat an incumbent Democrat in a heavily Democratic district. The incumbent had lost key union support. Klink voted for the President's budget plan on May 27 after intense contact and negotiations with the White House. In addition to the Education and Labor Committee, he serves on the Small Business, Banking and Steering and Policy Committees.

Klink campaigned in support of reforming the nation's health care system. He was on the board of a health care institution in his district.

CONGRESSWOMAN LUCILLE ROYBAL-ALLARD (D-CA): Freshman Congresswoman Roybal-Allard represents the Congressional district with the nation's highest concentration of Hispanics. While serving in the California Assembly, Roybal-Allard chaired a subcommittee on health and human services. In the Congress, she is a member of the Small Business and Banking Committees, as well as the Caucus for Women's Issues and the Hispanic Caucus.

Roybal-Allard has taken a leadership role in the Congressional Hispanic Caucus and set up a meeting with the First Lady and a group of Hispanic women to discuss their particular health concerns. A Roman Catholic, Roybal-Allard is pro-choice and co-signed the May 13 letter urging inclusion of abortion coverage in the health care package. She is a McDermott co-sponsor and is particularly concerned about coverage for the uninsured.

CONGRESSMAN EARL HILLIARD (D-AL): A freshman Congressman from rural Alabama, Hilliard serves on both the Agriculture and Small Business Committees. He is a lawyer who served in both the Alabama House and Senate.

Hilliard campaigned on a platform which included a national health care program. He met with Steve Edelstein to discuss health care and indicated his belief that the package should be comprehensive, including malpractice reform. His chief-of-staff formerly worked for Claude Pepper and could be helpful. Hilliard is a McDermott co-sponsor. He attended the Congressional Black Caucus's March 2 meeting with the First Lady.

CONGRESSMAN MARTIN LANCASTER (D-NC): Congressman Lancaster represents conservative East Carolina tobacco country as well as Camp Lejeune and the Seymour Johnson Air Force Base. Protective of his district's economic interests, Lancaster is considered a conservative Democrat but in the Jim Hunt tradition. Lancaster serves on the Armed Services and Small Business Committees and won with 54% of the vote in 1992.

In March Lancaster wrote a long letter to the First Lady outlining his health care reform concerns, including: rural access in a managed competition system; the need for more primary care and fewer specialty physicians; the benefits of home health care and hospice services; the need for preventive care; and how to address costs at the end of life. In addition, he wrote that his wife, Alice, had worked with Mrs. Gore on the Adolescent Mental Health Care Task Force, and that he supported inclusion of mental health services in the reform package. He also stated that while jogging with the President, he had brought up the issue of state flexibility which the President had assured him would be a feature in the final package. Lancaster was one of the 25 Members co-signing the letter to the President concerning tobacco excise taxes. He has voted for abortion services and attended Ira's meeting with the House Democratic Caucus on March 31.

CONGRESSMAN TOM ANDREWS (D-ME): Second-term Congressman Tom Andrews is a liberal activist turned legislator. Before being elected to Congress he worked on causes related to the poor and was executive director of the Maine Association of Handicapped Persons. As a teenager Andrews had a leg amputated because of cancer. He is popular in his district which encompasses Portland and former President Bush's Kennebunkport summer home. Andrews serves on the Small Business, Armed Services, and Merchant Marine Committees. Andrews is a McDermott co-sponsor but is expected to support the Administration's package.

CONGRESSWOMAN MAXINE WATERS (D-CA): A liberal activist who is outspoken about the problems of the inner-city urban area she represents, Congresswoman Waters focuses her energy on the needs of the minority poor. She received a great deal of attention when riots erupted in the Watts area of her Congressional District following the first Rodney King verdict. A Democratic National Committeewoman, Waters was an active supporter of Jesse Jackson's Presidential ambitions. She sits on the Small Business and Veterans' Affairs Committees and is a member of both the Congressional Black Caucus and the Caucus for Women's Issues. Waters attended the First Lady's meetings with the latter two groups.

She is a McDermott co-sponsor but is expected to vote for the health care package as long as it includes abortion services. She was very active in the Clinton/Gore campaign.

CONGRESSMAN BENNIE THOMPSON (D-MS): Congressman Thompson was elected to fill the seat of now Agriculture Secretary Espy. Thompson has had an active career in local politics and holds a Master of Science degree. In addition to being a member of the Congressional Black Caucus, Thompson is on the Small Business, Agriculture, and Merchant Marine Committees.

His district is the second poorest in the United States. Health care services for the large indigent population are either non-existent or woefully inadequate. Thompson would like to see not only adequate health care, but sufficient numbers of health care professionals, and appropriate and affordable insurance and/or funding programs for his district.

REPUBLICANS:

CONGRESSWOMAN JAN MEYERS (R-KS): Congresswoman Meyers is a moderate and pro-choice with possible aspirations for statewide office. The ranking Republican on the Small Business Committee, she has focused on extending the health insurance deduction for the self-employed - while maintaining the GOP line against federal mandates on employers.

While Meyers' general health care views are not known, her son is a physician. A member of the Caucus for Women's Issues, she attended their February meeting with the First Lady. She is a Bonior target.

CONGRESSMAN LARRY COMBEST (R-TX): A protege of the late Sen. John Tower and former Congressional staffer, Congressman Combest is known as a steady conservative with a talent for legislative deal-making. He is safe in his western panhandle district which includes parts of Lubbock and Amarillo. In addition to the Small Business Committee, he serves on Agriculture. He is an ally of Rep. Stenholm and in 1990 was one of four House members to vote 100 percent of the time with the "conservative coalition" of Republicans and Southern Democrats. He is not, however, an ally of Newt Gingrich, as Combest prefers a more pragmatic and behind-the-scenes role.

Combest's views on health care reform are not known. He will undoubtedly be sensitive to rural interests. He has voted against abortion.

CONGRESSMAN RICHARD H. BAKER (R-LA): Congressman Baker began his long career in Louisiana politics as a labor-oriented Democrat in the state House. He switched parties and in Congress is considered a low-key conservative party loyalist. His district is a mix of rural areas and most of Baton Rouge and its suburban areas. Baker serves on the Small Business, Banking, and Natural Resources Committees. He won in 1992 with 51% of the vote.

When Baker switched his total opposition to abortion to its being allowed in cases of rape and incest, some thought he was looking toward a statewide race. His general views on health care reform are not known.

CONGRESSMAN JOEL HEFLEY (R-CO): A former state legislator, Congressman Hefley is a pro-defense, business-oriented legislator. His district includes Colorado Springs and south central Colorado, and he won there with 74% in 1992. In addition to the Small Business Committee, Hefley sits on the Armed Services and Natural Resources Committees.

His health care positions, others than his opposition to abortion, are not known. The single piece of legislation with his name attached is the National Visiting Nurses Association Week.

CONGRESSMAN RONALD MACHTLEY (R-RD): Congressman Machtley (pronounced MAKE-lee) is one of the House's more liberal Republicans, a position supported by his constituents who returned him with 70% of the vote in 1992. He represents Providence and eastern parts of the state which include light manufacturing. Machtley serves on the Armed Services and Small Business Committees. He previously was a member of the Select Committee on Children. A lawyer, Machtley is a graduate of the Naval Academy and continues to serve in the Navy Reserves. His vote to override President Bush's veto of the "family leave" bill was one of many against his party.

Machtley's views on health care are not known. He has been a volunteer with the YMCA and that and his work on the Select Committee on Children clearly indicate an interest in the young. He will also presumably look out for small business interests. He is a supporter of reproductive rights. Congressman Bonior considers Machtley a top target.

CONGRESSMAN JIM RAMSTAD (R-MN): Congressman Ramstad is in his second term and came to Congress as a former staffer in both the House and the Senate. He represents suburbs of Minneapolis. He now sits on the Small Business and Judiciary Committees. Ramstad replaced Bill Frenzel in the House. Frenzel was moderate but partisan and Ramstad considers him his mentor.

While Ramstad's general health care views are not known, he is pro-choice. He has been interested in emergency medical care for children. He worked on issues involving chemical dependency in young people, cocaine babies and the handicapped while in the State Senate. At that time he also dealt with a personal alcoholism problem.

CONGRESSMAN SAM JOHNSON (R-TX): Congressman Johnson is a former fighter-pilot who lost partial use of his right arm while held prisoner in North Vietnam. He met his future colleague, Senator John McCain, while there. Johnson represents north Dallas and won with 86% of the vote in 1992. He came to Congress in 1991 after winning the seat when the incumbent ran for mayor of Dallas.

Johnson's health care views are not known.

CONGRESSMAN BILL ZELIFF (R-NH): A protege of former Gov. John Sununu, Congressman Zeliff won in 1990 on his image as a successful businessman - and after spending \$400,000 in the GOP primary. Zeliff's district includes Manchester and eastern New Hampshire. He retained it with 53% of the vote in 1992. Zeliff is a member of the Small Business, Government Operations and Public Works Committees.

While Zeliff's health care views are not known, one possible indicator of his views is that as the owner of a small resort, he has linked his business success to entrepreneurialism and frugality.

CONGRESSMAN MAC COLLINS (R-GA): Freshman Congressman Collins won his seat with 55% thanks to redistricting and a strong anti-Washington mood. His district includes parts of Newt Gingrich's old district and is a mixture of independents, Reagan Democrats and Republican suburbanites. It is a seat targeted by Democrats in 1994. Collins is a truck company owner and seen as a down-home conservative with a knack for hard-nosed campaigning. In the state Senate, Collins is said to have used a "graceful negotiating style" to help enact bills to combat drug dealing and to help people get off welfare. His health care views are unknown.

CONGRESSMAN SCOTT MCINNIS (R-CO): Serving his first term in Congress after five in the state legislature, Congressman McInnis is a traditional conservative. He won with 56% on the western slope of Colorado, including Pueblo. He serves on both the Small Business and Natural Resources Committees.

While his specific views on health care are not known, he will be looking out for rural areas as well as small business. A Roman Catholic, McInnis is pro-abortion.

CONGRESSMAN MICHAEL HUFFINGTON (R-CA): Freshman Congressman Huffington won his seat with 53% of the vote after spending the record sum of \$4.2 million. He is a former Reagan administration official and video production company owner who has never held elective office. He holds engineering and economics degrees from Stanford and an MBA from Harvard. Huffington serves on the Small Business and Banking Committees. He has said he wants to eliminate all Capitol Hill perks and significantly change the way Congress operates.

While Huffington's general health care views are not known, he campaigned against tobacco interests. He also supports abortion rights.

CONGRESSMAN JAMES M. TALENT (R-MO): Congressman Talent comes to Congress with substantial experience in the state legislature and a strong conservative agenda. Talent beat President Bush's cousin in the primary and first term Democrat Joan Kelly Horn in the general. He won this largely suburban district with 50% of the vote. He sits on Armed Services and wants to use his position on Small Business to guard against excessive government regulation.

While Talent supports health care reform along the lines of managed competition, he opposes universal health coverage. He supports malpractice reform and allowing employees to establish medical IRAs. However, he opposes government allocating health care resources. Talent supports abortion only in cases of rape, incest or to protect the woman's life.

CONGRESSMAN JOE KNOLLENBERG (R-MD): Freshman Congressman Knollenberg used his long-time party experience to win this open seat with 58% of the vote. The owner of an insurance agency, Knollenberg now represents an upscale Republican district in suburban Detroit. Abortion rights advocates thought they could win the seat given Knollenberg's hard line on abortion - he supports it only to save the life of the mother. Knollenberg now sits on the Banking as well as the Small Business Committee.

Other than his position on abortion, Knollenberg's views on health care are not known.

CONGRESSMAN JAY DICKEY (R-AR): Another Freshman who was once a Democrat, Congressman Dickey won by 52% and Democrats are looking to regain the seat in 1994. In addition to Small Business, he sits on the Agriculture and Natural Resources Committees.

Congressman Dickey requested a meeting with the First Lady which was held on June 7. He brought in his district working group which includes over 15 physicians and the President of the Arkansas Medical Society. Dickey and his group met later with the President in the Oval Office as well as having a separate meeting with Chris Jennings and Phil Lee. Dickey indicated that he wanted to be either a Republican co-sponsor or the only Republican sponsor of health care reform but not if it includes abortion in any form. He is concerned about the effects of the package on small business, but that is not as important to him as malpractice reform or abortion. He received a lot of press in his district from the meetings and was most appreciative of the time he was given. One personal note, Dickey is a polio survivor.

CONGRESSMAN JAY KIM (R-CA): Congressman Kim is the first Korean-American to win a seat in Congress. His newly created seat includes parts of Orange, Los Angeles, and San Bernardino Counties. Kim is a small business conservative and strong opponent of unnecessary government spending. He sold his construction business to avoid any appearance of conflict of interest - it was one of five minority-owned companies hired following the Rodney King riots in LA. An LA grand jury has subpoenaed his campaign records and company documents in an investigation of his using corporate funds to finance his campaign. In addition to Small Business, Kim is on Public Works and Transportation.

His health care views are not known. His only child is a neurosurgeon. Kim is a libertarian on abortion - believing it not to be the government's business.

CONGRESSMAN DONALD MANZULLO (R-IL): A hard-line conservative, Freshman Congressman Manzullo beat a one-term Democrat with 56% of the vote - the first Democrat to hold this aging, rural district in northwest Illinois. There may be a rematch in 1994. Manzullo sits on Foreign Affairs as well as Small Business.

Manzullo has received a lot of support from fundamentalist Christians and has crusaded against abortion. His other health care views are not known, but he is apt to be concerned about rural coverage.

CONGRESSMAN PETER G. TORKILDSSEN (R-MA): Freshman Congressman

Torkildsen served in the state legislature and as Massachusetts Commissioner of Labor. He strongly resembles his former boss, Governor William Weld, with his fiscally conservative, pro-business stand and his support - as of April - of abortion rights. Torkildsen won his seat with 51% of the vote and Democrats hope to recapture it in 1994. He sits on the Armed Services as well as the Small Business Committee.

Health care reform is one of Torkildsen's priorities. He supports a pro-business plan of vouchers and tax credits. He is one of Congressman Bonior's targets.

CONGRESSMAN ROB PORTMAN (R-OH): The most junior member of this Congress, Representative Portman won the seat of Republican Bill Gradison, a man he once interned for when he was in college. Portman has extensive Washington experience, including practicing at Patton, Boggs and Blow and Director of President Bush's Office of Legislative Affairs. Portman won the seat with 70% of the vote.

His health care views are not known.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Congressman Clay (7 pages)	7/28/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security)
OA/Box Number: 23754

FOLDER TITLE:

July 1993 HSA [5]

Gary Foulk

g97

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Congressman Clay
cc: Melanne, Steve, Lorraine, Distribution

July 28, 1993

Tomorrow you are scheduled to meet with Congressman Clay, the Chairman of the House Post Office and Civil Service Subcommittee. As such, he has jurisdiction over the Federal Employees Health Benefits Plan. Because of his close relationship with Chairman Clay, Jerry Klepner will be in attendance.

According to his staff, he has no particular agenda items for this meeting but will be interested in a general overview of where we are with regard to the plan. Undoubtedly, he will also wish to discuss how federal employees and postal workers will be treated under the plan.

BACKGROUND:

A former civil rights activist, Congressman Clay is a former civil rights activist who represents parts of St. Louis and its suburbs. Clay is known on the Hill as one of organized labor's staunchest supporters both on his Post Office and Civil Service Committee and on the Education and Labor Committee.

Chairman Clay should be well versed in our proposal. His Staff Director, Gail Weiss, served on the Working Group dealing with FEHBP. In addition, Jerry Klepner and Walter Zelman gave a briefing for the Chairman and his staff on the current policy. His main areas of concern will be why federal employees are being treated differently than the employees of other large employers and whether federal employees will see any benefit from this plan.

As a friend of organized labor, he will also be interested in how reform will impact those who already have benefits which go beyond our comprehensive benefits package. In addition, some unions, like the Postal Workers, offer their insurance plan for non-members to enroll in through FEHBP. Whether they will be allowed to continue this practice will be a matter of concern. Also, unlike federal employees, postal workers are under a collective bargaining agreement and enjoy more generous benefits. He will be concerned about the impact of the plan on these benefits. There is also an issue as to whether postal workers will be required to participate in the plan or allowed to form their own alliance like employees of large corporations.

TALKING POINTS:

Differential Treatment of Federal Employees: Congressman Clay is concerned that we are treating differently than employees of other large employers since they will not have the option of forming their own alliance. Underlying this concern is the fear that federal employees could wind up getting less in terms of benefits than they enjoy now. You may wish to reference the political problems of designing a system which exempts government workers. In addition, you should probably highlight the benefits to federal employees from reform (see below).

Benefits to Federal Employees from Reform: Federal Employees, like other with good coverage, are concerned that they will be made worse off by reform. They were amongst the groups that joined in the effort to repeal the Catastrophic Act because they felt the benefit it provided was less than the one they already enjoyed.

Increased Subsidy. To distinguish our current efforts, you may wish to note that federal employees would receive a greater subsidy than they do now. Under reform, they would only be responsible for 20% of the costs of coverage as opposed to the 30% they pay now.

Easier to Compare Plans. In addition, with a standard comprehensive benefits package it will be much easier for them to compare and contrast various policies. Current policies offered through FEHBP cover different services and have different levels of co-pays and deductibles making comparisons difficult.

Slower Increases in Premiums. Third, our efforts to control costs and standardize benefits should slow the rate of increase of their insurance rates. Under the current FEHBP program, there has been some problem with adverse selection -- older and sicker workers gravitating to more comprehensive plans who then in turn have to raise their rates for all those they insure. Standardization should lead to greater stability, less shifting between plans due to benefit levels and as a result slower rates of growth in premiums.

Increased Benefits. Finally, the benefit package offered under reform is better than the coverage they now receive with an emphasis on preventive services not now covered.

Union Benefits: While many union workers enjoy more generous packages than the rest of the population, they have been under increasing pressure at the bargaining table to reduce their levels of benefits and increase their contribution toward the cost of their coverage. In addition, many union retirees are especially threatened by erosion of their coverage.

There are several points you may wish to make on this issue. Existing collective bargaining agreements will be honored. Even after those contracts expire businesses and labor will be free to negotiate benefits that exceed those of our comprehensive benefit package. Our efforts to control health care costs should be a direct benefit to union workers by freeing money that would otherwise go to covering increases in health care to go toward wages instead. Our plan will provide security to union workers and retirees by insuring they will always be covered.

MEMORANDUM FOR IRA MAGAZINER

FROM: Judy Feder

SUBJECT: Federal Employee Health Benefits Plan

In reviewing the section of the plan on the Federal Employees Health Benefits Plan (FEHBP), I realized that several significant issues had not been addressed. This memorandum reviews those issues and presents my recommendations for dealing with them. [I have checked these ideas with OPM and they see no problem.] We need to come to agreement on more detailed specifications for what will happen to FEHBP as I am already getting inquiries from the Hill on FEHBP. I would like to delay talking to the relevant Congressional staff until we are in agreement on the operational details. If you agree with the recommendations below, we can proceed with those discussions.

Our core proposal is to end this program as currently structured and place employees and family members into regional health alliances. As alliances begin operations, enrollees will shift from FEHBP plans to plans contracting with alliances. This will be a particularly easy change for Federal employees, who are used to dealing with choices among a broad range of HMOs and fee-for-service plans. There will be some budgetary cost to the government, due to increasing the employer share from the current average of 72 percent to 80 percent. Increasing the employer share will be a major plus in describing the proposal's effects on employees.

There are, however, several groups that must be dealt with separately--employees abroad and retirees with Medicare, for example--and a number of potential points of criticism. The current law, Chapter 89 of Title V of the U.S. Code, will need to be modified, not repealed.

A. How will employees abroad be covered?

A dozen or more Federal agencies have employees abroad, ranging from diplomats to commercial and law enforcement officials. At present, these employees have the same plan choices, except HMOs, as those in the United States. For example, Blue Cross operates as a world-wide plan. In addition, there are special plans in the Canal Zone and in Guam, and a plan for those in the Foreign Service.

To cover these employees, a residual program should be maintained. This program can operate through the same kinds of

Federal Employee Health Benefits -- Page 2

contracts as at present, e.g., through Blue Cross, Foreign Service, and others. OPM would arrange such contracts and conduct an annual Open Season. In order to avoid disruption in insurance arrangements, it would also be desirable to allow employees who regularly shift between domestic and foreign posts to retain this insurance while in the United States, rather than shift in and out of the regional alliance in their home state.

B. How will Postal Workers be covered?

One group of employees, postal workers, now gets an employer share as high as 92 percent of premium. This cost-sharing is a result of collective bargaining. In a recent arbitration agreement this was amended and it will gradually go down in future years. For the present, however, the proposed cost sharing would in many cases double the premium paid by postal workers. The sensible approach is to provide the Postal Service with the same option afforded to private employers: to pay more than 80 percent if it has agreed to do so through collective bargaining. Our proposal should specify that there will be no change from currently bargained benefits unless it is reached through bargaining.

C. How will annuitants be covered?

There are about 1.7 million federal annuitants. Of these about two-thirds (1) have Medicare coverage, and about one-third are (2) annuitants ineligible for Medicare, including (a) those aged 55-64 who are not yet old enough for Medicare and (b) annuitants over age 65 (most 75 or more) who retired before federal employees became Medicare eligible. Each of these groups have joined the same plans as employees, piggy-backing on that system. When it is replaced, alternative arrangements will be needed.

(1) Annuitants with Medicare. These persons most often sign up for Blue Cross standard option and get 100 percent wrap-around coverage, including drugs and travel abroad. They pay the same dollar amount as employees, which is a roughly comparable deal, taking into account the offsetting factors of higher costs with age and Medicare paying first. Like employees, they also help pay for annuitants without Medicare.

The best way to handle this group is to develop a separate Medigap system to be administered by OPM. The broad-based plans on which to piggy-back will no longer exist. Premiums under this new system should cost these employees about what they pay now for comparable coverage. This will probably mean cost sharing of about 50 percent (taking into account that they currently subsidize annuitants without Medicare).

(2) Annuitants ineligible for Medicare. These annuitants

have actuarial costs much higher than those of employees, but pay the same premium. They have the same plan choices. A large fraction of them are in HMOs. Unlike annuitants with Medicare, those enrolled in fee-for-service plans pay deductibles and coinsurance.

The best way to preserve the kinds of choices they now have is for them to obtain insurance through regional alliances, with OPM paying a premium contribution sufficient to hold them harmless, rather than the increased contribution which most employees will get (i.e., about 72 percent of the community rate, rather than 80 percent). I assume that OPM will continue to use pension deductions to pay premiums, with payments to alliances on behalf of the enrollee.

An alternative with roughly equal effects on costs and benefits would be to separate out the above age 65 group, enroll them in Medicare, and offer them Medigap plans with minimal subsidy. This is a technically feasible option, but one which would be complex, and considerably more disruptive than using the alliance structure. (Many of these annuitants are enrolled in HMOs which are not Medicare contractors but which will contract with alliances; none of them would welcome Medicare paperwork.) It would also leave OPM with three rather than two retirement groups for the indefinite future because it will be decades before the last of these annuitants die.

C. Explaining the Proposal

These approaches assure that the most significant concerns of Federal employees and annuitants will be met effectively and humanely, with no major cost shifting or surprises. There will, nonetheless, be some additional concerns which are unavoidable.

