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NPRAT: Mrs. Clinton Says Health Reform Open to Compromise

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All Things Considered (NPR) June 24, 1994

Transcript #1523 Segment #03

Mrs. Clinton Says Health Care Reform Open to Compromise

LINDA WERTHEIMER, Host: President Clinton said today he thinks Congress will adopt universal health care, although there may be some minor debates about how exactly to define that. It's not clear how flexible the administration will be about the pace at which universal coverage is phased in or the steps it will accept to get there.

First lady Hillary Rodham Clinton is considered to be more determined on this issue than her husband. But as NPR's Mara Liasson reports, Mrs. Clinton is making sure there is plenty of room to maneuver.

MARA LIASSON, Reporter: As the Chafee group worked on its proposal this week, the White House reacted very diplomatically. The first lady encouraged the group's work, but refused to comment on the details. White House officials were hopeful it would provide some way to get a bill out of the Finance Committee that could eventually lead to the president's goal - a piece of legislation he could credibly argue guaranteed universal coverage at some point in the future.

In an interview a few hours before the Chafee group presented its proposal, Mrs. Clinton repeated her bottom line.

HILLARY RODHAM CLINTON: There has to be some mechanism for achieving universal coverage. We think there are a number of ways of achieving universal coverage and we will wait to see what the other committees do before we reach any conclusions about what will or will not work, or what is politically possible.

LIASSON: Many members of Congress and some White House officials believe that Mr. and Mrs. Clinton have over-estimated what it politically possible from this Congress on health care reform. White House aides have been hopeful that the Chafee proposal would at least include a mechanism to phase in individual mandates, if not employer mandates. But it didn't and that, sources say, was a disappointed.

Senator Jay Rockefeller, Clinton's strongest supporter on the Finance

Committee, said if this is the best they have to offer, it only shows we have a lot of work to do. The plan offered only a smidgen more than the marginal reforms the first lady said the president would never accept.

Mrs. CLINTON: We have been as open and flexible as we knew, but the president has laid down the bottom line, which is no more marginal reforms, no more avoiding the ultimate objective of health care reform. We have to achieve universal coverage. But he is open to the way of doing that.

LIASSON: The White House argues that without universal coverage, even marginal reforms won't work. But some of those reforms, such as a ban on denying insurance to people who have pre-existing conditions, would be welcomed by many middle class Americans. So might a goal just a little less than 100 percent coverage within the first five years. Some of the president's advisers counsel that it would be politically foolish to walk away from a deal like that, should it come to his desk. But Mrs. Clinton talks openly about that possibility.

Mrs. CLINTON: I wouldn't blame anybody. I would be just be very sad that we had failed to do what we should as a mature nation, be able to do. But my husband never gives up. So, if, for some reason it were not what he thought the country needed, he's not going anywhere. He'll be back. But I don't think that will happen.

LIASSON: Whether or not that does happen depends on just how flexible the president and Mrs. Clinton decide to be about health care reform. So far, White House officials believe their tactic of standing firm on universal coverage, and repeating the veto threat, has put pressure on the other side. But if you listen closely, Mrs. Clinton sounds a lot more flexible than her sometimes strident comments on the need for broad-based reform, would suggest. Her language is carefully chosen to allow the president as much room as possible to define what does and what doesn't meet his bottom line. None of us will get exactly what we wants, she says.

Mrs. CLINTON: If we get a piece of legislation that puts us firmly on the road toward universal coverage, and I know it will be there, yes it's not going to solve everyone's problems over night. But we didn't get into this situation over night. It will take time to do it right. But if we are on that road, then I can go back to any town I've been in, I can re-read any of the more than a million letters I have received and feel that our country has really responded.

LIASSON: Being on the road to universal coverage could mean many things. As one outside adviser says about the Clintons, 'They've never dug their heels in so hard that they've brought the process to a halt.' At the White House, I'm Mara Liasson.

[music]

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NPRME: Health Care Reform Plan a Reflection of First Lady

Morning Edition (NPR)June 29, 1994

Transcript #1378 Segment #1

Health Care Reform Plan a Reflection of First Lady

BOB EDWARDS, Host: Good morning. The U.S. dollar fell to another record post-war low today in Japan. I'm Bob Edwards. Today is Wednesday, June 29th, and this is NPR's Morning Edition.