Any description which fails to clarify that each of the main groups, and employees abroad, will be fairly treated through either the health alliances or residual or new programs will create a major perception problem. Words like "abolish" or "terminate" will not be helpful if descriptions of the residual programs are not equally prominent. The remaining concerns are as follows:

1. Government Share. At present these disparate enrollment groups are lumped into a single payment system with an average government share of about 72 percent. This system includes many cross-subsidies among employees and annuitants. Under our proposal, some of these cross subsidies will be eliminated, but all groups will be held harmless. Perceptions of unfairness may arise because the apparent government share will range from 80 percent for employees to 72 percent to annuitants without Medicare to about 50 percent for annuitants with Medicare.

2. Retirement Eligibility. Federal employees must be enrolled in the FEHBP system for five continuous years before retirement to get lifetime coverage after retirement. Many employees sign up for this program only as retirement nears, because a spousal policy through a private employer is often a better deal during working years. After reform, any insurance coverage through an alliance will count towards meeting this test. This will eliminate some inequities.

3. Benefit coverage. Most employees will have benefits roughly comparable, or slightly better than those they have now. Our comprehensive option is very similar in general coverage to the most popular FEHBP plan, Blue Cross standard option, as well as to most other fee-for-service plan offerings. The other proposed option is very similar in general coverage parameters to most HMOs. Therefore, the overwhelming majority of employees will have coverage equal to, or very slightly better, than at present.

The one significant exception to this is dental coverage. The proposed options cover only preventive care for children. Most federal employees have preventive and minor restorative care, and a significant fraction, particularly in D.C. area HMOs, have substantial restorative coverage.

Most employees will improve their mental health coverage--going from 15 or 20 outpatient visits to 30 visits. However, those few who are now enrolled in the high-cost, 50-visit Blue Cross high option plan will lose 20 visits of coverage. These persons, however, will actually come out ahead, taking into account that they will save over \$2,000 in premium cost.

4. Large Families. There is a change for employees with large families. At present they are lumped in with two-person families. Under the administration's proposal, one parent families with children will pay a lower rate than two parent families with children. This needs to be explicitly stated.

5. Insurance Fund Reserves. As the program phases down, some disposition of reserve funds will be needed. Much of the surplus reserves can and should be used up by slight reductions in premiums. The residual amounts will be distributed on the basis of 72 percent to the government and 28 percent to the individuals enrolled at termination.

6. Administration. After transition is completed, OPM will continue to perform functions such as contracting for coverage of employees abroad and for Medigap plans, determining eligibility of individuals for plans, arranging transfers of funds to alliances on behalf of annuitants, instructing agencies on how to transfer funds to alliances on behalf of employees, providing informational material to employees on their benefits, etc.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Chris Jennings to Hillary Clinton Re: Meeting with House and Senate Leadership (2 pages)	7/30/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

July 1993 HSA [6]

Gary Foulk

gf98

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

PRIVILEGED AND-CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Meeting with House and Senate Leadership
cc: Melanne, Steve, Lorraine, Distribution

July 30, 1993

Tomorrow you are scheduled to attend a two-part meeting with the House and Senate Leadership. The first half of the meeting will focus on the sensitive issue of health reform jurisdiction and will be attended by Speaker Foley, Majority Leader Gephardt and Majority Leader Mitchell. There is a three-part agenda for the second half of the meeting:

- (1) To discuss the status of the development of the plan and to share first-run employer/employee financial impact charts to make Members feel more comfortable with the plan **(these can be distributed during the meeting, but must be picked up immediately afterwards; it makes it easier to do this if you announce this at the beginning of the meeting);**
- (2) To discuss and review the consultation, health care workshop, and plan unveiling schedule; and
- (3) To give the Members a draft copy of the August recess Congressional health care talking point notebook for them to review and make suggestions before it goes to the rank and file on Thursday.

BACKGROUND:

A week ago, Majority Leader Gephardt indicated that it would be advisable for the Congressional Leadership to get together with you for a detailed and quiet discussion about timing, strategy and substance before leaving for the August recess. Concurrent with Andie King's call to arrange such a meeting, you indicated that you thought such a meeting would be a good idea as well. Senator Mitchell's senior staff was not as excited about the idea because the Senate Majority Leader (and his staff) are overwhelmed with the reconciliation bill. (I informed Mitchell's staff that we would be happy to hold the meeting with just the House if they preferred; they decided against taking this approach because they thought there would be no other time to do it before the recess.)

MEETING ON JURISDICTION:

Over the past several weeks (if not months) we have been discussing -- on an internal basis -- our options with regard to drafting and jurisdiction issues. We have repeatedly come to the conclusion that we cannot proceed without guidance/direction from the Congressional Leadership. Since the Congressman Gephardt has had an opportunity to focus on this issue in recent weeks, we thought this would be a good opportunity to get a general sense of direction from him (and Speaker Foley and Majority Leader Mitchell) on this matter prior to their August departure.

Majority Leader Gephardt and his office has recently communicated that it is his sense that, despite understandable urges to the contrary, it is advisable for the legislation to be drafted and distributed in such a way as to maintain -- to the extent possible -- the legislative jurisdictional status quo. He believes that it would be politically counterproductive for any major Chairman to feel he is being cut out. Although Senator Mitchell has not had much time to focus on this, it is likely he will feel similarly -- particularly when you recall that he sits on the Finance Committee, not the Labor and Human Resources Committee. A memo from Andie King to Majority Leader Gephardt on jurisdiction issues and an outline of the various sections of the legislation are attached for your review/use.

MEETING WITH LEADERSHIP:

Current Status of Plan and Its on Employers and Employees: The Members (Foley, Gephardt, Mitchell, Ford, Pryor, Daschle, Bonior, Hoyer, and Fazio) would love to get a sense of where we stand on the development of the plan and to receive a short briefing on how its financing will affect businesses and their employees. Attached is a chart show that you and Ira can use for this purpose. (It is not imperative that you do so, however).

Consultative and Briefing Schedule: Attached is a draft schedule for consultative meetings and briefings in August and September prior to the release of the plan. Feedback from the leadership on the proposed schedule will be helpful in finalizing our briefing calendar.

Congressional Notebooks for the August Recess: Members have asked for materials to help them discuss health reform with their constituents during the recess. In response, we have prepared a brief discussion on the cost of doing nothing, an overview of the plan, a message piece on the strengths of our plan and how to talk about it, and revised questions and answers. We hope that the leadership can review it by the end of the day Tuesday so we can incorporate their comments, have the notebook printed and sent up to the Hill by Thursday.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Joint Message Group and DPC Small Buisness Focus Group (59 pages)	8/2/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:

August 1993 [1]

Gary Foulk

pg99

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Joint Message Group and DPC Small Business Focus Group
cc: Melanne, Steve, Distribution

August 2, 1993

Tomorrow you are scheduled to attend a two-part meeting sponsored by the Democratic Policy Committee. The first half of the meeting is the Joint Message Group. As you may recall, the House Members indicated today that their workload tomorrow may make it impossible for them to attend. There is a three-part agenda for the first half of the meeting:

- 1) To discuss and review the September timetable including the consultation, health care workshops, and plan unveiling briefing schedules;
- 2) To discuss the bipartisan health care workshops after the Presidential address unveiling the plan; and
- 3) To discuss the congressional materials we are preparing for distribution to the members prior to the August recess.

The second half of the meeting will be a Senate Focus Group meeting addressing health care reform and small Business. It will take place in a separate room immediately following the message meeting.

JOINT MESSAGE GROUP:

September Timetable: Attached is a revised draft for consultative meetings and briefings in August and September prior to the release of the plan. This schedule has been revised to reflect the discussion with the Congressional Leadership this morning.

Health Care Workshops After the Release of the Plan: The leadership has expressed interest in holding bipartisan sessions on a variety of health care issues following the Presidential address. Their input on the date and

structure of such sessions would be helpful.

Congressional Recess Materials: As you know, the members have asked for materials to help them discuss health reform with their constituents during the recess. In response, we have prepared the draft that we gave the leadership to review this morning. It includes sections on the goals of the plan, the need for reform, the cost of doing nothing, a description of how the new system will work, questions and answers about the plan, a section on small business and health care, and a description of the task force process. We will be incorporating their comments in order to have the notebook printed and sent up to the Hill by Thursday. The Senate and House leadership will be responsible for distribution.

SENATE FOCUS GROUP ON SMALL BUSINESS:

As of the writing of this memo 17 members were scheduled to attend the Focus Group on Small Business. These Members run the political spectrum from liberal members such as Senators Mikulski and Wellstone to more conservative members such as Senators Exon and Deconcini. They will be interested in a briefing on the plan and how the financing will affect small businesses and their employees. The theme that small business has been the victim, not the villain of the current health system should play well. Also, the responsibility theme seems to hit a responsive chord. You may wish to use the side-by-side chart on small business now and under reform from the small business briefing book for this purpose. After your presentation, there will be general discussion and questions and answers.

Health Message Board Meeting S-211; 12:30-1:30pm
(Attendance as of 6:00pm)

SENATORS

Reid

Rockefeller

Wofford

Kerrey

Boxer

Riegle

Daschle

Mitchell

Kennedy

Pryor

Representatives

Fazio

Bonior

Kennelly

Richardson

Lewis

Derrick

Hoyer

Small Business Question and Answer S-207; 1:30-2:45pm
(Attendance as of 6:00pm)

Akaka

Bingaman

Boxer

Breaux

Bryan

Conrad

Deconcini

Exon

Feinstein

Ford

Levin

Lieberman

Mikulski

Pryor

Wellstone

Mitchell

Riegle

SMALL BUSINESS, HEALTH CARE COSTS, AND THE CLINTON REFORM PLAN*

Small businesses face higher costs and more unstable insurance premiums. The Clinton plan will reduce these burdensome costs.

TODAY	THE CLINTON REFORM PROPOSAL
High Administrative Costs: Higher administrative costs kill small businesses. These costs account for as much as 40% of the policy costs compared to about 5% for large companies.	Cuts Administrative Costs: Administrative costs will be dramatically reduced by the formation of health alliances which will streamline and simplify administrative functions.
Faster Rising Costs: Premiums for small employers rise at a faster rate than for other employers -- as much as 50% in any given year. [NAM]	Aggressively Controls Costs: Health reform will aggressively control costs through market based competition backed up by an enforceable budget.
Inequitable Self-Employed Tax Policy: Today, unlike big businesses, small, self-employed businesses cannot deduct 100 percent of their health care expenses. This has the practical effect of further increasing the cost of insurance that is already priced higher than that available to larger firms.	Increases Deduction to 100% for Self-Employed: The Administration proposal will ensure that the self-employed are treated equally under our nation's tax policy, allowing them to deduct the full value of their health insurance coverage.
Workers' Compensation Costs: In today's system, high health care costs are surpassed only by the skyrocketing costs of workers' compensation insurance. Between 1980 and 1985, workers' compensation medical cost grew more than one and a half times as fast as medical costs and now accounts for \$24 billion a year in health care expenditures.	Reform Workers' Compensation: The Administration's proposal reforms the health component of workers' compensation insurance, making it more efficient and reducing costs by covering work related injuries through health plans in the same manner as non-work related injuries -- eliminating duplication and improving quality for workers who receive services.
Small Employers Have No Control: Small businesses and their employees have little or no ability to determine the level of premiums they pay or the information they receive about the services the plans provide.	Assures Employers a Place on Alliance: Business owners will sit on alliances to ensure sensitivity and responsiveness to needs of employers in terms of costs, administrative simplification and quality.
Volatile Costs: Small businesses face large variations in the costs of similar plans. Nearly identical benefits packages can range in price by as much as 350%. [Blue Cross/Blue Shield, Survey of Six Sample Plans, January 1992]	Stabilize Costs: The Administration proposal will stop the wild fluctuation of premiums in the small group market through community ratings and insurance reform. We will outlaw discriminatory pricing and ensure smaller predictable cost with aggressive cost controls.

* All answers are based on assumptions of policies which have yet to be finalized or released.

SMALL BUSINESS, INSURANCE ABUSES, AND THE CLINTON REFORM PLAN •

Many insurers discriminate against small businesses, often charging more for similar policies or refusing to provide coverage at all. Abuses within the insurance industry hit small businesses particularly hard.

TODAY	THE CLINTON REFORM PROPOSAL
Hassle Factor: Small business owners who cover their employees spend inordinate amounts of time trying to figure out a maze of insurance policies, forms, and requirements. What's worse is that the rules of the game are changed all the time; unfortunately, they are changed by the seller and not the buyer.	Eliminates Hassle: The employer no longer has to worry about the headaches of selecting insurance for his/her employees. The employer/employee-run health alliance negotiates rates, provides information on plans, increases ease of enrollment and absorbs the manpower drain. Then, the employee, not the employer, chooses the plan. Regardless of the choice, however, the employer pays the same fixed amount.
Small Risk Pool: Fewer employees mean a smaller pool to share the risk. Insurers frequently charge more for these policies.	Spreads Risk Evenly: The proposal consolidates small businesses in purchasing pools to give them the same bargaining power as large firms.
Underwriting and Experience Rating: Medical underwriting is the practice of basing premiums on perceived risk and medical history. Experience rating is when insurers jack up costs after an employee falls ill or gets injured.	Prevents Insurers from raising rates or dropping coverage after illness strikes: The Administration's proposal will reform practices such as underwriting and experience rating. Under the Clinton plan, you can drop your insurance plan, but they can't drop you.
Price Baiting and Gouging: Many insurers engage in "price baiting and gouging" offering "discount" rates for the first year of coverage only to charge much higher prices in the next year when pre-existing condition exclusions expire.	Outlaws Price Baiting and Gouging: The plan will end the days when insurers can raise and lower premiums at their whim. We will bring predictability and fairness to the cost of insuring families and workers.
Occupational Redlining: Some insurers simply refuse to cover entire industries perceived to be high risk.	Covers Everyone: Under the Clinton plan, there is an end to occupational redlining.
Refusal to Renew Policy: After a first year of reasonable rates, small businesses often face higher costs and difficulty obtaining renewal.	Guarantees Renewal: The Clinton plan guarantees insurance renewal and stabilizes premiums.

All reform scenarios are based on assumptions of policies which have yet to be finalized or released.

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Meeting with the Tuesday Republican Discussion Group
cc: Melanne, Steve, Lorraine, Distribution

August 3, 1993

Tomorrow you are scheduled to meet with several Members of the House Tuesday Republican Discussion Group. The meeting was arranged following a conversation between Congressman Ronald Machtley (R-RI) and Ira on a trip to Rhode Island. (Machtley is a founding member of this group.)

BACKGROUND

The Tuesday Republican Discussion Group (also known as the Tuesday Lunch Bunch, and previously the Progressive Discussion Group) is a group of generally quite progressive Republicans that started meeting together within the last year or so. Many of the members of this group are on our best chance Republican target list. A membership list and background summary of expected attendees is attached.

Because there are so many Members in both the House Republican Tuesday and House Republican Wednesday groups, we (Congressman Machtley and us) had originally hoped to combine the two organizations together for one meeting. However, the Chairman of the House Wednesday group -- Congressman Jim Kolbe (R-AZ) -- expressed concern about opening up the Wednesday group for this purpose. Respecting his wishes, we scheduled separate meetings.

Congressman Fred Upton (R-MI) is generally viewed to be the Tuesday group's leader. He recently dropped the "progressive" title out of the group's name because he felt it scared off too many people. Since he is a Member of the House Wednesday group (Machtley is not), Upton did not see the rush for a meeting with the Tuesday group. (A Tuesday meeting was impossible because he had to attend the funeral of Congressman Paul Henry (R-MI)). In any event, Congressman Upton may not be in attendance for this first meeting. However, you should probably mention his name during your introduction.

FORMAT AND TALKING POINTS

Congressman Machtley will introduce you to the Members of the group. Following the introduction, he would like you to give a brief summary of the status and details of the plan. I would suggest that you focus a good portion of your remarks on our approach with regard to small business. Like all Republicans, they also will likely be interested in hearing about our commitment to doing serious medical malpractice reform. Other than an issue presentation, I would also talk about our great desire to work closely with and have the support of Republicans throughout the development of the plan and immediately thereafter. Following your 5-10 minute presentation, he would like you to open it up for questions, answers, suggestions.

HOUSE TUESDAY REPUBLICANS

YES

NO

Sherwood Boehlert

Mike Castle

X

Jennifer Dunn

Bob Franks

Dean Gallo

X

Wayne Gilchrest

X

Fred Grandy

Jim Greenwood

X

Steve Gunderson

Dave Hobson

X

Pete Hoekstra

Stephen Horn

Amo Houghton

X

Nancy Johnson

X

Peter King

Jim Kolbe

Scott Klug

X

Rick Lazzio

Jim Leach

David Levy

Jerry Lewis

Jim McCrery

Alex McMillan

Jan Meyers

X

Connie Morella

John Porter

YES

NO

Jack Quinn

X

Jim Ramstad

Ralph Regula

Tom Ridge

Chris Shays

X

Olympia Snowe

X

Peter Torkildson

X

Fred Upton

X

Bill Zeliff

X

Dick Zimmer

X

Peter Blute

X

Cliff Stearns

X

THE TUESDAY GROUP

CONGRESSMAN PETER HOEKSTRA (R-MI): Freshman Congressman Hoekstra (pronounced Hoke-s-tra) won national recognition by defeating Guy Vander Jagt, a highly visible incumbent and a member of the Republican leadership, in the primary. Hoekstra was a business executive without prior government experience. He is a conservative who promised to spend only six terms in the House. Hoekstra is a member of the Education and Labor Committee and is part of the Tuesday and Wednesday Groups.

His health views are not known at this time.

CONGRESSMAN SCOTT KLUG (R-WI): An upset winner in 1990, Congressman Klug improved his record with 63% of the vote in 1992 in normally Democratic Madison. A former TV anchorman, Klug is one of the new breed of Republicans - less worried about the free-market and defense but hostile to higher taxes and government intervention. He is considered conservative but thoughtful. Klug is a new member of the Energy and Commerce Committee, part of the Tuesday Group, and previously served on the Select Committee on Children and Education and Labor. He is both a White House and a Bonior target.

While Klug's health care views are not known, he has called for early intervention programs for at-risk children.

CONGRESSMAN JERRY LEWIS (R-CA): Congressman Lewis is perhaps best known for the role he has played in the battle between the Michel and Gingrich wings of the Republican Party in the House. An eight-term Congressman and a member of the Appropriations Committee, Congressman Lewis rose through the Republican leadership ranks reaching the number three position. While somewhat more politically conservative than moderate, Lewis is nonetheless identified with the accommodating wing of the House GOP - demonstrated by his support for the bipartisan budget-summit agreement that included tax increases.

As a result of this vote, Congressman Gingrich, who strongly opposed the compromise, backed a challenge to Lewis' re-election as Republican Conference Chairman. While this attempt failed, Lewis was ousted at the start of this Congress by Dick Armey of Texas with Gingrich's backing. Recently thought of as a potential successor to Minority Leader Michel, his time now seems to have passed. Lewis has a generally conservative record, with the exception of his work on environmental issues, a major concern in his district which borders Los Angeles.

Lewis is a former insurance agent and will likely be sensitive to their concerns.

While his specific health views are unknown, his support for our plan is unlikely.

CONGRESSMAN ALEX McMILLAN (R-NC): Conservative but pragmatic, Congressman McMillan has become a key ally of the House Republican leadership. For example, McMillan supported the 1990 bipartisan budget summit agreement backed by congressional leaders and the President, even though it included gasoline and cigarette taxes. A former businessman, he consistently opposes Federal mandates on business. He voted against an increase in the minimum wage and against the family medical leave bill.

McMillan has been a leader on the House Republican Task Force on Health studying health care reform. He co-sponsored the House Republican health care reform bill, which has been reintroduced in the 103rd. He led the subgroup examining administrative reforms in health care and cosponsored a separate health care administrative reform bill. He also has introduced malpractice reform legislation. There are a substantial number of insurance companies headquartered in his district.

CONGRESSMAN JACK QUINN (R-NY): Freshman Congressman Quinn scored a major upset by winning with 52% in a heavily Democratic district. The district includes most of Buffalo and some of its suburbs. A self-described moderate, Quinn campaigned for major federal infrastructure programs. Quinn is a former public administrator and English teacher. He is a member of the Veterans' Affairs and Public Works Committees.

Quinn's health care views are not known but he is a White House target. He is Roman Catholic and anti-choice.

CONGRESSMAN TOM RIDGE (R-PA): A Vietnam veteran with a moderate voting record, Congressman Ridge represents Erie and its surrounding steel country. Ridge comes from a working-class family and is a graduate of Harvard. He serves on the Veterans, Post Office, and Banking Committees. Ridge is considered a thoughtful Republican and may run for Governor in 1994. He is one of Congressman Bonior's targets.

Ridge's health care views are not known. He has a hearing problem himself and will undoubtedly look out for veterans' interest in health care reform. A Roman Catholic, he has supported abortion funding in cases of rape and incest.

CONGRESSMAN CHRISTOPHER SHAYS (R-CT): A former Peace Corps volunteer and state legislator, Congressman Shays has been a maverick both in the state house and the Congress. While not as liberal as some had hoped, he is one of the few Republicans with a primarily urban constituency - a district with some of the wealthiest communities in the nation. Shays sits on the Budget and Government Operations Committees. He is both a White House and a Bonior target.

In December he responded to the President-Elect's request concerning health care by stating his support for managed competition but concern about global budgets and employer mandates, especially for small businesses. He noted that in the past he had supported legislation which would: bring community health and other similar centers under the Federal Tort Claims Act; cover pre-existing conditions; and establish health savings accounts. He also stated his support for preventive health funding through early intervention, immunization and screening. He asked that any plan adopted include malpractice reforms, paperwork simplification, and increased funding for Community and Migrant Health Centers. He wants to increase penalties for health care fraud, standardize billing, and provide incentives for hospitals to share technology, as well as including coverage of mental health.

Local groups will have an important impact on Shays and Secretary Shalala may be influential as well.

Recent Developments: At the June dinner given by Rep. Kasich for the First Lady, Rep. Shays stated his belief that small business will opt to play but not pay as they have been.

CONGRESSMAN PETER G. TORKILDSEN (R-MA): Freshman Congressman Torkildsen served in the state legislature and as Massachusetts Commissioner of Labor. He strongly resembles his former boss, Governor William Weld, with his fiscally conservative, pro-business stand and his support - as of April - of abortion rights. Torkildsen won his seat with 51% of the vote and Democrats hope to recapture it in 1994. He sits on the Armed Services as well as the Small Business Committee.

Health care reform is one of Torkildsen's priorities. He supports a pro-business plan of vouchers and tax credits. He is one of Congressman Bonior's targets.

CONGRESSMAN BILL ZELIFF (R-NH): A protege of former Gov. John Sununu, Congressman Zelif won in 1990 on his image as a successful businessman - and after spending \$400,000 in the GOP primary. Zelif's district includes Manchester and eastern New Hampshire. He retained it with 53% of the vote in 1992. Zelif is a member of the Small Business, Government Operations and Public Works Committees.

While Zelif's health care views are not known, one possible indicator of his views is that as the owner of a small resort, he has linked his business success to "entrepreneurialism" and frugality.

CONGRESSMAN DICK ZIMMER (R-NJ): Congressman Zimmer is serving in his second term representing some of the country's wealthiest communities. Zimmer has a law degree from Yale and served in the State Senate. He was also head of New

Jersey Common Cause in the 1970's. He is very conservative in fiscal matters, but more moderate on other issues. Zimmer serves on the Government Operations Committee and was a member of the Select Committee on Aging.

While his health care views are not known, he can be helpful if given a specific role. He is a White House target. His influence, however, is said to be limited. His Democratic opponent in 1990 was partially neutralized by Zimmer's pro-choice stance.

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: House Wednesday Group
cc: Melanne, Steve, Lorraine, Distribution

August 2, 1993

Tomorrow you are scheduled to meet with the House Wednesday Group. Originally, Congressman Machtley of Rhode Island suggested a joint meeting with the House Progressive Group (the Tuesday Group) and the House Wednesday Group in a conversation he had with Ira. These groups are generally made up of liberal to moderate Republicans with overlapping memberships.

The Wednesday Group is very sensitive about their Membership list and does not, as a rule, meet with people outside their group. Because of this, they decided against a joint meeting with the Progressives. However, a number of the House Wednesday group members are also members of the House Small Business Committee. They were impressed by your presentation to the Committee and thought it would be good for you to address their group as well.

BACKGROUND:

The House Wednesday Group has been in existence for over 30 years. Until recently, it was made up exclusively of moderate to liberal Republican members. Lately, it has been expanded to more mainstream conservative members with a commitment to doing solid policy. As a whole they consider themselves good government types, willing to spend money or support a president of another party if it addresses the needs of the American people. More importantly, they are fairly influential members within the Republican caucus.

The Wednesday Group has 39 members. It includes 16 of the members targeted by the White House or Congressman Bonior as possible Republican votes on health care reform. Our aim is for 10 to 25 Republicans to support our plan on the floor. Also of note, six of the members, including Congressman Kasich and Wednesday Group Chairman Kolbe, were at the dinner Congressman Kasich hosted earlier this spring. Brief profiles of the members of the Wednesday Group are attached for your review.

Last week, Congressman Hobson from Ohio introduced health reform legislation entitled the Medicaid Health Allowance Act. They consider this to be Wednesday Group legislation since it was based on one of their reports called "Bridging the Gap" and because 17 of its 24 cosponsors are members of the Wednesday Group.

The bill aims to control Medicaid costs while increasing coverage to low income uninsured individuals by allowing states to enroll Medicaid recipient in private health plans, such as HMOs and PPOs, with proven record for controlling costs. Plans would have to meet Medicaid benefit requirements and it would expand coverage to all those under the poverty level. It would be paid for by redirecting the Federal Disproportionate share paid to states for uncompensated care in hospitals. A copy of a "Dear Colleague" letter on the bill, a summary of the bill and the executive summary of "Bridging the Gap" are attached for your review.

Your meeting with the Wednesday Group will be somewhat of a historical rarity. The Group very rarely asks someone who is not a member of their organization to address the group in their official Wednesday time slot.

FORMAT AND TALKING POINTS:

Congressman Kolbe will introduce you for brief remarks. After your remarks the floor will be open for general discussion and questions and answers. We would suggest opening your remarks with an overview of where we stand on the development of the plan, followed by a briefing on the plan with an emphasis on the impact on small businesses and their employees. You may wish to refer to the side-by-side chart on small business now and under reform in your briefing materials. As with the Progressives, it would also be advisable to talk about our continuing desire to work closely with Republicans in finalizing the plan and enacting reform.



THE HOUSE WEDNESDAY GROUP

CONGRESS OF THE UNITED STATES

355 Ford House Office Building, Washington, D.C. 20515

Office: 202-226-3236

Fax: 202-225-3637

MEMBERS

1993

Doug Bereuter
Bill Clinger
Michael Cripps
Tom DeLay
David Dreier
Jennifer Dunn
Hamilton Fish
Wayne Gilchrest
Porter Goss
Fred Grandy
Steve Gunderson
Paul Henry
David Hobson
Peter Hoelstra
Stephen Horn
Arno Houghton
Henry Hyde
Nancy Johnson
John Kasich
Jack Kingston

Jim Kolbe, *Chairman*
Rick Lazio
Jim Leach
Bob Livingston
Jim McCrery
Joe McDade
Scott McInnis
Dan Miller
Connie Morella
Tim Petri
KOB FORNIES
Jim Ramstad
Ralph Regula
Marge Roukema
Clay Shaw
Lamar Smith
Olympia Snowe
Bill Thomas
Craig Thomas
Fred Upton

THE HOUSE WEDNESDAY GROUP

CONGRESSMAN JIM KOLBE (R-AZ), Chairman: Kolbe has been in the House since 1984 representing the east side of Tucson, Arizona. His district includes many high-tech businesses and defense contractors. Previously he served in the Arizona legislature where he earned a reputation as a moderate spurring Arizona to finally enter the Medicaid program. In the House, he votes consistently with the GOP and his record on economic issues is among the most conservative. At the same time, Kolbe is a long time supporter of abortion rights. He sits on the Appropriations and Budget Committees. There is speculation that he may challenge embattled Democratic Senator Dennis DeConcini in 1994.

His health care reform views are not known.

CONGRESSMAN DOUG BEREUTER (R-NE): Congressman Bereuter is an independent Republican who was first elected in 1978. He has a generally conservative record but is willing to buck his party on occasion. He is interested in the mechanics of government and sits on the Banking and Foreign Affairs Committees. He is a member of the Wednesday Group and also served on the Select Committee on Hunger. He is popular in his district which includes the city of Lincoln.

Bereuter's health care views are not known but he has voted against abortion.

CONGRESSMAN WILLIAM CLINGER (R-PA): Congressman Clinger has represented northwest and central Pennsylvania since 1978. Rated a party moderate, Clinger is conservative on economic and foreign policy issues. He is the ranking member on Government Operations and serves on Public Works and Transportation as well.

He is part of the Wednesday Group and was a member of the Select Committee on Narcotics Abuse and Control.

His health care views are not known but he has voted against abortion funding.

CONGRESSMAN MICHAEL CRAPO (R-ID): (pronounced CRAY-poe) Freshman Congressman Crapo comes to the House from the Idaho Senate where he was its president pro tempore, making him the highest-ranking Republican policy-maker in Idaho. Crapo quickly aligned himself this year with the freshman reformers and now sits on the Energy and Commerce Committee. He is a fiscal conservative and won his east Idaho seat with 61 % of the vote.

While Crapo's health care views are not known, he will be sensitive to the needs of

his district's farmers.

CONGRESSMAN TOM DELAY (R-TX): Congressman DeLay represents a heavily Republican district in Houston and its suburbs. He came to Congress in 1984 following a career in the pest control business and the state legislature. A conservative, he backed Newt Gingrich's more moderate opponent in the race for minority whip. DeLay serves on the Appropriations Committee and is a member of the Wednesday Group.

While DeLay's health care views are not known, he has voted against abortion funding.

CONGRESSMAN DAVID DREIER (R-CA): Congressman Dreier is a free market conservative who believes in federal tax amnesty - a position he refined during his years as PR director for Claremont College. While lacking in influence among Republicans when he served on the Banking Committee, Dreier is now in his second term on Rules. He is a member of the Wednesday Group. He won his suburban LA district with 58% of the vote.

Dreier's health care views are not known, but he has voted against abortion funding. He would like to eliminate the tax on Social Security benefits - a position befitting his district's affluent retirees.

CONGRESSWOMAN JENNIFER DUNN (R-WA): A freshman who won her seat in her first effort at public office, Congresswoman Dunn was state GOP chairman for 11 years. Dunn, who supports abortion rights, won narrowly in the primary over an ardent abortion opponent. Dunn won the general with 60% of the vote against a businessman who switched parties in the course of the 1992 election cycle. Dunn represents Puget Sound and suburbs of Bellevue. She is a member of the Public Works Committee and the Wednesday Group. Interestingly, she has not joined the Congressional Women's Caucus.

Her general health care views are not known.

CONGRESSMAN HAMILTON FISH (R-NY): The Ranking Member of the Judiciary Committee, Congressman Fish is well-regarded for his frequent support of liberal causes. He is one of the White House Republican targets. Fish represents Poughkeepsie and the southern Hudson Valley. His colleagues on the Judiciary Committee and his Administrative Assistant, who is highly partisan, are influential with Fish. His wife, Mary Ann, is a moderate Republican and would be important to include if an effort is made to reach Congressional spouses. Fish is a member of the Wednesday Group.

Fish's general views on health care are not known. He has written to the First Lady regarding his strong support of chiropractic services in the health reform proposal. His son has volunteered with a New York program to assist pregnant teenagers, and

Fish asked the First Lady to meet with them. She did so in June. Fish suffers from glaucoma. He has voted against reproductive rights.

CONGRESSMAN WAYNE GILCHREST (R-MD): Congressman Gilchrest is in his second term, representing a district which has had a turbulent political history. Gilchrest won with 52% of the vote to hold this eastern shore and Annapolis seat. He sits on the Public Works and Merchant Marine Committees, and previously served on the Select Committees on Aging, including the Health and Long-Term Care Subcommittee, and Hunger. He is also a member of the Wednesday Group.

While Gilchrest's general health care views are not known, he is considered a target by Congressman Bonior.

CONGRESSMAN PORTER GOSS (R-FL): Congressman Goss represents an overwhelmingly Republican district with a large elderly population. He was one of the prime movers to repeal the Catastrophic Act. His district has more hospitals with high concentrations of Medicare patients than any other district in the country. Goss serves on both the Republican Task Force on Health and on the Rules Committee.

His health care interests include: malpractice; rural health care; long-term care; and veterans. Goss has voted to allow abortions in cases of rape or incest, but against their being performed in military hospitals abroad. He has attended meetings with both the First Lady and with Ira, including Ira's Republican breakfast meetings. Goss is a White House target and if supportive of the package, Goss could be helpful with other Republicans. While usually following the party line, Goss has been more independent on environmental issues.

CONGRESSMAN FRED GRANDY (R-IA) - Congressman Grandy's intelligence and hard work have helped him overcome his image as "Gopher" of "Love Boat" fame. He is a former congressional aide who is now considered one of the ablest of the younger generation of House Republicans. Grandy left the Education and Labor Committee to serve on Ways and Means. He calls himself a "knee-jerk moderate" and represents Sioux City. Many believe he will run for the Senate at some point. Although Grandy voted against Family and Medical Leave, he remains a White House target on health care.

Grandy is a member of the Health Subcommittee. He is regularly allied with business and against labor interests. He has expressed concern about the need for increased funding for immunizations. He believes too much money is spent in the last months of life and is concerned about coverage for self-employed individuals. He is an abortion opponent. In this Congress he has sponsored a bill to provide basic group health care benefits, and cosponsored Rep. Michel's health care reform bill and Rostenkowski's Medicare improvement program. Grandy attended the

February Republican meeting with the First Lady and has been attending Ira's breakfast meetings.

CONGRESSMAN STEVE GUNDERSON (R-WI): Congressman Gunderson is from a dairy producing area of Wisconsin. He recently broke with the Republican leadership when he resigned his position as Chief Deputy Whip to Congressman Newt Gingrich. Gunderson is on the Education and Labor and Agriculture Committees and serves on the House Republican Task Force on Health. He is a member of the Wednesday Group as well.

On health care issues, Gunderson is worried that managed competition could fail rural areas because of the lack of sufficient medical resources. He is also concerned about emergency services with waivers and outpatient clinics. He is on Congressman Bonior's target list.

CONGRESSMAN DAVID HOBSON (R-OH): Hobson was elected in 1990 after a successful 8 year stint in the Ohio State Senate, which he culminated as president pro tem. In the state legislature, he was appointed to the Health Committee at an early stage of his career. Despite his lack of background on health issues he became engrossed in the subject and sponsored many health care bills in Ohio including measures dealing with AIDS, aging and mental health. His comprehensive AIDS bill was criticized heavily by conservatives, but he pushed it through the Republican controlled Senate. In the House, he serves on the Budget and Appropriations Committees.

He has attended (and seemingly appreciated) a number of the Republican Task Force briefings by Ira. He also attended the dinner meeting hosted by Congressman Kasich.

CONGRESSMAN PETER HOEKSTRA (R-MI): Freshman Congressman Hoekstra (pronounced Hoke-stra) won national recognition by defeating Guy Vander Jagt, a highly visible incumbent and a member of the Republican leadership, in the primary. Hoekstra was a business executive without prior government experience. He is a conservative who promised to spend only six terms in the House. Hoekstra is a member of the Education and Labor Committee and is part of the Wednesday Group.

His health views are not known at this time.

CONGRESSMAN STEVE HORN (R-CA): A freshman Congressman with extensive Washington experience, Steve Horn is a moderate Republican in a district with 50 percent Democratic registration. Horn is on the Government Operations and Public Works Committees and a member of the Wednesday Group. He has been designated a target by both the White House and Congressman Bonior. Horn worked in the Senate when it was the Republicans who gave crucial support to civil rights and he

helped draft the Voting Rights Act of 1965.

While Horn's specific health care views are not known, he favors abortion rights. He also believes in government and Congress as progressive institutions.

CONGRESSMAN AMO HOUGHTON (R-NY): The well-liked former CEO of Corning Glass, Congressman Houghton votes to the left of the House GOP leadership. Not surprisingly, he is popular in his southern NY district where his family is the major employer. Houghton has not had much luck with his goal of convincing the government to run its fiscal affairs like a corporation. He is a new member of the Ways and Means Committee and previously served on the Budget Committee and the Select Committee on Aging.

On health care matters, he is one of the few House members to vote against repeal of catastrophic. In this Congress he has introduced HR 196 - "the Health Equity and Access Improvement Act" which provides tax incentives to improve health access, preempt state anti-managed care laws, reform the small group health insurance market, reform medical malpractice liability, expand rural health programs, create a new public health program for the near poor, and provide incentives to encourage preventive services. He has raised concerns about reducing payments for GME and is interested in telemedicine. He has also questioned how managed competition will work in rural areas. With support from his wife and sister, he has voted pro-choice. Houghton has attended the Republican breakfasts with Ira and is considered a White House target and priority target of Congressman Bonior. However, he voted against Family and Medical Leave.

CONGRESSMAN HENRY HYDE (R-IL): While best known for his skill and creativity at advancing anti-abortion legislation and amendments, Congressman Hyde is also known for his intellectual honesty and willingness - on occasion - to work with Democrats. Not always a reliable partisan vote, Hyde has lost out on party leadership positions which he has sought in the past. Hyde is on both the Judiciary and Foreign Affairs Committees and a member of the Wednesday Group.

While Congressman Hyde's abortion views are all too well known, his opinions on other health care issues are not.

CONGRESSWOMAN NANCY JOHNSON (R-CT) - Congresswoman Nancy Johnson is a moderate Republican who can also be angrily partisan. She supported Newt Gingrich, an advocate of confrontation rather than cooperation with the majority, in his contest for Minority Whip. Her tendency to vote independently, both in committee and on the floor, has made it difficult for her to get the committee posts she has sought. But in the 101st Congress, she became the first Republican woman ever to serve on Ways and Means, and she has earned praise for her efforts to craft a comprehensive package of child care initiatives. With her seat on its Health

Subcommittee, she has focused on Medicare, health, and child care.

She has been an active member of the '92 Group, a coalition of moderate Republicans working on ways to set budget priorities and reduce the deficit, and served as the co-chair in the 100th Congress. In 1988, she joined Lowell Weicker in an effort to moderate the GOP's opposition to abortion rights and restore support for the Equal Rights Amendment in the party's platform.

Johnson is a strong supporter of outcomes research. She does not see insurance reform as the key to cost control. She seems to be leaning toward requiring the individual to obtain health care coverage. Her husband is an oncologist, and she has said repeatedly that doctors are not the cause of the country's health care ills.

Johnson is a White House target. In recent comments, Congresswoman Johnson expressed her support for folding some of the less controversial aspects of health care reform, such as insurance reform and establishment of the HIPCs, into the reconciliation bill so that it can move more quickly. This runs counter to the prevailing Republican position which opposes such omnibus, "grab-bag" legislation. She indicated, however, cost controls and other more controversial parts of the package should be voted on separately.

Recent Developments: At the June 14 dinner with the First Lady at Rep. Kasich's home, Johnson stated that cost controls in the private sector are more advanced than in the government. She also expressed her worry that HIPCs would be too big.

CONGRESSMAN JOHN KASICH (R-OH): Congressman Kasich was first elected to the House in 1982 and re-elected by wide margins ever since. The Congressman is acknowledged by most to be one of the brightest Members in the House. Yet, until recently, his role in the Congress has been similar to Justice Scalia's on the Supreme Court — that is, while his colleagues admire his intellect he has not been successful in influencing them to support his positions.

In recent years, he has made a name for himself by advocating tough measures to control federal spending. In 1989, he proposed a federal budget freeze that would have held all discretionary spending to fiscal 1989 levels. His 1990 proposal went further, freezing all domestic and defense spending levels. Both measures received little support on the House floor. This year he took on the lead in crafting the House Republican's alternative to the President's budget. His proposal was praised by some in the media for backing up the usual Republican rhetoric, with specific cuts, demonstrating how it would be possible to significantly reduce the deficit without raising taxes. It received more Republican support than his previous efforts, but it still failed to gain sufficient support for passage.

Until this year, other than advocating large cuts in Federal health programs and his opposition to public funding for abortions, he did not appear to have any detailed

position on health care. In late May, however, he released a "White Paper on Health Reform." In the report, he took – not too surprisingly – a rather stereotypical conservative position on health reform, such as the use of MediSave Accounts, means-testing Medicare, increasing Medicare beneficiary copayments, and categorical spending targets for health entitlements (but not for the private sector).

The "White Paper" also includes a number of suggestions that are consistent with the direction the Administration has been heading including: Developing incentives for greater use of competition in the Medicare and Medicaid programs, providing flexibility/waiver authority to the states, reducing health care fraud, assuring insurance portability, establishing purchasing groups, and addressing the medical liability problem.

The report concludes that "two fundamental points emerge from this analysis: policy makers should not put government first in seeking solutions to the nation's health care problems; and true reform must include restoring personal responsibility and the vitality of the doctor-patient relationship. Any reform attempts that circumvent these fundamental budgetary and economic factors will fail."

Recent Developments: On June 14th, Congressman Kasich hosted a dinner for the First Lady with some of his Republican colleagues. He was very happy with the meeting and has been saying quite positive things about the Administration's health reform effort, especially efforts to reach out to and consult with Republican members.

CONGRESSMAN JACK KINGSTON (R-GA): Freshman Congressman Kingston captured a seat previously held by Democrats but one which has a solid Republican base. He won with 58% of the vote in a district which includes the suburbs of Savannah and rural and coastal areas. A former insurance agent and state legislator, Kingston serves on the Agriculture and Merchant Marine Committees. He is also a member of the Wednesday Group. Kingston is a fiscal and social conservative who campaigned promising to oppose all increases in personal or business income taxes.

His health care views are not known.

CONGRESSMAN RICK LAZIO (R-NY): Freshman Congressman Lazio defeated incumbent Tom Downey with 53% of the vote to represent parts of Long Island. A lawyer and former county legislator, Lazio is a moderate and a White House target. He serves on the Budget and Banking Committees. Given the nature of his election, it is not surprising that he wants to implement wide-reaching congressional reform.

His general views on health care are not known. However, he will undoubtedly be influenced by his wife - a nurse-practitioner at a VA hospital - and his chief-of-staff - who worked for former Congressman Gradison. Lazio is pro-choice.

CONGRESSMAN JIM LEACH (R-IA): Congressman Leach is a moderate Republican from a farm and industrial area of Iowa. He is very bright and known for intellectualizing issues. A party maverick, Leach is considered a target but his health views, other than his pro-choice stance, are unknown. Leach is on the Foreign Affairs and Banking Committees. Two historical notes: Representative Leach won the seat by beating Edward Mezvinsky - now the husband of freshman Representative Marjorie Margolies-Mezvinsky; also, Leach resigned from the Foreign Service to protest the firing of Archibald Cox.

CONGRESSMAN ROBERT LIVINGSTON (R-LA): Congressman Livingston's forebears helped negotiate the Louisiana Purchase and he now represents the southeast section of that state. Livingston is a former federal prosecutor with a combative style who has sought, but failed to gain, higher office. He is a member of the Appropriations and House Administration Committees as well as the Wednesday Group.

Livingston has voted against abortion funding but his other health care views are not known.

CONGRESSMAN JIM MCCRERY (R-LA): Congressman McCrery is a former Democrat who now wins comfortably in this conservative north Louisiana district. It includes parts of Shreveport and Monroe. McCrery is a member of the Ways and Means Committee, the Republican Task Force on Health, and the Wednesday Group.

He is said to be supportive of the Heritage Foundation's tax credit proposal for health care. McCrery opposes abortion except to save the life of the woman.

CONGRESSMAN JOE MCDADE (R-PA): The senior member of the Pennsylvania delegation, Congressman McDade is serving his 30th year in Congress. While his reputation may have been tarnished inside the beltway by bribery charges, his constituents returned him with 90% of the vote. McDade represents Scranton and coal mining areas. He is the ranking Republican on the Appropriations Committee. While he frequently votes against his party, it is usually on labor-related issues.

McDade's health care views are not known but he is a White House target. He previously served on the Small Business Committee and may be sympathetic to their views. A Roman Catholic, he opposes reproductive rights. He can be very difficult.

CONGRESSMAN SCOTT MCINNIS (R-CO): Serving his first term in Congress after five in the state legislature, Congressman McInnis is a traditional conservative. He won with 56% on the western slope of Colorado, including Pueblo. He serves on both the Small Business and Natural Resources Committees and is a member of the Wednesday Group.

While his specific views on health care are not known, he will be looking out for rural areas as well as small business. A Roman Catholic, McInnis is pro-abortion.

CONGRESSMAN DAN MILLER (R-FL): Congressman Miller is a freshman member with a business but no political background. He is on the Education and Labor and Budget Committees and the Republican Task Force on Health. He is also part of the Wednesday Group.

Miller was, and may still be, on the Board of the Manatee Memorial Hospital. Miller supports a cap for medical malpractice lawsuits, arguing that it is one of the only ways to get health care costs under control.

CONGRESSWOMAN CONNIE MORELLA (R-MD): Congresswoman Morella is very popular both with her colleagues in the House and her constituents at home. A moderate-to-liberal Republican, Morella's district includes some of the nation's highest per capita income suburbs, middle and lower-income neighborhoods, as well as the major federal government health facilities. She sits on the Post Office and Science and Technology Committees.

Morella is a White House target. In February she wrote to the First Lady regarding the introduction of H.R. 286, a bill to permit certain hospitals to enter into technology-sharing agreements and thus eliminate duplication of costly equipment by neighboring hospitals. After attending the First Lady's meeting with the Congressional Caucus for Women's Issues, she wrote to Mrs. Clinton concerning: the need to recognize violence as an health care issue; and the problems relating to the growing number of women with AIDS who are not adequately served by health care providers. A Roman Catholic, Morella is pro-choice and has sponsored the Freedom of Access to Clinic Entrances Act. She will want to vote for the health care reform package but will need local support in order to do so.