['Morning Edition' theme music]

EDWARDS: In Japan today, former Prime Minister Toshki Kaifu [sp] may become prime minister again. The city of Aden in Southern Yemen was repeatedly shelled all night in rocket and missile attacks by forces from Northern Yemen. More meetings in Paris today on Bosnia, and a British general in Sarajevo said today the Bosnian cease-fire is dead. Gary Busey is 50 today, and today is the birthday of Congressman Fred Grandy; he's 46 years old. The news is next.

[newscast]

[funding credits given]

['Morning Edition' theme music]

EDWARDS: This is Morning Edition; I'm Bob Edwards. Hillary Rodham Clinton has been a central figure from the start in the debate over health care reform. She is the architect of the president's plan, and its chief advocate. Mrs. Clinton also has become a lightning rod for both praise and criticism. Millions of Americans have written her letters in the hopes that the president's plan will solve their health care problems. Interest groups, and some members of Congress, have complained she is strident and uncompromising in her pursuit of the president's goal - universal coverage. NPR White House correspondent has this report on Mrs. Clinton's role in White House efforts to reform the health care system.

MARA LIASSON, Reporter: So much of the administration's effort to reform the health care system is a reflection of the complicated and driven woman who leads it. The plan reflects Mrs. Clinton's own confidence that it is possible to design a system to reform one-seventh of the U.S.

economy, and it embodies her belief that government can solve social problems.

Her emotional involvement is intense. The first lady has heard hundreds of tragic stories about people caught in the health insurance system, but, she still gets teary-eyed at almost every health care event. In an interview with NPR, Mrs. Clinton said she was grateful to have met those people.

HILLARY RODHAM CLINTON, First Lady: Almost to a person, not one of them complains to me. They don't take me aside and blame somebody. They don't yell and scream. They don't, you know, call up talk radio shows and carry on. They look me in the eye and they say, 'Let me tell you what the problems are, and let me give you my ideas about how they should be solved, and why I think every person needs to have health care coverage.' So, it's been both a sobering experience, but a credibly uplifting one to be confronted by that much courage on a daily basis.

LIASSON: When Mrs. Clinton speaks in public, she has a reformer's zeal. Health care reform is important for political and economic reasons, she says, and it's important for social justice.

Ms. RODHAM CLINTON: This is an issue that has an ethical dimension, a moral dimension. It says a lot about what kind of people we are, what our values are, what we care about. It says a lot about what kind of country we are going to have.

LIASSON: As the president's health care plan lost support with the public, the criticism of Mrs. Clinton became less restrained. Sources in and outside of the White House now say most of her mistakes were made in the beginning. She insisted on a closely controlled secretive process to develop the plan. The plan itself was huge and terribly complicated; too hard to explain to the public, too easy for special interests to pick apart piece by piece.

Against the advice of the White House political advisers, she went on the attack against insurance providers, drug companies, even potential allies on Capitol Hill, such as Congressman Jim Cooper, the author of a rival plan Mrs. Clinton felt threatened the goal of universal coverage. People who have worked both for and against her on health care say Mrs. Clinton sometimes has the hubris of the do-gooder. When she's convinced she's right, her conviction is unshakable.

As a lobbyist for a group of big hospitals, Michael Bromberg [sp] has fought hard against price controls in the health care bill, and he's had several meetings with Mrs. Clinton.

MICHAEL BROMBERG, Lobbyist for Hospitals: I sense an inoredible willingness to talk, an incredible willingness to spend a lot of time. They'll spend lots of time with you, but they don't bend.

LIASSON: Mrs. Clinton's supporters have a different view. West

Virginia Senator Jay Rockefeller is a leader in the fight for universal coverage, and he's one of the first lady's biggest boosters.

Sen. JOHN ROCKEFELLER (D-WV): She's been a driver on this. She's not been ideological, she's been willing to compromise. She's been ferociously committed to universal health care from the very beginning. When she does make gestures or statements of compromise, there's probably a very good reason for it. Like, I think she pretty much always knows what she's doing.