CONGRESSMAN TOM PETRI (R-WI): Congressman Petri, a member of the Education and Labor Committee, is a moderate to conservative from a heavily dairy area of Wisconsin. He is in the Michel tradition of wanting to work with the Majority to produce results. While Petri has not been a player in health care, he has stated his hope that there could be a bipartisan effort to pass meaningful health reform. For that reason, he is considered a Republican target.

CONGRESSMAN ROB PORTMAN (R-OH): The most junior member of this Congress, Representative Portman won the seat of Republican Bill Gradison, a man he once interned for when he was in college. Portman has extensive Washington experience, including practicing at Patton, Boggs and Blow and Director of President Bush's Office of Legislative Affairs. Portman won the seat with 70% of the vote. He is a member of the Small Business Committee and of the Wednesday Group.

His health care views are not known.

CONGRESSMAN JIM RAMSTAD (R-MN): Congressman Ramstad is in his second term and came to Congress as a former staffer in both the House and the Senate. He represents suburbs of Minneapolis. He now sits on the Small Business and Judiciary Committees. Ramstad replaced Bill Frenzel in the House. Frenzel was moderate but partisan and Ramstad considers him his mentor.

While Ramstad's general health care views are not known, he is a White House target and is pro-choice. He has been interested in emergency medical care for children. He worked on issues involving chemical dependency in young people, cocaine babies and the handicapped while in the State Senate. At that time he also dealt with a personal alcoholism problem.

CONGRESSMAN RALPH REGULA (R-OH): Senior Republican Ralph Regular is known as a partisan who also works amicably and constructively with the Democrats. He is easily re-elected in his district, which includes Canton and some rural and Amish areas. Regula concentrates his energies on the Appropriations Committee. He also served on the Select Committee on Aging and its Subcommittee on Health and Long-Term Care. This is his 10th term in the House and he strays from the party line more often than most Republicans. He is a White House target.

In a May letter to the First Lady on behalf of the bipartisan Older Americans Caucus, he advocated affordable and accessible health care. He stated their hope that the reform package would "focus on preventative medicine, prescription drug coverage for all Americans, long-term care coverage, and the role of Medicare." He invited the First lady to address the Caucus. Regula is most apt to be influence by local groups. He is anti-choice.

CONGRESSWOMAN MARGE ROUKEMA (R-NJ): Congresswoman Marge Roukema is in her seventh term in the House of Representatives. As a moderate Republican, she has backed outlawing the hiring of permanent workers in place of striking employees, the 1990 Civil Rights Act, removing AIDS from the list of diseases which can exclude immigration and the Family and Medical Leave Act. In fact, she was a Republican leader of the Family Leave bill and opposed President Bush's veto.

Roukema currently serves as the ranking Republican member of the Labor-Management Relations Subcommittee of the Education and Labor Committee, chaired by Congressman Pat Williams. As a former teacher, she has spent most of her time on the Committee focusing on education issues and her health views are not widely known. However her work on the Family and Medical Leave Act, as well as other moderate positions, has made her one of our top Republican targets.

CONGRESSMAN CLAY SHAW JR. (R-FL): Congressman Shaw is a former mayor of Ft. Lauderdale who won in his new district with only 52%. Now on the Ways and Means Committee and a member of the Wednesday Group, Shaw gained a reputation for fighting crime and drugs when he served on the Judiciary Committee. On Ways and Means, he switched his vote on catastrophic and voted to repeal it in 1989. He has been an ally of Congressman Stenholm, both believing that parents, not government, should make decisions on child care. The Democrats are trying to recruit Anthony Shriver to run against Shaw in 1994.

While Shaw's specific health care views are not known, he has voted against abortion funding.

CONGRESSMAN LAMAR SMITH (R-TX): Congressman Smith is now serving his fourth term in Congress. His district includes the Austin suburbs and the vast hill and ranching country of south central Texas. He comes from a ranching family and served one term in the state legislature. Smith is very popular in his district and sits on the Budget and Judiciary Committees. He is also a member of the Wednesday Group. Smith served on the Select Committee on Children.

Smith's health care views are not known but he has opposed abortion funding.

CONGRESSWOMAN OLYMPIA SNOWE (R-ME): Congresswoman Olympia Snowe is in her eighth term and represents that northern half of Maine. She was elected when then-Congressman Bill Cohen decided to run for the Senate. Snowe has served as an effective member of the House, working with both sides of the aisle to find common ground. She currently serves as co-chair of the Congressional Caucus on Women's Issues.

At times, she can be a liberal Republican working with members like Pat Schroeder and Barbara Boxer on abortion issues and fetal tissue research. At other times, she can be strictly partisan, aligning herself with Congressman Kasich on the budget committee and one of Newt Gingrich's biggest supporter in his run for Majority Whip. She is a White House target.

Congresswoman Snowe is also energized by local issues. A knowledgeable moderate Republican tells us that the best way to get her vote is to have local groups bring pressure on her. While it is assumed that Snowe will want abortion coverage in the final package, she did not co-sign the May 13 letter on that issue. She is married to the Governor of Maine, John R. McKernan.

Recent Developments: At the dinner the First Lady attended at the home of Rep. Kasich in June, Snowe advocated everyone paying and phasing in the burden on small business. She believes everyone should be sent the message on responsibility.

CONGRESSMAN BILL THOMAS (R-CA) - The Ranking Republican on the Ways and Means Health Subcommittee, Congressman Thomas is an assertive partisan who wants Republicans to offer clear alternatives to Democratic policies. A close friend of Rep. Gingrich, Thomas represents Bakersfield - an area with agribusiness and aerospace and defense industries. He has been honored by the National Federation of Independent Business.

Thomas serves on the Republican Task Force on Health. In February he wrote to the President outlining his concerns about health care. While recognizing the need to control costs, he did not want to do so at the expense of limiting consumers choice or stifling research. He also believes that government controls lead to short-term savings at the expense of optimal care and long-term inefficiencies which raise costs. He supports incentives to allow all working Americans to purchase health insurance and improved programs for low-income families and people on fixed incomes. He sought discussion of the availability of quality health care in rural and large urban areas. He wanted long-term health care addressed.

Thomas outlined his steps for reallocating federal resources to improve health care, reducing health care delivery costs while increasing availability, and enhancing the role of the consumer in health care.

Thomas attended the February Republican meeting with the First Lady and has also attended the breakfast meetings with Ira. Thomas has voted for reproductive rights.

CONGRESSMAN CRAIG THOMAS (R-WY): Congressman Thomas holds former Secretary of Defense Cheney's at-large seat. Thomas's voting record shows him to be one of the most conservative members of the House. He grew up in Cody with Senator Simpson and worked for both the Farm Bureau and the Rural Electric Association. Thomas serves on the Banking and Natural Resources Committees and is a member of the Wednesday Group.

Thomas's health care views are not known but he has voted for funding abortion in cases of rape or incest. He will clearly also be looking out for rural interests.

CONGRESSMAN FRED UPTON (R-MI): Serving his fourth term in the House, Congressman Upton is a protege of former Budget Director Stockman. Upton represents the southwest corner of Michigan, an area of small manufacturing cities. It is a conservative and Republican area in which he is popular. Upton is a member of the Energy and Commerce Committee and the Wednesday Group. He is known to listen closely to local groups.

While Upton's health care views are not known, Congressman Bonior considers him a priority target. Upton supports abortion to save the life of the mother and in cases of rape or incest.

AUG 3 '93 16:35
DAVID L. HOBSON
7TH DISTRICT, OHIO

FROM HOUSE WEDNESDAY GRP.



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BUDGET
STANDARDS OF OFFICIAL CONDUCT

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
July 20, 1993

THE MEDICAID HEALTH ALLOWANCE ACT OF 1993

Dear Colleague:

Today there is a serious gap between all-or-nothing Medicaid eligibility and private insurance coverage. The people trapped in the middle -- mainly the working poor -- do not qualify for Medicaid and cannot afford insurance.

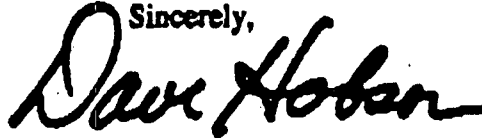
"The Medicaid Health Allowance Act" is an important step toward bridging that gap. It enables States to redirect Medicaid funds into Health Allowance Programs that enroll eligible individuals in private-market health plans. This approach has several benefits.

- ** *Increased Access to Health Benefits.* Every individual and family with income below 100 percent of the Federal poverty line will have access to several health benefit plans that are guaranteed to be at least as good as Medicaid. In 1991, more than 10 million persons below the poverty line were uninsured and not covered by Medicaid.
- ** *Cost Control.* States will redirect Medicaid funds into existing health systems that are proven to hold down medical inflation, in some cases to the rate of general inflation. These systems -- HMOs, PPOs, managed care -- reduce administrative costs, promote preventive care, and route beneficiaries to appropriate care. In contrast, most Medicaid is fee-for-service, and recently has grown more than 11 percent each year.
- ** *Welfare Reform.* Current Medicaid eligibility is linked to other public assistance programs so that welfare recipients who choose to work risk losing their health benefits. Under Health Allowance Programs, eligibility for health benefits will be "decoupled" from public assistance, and incentives to work will be preserved.
- ** *State Flexibility.* States will be given flexibility to meet local health needs. Many States are ready to do this now. Arizona already operates a successful Medicaid managed care program, but has to renew its Federal waiver to do so every five years. Kentucky, Tennessee, Oregon and Hawaii have requested similar waivers.
- ** *Insurance Standards.* States that want to adopt a Health Allowance Program must meet minimum insurance standards related to pre-existing conditions and guaranteed renewability of insurance coverage. A majority of States already have enacted reforms targeted toward the private insurance and the small employer group markets.
- ** *Budget Neutrality.* Currently the Federal government pays States to reimburse hospitals for the cost of uncompensated care. Health Allowance Programs will increase access to *compensated* care, and reduce instances of *uncompensated* care. On a State-by-State basis, the additional cost of expanding access to care is offset using a matching decrease in Federal payments for uncompensated care.

"The Medicaid Health Allowance Act" bridges the gap between Medicaid eligibility and affordable health insurance along themes that have emerged as important to successful health care reform -- increased access to care, cost effectiveness, minimum insurance standards, consistency with welfare reform, State flexibility, and, as a welcome bonus, budget neutrality.

I hope you will join me as a cosponsor of "The Medicaid Health Allowance Act." If you have questions, or want to confirm your cosponsorship, please call me or Greg Moody at 225-4324.

Sincerely,

A handwritten signature in black ink that reads "Dave Hobson". The signature is fluid and cursive, with the first name "Dave" and last name "Hobson" clearly legible.

DAVID L. HOBSON

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

THE MEDICAID HEALTH ALLOWANCE ACT OF 1993

The Medicaid Health Allowance Act enables States to expand eligibility for medical assistance to 100 percent of the Federal poverty line and to control health care costs by redirecting Medicaid funds into Health Allowance Programs that enroll eligible individuals in private-market health plans.

I. THE HEALTH ALLOWANCE PROGRAM

- A. The Health Allowance Program allows States to provide eligible individuals with a health allowance to obtain an approved health benefit plan in the private insurance market.
- B. The program affects the acute care portion of Medicaid only, and has no effect on long-term care.
- C. The program takes the place of direct Medicaid reimbursements, and is payable to individuals' health plans, including employer-based plans.

II. THE HEALTH ALLOWANCE PROGRAM BENEFIT PLAN

- A. Health Allowance Program benefit plans are approved by States according to Federal and State standards.
- B. State-approved plans must at least equal the actuarial value of a State's current Medicaid benefit package.
- C. State-approved plans must include at least one health maintenance organization (HMO) or other plan that uses a capitated system of payments.
- D. State-approved plans must conform to current State copayment requirements under the Medicaid program.

III. ELIGIBILITY OF A STATE TO ADOPT A HEALTH ALLOWANCE PROGRAM

- A. Eligibility of a State to adopt a Health Allowance Program is determined by the Secretary of Health and Human Services based on an application process set up by the Secretary.
- B. Eligibility of a State is dependent on that State meeting certain quality assurances and insurance standards, and on the scope of the State's Health Allowance Program. Specifically, a State must:
 - 1. Adopt and enforce quality assurance standards for health benefit plans participating in the Health Allowance Program;
 - 2. Guarantee minimum insurance standards related to pre-existing conditions and guaranteed renewability, and price ranges for similar health benefit plans within the State; and
 - 3. Offer the Health Allowance Program Statewide, with an allowable transition period of three years.

IV. ELIGIBILITY OF AN INDIVIDUAL TO RECEIVE A HEALTH ALLOWANCE

- A. Any individual or family is eligible to participate in a Health Allowance Program if their income does not exceed 100 percent of the Federal poverty line.
- B. Any individual or family with income between 100 and 200 percent of the Federal poverty line is eligible to "buy in" to a Health Allowance Program, with government financial contributions phased out by 200 percent on a graduated scale set by the State. Employers may buy in to this program, and may make contributions on behalf of employees.
- C. Other criteria for eligibility will be determined by the State, except that a State may not exclude any individual who is categorically eligible for Medicaid, and may not require an individual to meet any resource standard.

- A. The financial contribution of the Federal government for a State that operates a Health Allowance Program equals what would have been paid to that State under its current Medicaid program.
- B. The higher cost of operating a Health Allowance Program is covered by diverting all or a portion of existing disproportionate share (DSH) payments to the Health Allowance Program. DSH payments are reduced by an amount equal to the cost of the Program on a State-by-State basis. This provision ensures budget neutrality.

V. EVALUATIONS AND REPORTS

- A. The Secretary of Health and Human Services will evaluate the impact of the Health Allowance Programs on increasing the number of individuals with health insurance coverage and in controlling costs of health care, and submit a report on the Programs to Congress.

Sponsors of Medicaid Health Allowance Act
(as of July 27, 1993)

Rep. Dave Hobson (Ohio-7)	WED. GROUP
Rep. Michael Castle (Delaware-at large)	
Rep. Bill Clinger (Pennsylvania-5)	WED. GROUP
Rep. Paul Gillmor (Ohio-5)	
Rep. Newt Gingrich (Georgia-6)	
Rep. Porter Goss (Florida-14)	WED. GROUP
Rep. Fred Grandy (Iowa-5)	WED. GROUP
Rep. Steve Gunderson (Wisconsin-3)	WED. GROUP
Rep. Nancy Johnson (Connecticut-6)	WED. GROUP
Rep. John Kasich (Ohio-12)	WED. GROUP
Rep. Jack Kingston (Georgia-1)	WED. GROUP
Rep. Jim Kolbe (Arizona-5)	WED. GROUP
Rep. Rob Portman (Ohio-2)	WED. GROUP
Rep. Ralph Regula (Ohio-16)	WED. GROUP
Rep. Pat Roberts (Kansas-1)	WED. GROUP
Rep. Olympia Snowe (Maine-2)	WED. GROUP
Rep. Bill Thomas (California-21)	WED. GROUP
Rep. Craig Thomas (Wyoming-at large)	WED. GROUP



THE HOUSE WEDNESDAY GROUP

CONGRESS OF THE UNITED STATES

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BRIDGING THE GAP

Health Care Coverage for Low-Income Families

March 30, 1992

* Summary attached. If you would like full document, please contact Joyce McGarry at (202) 225-4324.

EXECUTIVE SUMMARY

The shortcomings of today's Medicaid program call for a meaningful restructuring to better serve low-income individuals and families. This paper attempts to focus the debate over health care reform by highlighting several inherent problems of the Medicaid program and proposing a strategy for improving access to health care for the nation's poor.

The ideas in this paper provide a more detailed discussion of reform initiatives which were first raised in the Wednesday Group paper "Moving Ahead: Initiatives for Expanding Opportunity in America," released in October, 1991. Improving access to health care for low-income families furthers a central theme of the reforms presented in that paper - that of promoting independence from welfare.

In this paper, we have concluded that two design innovations are imperative: 1) the Medicaid program or its replacement must be severed from its eligibility links with other cash assistance and entitlement programs; and 2) there must be a stronger public and private partnership to administer and deliver health care for the poor and near poor.

The direction for public policy suggested here is an attempt to bridge the gap between all private or all public health insurance. We believe that having either all private or all public coverage should not stand as mutually exclusive alternatives to having no coverage at all. Specifically, this paper calls for state projects to be established to show the effectiveness of a sliding-scale health insurance allowance program that would have Medicaid work with private insurance, rather than substitute for private insurance. We believe that a sliding-scale health insurance allowance will address the basic problems with Medicaid and make the program work better.

A health insurance allowance is a subsidy payment from the state government to an individual, employer, or insurer, to purchase health insurance. In conjunction with state income tax changes, a tax credit would provide each individual or household a reduction in tax dollars or a tax refund after they purchase health insurance. Alternatively, the states could pay subsidies to individuals, employers, or insurers to purchase health insurance. Our proposal suggests that matching federal dollars should be available through the current Medicaid program to demonstrate the value and workability of such health insurance allowance schemes.

The current gap between all-or-nothing Medicaid eligibility and private insurance coverage can be bridged with a seamless program of support adjusted for income. The concept of "seamless" refers to eliminating the current gap between those who have Medicaid and those who have private coverage. With support on a sliding-scale, the transition from public to private insurance is facilitated for those whose income rises above the threshold for the full health allowance.

In our proposal, states would establish their own health allowance programs. Managed care providers, particularly health maintenance organizations, would bid to participate in the program with payment at a predetermined capitated rate. This capitated rate would be indexed with inflation. The proposed health insurance allowance would be used by beneficiaries to purchase health care coverage from one of a group of state-approved plans. Because of the cost containment benefits, states would be required to offer at least one managed care plan.

- Control Cost Better - The state's costs should be easier to control under a health insurance allowance system, because the state will no longer participate in the open-ended fee-for-service system of health care. In addition, the incentives inherent in prepaid care plans to avoid unnecessary care and to coordinate care lead them to control costs and ensure access.
- Enhance Individual Responsibility - Providing a health insurance allowance directly to individuals gives them greater control over their lives. The state governments will provide the necessary educational information so that individuals will be able to make responsible choices in purchasing health insurance.

Eligibility for the program would be based on income and family size and be independent of other entitlement programs - greatly simplifying the current eligibility rules and thus helping the many Americans now without health insurance. States would reform their eligibility criteria over time; a goal could be for individuals and families with incomes less than 100 percent of the federal poverty level to use the full voucher amount to participate in the contracted plans. Those whose income qualifies them for the sliding-scale voucher amount, would also be able to participate in the state-approved plans, or they could choose to use the credit towards the purchase of their own insurance.

The speed of reform would depend on the capacity of the individual states and their providers to absorb the changes. Each state would control its own pace of change, with the flexibility to suit its own circumstances. An important part of this proposal is that states would move beyond the limited demonstrations of pilot projects that are presently underway.

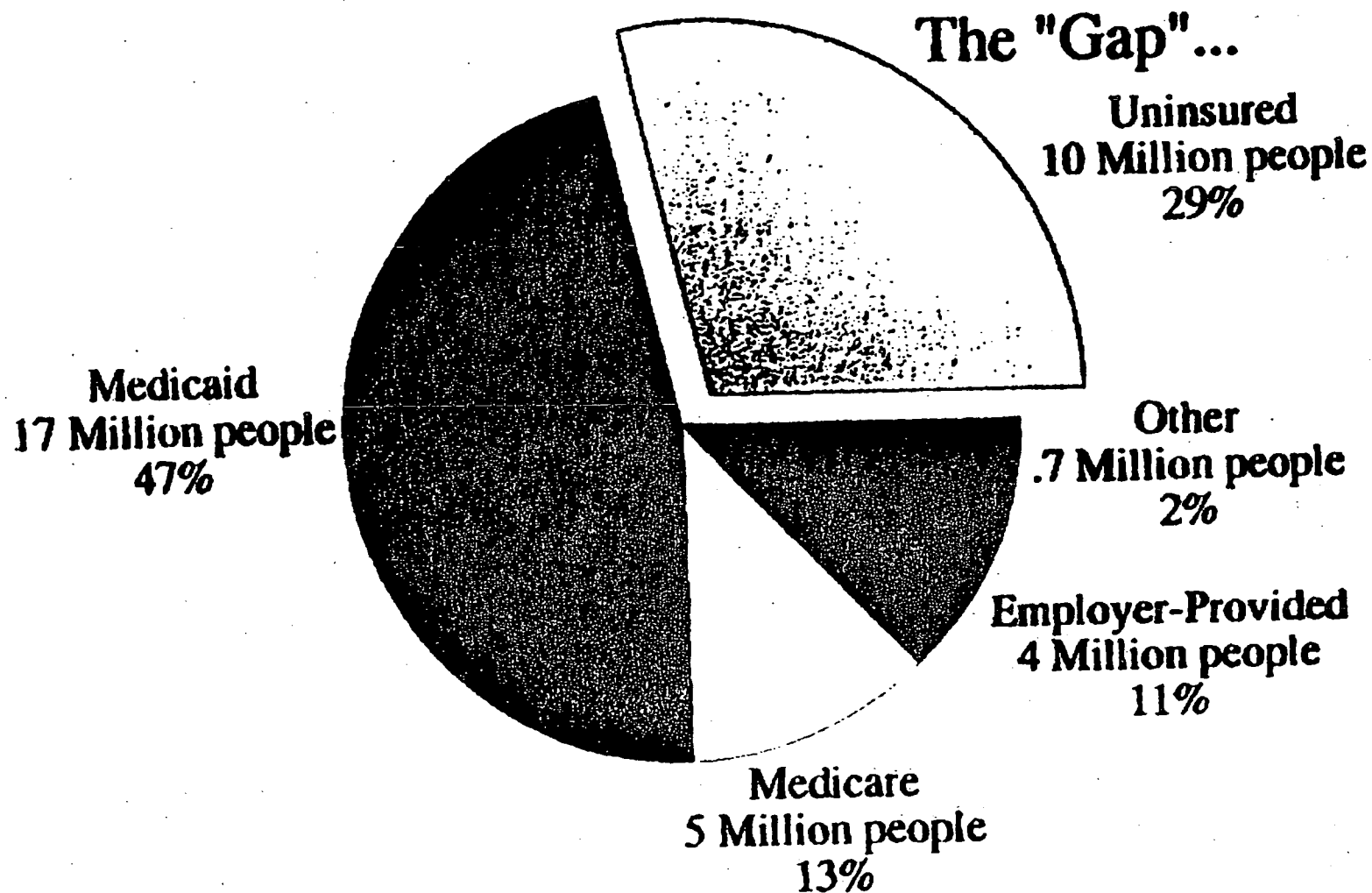
We propose to establish statewide projects immediately, in order to document the effectiveness of various health insurance allowance programs as well as to identify their weaknesses. The federal role would be one primarily of oversight and providing partial matching funds; the plan would be administered by the individual states. If proven effective on the state level, aspects of the state programs would deserve attention on a national level.

We believe that our proposal addresses many of the problems of Medicaid, because it would do the following:

- Expand Eligibility - A system offering the states both flexibility and federal matching dollars for a health insurance allowance to all individuals and families will allow states to eliminate Medicaid's restrictive eligibility categories. The use of a gradually diminishing subsidy -- rather than the present all-or-nothing eligibility -- will make the program available to those needy individuals who are now frequently excluded from Medicaid.
- Improve Access to Care and Offer More Choice to Consumers - Currently, Medicaid beneficiaries cannot use physicians who do not accept Medicaid; because of this, there are significant limitations on choice of care providers. While the individual amount of the state health insurance allowance will determine which plans individuals can buy, their access to care can be contractually required. Also, the insurance allowance will stimulate competition among providers of health care; this should increase choice to Medicaid consumers. Additionally, individuals or their employers have the option to supplement the allowance to buy a more complete insurance policy.
- Offer a Seamless Fabric of Public-to-Private Insurance - The sliding-scale subsidy facilitates movement between public and private support, so that low-income workers whose incomes rise above the threshold for the full health insurance allowance will still qualify for a percentage. This partial allowance could be used in any health insurance which is offered by an employer. The sliding-scale health allowance removes what some would argue is an incentive to staying on welfare -- continued Medicaid coverage -- because health insurance will be available independent of other welfare programs. A family could purchase, with the government's help, the same health care coverage it had when receiving the allowance.

36 Million People Below Poverty Level

Insurance Coverage of Poor, 1991



* Percentages represent share of total population (under poverty level) covered by insurance. Percentages may not add to 100% because an individual may have more than one type of insurance.

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Roll Call

July 22, 1993

HEADLINE: Will Rhode Island Send Congress Yet Another Kennedy?

BYLINE: By Charles E. Cook

Anyone who stumbled into the National Democratic Club Tuesday night saw a very unusual sight: House Majority Leader Richard Gephardt (D-Mo) was hosting a \$500-per-person fundraiser for a 26-year old Rhode Island state legislator who has not yet announced his candidacy for what could be a contested Democratic primary to oppose Rep. Ron Machtley (R-RI).

Making the scene even more curious was the presence and support of state House Speaker John Harwood (D) and state House Majority Leader George Caruolo (D), both of whom supported Machtley's last serious Democratic challenger, Scott Wolf, in 1990. Wolf still professes to be seriously considering running for the seat next year if Machtley runs for governor, as many expect him to do.

That the reception Tuesday night was a big success should be no surprise, given that the honoree was state Rep. Patrick Kennedy (D), son of Sen. Edward Kennedy (D-Mass) and nephew of the late President John F. Kennedy and Sen. Robert F. Kennedy (D-NY). After high school, Kennedy moved to the state from McLean, Va., to attend Providence College. He soon defeated an incumbent Democratic state Representative in 1988 after also winning a delegate slot earlier that year to the Democratic National Convention.

There's no doubt the young Kennedy will be able to raise an enormous amount of money for his campaign and command considerable media attention, but it's unclear what kind of race he will face. A statewide Brown University poll released earlier this week reinforces the view of many that Machtley, who turned 45 years old last week, will not seek re-election and instead make a gubernatorial bid.

In the survey, conducted July 15 to 18 of 422 registered voters, 73-year-old Gov. Bruce Sundlun (D) was given an "excellent" or "good" job rating by just 27 percent of the voters, while 71 percent characterized his job as either "fair" or "poor." Just 25 percent said Sundlun deserved re-election, while 61 percent said he did not.

Kennedy's objectives at this stage are obviously to clear the Democratic primary field of anyone of consequence, then run hard in the general election - which could be anything from a tough campaign against the well-regarded Machtley to a cakewalk open-seat general election in a state with a shallow GOP bench.

Much of Kennedy's trip here seemed designed to force other Democrats out of the race, with the Gephardt endorsement and the backing by the two state Assembly leaders sending a signal that the fix is in, that the party will get behind Kennedy early without waiting to see if anyone else chooses to run. It

may or may not work, but it was certainly an impressive attempt.

Wolf, 40, narrowly missed unseating scandal-plagued House Banking Committee Chairman Fernand St Germain in the 1988 Democratic primary. St Germain in turn lost to Machtley, then an attorney in private practice, in the general election. Two years later, Wolf secured the Democratic nomination to face Machtley but lost, 55 to 45 percent, in the general election.

Wolf, currently Sundlun's Director of Housing, Energy, and Intergovernmental Relations, says he is seriously considering running for the Congressional seat if Machtley does not seek re-election. But with two narrow defeats, he can hardly afford chancing a third loss to Machtley and, as a result, must hold off on a decision.

But Kennedy has no such restraint and is now all but officially running, so Wolf is forced to sit on the sidelines and watch the young scion line up establishment support for his own candidacy, and possibly lock up the nomination in the process.

If Kennedy does challenge Machtley next year, assuming he runs a respectable race, he would still be the first Democrat in line to run again in 1996, when Machtley is likely to run for the Senate. Some Kennedy backers, looking at Patrick's prospects over the next four years, believe he almost has a lock on the seat, one way or the other. Obviously, such statements are predicated on voters not rejecting him on the basis of age, lack of work experience, or the "carpetbagging" issue, which Republicans in the state say they will use, given his short history as a Rhode Islander. But he would hardly be the first member of his family to be accused of any of these sins, with little effect.

If Machtley runs for re-election, expect a very tough and expensive race. The Congressman won decisively last fall with 70 percent of the vote in what was widely seen as both an anti-incumbent year and not a great year for GOP candidates (President Bush received 28 percent in this district, worse than in any other GOP district in the nation save Jack Quinn's 30th district of New York).

On the other hand, given the low public regard for Congress, the strong Democratic voting tendencies of the district, and Kennedy's total name recognition and access to money, Machtley would face the toughest challenge of his career if he seeks re-election.

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Meeting with the Senate Small Business Committee
cc: Melanne, Steve, Distribution

August 4, 1993

Tomorrow you are scheduled to meet with Senator Dale Bumpers and the bipartisan membership of his Small Business Committee. This is in response to a longstanding request from the Senator for such a meeting. When you met with him individually one month ago, he had sought a meeting with his entire committee. At the time, you both concluded that, given the existing tension over the budget reconciliation, it was better to conduct a meeting with Senator Bumpers alone.

BACKGROUND:

As you know from your June meeting with him, Senator Bumpers is very concerned about the small business impact of the Administration's health reform plan. He believes it is critical to reduce the burden to the absolute extent possible. He is supportive of increasing the tax deduction for the self employed but he does not believe that is important as many other members do.

Also at that meeting, Senator Bumpers cautioned given the highly charged partisan atmosphere in the Senate, he is not convinced that any Republicans are possible but when pressed listed a dozen members including three on the Small Business Committee, Ranking Member Larry Pressler of South Dakota, Connie Mack of Florida, and John Chafee of Rhode Island. Other Republicans on the Committee include, Christopher "Kit" Bond of Missouri, who played an integral role on the Family and Medical Leave compromise for the Republicans and Conrad Burns of Montana, who has been very appreciative of the attention received to date.

The Democrats on the Committee run the spectrum politically from Paul Wellstone to Howell Heflin. However, most share the concern of the Chairman over the small business impact, particularly: Sam Nunn, Tom Harkin, Joe Lieberman, Howell Heflin, Frank Lautenberg and Herb Kohl.

It is important for you to know that Senator Pressler will hand over a letter with at least 40 Senate Republican signatures stating opposition to an employer mandate. Senator Chafee directed his staff to contact us to advise you that he succeeded in toning down the letter somewhat. He believes that the letter gives sufficient room for them to eventually sign off on some employer requirements. His staff, however, has not filled us with confidence.

Attached for your review are brief profiles of the members of the Small Business

Committee, questions from the members of the committee outlining their main areas of concern and materials from the small business notebook which you may wish to use for your presentation. As with many of the other meetings you have had over the last week, they will be interested in how financing of health reform will affect small business and our efforts to minimize the impact on these businesses and their employees.

SENATE SMALL BUSINESS COMMITTEE

August 5, 1993

DEMOCRATS:

SENATOR DALE BUMPERS (D-AR) - As Chairman of the Senate Small Business Committee, Bumpers has a particular sensitivity to small business needs. He would be an important surrogate speaker in his position as Committee Chairman, especially if he not only supports the bill but is comfortable enough to speak on its behalf. His link to small business is strong and hence he would be a valuable ally.

As you know he is also known for his great concern about children's issues. He therefore can be expected to support phasing-in coverage for children first, if such a phase-in is necessary. Senator Bumpers has adopted a wait-and-see attitude regarding health care. Going back to the last Congress, he resisted attempts to be pushed into any health care camp. It is clear, however, that a small business mandate could be hard to swallow.

Recent Developments: In his meeting with the First Lady in June, Senator Bumpers was very concerned about the small business impact of the Administration's health reform plan. He believes it is critical to reduce the burden to the absolute extent possible. He expressed his support of increasing the tax deduction for the self employed but he does not believe that is important as many other members do.

Also at that meeting, Senator Bumpers cautioned given the highly charged partisan atmosphere in the Senate, he is not convinced that any Republicans are possible.

SENATOR CARL LEVIN (D-MI) - Senator Carl Levin has served Michigan since 1978. His brother, Sander, is a Member of the House of Representatives, where he sits on the Ways and Means Committee. Along with Senator Riegle, they are protective of Michigan's auto industry, unions, and the unions' retirees. Senator Levin is concerned about cost control and particularly about the President's plan having sufficient cost control mechanisms (a chief concern of organized labor and the large industrial manufacturers of his state). He wants states to have flexibility to design and implement their own cost control measures.

Senator Levin is also worried that a tax cap will be a benefits reduction (another union concern). He has also wanted to know how many people will have greater benefits than minimum benefits. Senator Levin also has rural and small business concerns. The Senator supports inclusion of good primary, preventive, hospice and home care services in the reform package. A cosponsor of HealthAmerica in the 102nd Congress, Senator Levin favors managed competition and is on record as wanting to support the Administration's plan.

In Jamestown, Levin worried about having two big tax votes in one year. He also expressed concern about reduction in benefits for those who currently have good benefits (i.e. unions).

SENATOR TOM HARKIN (D-IA) - Senator Harkin has not sponsored any reform legislation or backed any particular reform approach. He has focused instead on specific issues that will need to be components of an overall plan. He has a strong interest in all rural issues. He was recently named Co-Chair of the Senate Rural Health Care Coalition. Harkin is a leading advocate in the Senate for anything related to people with disabilities. (He has a brother who is deaf.) His sponsorship of the Americans with Disabilities Act is perhaps the major achievement of his political career. Ensuring that the plan provides access to health care, including long term care for people with disabilities, is a major concern.

Senator Harkin is especially interested in prevention; he sponsored a bill giving money to states for preventive health programs. As a member of the Labor Committee and Chairman of its Appropriations Subcommittee on Human Resources, he is a key player on public health legislation and funding. Inclusion of preventive services in the benefit package will be key as Senator Harkin opposes co-pays for these services.

SENATOR JOHN KERRY (D-MA) - Senator Kerry has represented Massachusetts since 1984. He is best known for his involvement with the POW/MIA issue. While not a major player on health policy in the Senate, Kerry does have some significant health views. He favors a managed competition approach to reform and wants to support the President. Administrative simplification and insurance reform are of particular interest to him. Kerry wants to protect the biomedical and biotechnology industry, which is a growth sector in Massachusetts. He is also concerned about the impact of managed competition on teaching hospitals, due to the high concentration of such facilities in the Boston area. Senator Kerry is a Vietnam veteran and may be sensitive to major changes in the VA. He warns that expectations are high and urges regular meetings with Senators.

SENATOR JOSEPH LIEBERMAN (D-CT) - Senator Lieberman is in his first term and is up for re-election in 1994. Generally, he is supportive of managed competition (he liked the Cooper Bill), but has a real problem with global budgets and caps. He believes, however, that the plan needs to have significant cost containment.

The Senator believes that before the plan is announced, the White House should have a process to hear people's concerns. He also thinks that it is critical to educate the public so people understand the problems with our health system, and what solutions are necessary. He's very concerned we may lose the middle class because of a big new tax. He is encouraged by what he has heard about the Administration's proposal, but has a wait and see attitude.

Senator Lieberman felt more comfortable about the process after the First Lady's presentation at Jamestown. Interestingly, he raised small business much more than insurance industry concerns. He feels that if the middle class gets more benefits, they will be willing to pay for reform.

SENATOR PAUL WELLSTONE (D-MN) - Senator Wellstone is very interested in health care reform. In March, he reintroduced his single payer bill, the Senate counterpart of the McDermott bill. Despite his strong bias toward single payer and his suspicions of managed competition, he has expressed a willingness to work with you. His strong desire for reform and his belief that we must act now make him likely to support the Administration plan. He has a strong interest in mental health and substance abuse benefits. He modified his previous bill to strengthen its mental health provisions. Other concerns include rural health, consumer choice and state flexibility (so that Minnesota might pursue a single payer option).

SENATOR HARRIS WOFFORD (D-PA) - Since his Senate race victory, which was widely attributed to his support of health care reform, Senator Wofford has actively pursued this issue in the Senate. In the last Congress, he was part of a five member working group (with Senators Daschle, Baucus, Kerrey and Bingaman) supporting a single financing state-implemented health system with a national health board approving state plans. Under the plan, employers and individuals would pay a progressive premium to a fund which would be returned to the states on a percentage basis.

That bill was called the American Health Security Act, partially because Wofford believes so strongly in the importance of the success of the Social Security system. He believes that his proposal took into account a middle road between the single payer and managed competition crowds. He believes everyone should be required to participate in the Health Alliances (no opt-outs), that the program must be state or regionally administered, and that long term care coverage is essential. He has also expressed concern over what he felt was the lack of discussion by the Administration of long term care in connection with reform.

He is working with the Democratic Policy Committee health working group and is looking at the health insurance purchasing cooperatives and how they could work. He is very intellectual and savvy about how difficult some of the concepts are for the public to comprehend. For example, he dislikes intensely the term "global budget," believing that it is too large to understand and turns people off. He believes that President Clinton and Congress must do a lot of educating on health care reform.

It has been more and more clear to the Senator that his election is tied to Health Care Reform. He will be very helpful. Language used to describe and sell the plan is very important to him. He is very appreciative that the First Lady attended his forum in

Harrisburg earlier this year. At the Senate retreat, Senator Wofford stated his support for short term cost controls. He believes that abortion should be out of health reform and does not want the federal government overriding state abortion restrictions.

SENATOR HOWELL HEFLIN (D-AL) - Senator Heflin has been noncommittal, preferring to wait for the plan and concrete numbers on how and where the money is spent before taking a position. He appears to be open to the concept of reform but will need education on the issue.

Recent Developments: Senator Heflin expressed concern about how health care reform would be financed. He likely will also have strong reservations about medical malpractice reform if it includes caps. He attended the DPC Focus Group on Malpractice with the First Lady.

SENATOR FRANK LAUTENBERG (D-NJ) - Senator Lautenberg is very concerned that health reform will hit two big industries in New Jersey: pharmaceuticals and insurance companies. This coupled with the fact that he is up for re-election in 1994 means he is skittish on certain aspects of the plans. Governor Florio's re-election effort in 1993 may also influence Senator Lautenberg's vote. He was pushed by Senator Daschle on single payer; he resisted saying he was in the managed competition mode. While nervous about employee mandates, Lautenberg wants to be part of the whole team and believes he can serve as a liaison with the business community. Lautenberg's other concerns include transportation services to help provide access to health care in rural areas and the overuse of technology.

SENATOR HERBERT KOHL (D-WI) - Senator Rockefeller believes Senator Kohl will likely support the President. Senator Kohl is one of the wealthiest members of the Senate and spent freely of his own money to win this seat. Using the slogan "Nobody's Senator But Yours," Kohl tried to portray himself in a positive light as a candidate not beholden to special interests. He is up for re-election in 1994. He does not support single payer and has not taken a position on managed competition. He is comfortable with employer mandates if coupled with adequate subsidies. Insurance companies are the second largest employer in Wisconsin, which may be a concern for him. He is a member of the Mitchell working group and members of his staff are participating on the HCTF working groups.

SENATOR CAROL MOSELEY-BRAUN (D-IL) - Senator Moseley-Braun is one of the freshman members of the Senate. She is a single payer advocate, and is somewhat skeptical of the managed competition model. The Senator believes that there should be one entity collecting revenues for the health care system, and that health care insurance providers unnecessarily duplicate services.

The Senator is particularly interested in financing mechanisms, and would have supported Senator Wellstone's American Health Security Act, introduced March 3, save for her reservations over his approach to funding. She is concerned by public reports of the proposed sin tax, which she feels will not be sufficient to finance health care reform. If a sin tax is not sufficient, and given the tax increases in the President's economic

proposal, the Senator is curious about what other mechanisms the Health Care Task Force is considering for revenue.

Senator Moseley-Braun is also interested in the composition and mechanism for creating a basic package of services. She is interested in seeing an increase in resources and focus on primary and preventive care. She would like to make sure that long term care is part of the reform package, and was a little concerned about signals sent during the meeting with the Congressional Black Caucus on this issue.

The Senator also feels that if managed competition is chosen as the avenue to health care reform, a mechanism should be put in place to insure that health insurance provider cooperatives have an incentive to serve consumers in urban and rural poverty areas. Additionally, the Senator is interested in a slow phase-in of veterans into an overall health reform package.

At the meeting with Democratic women Senators at Jamestown, Moseley voiced her support for the inclusion of reproductive services in the final package.

REPUBLICANS:

SENATOR LARRY PRESSLER (R-SD) - Senator Pressler is a moderate to conservative Republican who serves on the Small Business, Foreign Relations, Commerce, and Judiciary Committees, as well as the Select Committee on Aging.

Recent Developments: At the May 6 meeting with the Select Committee on Aging, he raised concerns about the cost of long-term care, specifically mentioning Alzheimers patients put into poverty by Medicaid.

CHRISTOPHER "KIT" BOND (R-MO) - The junior Senator from Missouri recently won his first re-election campaign, and is ready to continue his spirited partisanship. A former chair of the Republican Governors Association, Senator Bond has opposed a number of relatively popular initiatives, such as the Americans With Disabilities Act and the 1990 Civil Rights Act. Senator Bond currently serves on four business and money related committees - Banking, Appropriations, Budget, and Small Business.

In the 102nd Congress, Senator Bond co-sponsored a Republican health care initiative that sought a \$150 billion solution to the lack of universal coverage. Bond recently introduced an administrative reform bill addressing the high cost of health care administration. It eliminates exclusions for pre-existing or expensive conditions. He believes broad health care reform is vital but recognizes the complexity of the problem.

Senator Bond was a leader of the eight Republican co-sponsors of the Family and Medical Leave Act, and also co-sponsored Senator Dole's recent bill on Medicare (S. 176), which revises Medicare rules with respect to rural and community hospitals and payment for new providers. If a moderate Republican bloc forms to negotiate with the Democrats on health reform, as it did on Family and Medical Leave, Bond could be key.

SENATOR CONNIE MACK (R-FL) - Senator Mack was a Democrat until 1979 and a Republican Member of the House of Representatives from 1982 through 1988. Mack is up for re-election in 1994 and serves on the Republican Health Care Task Force. While he remains fairly quiet on health issues, in his March 10 meeting with the First Lady, Mack asked to be more involved with the Health Care Task Force and stated his support for long-term care - but not a dollar cap. He also supports programs for early detection. Health reform may pose a difficult challenge in his re-election effort. Florida's recent state reform efforts may contribute to a pro-reform mindset in the state. He also cannot ignore the huge senior citizen communities in Florida. They will oppose any changes in Medicare or increases on wealthy seniors without corresponding increases in benefits. If the plan includes prescription drug coverage and long-term care services seniors support, his opposition could prove very costly. At the same time, he has to appease Miami's Cuban community, which will want expanded coverage for the poor and recent immigrants. Mack has switched his position on abortion and is now anti-choice.

SENATOR CONRAD BURNS (R-MT): Senator Burns is Montana's junior Senator. A former livestock fieldman and auctioneer who later set up a radio farm news network, Burns is almost a stereotypical Easterners' version of a western politician. Burns was elected in 1988, defeating incumbent John Melcher.

Senator Burns has a low key style and a conservative voting record. Although he is on the Republican Health Care Task Force and on Pryor's Aging committee, he is not very outspoken on health issues. He is a cosponsor of Senator Kassebaum's BasiCare Health Reform Bill. He is particularly supportive of the bill's rural health provisions. Burns was very pleased to have been included (at our recommendation) in the Montana health care forum you participated in with Senator Baucus and Congressman Williams.

SENATOR DIRK KEMPTHORNE (R-ID) - Senator Kempthorne is a freshman member from one of the few states that has two Republican Senators. It is not expected that he will break out of the pack and go against the Republican leadership. Kempthorne serves on the Armed Services, Environment, and Small Business Committees.

SENATOR ROBERT F. BENNETT (R-UT) - At 59, Senator Bennett is the oldest member of the Senate's freshman class, and enters having made a fortune in private industry. He currently serves on the Committees on Energy and Natural Resources, Banking, Housing, and Urban Affairs, Small Business, and the Joint Economic Committee. Senator Bennett has co-sponsored no legislation with significant health policy implications.

SENATOR JOHN CHAFEE - Senator Chafee's role in health care reform is critical. He chairs the group of 23 Republican Senators (including Minority Leader Bob Dole) who are working on a bill to rival our proposal. He comes to the reform debate with residual feelings that if not for Presidential and partisan politics in the last Congress, there was enough consensus between his and many Democrats' bills to move forward on high priority health reform proposals such as: self-employed tax deduction increase to 100 %; insurance market reform; expansion of community health centers and other health care delivery systems; and state experimentation. He is well known for his advocacy of community health centers.

Chafee favors a managed competition plan. His plan is similar to ours in the sense that he wants to set up health insurance purchasing cooperatives that offer a choice of plans. But the Chafee plan is in sharp contrast to ours because his plan would not force employers to pay for coverage, require companies to join the cooperatives, or implement price controls.

The Senator likes to be kept apprised and "consulted" on major legislation. In fact, in July in the New York Times, Chafee complained about being "left out" of the drafting of the budget plan. Chafee is adamantly opposed to employer mandates. He

has talked about this aspect being the "dividing line between Republican and Democratic approaches (to health care)." Although, in a meeting with Ira, he recognized the difficulty in providing universal coverage without the use of mandates.