LIASSON: Right now, that's a proposition being debated in Washington.

Is Mrs. Clinton's hard-line stance on universal coverage a tactic or a strategy? Is she a canny poker player who knows when to hold 'em and when to fold 'em? Or is she holding out for more than Congress can deliver? Mrs. Clinton says there's no need for the president to cut a deal now. The work has to come from Congress, she says.

Some fear she will miscalculate and hold out until there's not enough time left to get a health care deal. Michael Bromberg-

Mr. BROMBERG: The art of compromise is sometimes compromising away what you think is right, and not being too thin-skinned. I mean, they're very thin-skinned of our criticism. I mean, you can see the body language change when you criticize any one of these pages. Out of the 1,341, you figure there's got to be one page there that probably can go. You try to bring it up and the whole- there's a whole shift in body language.

LIASSON: One minute there's a smile, Bromberg says, the next minute she's shaking her finger. Like many on Capitol Hill, Michael Bromberg would rather negotiate with the president than the first lady.

Mr. BROMBERG: I think that she has very strong beliefs, and I don't think she's a compromiser. I really don't. I think he is a compromiser, and he may be have beliefs, but, I don't think they're as ideological. And I have heard her say several times that if the bill is not to their liking, or meeting their tests, she knows how to run on the issue.

LIASSON: It's not easy to tell whether Mrs. Clinton looks forward to running on the issue, or just wants to keep lobbyists like Michael Bromberg off balance. Asked if she would recommend the president veto a bill and then campaign on health care in the mid-term elections, she says that won't be necessary.

Ms. RODHAM CLINTON: I don't think I would have to. The president is on record as strongly as he could be.

LIASSON: [interviewing] That he would do that?

Ms. RODHAM CLINTON: Yes.

LIASSON: [interviewing] Can the White House afford to do that politically? In other words, who's gonna get the blame if he does that?

Ms. RODHAM CLINTON: You know, I don't think about issues like that, and I wish people in Washington and politics would stop thinking about that.

LIASSON: But, people in Washington do think about that, and Mrs. Clinton seems to be one of them. She participates in political strategy sessions at the White House almost every day, and she can describe a scenario where the opponents of health care reform are blamed if the effort fails. It's based on a question she repeats often - 'How can members of Congress who have guaranteed themselves insurance, deny the same thing to average Americans?'

Ms. RODHAM CLINTON: If I were a member of Congress, I would not want to answer that question. And there are many in the Congress who will be able to answer by saying, 'That is exactly what I tried to do. Now you have to help me at the ballot box convince other members it's what you want them to do as well.'

LIASSON: [interviewing] Next time.

Ms. RODHAM CLINTON: Whenever.

LIASSON: But, many in Washington believe there won't be a next time. They think it's now or never for health care reform, and there are signs, despite Mrs. Clinton's disciplined delivery of her bottom-line demand, that she knows that too. Members of her own staff say Mrs. Clinton's inflexibility has been exaggerated. Her pragmatic side is just as strong, they say. For example, she recently warned her allies not to hold out for the moon, and she's indicated a willingness to consider compromising on abortion coverage in order to preserve the goal of ensuring everyone. And, White House officials point out, that even though her advice on health care is crucial, it's the president who will make the final decision, and he is getting advice from others, including his newly named chief of staff, Capitol Hill veteran Leon Panetta.

These days, the first lady's pragmatism is expressed in a studied vagueness. She flatly refuses to talk about dates or numbers or definitions of universal coverage, even as she worries about disappointing all the people whose expectations have been raised by the crusade she led.

Ms. RODHAM CLINTON: It bothers me every single day, but, I could feel that we had done what we should do as a nation if we get a piece of legislation that puts us firmly on the road toward universal coverage. If we are on that road, then I can go back to any town I've been in, I can reread any of the more than a million letters I have received, and feel that our country has really responded.

LIASSON: If the goal is merely being on the road to universal coverage, then the possibilities for an acceptable compromise grow. Sources say the first lady has been sobered by the events of the last year, really sobered. She may not show it, one outside adviser said, but, a lot

of the early idealism is gone. Now Mrs. Clinton seems to be concentrating on two things - working to keep the pressure on for universal coverage, and leaving her husband as much room as possible to say he achieved his goal. If she's successful at both, she has a good chance of ensuring her own place in history. In Washington, I'm Mara Liasson.