SMALL BUSINESS COMMITTEE MEMBERS' CONCERNS

REGARDING HEALTH CARE REFORM AND ITS IMPACT ON SMALL BUSINESS

SENATOR LEVIN:

- *How much will preventive care be emphasized in the Administration's proposal?*
- *How will the plan ensure that small businesses have the ability to remain competitive?*

SENATOR KERRY:

- *Will small business be able to get insurance in big pools so that their rates are competitive with big business, and/or insurance that is affordable?*
- *How fast will the phase-in of universal coverage be? How much shock can the system take?*

SENATOR WELLSTONE:

- *What is the Administration's position on progressive financing vs. a flat premium regarding health coverage?*
- *How will the Administration ensure that progressive small business elements are heard from in the debate over health care reform, not just organizations that will oppose real reform?*

SENATOR WOFFORD:

- *How will emerging firms and marginally profitable firms be treated?*
- *Will farmers have to pay for health care for seasonal farm workers?*

SENATOR HEFLIN:

- *Will there be a payroll tax? If so, what is the breakdown of rates?*

SENATOR LAUTENBERG:

- *Will the plan address the issue of cost containment?*
- *How will the Administration address access to and cost of prescription drugs -- especially for senior citizens?*

SENATOR KOHL:

- *How does the Administration propose to limit the burden on small businesses imposed by any new mandate?*
- *What are the Administration's current inclinations regarding the ability of larger businesses to opt out of regional purchasing cooperatives?*

SENATOR MOSELEY-BRAUN:

- *Will there be a payroll tax imposed on all businesses? What rates are being considered and what is its estimated impact on small businesses that are not currently providing full coverage for their employees?*
- *Will large employers (with 1,000 or more employees) be able to opt out of this system and offer their own health plans? If so, small employers, the uninsured and public employees would serve as the consumer base. Wouldn't this undermine reform and potentially cause a smaller base to cover an increased share of an older, sicker and poorer population?*

SENATOR PRESSLER:

- *Does the Administration plan to include any employer mandates in its health care plan? If so, what are they?*
- *How does the Administration propose paying for its plan?*

SENATOR BOND:

- *How is the Administration going to see that mandates and payroll taxes do not have a disproportionate impact on small businesses, or discourage them from hiring new employees?*
- *What facets of an Administration plan, if any, will show an effort to foster individual responsibility and allow the states some flexibility in administering the plan?*

SENATOR MACK:

- *Will there be employer mandates, and if so, how will they be implemented?*
- *Does the Administration propose to ask for a payroll tax to pay for the reform package?*

SENATORS ATTENDING LUNCHEON

Mr. Bumpers
Mr. Levin
Mr. Harkin
Mr. Kerry
Mr. Lieberman
Mr. Wellstone
Mr. Wofford
Mr. Heflin
Mr. Lautenberg
Mr. Kohl
Ms. Moseley-Braun

Mr. Pressler
Mr. Bond
Mr. Burns
Mr. Mack
Mr. Kempthorne
Mr. Bennett
Mr. Chafee
Mrs. Hutchison

SENATORS NOT ATTENDING LUNCHEON

Mr. Nunn

Mr. Wallop
Mr. Coverdell

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Congressman Waxman
cc: Melanne, Steve, Lorraine, Distribution

August 4, 1993

Tomorrow you are scheduled to meet with Congressman Waxman, chairman of the Energy and Commerce subcommittee on Health and the Environment. Accompanying him will be Karen Nelson, Subcommittee Staff Director, and possibly Mike Hash.

BACKGROUND:

Of all the Committee Leadership, Congressman Waxman has been the most openly supportive of the Administrative efforts on health care reform. However, recently his confidence has been shaken. Because of the extended period of time the development of the policy has taken, the lack of detailed consultations with him and his staff and the numerous contradictory press reports, he has become more skeptical about the prospects for reform and more uncomfortable with his unabashed support for our efforts.

In addition, Congressman Waxman has major concerns about the budget deliberations. He believes the liberals have been sold out. He is unhappy about the Medicare cuts, the reduction in the Earned Income Tax Credit. In addition, he was especially annoyed about the handling of the immunization bill. He never liked it but was told it was a priority by the Administration only to be told that if he wanted the program he would have to find the money himself.

This combined with his displeasure over the handling of such issues as Haitian immigrants, selection of the AIDS czar, gays in the military and abortion. He resents the closeness with the Governors and the receptiveness to granting Medicaid waivers which translates into the states saving money at the expense of the poor. In addition, he shares the historic dislike of the House for the Senate. He resents the fact the House always goes first on the hard choices, take the tough hit and then one Senator hold the whole thing up. All this translates into a tremendous anxiety over the health reform plan, especially the low-income people who he feels will be the first to be sacrificed if costs get too high.

Congressman Waxman has a number of specific concerns regarding the

Administration's health reform efforts. His Subcommittee has jurisdiction over the Medicaid program and Medicare Part B. Waxman is especially interested in how Medicaid will be folded into the new program. His concerns include the benefit package, excessive state flexibility, and the plan to which to employer contribution is linked.

Judy Feder met with Karen Nelson this afternoon to lay the groundwork for a productive and positive discussion. Karen reiterated Henry's concern about the low income population and his desire to understand how they are protected. A particular question was raised about whether this population would have access to the fee for service plan. Other issues raised: (1) the availability of plans in underserved areas; (2) the desirability of fully integrating Medicaid into the system and the concern that separate funding streams might be viewed as separate programs; (3) state flexibility provisions that may be too open-ended and a desire to know how the Federal guarantees will be assured at the state level; (4) cost containment and the possibility that harsh interventions might threaten access to services; and (5) a concern about caps on punitive pain and suffering damages.

TALKING POINTS:

Appreciation of Work on Reconciliation: It would be advisable to acknowledge an incredible job he did on reconciliation and what a difference his expertise and skill of his staff made. Not only did they carry the water on the Administration's provisions but they assured they were not subject to a point of order under the Byrd rule (which allows the Senate to strike provisions not directly related to deficit reduction).

Commitment to Reform: You may wish to mention how much you appreciate his longstanding commitment to reform and his steadfast support for the Administration's efforts on health reform. Discuss how much we need him and his expertise. Ask if he and his staff might be accessible during August for consultation.

Medicaid: Congressman Waxman will want to be assured that Medicaid recipients are folded into the program as quickly as possible.

Medicare: Safeguarding Medicare beneficiaries is also important to the Chairman. You may wish to stress that our plans call for Medicare to continue as a separate program. Over time, and only with strong programmatic and beneficiary projections, states may have the option of folding in Medicare recipients. In addition, individual beneficiaries may have the option to receive their Medicare benefits through the plans offered by the alliance.

Benefit Package: Congressman Waxman supports a comprehensive benefits package and would oppose any effort to phase-in benefits. His concern is that, given political and fiscal pressures, you might never reach comprehensive coverage for the poor. He also will want assurances that current Medicaid benefits which are more generous than our plan will be maintained and offered as wrap-around coverage for those who are eligible.

Employer Contribution: A related concern is the plan to which the required premium contribution for employers is linked. He opposes linking it to the lowest cost plan, preferring instead to link it to the average cost plan. He fears that if you tie it to the lowest cost plan you will wind up with all poor people in that plan. The result, in his opinion, will be a two-tier system with plans for the poor and plans for the well-to-do.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: Congressman LaFalce (2 pages)	8/1/93	P5
002. memo w/attach	Chris Jennings, Steve Edelstein to Hillary Clinton Re: House Wednesday Group (27 pages)	8/2/93	P5
003. memo w/attach	Richard A. Veloz to Ira Magaziner, Judy Feder, Tom Ault Re: Meeting on Thursday, August 5, 1993 with Puerto Rican Health Group Social Security numbers redacted (2 pages)	8/3/93	P6/b(6)
004. memo w/attach	Chris Jennings to Hillary Clinton Re: Meeting with Tuesday Republican Discussion Group (8 pages)	8/3/93	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
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FOLDER TITLE:

August 1993 HSA [2]

gf100

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: Congressman LaFalce and NFIB
cc: Melanne, Steve, Distribution

August 1, 1993

Tomorrow you are scheduled to meet with the National Federation of Independent Business (NFIB). Also participating will be Congressman John LaFalce, Chairman of the House Small Business Committee.

BACKGROUND:

Congressman LaFalce was very pleased with your meeting last week with the members of his small business committee. This was evidenced by his comments to the media that day and at a House Focus Group meeting the following day. With continued attention, LaFalce should prove a very helpful ally.

One of the ways the congressman has offered to help is to be a conduit to the small business community. He has a very close relationship with John Motley of NFIB. LaFalce's goal is to have them oppose the financing mechanism on the floor rather than high profile mobilization against the plan as a whole. Whether or not this goal is ultimately achievable, his efforts are certainly worthwhile.

This meeting is also a precursor to a hearing by Congressman LaFalce's Small Business meeting the following day. representatives of 5 major small business associations have been invited to explore how best to attain the goals of cost containment and universal access without jeopardizing the viability of small business. A copy of the witness list is attached for you information.

Congressman LaFalce's hearing is being held the same day you are scheduled to meet with the Democratic Policy Committee on Small Business. This meeting with NFIB and the other business groups you are scheduled to meet with on Tuesday should help with in the Senate by showing you commitment to work with the small business community.

There are three main issues which the Congressman has stressed with regard to health reform and small business -- 1) no payroll tax, 2) self-employed tax deduction, and 3) folding in workers' compensation.

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NO.907 P001

WITNESSES FOR AUGUST 4 SMALL BUSINESS COMMITTEE HEARING ON NATIONAL HEALTH CARE REFORM:

- * John J. Motley, III, Vice President of Federal Governmental Relations, National Federation of Independent Business
- * Stephen Elmont, President, National Restaurant Association; and Chairman, The Food Group Limited
- * Gary Petty, Treasurer, Small Business Legislative Council; and President/CEO, National Moving and Storage Association
- * Kristin Bass, Manager of Human Resources Policy, Domestic Policy Division, U.S. Chamber of Commerce
- * Susan Hager, 1992 President, National Small Business United; and President, Hager Sharp, Inc. (Washington, D.C.)
- * Ronald Bullock, Member, National Association of Manufacturers; and President, Bison Gear and Engineering Corporation (Downers Grove, IL)

*** The order of the witnesses has not yet been determined.

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: 27 Date: 8-16-05

*1st Lohs
Congressional*

PRIVILEGED AND ~~CONFIDENTIAL~~ MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings, Steve Edelstein
RE: House Wednesday Group
cc: Melanne, Steve, Lorraine, Distribution

August 2, 1993

Tomorrow you are scheduled to meet with the House Wednesday Group. Originally, Congressman Machtley of Rhode Island suggested a joint meeting with the House Progressive Group (the Tuesday Group) and the House Wednesday Group in a conversation he had with Ira. These groups are generally made up of liberal to moderate Republicans with overlapping memberships.

The Wednesday Group is very sensitive about their Membership list and does not, as a rule, meet with people outside their group. Because of this, they decided against a joint meeting with the Progressives. However, a number of the House Wednesday group members are also members of the House Small Business Committee. They were impressed by your presentation to the Committee and thought it would be good for you to address their group as well.

BACKGROUND:

The House Wednesday Group has been in existence for over 30 years. Until recently, it was made up exclusively of moderate to liberal Republican members. Lately, it has been expanded to more mainstream conservative members with a commitment to doing solid policy. As a whole they consider themselves good government types, willing to spend money or support a president of another party if it addresses the needs of the American people. More importantly, they are fairly influential members within the Republican caucus.

The Wednesday Group has 39 members. It includes 16 of the members targeted by the White House or Congressman Bonior as possible Republican votes on health care reform. Our aim is for 10 to 25 Republicans to support our plan on the floor. Also of note, six of the members, including Congressman Kasich and Wednesday Group Chairman Kolbe, were at the dinner Congressman Kasich hosted earlier this spring. Brief profiles of the members of the Wednesday Group are attached for you review.

Last week, Congressman Hobson from Ohio introduced health reform legislation entitled the Medicaid Health Allowance Act. They consider this to be Wednesday Group legislation since it was based on one of their reports called "Bridging the Gap" and because 17 of its 24 cosponsors are members of the Wednesday Group.

The bill aims to control Medicaid costs while increasing coverage to low income uninsured individuals by allowing states to enroll Medicaid recipient in private health plans, such as HMOs and PPOs, with proven record for controlling costs. Plans would have to meet Medicaid benefit requirements and it would expand coverage to all those under the poverty level. It would be paid for by redirecting the Federal Disproportionate share paid to states for uncompensated care in hospitals. A copy of a "Dear Colleague" letter on the bill, a summary of the bill and the executive summary of "Bridging the Gap" are attached for your review.

Your meeting with the Wednesday Group will be somewhat of a historical rarity. The Group very rarely asks someone who is not a member of their organization to address the group in their official Wednesday time slot.

FORMAT AND TALKING POINTS:

Congressman Kolbe will introduce you for brief remarks. After your remarks the floor will be open for general discussion and questions and answers. We would suggest opening your remarks with an overview of where we stand on the development of the plan, followed by a briefing on the plan with an emphasis on the impact on small businesses and their employees. You may wish to refer to the side-by-side chart on small business now and under reform in you briefing materials. As with the Progressives, it would also be advisable to talk about our continuing desire to work closely with Republicans in finalizing the plan and enacting reform.



THE HOUSE WEDNESDAY GROUP
CONGRESS OF THE UNITED STATES

355 Ford House Office Building, Washington, D.C. 20515

Office: 202-226-3236

Fax: 202-225-3637

MEMBERS

1993

Doug Bereuter
Bill Clinger
Michael Crespo
Tom DeLay
David Dreier
Jennifer Dunn
Hamilton Fish
Wlyne Gilchrest
Porter Goss
Fred Grandy
Steve Gunderson
Paul Henry
David Hobson
Peter Hoekstra
Stephen Horn
Arno Houghton
Henry Hyde
Nancy Johnson
John Kasich
Jack Kingston

Jim Kolbe, chairman
Rick Lazio
Jim Leach
Bob Livingston
Jim McCrery
Joe McDade
Scott McInnis
Dan Miller
Connie Morella
Tim Petri
Kob Roemer
Jim Ramstad
Ralph Regula
Marge Roukema
Clay Shaw
Lamar Smith
Olympia Snowe
Bill Thomas
Craig Thomas
Fred Upton

THE HOUSE WEDNESDAY GROUP

CONGRESSMAN JIM KOLBE (R-AZ), Chairman: Kolbe has been in the House since 1984 representing the east side of Tucson, Arizona. His district includes many high-tech businesses and defense contractors. Previously he served in the Arizona legislature where he earned a reputation as a moderate spurring Arizona to finally enter the Medicaid program. In the House, he votes consistently with the GOP and his record on economic issues is among the most conservative. At the same time, Kolbe is a long time supporter of abortion rights. He sits on the Appropriations and Budget Committees. There is speculation that he may challenge embattled Democratic Senator Dennis Deconcini in 1994.

His health care reform views are not known.

CONGRESSMAN DOUG BEREUTER (R-NE): Congressman Bereuter is an independent Republican who was first elected in 1978. He has a generally conservative record but is willing to buck his party on occasion. He is interested in the mechanics of government and sits on the Banking and Foreign Affairs Committees. He is a member of the Wednesday Group and also served on the Select Committee on Hunger. He is popular in his district which includes the city of Lincoln.

Bereuter's health care views are not known but he has voted against abortion.

CONGRESSMAN WILLIAM CLINGER (R-PA): Congressman Clinger has represented northwest and central Pennsylvania since 1978. Rated a party moderate, Clinger is conservative on economic and foreign policy issues. He is the ranking member on Government Operations and serves on Public Works and Transportation as well.

He is part of the Wednesday Group and was a member of the Select Committee on Narcotics Abuse and Control.

His health care views are not known but he has voted against abortion funding.

CONGRESSMAN MICHAEL CRAPO (R-ID): (pronounced CRAY-poe) Freshman Congressman Crapo comes to the House from the Idaho Senate where he was its president pro tempore, making him the highest-ranking Republican policy-maker in Idaho. Crapo quickly aligned himself this year with the freshman reformers and now sits on the Energy and Commerce Committee. He is a fiscal conservative and won his east Idaho seat with 61 % of the vote.

While Crapo's health care views are not known, he will be sensitive to the needs of

his district's farmers.

CONGRESSMAN TOM DELAY (R-TX): Congressman DeLay represents a heavily Republican district in Houston and its suburbs. He came to Congress in 1984 following a career in the pest control business and the state legislature. A conservative, he backed Newt Gingrich's more moderate opponent in the race for minority whip. DeLay serves on the Appropriations Committee and is a member of the Wednesday Group.

While DeLay's health care views are not known, he has voted against abortion funding.

CONGRESSMAN DAVID DREIER (R-CA): Congressman Dreier is a free market conservative who believes in federal tax amnesty - a position he refined during his years as PR director for Claremont College. While lacking in influence among Republicans when he served on the Banking Committee, Dreier is now in his second term on Rules. He is a member of the Wednesday Group. He won his suburban LA district with 58% of the vote.

Dreier's health care views are not known, but he has voted against abortion funding. He would like to eliminate the tax on Social Security benefits - a position befitting his district's affluent retirees.

CONGRESSWOMAN JENNIFER DUNN (R-WA): A freshman who won her seat in her first effort at public office, Congresswoman Dunn was state GOP chairman for 11 years. Dunn, who supports abortion rights, won narrowly in the primary over an ardent abortion opponent. Dunn won the general with 60% of the vote against a businessman who switched parties in the course of the 1992 election cycle. Dunn represents Puget Sound and suburbs of Bellevue. She is a member of the Public Works Committee and the Wednesday Group. Interestingly, she has not joined the Congressional Women's Caucus.

Her general health care views are not known.

CONGRESSMAN HAMILTON FISH (R-NY): The Ranking Member of the Judiciary Committee, Congressman Fish is well-regarded for his frequent support of liberal causes. He is one of the White House Republican targets. Fish represents Poughkeepsie and the southern Hudson Valley. His colleagues on the Judiciary Committee and his Administrative Assistant, who is highly partisan, are influential with Fish. His wife, Mary Ann, is a moderate Republican and would be important to include if an effort is made to reach Congressional spouses. Fish is a member of the Wednesday Group.

Fish's general views on health care are not known. He has written to the First Lady regarding his strong support of chiropractic services in the health reform proposal. His son has volunteered with a New York program to assist pregnant teenagers, and

Fish asked the First Lady to meet with them. She did so in June. Fish suffers from glaucoma. He has voted against reproductive rights.

CONGRESSMAN WAYNE GILCHREST (R-MD): Congressman Gilchrest is in his second term, representing a district which has had a turbulent political history. Gilchrest won with 52% of the vote to hold this eastern shore and Annapolis seat. He sits on the Public Works and Merchant Marine Committees, and previously served on the Select Committees on Aging, including the Health and Long-Term Care Subcommittee, and Hunger. He is also a member of the Wednesday Group.

While Gilchrest's general health care views are not known, he is considered a target by Congressman Bonior.

CONGRESSMAN PORTER GOSS (R-FL): Congressman Goss represents an overwhelmingly Republican district with a large elderly population. He was one of the prime movers to repeal the Catastrophic Act. His district has more hospitals with high concentrations of Medicare patients than any other district in the country. Goss serves on both the Republican Task Force on Health and on the Rules Committee.

His health care interests include: malpractice; rural health care; long-term care; and veterans. Goss has voted to allow abortions in cases of rape or incest, but against their being performed in military hospitals abroad. He has attended meetings with both the First Lady and with Ira, including Ira's Republican breakfast meetings. Goss is a White House target and if supportive of the package, Goss could be helpful with other Republicans. While usually following the party line, Goss has been more independent on environmental issues.

CONGRESSMAN FRED GRANDY (R-IA) - Congressman Grandy's intelligence and hard work have helped him overcome his image as "Gopher" of "Love Boat" fame. He is a former congressional aide who is now considered one of the ablest of the younger generation of House Republicans. Grandy left the Education and Labor Committee to serve on Ways and Means. He calls himself a "knee-jerk moderate" and represents Sioux City. Many believe he will run for the Senate at some point. Although Grandy voted against Family and Medical Leave, he remains a White House target on health care.

Grandy is a member of the Health Subcommittee. He is regularly allied with business and against labor interests. He has expressed concern about the need for increased funding for immunizations. He believes too much money is spent in the last months of life and is concerned about coverage for self-employed individuals. He is an abortion opponent. In this Congress he has sponsored a bill to provide basic group health care benefits, and cosponsored Rep. Michel's health care reform bill and Rostenkowski's Medicare improvement program. Grandy attended the

February Republican meeting with the First Lady and has been attending Ira's breakfast meetings.

CONGRESSMAN STEVE GUNDERSON (R-WI): Congressman Gunderson is from a dairy producing area of Wisconsin. He recently broke with the Republican leadership when he resigned his position as Chief Deputy Whip to Congressman Newt Gingrich. Gunderson is on the Education and Labor and Agriculture Committees and serves on the House Republican Task Force on Health. He is a member of the Wednesday Group as well.

On health care issues, Gunderson is worried that managed competition could fail rural areas because of the lack of sufficient medical resources. He is also concerned about emergency services with waivers and outpatient clinics. He is on Congressman Bonior's target list.

CONGRESSMAN DAVID HOBSON (R-OH): Hobson was elected in 1990 after a successful 8 year stint in the Ohio State Senate, which he culminated as president pro tem. In the state legislature, he was appointed to the Health Committee at an early stage of his career. Despite his lack of background on health issues he became engrossed in the subject and sponsored many health care bills in Ohio including measures dealing with AIDS, aging and mental health. His comprehensive AIDS bill was criticized heavily by conservatives, but he pushed it through the Republican controlled Senate. In the House, he serves on the Budget and Appropriations Committees.

He has attended (and seemingly appreciated) a number of the Republican Task Force briefings by Ira. He also attended the dinner meeting hosted by Congressman Kasich.

CONGRESSMAN PETER HOEKSTRA (R-MI): Freshman Congressman Hoekstra (pronounced Hoke-stra) won national recognition by defeating Guy Vander Jagt, a highly visible incumbent and a member of the Republican leadership, in the primary. Hoekstra was a business executive without prior government experience. He is a conservative who promised to spend only six terms in the House. Hoekstra is a member of the Education and Labor Committee and is part of the Wednesday Group.

His health views are not known at this time.

CONGRESSMAN STEVE HORN (R-CA): A freshman Congressman with extensive Washington experience, Steve Horn is a moderate Republican in a district with 50 percent Democratic registration. Horn is on the Government Operations and Public Works Committees and a member of the Wednesday Group. He has been designated a target by both the White House and Congressman Bonior. Horn worked in the Senate when it was the Republicans who gave crucial support to civil rights and he

helped draft the Voting Rights Act of 1965.

While Horn's specific health care views are not known, he favors abortion rights. He also believes in government and Congress as progressive institutions.

CONGRESSMAN AMO HOUGHTON (R-NY): The well-liked former CEO of Corning Glass, Congressman Houghton votes to the left of the House GOP leadership. Not surprisingly, he is popular in his southern NY district where his family is the major employer. Houghton has not had much luck with his goal of convincing the government to run its fiscal affairs like a corporation. He is a new member of the Ways and Means Committee and previously served on the Budget Committee and the Select Committee on Aging.

On health care matters, he is one of the few House members to vote against repeal of catastrophic. In this Congress he has introduced HR 196 - "the Health Equity and Access Improvement Act" which provides tax incentives to improve health access, preempt state anti-managed care laws, reform the small group health insurance market, reform medical malpractice liability, expand rural health programs, create a new public health program for the near poor, and provide incentives to encourage preventive services. He has raised concerns about reducing payments for GME and is interested in telemedicine. He has also questioned how managed competition will work in rural areas. With support from his wife and sister, he has voted pro-choice. Houghton has attended the Republican breakfasts with Ira and is considered a White House target and priority target of Congressman Bonior. However, he voted against Family and Medical Leave.

CONGRESSMAN HENRY HYDE (R-IL): While best known for his skill and creativity at advancing anti-abortion legislation and amendments, Congressman Hyde is also known for his intellectual honesty and willingness - on occasion - to work with Democrats. Not always a reliable partisan vote, Hyde has lost out on party leadership positions which he has sought in the past. Hyde is on both the Judiciary and Foreign Affairs Committees and a member of the Wednesday Group.

While Congressman Hyde's abortion views are all too well known, his opinions on other health care issues are not.

CONGRESSWOMAN NANCY JOHNSON (R-CT) - Congresswoman Nancy Johnson is a moderate Republican who can also be angrily partisan. She supported Newt Gingrich, an advocate of confrontation rather than cooperation with the majority, in his contest for Minority Whip. Her tendency to vote independently, both in committee and on the floor, has made it difficult for her to get the committee posts she has sought. But in the 101st Congress, she became the first Republican woman ever to serve on Ways and Means, and she has earned praise for her efforts to craft a comprehensive package of child care initiatives. With her seat on its Health

Subcommittee, she has focused on Medicare, health, and child care.