[music]

EDWARDS: The time is 19 minutes past the hour.

['All Things Considered' promo]

[music]

[news headlines]

[music]

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ANALYSIS OF THE NEW REPUBLIC ARTICLE

ARTICLE: *"The bill guarantees you a package of medical services but you can't have them unless they are deemed `necessary and appropriate.'"*

FACT: This is very misleading. Today, insurers can decide that procedures, treatments, etc., are inappropriate or unnecessary. No insurance plan guarantees you the right to unnecessary or inappropriate care. To imply that such decisions are made only by doctors and individuals today is deliberately misleading, at best. Under reform, most such decisions will be made by patients and their doctors. In fact, the Health Security Act gives consumers *more* guidance and *more* rights about what is necessary and appropriate.

In addition, the Act **does not**, as the statement implies, **forbid** a plan from delivering services -- even if it *does* consider them not necessary or inappropriate. It says they may do so. And under the Act you have clear means of immediate appeal should you feel you deserve different or additional care -- a guarantee that rarely exists today.

Most importantly, the bill (page 15-16) specifically states that "*Nothing in this Act shall be construed as prohibiting the following: (1) An individual from purchasing any health care services.*" There is nothing in the Act to prohibit any individual from going to any doctor and paying, with their own funds, for any service. There are also no restrictions on the purchase of supplemental insurance.

ARTICLE: *"That decision (whether or not care is necessary or appropriate) will be made by the government, not by you or your doctor."*

FACT: Untrue. If anything, the "necessary and appropriate" care provision in the bill delegates authority to the medical profession -- rather than imposing further government bureaucracy between the patient and the doctor. For most people today, their insurance company, not their doctor, has final authority over what is necessary, appropriate and therefore reimbursable. Today, insurers can decide that procedures, treatments, etc., are inappropriate or unnecessary. No insurance plan guarantees you the right to unnecessary or inappropriate care.

Michael Kinsley criticized this article, saying: "*It is pointless to compare the Clinton plan with some idealized version of the classic American system, in which you can go to any doctor you want, who can perform any treatment he wants, order any test she wants, prescribe any drug he wants, and charge whatever she wants, all paid for by insurance.*" [*"Health Care Nonsense"*, The Washington Post, 1/27/94]

Under reform, most such decisions will be made by patients and their doctors. The National Board has the authority to issue guidelines relating to what is necessary and appropriate. The authority to issue these guidelines does not infer that there are no options left to physicians and patients, only that a benefits package guaranteed to all Americans must be consistently defined across states.

Guidelines that are developed by the Board will be developed in an open hearings process in which all interested parties can have input. Regulations used by insurance companies today are developed by the companies as those companies see fit.

ARTICLE: *"Escaping the system and paying out-of-pocket to see a specialist for the tests and treatment you think you need will be almost impossible."*

FACT: **That is wrong. Under the Act, you can pay "out-of-pocket" for anything you want at any time, to any physician or hospital willing to treat you.**

However, we should stress that, under reform, it is very unlikely that individuals will have to pay for such treatment. Every plan, even the most structured HMO, must offer at the very least a point-of-service option which enables you to go see a physician of your choice at any time. In some plans you may have to pay somewhat more to do this, but it is always an option, unlike today and unlike the alternative plan (Cooper) endorsed by The New Republic.

ARTICLE: *"If you walk into a doctor's office and ask for treatment for an illness you must show proof that you are enrolled in one of the health plans offered by the government. The doctor can be paid only by the plan, not by you."*

FACT: False. You do **not** have to be enrolled in a plan to be treated. If you go to a doctor and are not enrolled in a plan, the doctor will treat you. You will then be given information on available plans and you may choose any plan you want. The plan you choose then pays the physician. The purpose of this provision is to assist all individuals in enrolling in a plan.

However, as noted above, an individual may pay any doctor any price for any service outside the comprehensive package of services offered as part of a plan. So if an individual wants to go to a doctor and pay the doctor they can.