She has been an active member of the '92 Group, a coalition of moderate Republicans working on ways to set budget priorities and reduce the deficit, and served as the co-chair in the 100th Congress. In 1988, she joined Lowell Weicker in an effort to moderate the GOP's opposition to abortion rights and restore support for the Equal Rights Amendment in the party's platform.

Johnson is a strong supporter of outcomes research. She does not see insurance reform as the key to cost control. She seems to be leaning toward requiring the individual to obtain health care coverage. Her husband is an oncologist, and she has said repeatedly that doctors are not the cause of the country's health care ills.

Johnson is a White House target. In recent comments, Congresswoman Johnson expressed her support for folding some of the less controversial aspects of health care reform, such as insurance reform and establishment of the HIPCs, into the reconciliation bill so that it can move more quickly. This runs counter to the prevailing Republican position which opposes such omnibus, "grab-bag" legislation. She indicated, however, cost controls and other more controversial parts of the package should be voted on separately.

Recent Developments: At the June 14 dinner with the First Lady at Rep. Kasich's home, Johnson stated that cost controls in the private sector are more advanced than in the government. She also expressed her worry that HIPCs would be too big.

CONGRESSMAN JOHN KASICH (R-OH): Congressman Kasich was first elected to the House in 1982 and re-elected by wide margins ever since. The Congressman is acknowledged by most to be one of the brightest Members in the House. Yet, until recently, his role in the Congress has been similar to Justice Scalia's on the Supreme Court – that is, while his colleagues admire his intellect he has not been successful in influencing them to support his positions.

In recent years, he has made a name for himself by advocating tough measures to control federal spending. In 1989, he proposed a federal budget freeze that would have held all discretionary spending to fiscal 1989 levels. His 1990 proposal went further, freezing all domestic and defense spending levels. Both measures received little support on the House floor. This year he took on the lead in crafting the House Republican's alternative to the President's budget. His proposal was praised by some in the media for backing up the usual Republican rhetoric, with specific cuts, demonstrating how it would be possible to significantly reduce the deficit without raising taxes. It received more Republican support than his previous efforts, but it still failed to gain sufficient support for passage.

Until this year, other than advocating large cuts in Federal health programs and his opposition to public funding for abortions, he did not appear to have any detailed

position on health care. In late May, however, he released a "White Paper on Health Reform." In the report, he took – not too surprisingly – a rather stereotypical conservative position on health reform, such as the use of MediSave Accounts, means-testing Medicare, increasing Medicare beneficiary copayments, and categorical spending targets for health entitlements (but not for the private sector).

The "White Paper" also includes a number of suggestions that are consistent with the direction the Administration has been heading including: Developing incentives for greater use of competition in the Medicare and Medicaid programs, providing flexibility/waiver authority to the states, reducing health care fraud, assuring insurance portability, establishing purchasing groups, and addressing the medical liability problem.

The report concludes that "two fundamental points emerge from this analysis: policy makers should not put government first in seeking solutions to the nation's health care problems; and true reform must include restoring personal responsibility and the vitality of the doctor-patient relationship. Any reform attempts that circumvent these fundamental budgetary and economic factors will fail."

Recent Developments: On June 14th, Congressman Kasich hosted a dinner for the First Lady with some of his Republican colleagues. He was very happy with the meeting and has been saying quite positive things about the Administration's health reform effort, especially efforts to reach out to and consult with Republican members.

CONGRESSMAN JACK KINGSTON (R-GA): Freshman Congressman Kingston captured a seat previously held by Democrats but one which has a solid Republican base. He won with 58% of the vote in a district which includes the suburbs of Savannah and rural and coastal areas. A former insurance agent and state legislator, Kingston serves on the Agriculture and Merchant Marine Committees. He is also a member of the Wednesday Group. Kingston is a fiscal and social conservative who campaigned promising to oppose all increases in personal or business income taxes.

His health care views are not known.

CONGRESSMAN RICK LAZIO (R-NY): Freshman Congressman Lazio defeated incumbent Tom Downey with 53% of the vote to represent parts of Long Island. A lawyer and former county legislator, Lazio is a moderate and a White House target. He serves on the Budget and Banking Committees. Given the nature of his election, it is not surprising that he wants to implement wide-reaching congressional reform.

His general views on health care are not known. However, he will undoubtedly be influenced by his wife - a nurse-practitioner at a VA hospital - and his chief-of-staff - who worked for former Congressman Gradison. Lazio is pro-choice.

CONGRESSMAN JIM LEACH (R-IA): Congressman Leach is a moderate Republican from a farm and industrial area of Iowa. He is very bright and known for intellectualizing issues. A party maverick, Leach is considered a target but his health views, other than his pro-choice stance, are unknown. Leach is on the Foreign Affairs and Banking Committees. Two historical notes: Representative Leach won the seat by beating Edward Mezvinsky - now the husband of freshman Representative Marjorie Margolies-Mezvinsky; also, Leach resigned from the Foreign Service to protest the firing of Archibald Cox.

CONGRESSMAN ROBERT LIVINGSTON (R-LA): Congressman Livingston's forebears helped negotiate the Louisiana Purchase and he now represents the southeast section of that state. Livingston is a former federal prosecutor with a combative style who has sought, but failed to gain, higher office. He is a member of the Appropriations and House Administration Committees as well as the Wednesday Group.

Livingston has voted against abortion funding but his other health care views are not known.

CONGRESSMAN JIM MCCRERY (R-LA): Congressman McCrery is a former Democrat who now wins comfortably in this conservative north Louisiana district. It includes parts of Shreveport and Monroe. McCrery is a member of the Ways and Means Committee, the Republican Task Force on Health, and the Wednesday Group.

He is said to be supportive of the Heritage Foundation's tax credit proposal for health care. McCrery opposes abortion except to save the life of the woman.

CONGRESSMAN JOE MCDADE (R-PA): The senior member of the Pennsylvania delegation, Congressman McDade is serving his 30th year in Congress. While his reputation may have been tarnished inside the beltway by bribery charges, his constituents returned him with 90% of the vote. McDade represents Scranton and coal mining areas. He is the ranking Republican on the Appropriations Committee. While he frequently votes against his party, it is usually on labor-related issues.

McDade's health care views are not known but he is a White House target. He previously served on the Small Business Committee and may be sympathetic to their views. A Roman Catholic, he opposes reproductive rights. He can be very difficult.

CONGRESSMAN SCOTT MCINNIS (R-CO): Serving his first term in Congress after five in the state legislature, Congressman McInnis is a traditional conservative. He won with 56% on the western slope of Colorado, including Pueblo. He serves on both the Small Business and Natural Resources Committees and is a member of the Wednesday Group.

While his specific views on health care are not known, he will be looking out for rural areas as well as small business. A Roman Catholic, McInnis is pro-abortion.

CONGRESSMAN DAN MILLER (R-FL): Congressman Miller is a freshman member with a business but no political background. He is on the Education and Labor and Budget Committees and the Republican Task Force on Health. He is also part of the Wednesday Group.

Miller was, and may still be, on the Board of the Manatee Memorial Hospital. Miller supports a cap for medical malpractice lawsuits, arguing that it is one of the only ways to get health care costs under control.

CONGRESSWOMAN CONNIE MORELLA (R-MD): Congresswoman Morella is very popular both with her colleagues in the House and her constituents at home. A moderate-to-liberal Republican, Morella's district includes some of the nation's highest per capita income suburbs, middle and lower-income neighborhoods, as well as the major federal government health facilities. She sits on the Post Office and Science and Technology Committees.

Morella is a White House target. In February she wrote to the First Lady regarding the introduction of H.R. 286, a bill to permit certain hospitals to enter into technology-sharing agreements and thus eliminate duplication of costly equipment by neighboring hospitals. After attending the First Lady's meeting with the Congressional Caucus for Women's Issues, she wrote to Mrs. Clinton concerning: the need to recognize violence as an health care issue; and the problems relating to the growing number of women with AIDS who are not adequately served by health care providers. A Roman Catholic, Morella is pro-choice and has sponsored the Freedom of Access to Clinic Entrances Act. She will want to vote for the health care reform package but will need local support in order to do so.

CONGRESSMAN TOM PETRI (R-WI): Congressman Petri, a member of the Education and Labor Committee, is a moderate to conservative from a heavily dairy area of Wisconsin. He is in the Michel tradition of wanting to work with the Majority to produce results. While Petri has not been a player in health care, he has stated his hope that there could be a bipartisan effort to pass meaningful health reform. For that reason, he is considered a Republican target.

CONGRESSMAN ROB PORTMAN (R-OH): The most junior member of this Congress, Representative Portman won the seat of Republican Bill Gradison, a man he once interned for when he was in college. Portman has extensive Washington experience, including practicing at Patton, Boggs and Blow and Director of President Bush's Office of Legislative Affairs. Portman won the seat with 70% of the vote. He is a member of the Small Business Committee and of the Wednesday Group.

His health care views are not known.

CONGRESSMAN JIM RAMSTAD (R-MN): Congressman Ramstad is in his second term and came to Congress as a former staffer in both the House and the Senate. He represents suburbs of Minneapolis. He now sits on the Small Business and Judiciary Committees. Ramstad replaced Bill Frenzel in the House. Frenzel was moderate but partisan and Ramstad considers him his mentor.

While Ramstad's general health care views are not known, he is a White House target and is pro-choice. He has been interested in emergency medical care for children. He worked on issues involving chemical dependency in young people, cocaine babies and the handicapped while in the State Senate. At that time he also dealt with a personal alcoholism problem.

CONGRESSMAN RALPH REGULA (R-OH): Senior Republican Ralph Regular is known as a partisan who also works amicably and constructively with the Democrats. He is easily re-elected in his district, which includes Canton and some rural and Amish areas. Regula concentrates his energies on the Appropriations Committee. He also served on the Select Committee on Aging and its Subcommittee on Health and Long-Term Care. This is his 10th term in the House and he strays from the party line more often than most Republicans. He is a White House target.

In a May letter to the First Lady on behalf of the bipartisan Older Americans Caucus, he advocated affordable and accessible health care. He stated their hope that the reform package would "focus on preventative medicine, prescription drug coverage for all Americans, long-term care coverage, and the role of Medicare." He invited the First lady to address the Caucus. Regula is most apt to be influence by local groups. He is anti-choice.

CONGRESSWOMAN MARGE ROUKEMA (R-NJ): Congresswoman Marge Roukema is in her seventh term in the House of Representatives. As a moderate Republican, she has backed outlawing the hiring of permanent workers in place of striking employees, the 1990 Civil Rights Act, removing AIDS from the list of diseases which can exclude immigration and the Family and Medical Leave Act. In fact, she was a Republican leader of the Family Leave bill and opposed President Bush's veto.

Roukema currently serves as the ranking Republican member of the Labor-Management Relations Subcommittee of the Education and Labor Committee, chaired by Congressman Pat Williams. As a former teacher, she has spent most of her time on the Committee focusing on education issues and her health views are not widely known. However her work on the Family and Medical Leave Act, as well as other moderate positions, has made her one of our top Republican targets.

CONGRESSMAN CLAY SHAW JR. (R-FL): Congressman Shaw is a former mayor of Ft. Lauderdale who won in his new district with only 52%. Now on the Ways and Means Committee and a member of the Wednesday Group, Shaw gained a reputation for fighting crime and drugs when he served on the Judiciary Committee. On Ways and Means, he switched his vote on catastrophic and voted to repeal it in 1989. He has been an ally of Congressman Stenholm, both believing that parents, not government, should make decisions on child care. The Democrats are trying to recruit Anthony Shriver to run against Shaw in 1994.

While Shaw's specific health care views are not known, he has voted against abortion funding.

CONGRESSMAN LAMAR SMITH (R-TX): Congressman Smith is now serving his fourth term in Congress. His district includes the Austin suburbs and the vast hill and ranching country of south central Texas. He comes from a ranching family and served one term in the state legislature. Smith is very popular in his district and sits on the Budget and Judiciary Committees. He is also a member of the Wednesday Group. Smith served on the Select Committee on Children.

Smith's health care views are not known but he has opposed abortion funding.

CONGRESSWOMAN OLYMPIA SNOWE (R-ME): Congresswoman Olympia Snowe is in her eighth term and represents that northern half of Maine. She was elected when then-Congressman Bill Cohen decided to run for the Senate. Snowe has served as an effective member of the House, working with both sides of the aisle to find common ground. She currently serves as co-chair of the Congressional Caucus on Women's Issues.

At times, she can be a liberal Republican working with members like Pat Schroeder and Barbara Boxer on abortion issues and fetal tissue research. At other times, she can be strictly partisan, aligning herself with Congressman Kasich on the budget committee and one of Newt Gingrich's biggest supporter in his run for Majority Whip. She is a White House target.

Congresswoman Snowe is also energized by local issues. A knowledgeable moderate Republican tells us that the best way to get her vote is to have local groups bring pressure on her. While it is assumed that Snowe will want abortion coverage in the final package, she did not co-sign the May 13 letter on that issue. She is married to the Governor of Maine, John R. McKernan.

Recent Developments: At the dinner the First Lady attended at the home of Rep. Kasich in June, Snowe advocated everyone paying and phasing in the burden on small business. She believes everyone should be sent the message on responsibility.

CONGRESSMAN BILL THOMAS (R-CA) - The Ranking Republican on the Ways and Means Health Subcommittee, Congressman Thomas is an assertive partisan who wants Republicans to offer clear alternatives to Democratic policies. A close friend of Rep. Gingrich, Thomas represents Bakersfield - an area with agribusiness and aerospace and defense industries. He has been honored by the National Federation of Independent Business.

Thomas serves on the Republican Task Force on Health. In February he wrote to the President outlining his concerns about health care. While recognizing the need to control costs, he did not want to do so at the expense of limiting consumers choice or stifling research. He also believes that government controls lead to short-term savings at the expense of optimal care and long-term inefficiencies which raise costs. He supports incentives to allow all working Americans to purchase health insurance and improved programs for low-income families and people on fixed incomes. He sought discussion of the availability of quality health care in rural and large urban areas. He wanted long-term health care addressed.

Thomas outlined his steps for reallocating federal resources to improve health care, reducing health care delivery costs while increasing availability, and enhancing the role of the consumer in health care.

Thomas attended the February Republican meeting with the First Lady and has also attended the breakfast meetings with Ira. Thomas has voted for reproductive rights.

CONGRESSMAN CRAIG THOMAS (R-WY): Congressman Thomas holds former Secretary of Defense Cheney's at-large seat. Thomas's voting record shows him to be one of the most conservative members of the House. He grew up in Cody with Senator Simpson and worked for both the Farm Bureau and the Rural Electric Association. Thomas serves on the Banking and Natural Resources Committees and is a member of the Wednesday Group.

Thomas's health care views are not known but he has voted for funding abortion in cases of rape or incest. He will clearly also be looking out for rural interests.

CONGRESSMAN FRED UPTON (R-MI): Serving his fourth term in the House, Congressman Upton is a protege of former Budget Director Stockman. Upton represents the southwest corner of Michigan, an area of small manufacturing cities. It is a conservative and Republican area in which he is popular. Upton is a member of the Energy and Commerce Committee and the Wednesday Group. He is known to listen closely to local groups.

While Upton's health care views are not known, Congressman Bonior considers him a priority target. Upton supports abortion to save the life of the mother and in cases of rape or incest.

AUG 3 '93 16:35

FROM HOUSE WEDNESDAY GRP.

PAGE.002

DAVID L. HOBSON
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CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES

July 20, 1993

THE MEDICAID HEALTH ALLOWANCE ACT OF 1993

Dear Colleague:

Today there is a serious gap between all-or-nothing Medicaid eligibility and private insurance coverage. The people trapped in the middle -- mainly the working poor -- do not qualify for Medicaid and cannot afford insurance.

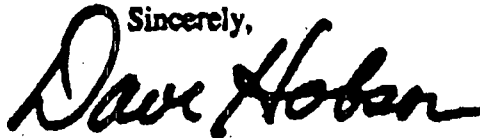
"The Medicaid Health Allowance Act" is an important step toward bridging that gap. It enables States to redirect Medicaid funds into Health Allowance Programs that enroll eligible individuals in private-market health plans. This approach has several benefits.

- ** *Increased Access to Health Benefits.* Every individual and family with income below 100 percent of the Federal poverty line will have access to several health benefit plans that are guaranteed to be at least as good as Medicaid. In 1991, more than 10 million persons below the poverty line were uninsured and not covered by Medicaid.
- ** *Cost Control.* States will redirect Medicaid funds into existing health systems that are proven to hold down medical inflation, in some cases to the rate of general inflation. These systems -- HMOs, PPOs, managed care -- reduce administrative costs, promote preventive care, and route beneficiaries to appropriate care. In contrast, most Medicaid is fee-for-service, and recently has grown more than 11 percent each year.
- ** *Welfare Reform.* Current Medicaid eligibility is linked to other public assistance programs so that welfare recipients who choose to work risk losing their health benefits. Under Health Allowance Programs, eligibility for health benefits will be "decoupled" from public assistance, and incentives to work will be preserved.
- ** *State Flexibility.* States will be given flexibility to meet local health needs. Many States are ready to do this now. Arizona already operates a successful Medicaid managed care program, but has to renew its Federal waiver to do so every five years. Kentucky, Tennessee, Oregon and Hawaii have requested similar waivers.
- ** *Insurance Standards.* States that want to adopt a Health Allowance Program must meet minimum insurance standards related to pre-existing conditions and guaranteed renewability of insurance coverage. A majority of States already have enacted reforms targeted toward the private insurance and the small employer group markets.
- ** *Budget Neutrality.* Currently the Federal government pays States to reimburse hospitals for the cost of uncompensated care. Health Allowance Programs will increase access to *compensated* care, and reduce instances of *uncompensated* care. On a State-by-State basis, the additional cost of expanding access to care is offset using a matching decrease in Federal payments for uncompensated care.

"The Medicaid Health Allowance Act" bridges the gap between Medicaid eligibility and affordable health insurance along themes that have emerged as important to successful health care reform -- increased access to care, cost effectiveness, minimum insurance standards, consistency with welfare reform, State flexibility, and, as a welcome bonus, budget neutrality.

I hope you will join me as a cosponsor of "The Medicaid Health Allowance Act." If you have questions, or want to confirm your cosponsorship, please call me or Greg Moody at 225-4324.

Sincerely,

A handwritten signature in black ink, reading "Dave Hobson". The signature is fluid and cursive, with the first name "Dave" and last name "Hobson" clearly distinguishable.

DAVID L. HOBSON

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

THE MEDICAID HEALTH ALLOWANCE ACT OF 1993

The Medicaid Health Allowance Act enables States to expand eligibility for medical assistance to 100 percent of the Federal poverty line and to control health care costs by redirecting Medicaid funds into Health Allowance Programs that enroll eligible individuals in private-market health plans.

I. THE HEALTH ALLOWANCE PROGRAM

- A. The Health Allowance Program allows States to provide eligible individuals with a health allowance to obtain an approved health benefit plan in the private insurance market.
- B. The program affects the acute care portion of Medicaid only, and has no effect on long-term care.
- C. The program takes the place of direct Medicaid reimbursements, and is payable to individuals' health plans, including employer-based plans.

II. THE HEALTH ALLOWANCE PROGRAM BENEFIT PLAN

- A. Health Allowance Program benefit plans are approved by States according to Federal and State standards.
- B. State-approved plans must at least equal the actuarial value of a State's current Medicaid benefit package.
- C. State-approved plans must include at least one health maintenance organization (HMO) or other plan that uses a capitated system of payments.
- D. State-approved plans must conform to current State copayment requirements under the Medicaid program.

III. ELIGIBILITY OF A STATE TO ADOPT A HEALTH ALLOWANCE PROGRAM

- A. Eligibility of a State to adopt a Health Allowance Program is determined by the Secretary of Health and Human Services based on an application process set up by the Secretary.
- B. Eligibility of a State is dependent on that State meeting certain quality assurances and insurance standards, and on the scope of the State's Health Allowance Program. Specifically, a State must:
 - 1. Adopt and enforce quality assurance standards for health benefit plans participating in the Health Allowance Program;
 - 2. Guarantee minimum insurance standards related to pre-existing conditions and guaranteed renewability, and price ranges for similar health benefit plans within the State; and
 - 3. Offer the Health Allowance Program Statewide, with an allowable transition period of three years.

IV. ELIGIBILITY OF AN INDIVIDUAL TO RECEIVE A HEALTH ALLOWANCE

- A. Any individual or family is eligible to participate in a Health Allowance Program if their income does not exceed 100 percent of the Federal poverty line.
- B. Any individual or family with income between 100 and 200 percent of the Federal poverty line is eligible to "buy in" to a Health Allowance Program, with government financial contributions phased out by 200 percent on a graduated scale set by the State. Employers may buy in to this program, and may make contributions on behalf of employees.
- C. Other criteria for eligibility will be determined by the State, except that a State may not exclude any individual who is categorically eligible for Medicaid, and may not require an individual to meet any resource standard.

- A. The financial contribution of the Federal government for a State that operates a Health Allowance Program equals what would have been paid to that State under its current Medicaid program.
- B. The higher cost of operating a Health Allowance Program is covered by diverting all or a portion of existing disproportionate share (DSH) payments to the Health Allowance Program. DSH payments are reduced by an amount equal to the cost of the Program on a State-by-State basis. This provision ensures budget neutrality.

V. EVALUATIONS AND REPORTS

- A. The Secretary of Health and Human Services will evaluate the impact of the Health Allowance Programs on increasing the number of individuals with health insurance coverage and in controlling costs of health care, and submit a report on the Programs to Congress.

Sponsors of Medicaid Health Allowance Act
(as of July 27, 1993)

Rep. Dave Hobson (Ohio-7)	WED. GROUP
Rep. Michael Castle (Delaware-at large)	
Rep. Bill Clinger (Pennsylvania-5)	WED. GROUP
Rep. Paul Gillmor (Ohio-5)	
Rep. Newt Gingrich (Georgia-6)	
Rep. Porter Goss (Florida-14)	WED. GROUP
Rep. Fred Grandy (Iowa-5)	WED. GROUP
Rep. Steve Gunderson (Wisconsin-3)	WED. GROUP
Rep. Nancy Johnson (Connecticut-6)	WED. GROUP
Rep. John Kasich (Ohio-12)	WED. GROUP
Rep. Jack Kingston (Georgia-1)	WED. GROUP
Rep. Jim Kolbe (Arizona-5)	WED. GROUP
Rep. Rob Portman (Ohio-2)	WED. GROUP
Rep. Ralph Regula (Ohio-16)	WED. GROUP
Rep. Pat Roberts (Kansas-1)	WED. GROUP
Rep. Olympia Snowe (Maine-2)	WED. GROUP
Rep. Bill Thomas (California-21)	WED. GROUP
Rep. Craig Thomas (Wyoming-at large)	WED. GROUP



THE HOUSE WEDNESDAY GROUP

CONGRESS OF THE UNITED STATES

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BRIDGING THE GAP

Health Care Coverage for Low-Income Families

March 30, 1992

* Summary attached. If you would like full document, please contact Joyce McGarry at (202) 225-4324.