ARTICLE: *"The bill requires the doctor to report your visit to a national data bank containing the medical histories of all Americans."*

FACT: Not true. The very first provision of this section of the Act states: *"The information system must be consistent with privacy security standards in the Act."* Physicians may be required to submit data on outcomes, treatments, etc. for the purpose of improving quality and assessing treatments and outcomes. **But the Act very specifically prevents against tying this data to specific individuals.**

Sections 5101 and 5102 spell out detailed protections that assure that patient records and individual health data are strictly protected. Therefore, the implication that an individual's medical records will be in a national data bank and that those records can be accessed by all kinds of other agencies, individuals, etc., is patently untrue.

ARTICLE: *If you work for a company with fewer than 5000 workers you "must enroll in one of the limited number of health plans offered by the regional alliance where you live."*

FACT: Misleading. These individuals choose a health plan from the regional alliance bargaining on their behalf. **But it is clearly misleading to assume there will be a "limited" number of plans offered by the alliances.** In contrast, the alliance is obliged to offer **all** plans certified by the state, including at least one traditional "fee-for-service" plan. The only exception is that an alliance may decide not to offer a plan than charges 120% or more of the average premium cost in the region.

For example, one of the real world models of an alliance -- the California Public Employees Retirement System -- offers its members a choice of 24 different plans and individuals choose a personal physician in the plan. And more than two-thirds of the members are so satisfied with their plan that they would recommend it to a friend. This is a big difference from today's system in which the great majority of Americans face a very limited choice of health plans. About 50% of Americans insured through their employer have only one or two options of health plans. The great majority of Americans will have more choice in the alliance system.

ARTICLE: *"Under the bill, a National Health Board . . . will decide how much the nation can spend on health care beginning in 1996."*

FACT: This is untrue. The Health Security Act makes no attempt to "decide how much the nation can spend on health care" and specifically rejected the idea of global budgets or arbitrary price controls. The National Board is only authorized to set the initial premium targets -- the rates at which *health insurance premiums* (for the comprehensive benefits package) not *national health expenditures* may increase from year to year. These premium targets are important guarantee to American taxpayers and businesses who are being asked to contribute to their health care that their premiums will not continue to spiral out of control, as they have done for years. **There are no restrictions in the Act on the amount of money that may be spent by people with their own funds for additional services or supplemental insurance policies.**

ARTICLE: *"The bill outlaws plans that would cause a region to exceed its budget or that cost 20 percent more than the average plan."*

FACT: Wrong again. **No plan is "outlawed."** The premium limit does not preclude any plan from participating. The alliance has the option (not the requirement) to refuse to contract with a plan charging more than 20% over the average premium (so that people have a safeguard against insurance company price inflation).

ARTICLE: *"Even the bill's authors anticipate that restricting the dollars available for health care in the teeth of these trends will produce grave shortages; the bill provides that when medical needs outpace the budget and premium money runs low, state governments and insurers must make `automatic, mandatory, nondiscretionary' reductions in payments to doctors nurses and hospitals to assure that expenditures will not exceed budget."*

FACT: This is misleading. **The author here is clearly implying that such a mechanism exists in the main proposal – it does not.** The section the author is quoting from here refers to states that choose to form single payer systems, not from the description of the primary system advocated in the plan. Virtually all single payer systems work in this manner, adjusting payments to providers to make certain budgets are met.

Even with regard to single payer systems, there is absolutely no indication in the plan that the bill's authors are anticipating "grave shortages." This is responsible legislation; the plan merely spells out, in this special case, the mechanism by which a single payer system would meet targets if expenditures were running ahead of anticipated costs. To spell out such a mechanism is hardly an admission that "grave shortages" are expected.

ARTICLE: *"Above a threshold level of quality, alliance officials will approve health plans based on lowest cost, not highest quality."*

FACT: Not true. In contrast, the alliance is obliged to offer **all** plans certified by the state, including at least one traditional "fee-for-service" plan. The only exception is that an alliance may decide not to offer a plan than charges 120% or more of the average premium cost in the region. They are not <u>required</u> to do this however.