EXECUTIVE SUMMARY

The shortcomings of today's Medicaid program call for a meaningful restructuring to better serve low-income individuals and families. This paper attempts to focus the debate over health care reform by highlighting several inherent problems of the Medicaid program and proposing a strategy for improving access to health care for the nation's poor.

The ideas in this paper provide a more detailed discussion of reform initiatives which were first raised in the Wednesday Group paper "Moving Ahead: Initiatives for Expanding Opportunity in America," released in October, 1991. Improving access to health care for low-income families furthers a central theme of the reforms presented in that paper - that of promoting independence from welfare.

In this paper, we have concluded that two design innovations are imperative: 1) the Medicaid program or its replacement must be severed from its eligibility links with other cash assistance and entitlement programs; and 2) there must be a stronger public and private partnership to administer and deliver health care for the poor and near poor.

The direction for public policy suggested here is an attempt to bridge the gap between all private or all public health insurance. We believe that having either all private or all public coverage should not stand as mutually exclusive alternatives to having no coverage at all. Specifically, this paper calls for state projects to be established to show the effectiveness of a sliding-scale health insurance allowance program that would have Medicaid work with private insurance, rather than substitute for private insurance. We believe that a sliding-scale health insurance allowance will address the basic problems with Medicaid and make the program work better.

A health insurance allowance is a subsidy payment from the state government to an individual, employer, or insurer, to purchase health insurance. In conjunction with state income tax changes, a tax credit would provide each individual or household a reduction in tax dollars or a tax refund after they purchase health insurance. Alternatively, the states could pay subsidies to individuals, employers, or insurers to purchase health insurance. Our proposal suggests that matching federal dollars should be available through the current Medicaid program to demonstrate the value and workability of such health insurance allowance schemes.

The current gap between all-or-nothing Medicaid eligibility and private insurance coverage can be bridged with a seamless program of support adjusted for income. The concept of "seamless" refers to eliminating the current gap between those who have Medicaid and those who have private coverage. With support on a sliding-scale, the transition from public to private insurance is facilitated for those whose income rises above the threshold for the full health allowance.

In our proposal, states would establish their own health allowance programs. Managed care providers, particularly health maintenance organizations, would bid to participate in the program with payment at a predetermined capitated rate. This capitated rate would be indexed with inflation. The proposed health insurance allowance would be used by beneficiaries to purchase health care coverage from one of a group of state-approved plans. Because of the cost containment benefits, states would be required to offer at least one managed care plan.

- Control Cost Better - The state's costs should be easier to control under a health insurance allowance system, because the state will no longer participate in the open-ended fee-for-service system of health care. In addition, the incentives inherent in prepaid care plans to avoid unnecessary care and to coordinate care lead them to control costs and ensure access.
- Enhance Individual Responsibility - Providing a health insurance allowance directly to individuals gives them greater control over their lives. The state governments will provide the necessary educational information so that individuals will be able to make responsible choices in purchasing health insurance.

Eligibility for the program would be based on income and family size and be independent of other entitlement programs - greatly simplifying the current eligibility rules and thus helping the many Americans now without health insurance. States would reform their eligibility criteria over time; a goal could be for individuals and families with incomes less than 100 percent of the federal poverty level to use the full voucher amount to participate in the contracted plans. Those whose income qualifies them for the sliding-scale voucher amount, would also be able to participate in the state-approved plans, or they could choose to use the credit towards the purchase of their own insurance.

The speed of reform would depend on the capacity of the individual states and their providers to absorb the changes. Each state would control its own pace of change, with the flexibility to suit its own circumstances. An important part of this proposal is that states would move beyond the limited demonstrations of pilot projects that are presently underway.

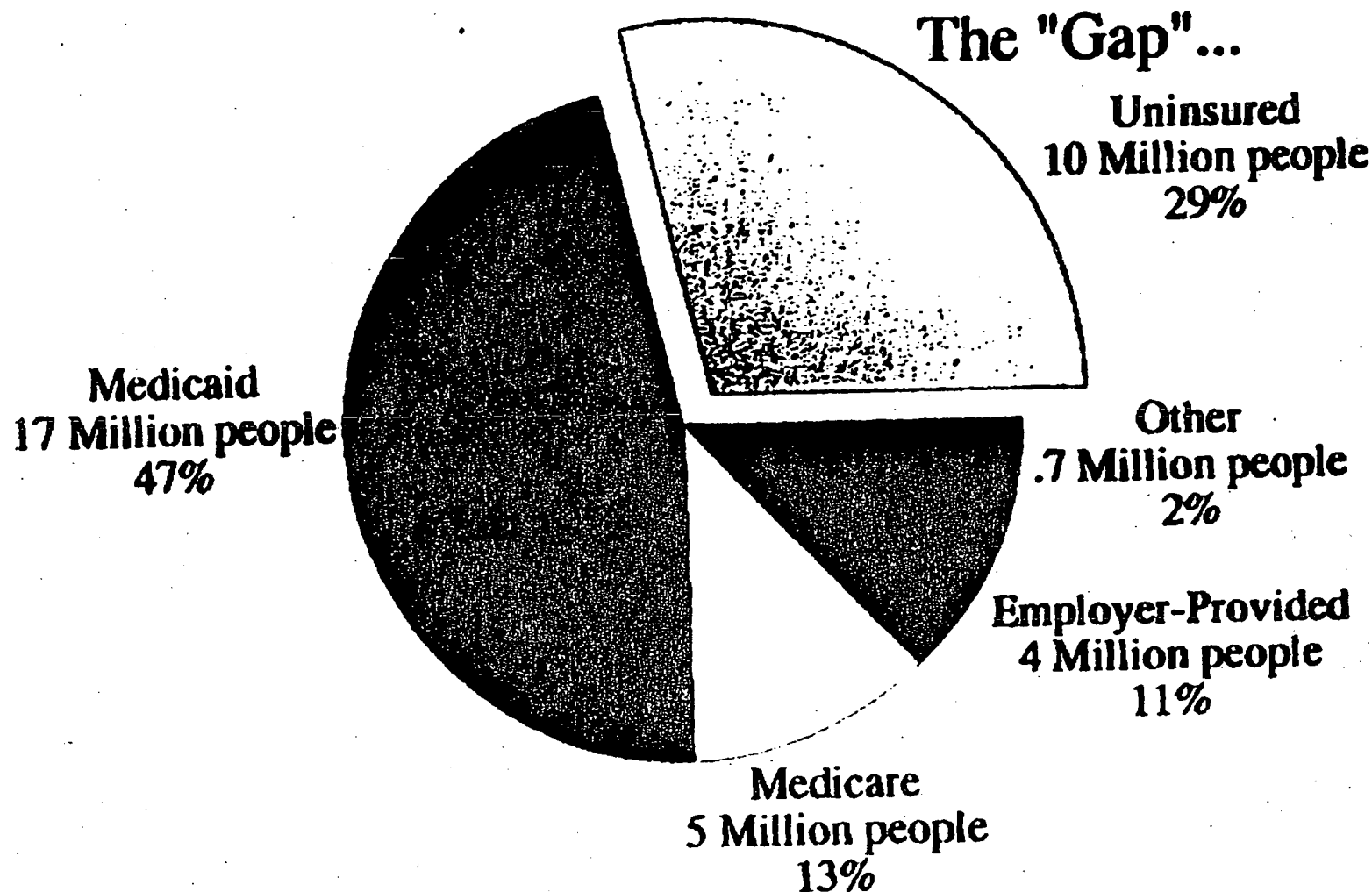
We propose to establish statewide projects immediately, in order to document the effectiveness of various health insurance allowance programs as well as to identify their weaknesses. The federal role would be one primarily of oversight and providing partial matching funds; the plan would be administered by the individual states. If proven effective on the state level, aspects of the state programs would deserve attention on a national level.

We believe that our proposal addresses many of the problems of Medicaid, because it would do the following:

- Expand Eligibility - A system offering the states both flexibility and federal matching dollars for a health insurance allowance to all individuals and families will allow states to eliminate Medicaid's restrictive eligibility categories. The use of a gradually diminishing subsidy -- rather than the present all-or-nothing eligibility -- will make the program available to those needy individuals who are now frequently excluded from Medicaid.
- Improve Access to Care and Offer More Choice to Consumers - Currently, Medicaid beneficiaries cannot use physicians who do not accept Medicaid; because of this, there are significant limitations on choice of care providers. While the individual amount of the state health insurance allowance will determine which plans individuals can buy, their access to care can be contractually required. Also, the insurance allowance will stimulate competition among providers of health care; this should increase choice to Medicaid consumers. Additionally, individuals or their employers have the option to supplement the allowance to buy a more complete insurance policy.
- Offer a Seamless Fabric of Public-to-Private Insurance - The sliding-scale subsidy facilitates movement between public and private support, so that low-income workers whose incomes rise above the threshold for the full health insurance allowance will still qualify for a percentage. This partial allowance could be used in any health insurance which is offered by an employer. The sliding-scale health allowance removes what some would argue is an incentive to staying on welfare -- continued Medicaid coverage -- because health insurance will be available independent of other welfare programs. A family could purchase, with the government's help, the same health care coverage it had when receiving the allowance.

36 Million People Below Poverty Level

Insurance Coverage of Poor, 1991



Percentages represent share of total population (under poverty level) covered by insurance. Percentages may not add to more than 100% because an individual may have more than one type of insurance.

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Roll Call

July 22, 1993

HEADLINE: Will Rhode Island Send Congress Yet Another Kennedy?

BYLINE: By Charles E. Cook

Anyone who stumbled into the National Democratic Club Tuesday night saw a very unusual sight: House Majority Leader Richard Gephardt (D-Mo) was hosting a \$500-per-person fundraiser for a 26-year old Rhode Island state legislator who has not yet announced his candidacy for what could be a contested Democratic primary to oppose Rep. Ron Machtley (R-RI).

Making the scene even more curious was the presence and support of state House Speaker John Harwood (D) and state House Majority Leader George Caruolo (D), both of whom supported Machtley's last serious Democratic challenger, Scott Wolf, in 1990. Wolf still professes to be seriously considering running for the seat next year if Machtley runs for governor, as many expect him to do.

That the reception Tuesday night was a big success should be no surprise, given that the honoree was state Rep. Patrick Kennedy (D), son of Sen. Edward Kennedy (D-Mass) and nephew of the late President John F. Kennedy and Sen. Robert F. Kennedy (D-NY). After high school, Kennedy moved to the state from McLean, Va., to attend Providence College. He soon defeated an incumbent Democratic state Representative in 1988 after also winning a delegate slot earlier that year to the Democratic National Convention.

There's no doubt the young Kennedy will be able to raise an enormous amount of money for his campaign and command considerable media attention, but it's unclear what kind of race he will face. A statewide Brown University poll released earlier this week reinforces the view of many that Machtley, who turned 45 years old last week, will not seek re-election and instead make a gubernatorial bid.

In the survey, conducted July 15 to 18 of 422 registered voters, 73-year-old Gov. Bruce Sundlun (D) was given an "excellent" or "good" job rating by just 27 percent of the voters, while 71 percent characterized his job as either "fair" or "poor." Just 25 percent said Sundlun deserved re-election, while 61 percent said he did not.

Kennedy's objectives at this stage are obviously to clear the Democratic primary field of anyone of consequence, then run hard in the general election - which could be anything from a tough campaign against the well-regarded Machtley to a cakewalk open-seat general election in a state with a shallow GOP bench.

Much of Kennedy's trip here seemed designed to force other Democrats out of the race, with the Gephardt endorsement and the backing by the two state Assembly leaders sending a signal that the fix is in, that the party will get behind Kennedy early without waiting to see if anyone else chooses to run. It

may or may not work, but it was certainly an impressive attempt.

Wolf, 40, narrowly missed unseating scandal-plagued House Banking Committee Chairman Fernand St Germain in the 1988 Democratic primary. St Germain in turn lost to Machtley, then an attorney in private practice, in the general election. Two years later, Wolf secured the Democratic nomination to face Machtley but lost, 55 to 45 percent, in the general election.

Wolf, currently Sundlun's Director of Housing, Energy, and Intergovernmental Relations, says he is seriously considering running for the Congressional seat if Machtley does not seek re-election. But with two narrow defeats, he can hardly afford chancing a third loss to Machtley and, as a result, must hold off on a decision.

But Kennedy has no such restraint and is now all but officially running, so Wolf is forced to sit on the sidelines and watch the young scion line up establishment support for his own candidacy, and possibly lock up the nomination in the process.

If Kennedy does challenge Machtley next year, assuming he runs a respectable race, he would still be the first Democrat in line to run again in 1996, when Machtley is likely to run for the Senate. Some Kennedy backers, looking at Patrick's prospects over the next four years, believe he almost has a lock on the seat, one way or the other. Obviously, such statements are predicated on voters not rejecting him on the basis of age, lack of work experience, or the "carpetbagging" issue, which Republicans in the state say they will use, given his short history as a Rhode Islander. But he would hardly be the first member of his family to be accused of any of these sins, with little effect.

If Machtley runs for re-election, expect a very tough and expensive race. The Congressman won decisively last fall with 70 percent of the vote in what was widely seen as both an anti-incumbent year and not a great year for GOP candidates (President Bush received 28 percent in this district, worse than in any other GOP district in the nation save Jack Quinn's 30th district of New York).

On the other hand, given the low public regard for Congress, the strong Democratic voting tendencies of the district, and Kennedy's total name recognition and access to money, Machtley would face the toughest challenge of his career if he seeks re-election.

DETERMINED TO BE AN ADMINISTRATIVE *177*
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)
Initials: 177 Date: 8.16.05

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Hillary Rodham Clinton
FR: Chris Jennings
RE: Meeting with the Tuesday Republican Discussion Group
cc: Melanne, Steve, Lorraine, Distribution
August 3, 1993

Tomorrow you are scheduled to meet with several Members of the House Tuesday Republican Discussion Group. The meeting was arranged following a conversation between Congressman Ronald Machtley (R-RI) and Ira on a trip to Rhode Island. (Machtley is a founding member of this group.)

BACKGROUND

The Tuesday Republican Discussion Group (also known as the Tuesday Lunch Bunch, and previously the Progressive Discussion Group) is a group of generally quite progressive Republicans that started meeting together within the last year or so. Many of the members of this group are on our best chance Republican target list. A membership list and background summary of expected attendees is attached.

Because there are so many Members in both the House Republican Tuesday and House Republican Wednesday groups, we (Congressman Machtley and us) had originally hoped to combine the two organizations together for one meeting. However, the Chairman of the House Wednesday group -- Congressman Jim Kolbe (R-AZ) -- expressed concern about opening up the Wednesday group for this purpose. Respecting his wishes, we scheduled separate meetings.

Congressman Fred Upton (R-MI) is generally viewed to be the Tuesday group's leader. He recently dropped the "progressive" title out of the group's name because he felt it scared off too many people. Since he is a Member of the House Wednesday group (Machtley is not), Upton did not see the rush for a meeting with the Tuesday group. (A Tuesday meeting was impossible because he had to attend the funeral of Congressman Paul Henry (R-MI)). In any event, Congressman Upton may not be in attendance for this first meeting. However, you should probably mention his name during your introduction.

FORMAT AND TALKING POINTS

Congressman Machtley will introduce you to the Members of the group. Following the introduction, he would like you to give a brief summary of the status and details of the plan. I would suggest that you focus a good portion of your remarks on our approach with regard to small business. Like all Republicans, they also will likely be interested in hearing about our commitment to doing serious medical malpractice reform. Other than an issue presentation, I would also talk about our great desire to work closely with and have the support of Republicans throughout the development of the plan and immediately thereafter. Following your 5-10 minute presentation, he would like you to open it up for questions, answers, suggestions.

HOUSE TUESDAY REPUBLICANS

YES

NO

Sherwood Boehlert

Mike Castle

X

Jennifer Dunn

Bob Franks

Dean Gallo

X

Wayne Gilchrest

X

Fred Grandy

Jim Greenwood

X

Steve Gunderson

Dave Hobson

X

Pete Hoekstra

Stephen Horn

Amo Houghton

X

Nancy Johnson

X

Peter King

Jim Kolbe

Scott Klug

X

Rick Lazio

Jim Leach

David Levy

Jerry Lewis

Jim McCrery

Alex McMillan

Jan Meyers

X

Connie Morella

John Porter

YES

NO

Jack Quinn

X

Jim Ramstad

Ralph Regula

Tom Ridge

Chris Shays

X

Olympia Snowe

X

Peter Torkildson

X

Fred Upton

X

Bill Zeliff

X

Dick Zimmer

X

Peter Blute

X

Cliff Stearns

X

THE TUESDAY GROUP

CONGRESSMAN PETER HOEKSTRA (R-MI): Freshman Congressman Hoekstra (pronounced Hoke-stra) won national recognition by defeating Guy Vander Jagt, a highly visible incumbent and a member of the Republican leadership, in the primary. Hoekstra was a business executive without prior government experience. He is a conservative who promised to spend only six terms in the House. Hoekstra is a member of the Education and Labor Committee and is part of the Tuesday and Wednesday Groups.

His health views are not known at this time.

CONGRESSMAN SCOTT KLUG (R-WI): An upset winner in 1990, Congressman Klug improved his record with 63% of the vote in 1992 in normally Democratic Madison. A former TV anchorman, Klug is one of the new breed of Republicans - less worried about the free-market and defense but hostile to higher taxes and government intervention. He is considered conservative but thoughtful. Klug is a new member of the Energy and Commerce Committee, part of the Tuesday Group, and previously served on the Select Committee on Children and Education and Labor. He is both a White House and a Bonior target.

While Klug's health care views are not known, he has called for early intervention programs for at-risk children.

CONGRESSMAN JERRY LEWIS (R-CA): Congressman Lewis is perhaps best known for the role he has played in the battle between the Michel and Gingrich wings of the Republican Party in the House. An eight-term Congressman and a member of the Appropriations Committee, Congressman Lewis rose through the Republican leadership ranks reaching the number three position. While somewhat more politically conservative than moderate, Lewis is nonetheless identified with the accommodating wing of the House GOP - demonstrated by his support for the bipartisan budget-summit agreement that included tax increases.

As a result of this vote, Congressman Gingrich, who strongly opposed the compromise, backed a challenge to Lewis' re-election as Republican Conference Chairman. While this attempt failed, Lewis was ousted at the start of this Congress by Dick Armey of Texas with Gingrich's backing. Recently thought of as a potential successor to Minority Leader Michel, his time now seems to have passed. Lewis has a generally conservative record, with the exception of his work on environmental issues, a major concern in his district which borders Los Angeles.

Lewis is a former insurance agent and will likely be sensitive to their concerns.

While his specific health views are unknown, his support for our plan is unlikely.

CONGRESSMAN ALEX McMILLAN (R-NC): Conservative but pragmatic, Congressman McMillan has become a key ally of the House Republican leadership. For example, McMillan supported the 1990 bipartisan budget summit agreement backed by congressional leaders and the President, even though it included gasoline and cigarette taxes. A former businessman, he consistently opposes Federal mandates on business. He voted against an increase in the minimum wage and against the family medical leave bill.

McMillan has been a leader on the House Republican Task Force on Health studying health care reform. He co-sponsored the House Republican health care reform bill, which has been reintroduced in the 103rd. He led the subgroup examining administrative reforms in health care and cosponsored a separate health care administrative reform bill. He also has introduced malpractice reform legislation. There are a substantial number of insurance companies headquartered in his district.

CONGRESSMAN JACK QUINN (R-NY): Freshman Congressman Quinn scored a major upset by winning with 52% in a heavily Democratic district. The district includes most of Buffalo and some of its suburbs. A self-described moderate, Quinn campaigned for major federal infrastructure programs. Quinn is a former public administrator and English teacher. He is a member of the Veterans' Affairs and Public Works Committees.

Quinn's health care views are not known but he is a White House target. He is Roman Catholic and anti-choice.

CONGRESSMAN TOM RIDGE (R-PA): A Vietnam veteran with a moderate voting record, Congressman Ridge represents Erie and its surrounding steel country. Ridge comes from a working-class family and is a graduate of Harvard. He serves on the Veterans, Post Office, and Banking Committees. Ridge is considered a thoughtful Republican and may run for Governor in 1994. He is one of Congressman Bonior's targets.

Ridge's health care views are not known. He has a hearing problem himself and will undoubtedly look out for veterans' interest in health care reform. A Roman Catholic, he has supported abortion funding in cases of rape and incest.

CONGRESSMAN CHRISTOPHER SHAYS (R-CT): A former Peace Corps volunteer and state legislator, Congressman Shays has been a maverick both in the state house and the Congress. While not as liberal as some had hoped, he is one of the few Republicans with a primarily urban constituency - a district with some of the wealthiest communities in the nation. Shays sits on the Budget and Government Operations Committees. He is both a White House and a Bonior target.

In December he responded to the President-Elect's request concerning health care by stating his support for managed competition but concern about global budgets and employer mandates, especially for small businesses. He noted that in the past he had supported legislation which would: bring community health and other similar centers under the Federal Tort Claims Act; cover pre-existing conditions; and establish health savings accounts. He also stated his support for preventive health funding through early intervention, immunization and screening. He asked that any plan adopted include malpractice reforms, paperwork simplification, and increased funding for Community and Migrant Health Centers. He wants to increase penalties for health care fraud, standardize billing, and provide incentives for hospitals to share technology, as well as including coverage of mental health.

Local groups will have an important impact on Shays and Secretary Shalala may be influential as well.

Recent Developments: At the June dinner given by Rep. Kasich for the First Lady, Rep. Shays stated his belief that small business will opt to play but not pay as they have been.

CONGRESSMAN PETER G. TORKILDSEN (R-MA): Freshman Congressman Torkildsen served in the state legislature and as Massachusetts Commissioner of Labor. He strongly resembles his former boss, Governor William Weld, with his fiscally conservative, pro-business stand and his support - as of April - of abortion rights. Torkildsen won his seat with 51% of the vote and Democrats hope to recapture it in 1994. He sits on the Armed Services as well as the Small Business Committee.

Health care reform is one of Torkildsen's priorities. He supports a pro-business plan of vouchers and tax credits. He is one of Congressman Bonior's targets.

CONGRESSMAN BILL ZELIFF (R-NH): A protege of former Gov. John Sununu, Congressman Zelif won in 1990 on his image as a successful businessman - and after spending \$400,000 in the GOP primary. Zelif's district includes Manchester and eastern New Hampshire. He retained it with 53% of the vote in 1992. Zelif is a member of the Small Business, Government Operations and Public Works Committees.

While Zelif's health care views are not known, one possible indicator of his views is that as the owner of a small resort, he has linked his business success to "entrepreneurialism" and frugality.

CONGRESSMAN DICK ZIMMER (R-NJ): Congressman Zimmer is serving in his second term representing some of the country's wealthiest communities. Zimmer has a law degree from Yale and served in the State Senate. He was also head of New

Jersey Common Cause in the 1970's. He is very conservative in fiscal matters, but more moderate on other issues. Zimmer serves on the Government Operations Committee and was a member of the Select Committee on Aging.

While his health care views are not known, he can be helpful if given a specific role. He is a White House target. His influence, however, is said to be limited. His Democratic opponent in 1990 was partially neutralized by Zimmer's pro-choice stance.