ARTICLE: *"What most of us call fee-for-service (choose your own doctor) will be difficult to buy."*

FACT: That is wrong. To the contrary, the Health Security Act preserves fee-for-service arrangements by requiring all alliances to offer at least one fee-for-service plan. Today, more and more Americans cannot choose a fee for service plan because their employers have chosen not to offer that option. Recent reports have shown that ". . . *a growing number of employers have abandoned traditional indemnity [fee-for-service] plans entirely. In fact, more employers now offer managed care plans than offer traditional indemnity plans.*" In fact, in 1988 , 89% of employers offered fee-for-service plans but, by 1993, this number had dropped to 65%. [*"1992 Health Care Benefits Survey"*, Foster Higgins, 1992; *"Health Benefits in 1993"*, KPMG Peat Marwick]

ARTICLE: *"Price controls on doctors' fees and other regulations will push doctors.."*

FACT: That is wrong. There are no price controls in the President's plan. Price controls -- calling for government micro-management of every health care service, doctor's fee, drug technology, and product -- were considered and specifically rejected. The Health Security Act does have -- as a backup mechanism for cost control -- a limit on how much insurance premiums can increase every year. This is an important guarantee. If employers are to be told they have the responsibility to contribute to coverage -- and if the federal government is going to provide discounts to small businesses and low-income individuals -- then American businesses and families deserve the guarantee that their premiums, and government spending, won't continue to rise unchecked.

Since, the federal government won't make market decisions on specific prices; health plans will have to decide themselves how to become more efficient in a way that won't drive consumers to another plan. As Stephen Zuckerman and Jack Hadley, two leading health policy analysts, wrote in support of the plan's premium limits, *"it seems far preferable that insurance companies that are responsible to their subscribers make these decisions than having the federal government involved in detailed price negotiations and review procedures with individual hospitals and physicians."* [*"Clinton's Cost Controls Can Work"*, Washington Post, 11/7/93]

ARTICLE: *"The bill limits what health plans can pay physicians and prohibits patients from paying their doctors directly."*

FACT: False. Any health plan that pays physicians according to their own contracts may pay those physicians anything they like. The bill only tells most health plans what to pay physicians with whom it has no contract. These fees apply to fee-for-service plans and for charges when individuals go out of the plans' network of doctors.

It is not clear why a patient would want to pay a doctor "directly," for services that their insurance company is obligated to pay. **If the implication is that individuals cannot go to any doctor and pay for whatever they want, that is false. Their right to do so is expressly protected.**

ARTICLE: *"The Clinton bill calls utilization review a `reasonable restriction' on patient care and expressly includes it as a requirement for doctors treating patients with fee for service insurance as well."*

FACT: That is wrong. The plan does **not** "require" fee for service insurers to use utilization review. It says they **may** do so. The purpose is to define what fee for service insurers -- who have no contracts with the physicians they are paying -- may do in assessing charges. **Utilization review is one option they are expressly *permitted*, not required, to do.** [more]

In reality, the bill is just following common practice here, acknowledging the typical practice of utilization review in fee for service plans. If the author is implying that many Americans are enrolled in plans where there is no review by the insurer, she is being deliberately misleading. As Michael Kinsley said, "*It so happens that the New Republic's own health care plan (of which I am a member) has extensive `utilization review.' . . . Utilization review is one of the developments rapidly spreading -- for good or ill -- under our current health care system. It is one reason health cost inflation has abated so dramatically . . .*" [*"Health Care Nonsense"*, The Washington Post, 1/27/94]

ARTICLE: *"Some states recently have enacted laws to safeguard choices patients want to make for themselves, such as which hospital or pharmacy to use. HMOs protest that these laws hobble cost containment, and the Clinton administration apparently agrees. The Clinton bill pre-empts state laws protecting patient choice."*

FACT: Deliberately inaccurate. The Act guarantees all individuals full choice by giving everyone the option many don't have today -- access to a fee for service plan in which they can choose any provider. The Act also mandates that all HMO's and other managed care plans offer a point-of-service option in which individuals have a right to see any doctor outside of their plan or its network. This, again, is far greater choice than many individuals have today. In fact, current trends are towards declining numbers of individuals in fee for service plans and therefore fewer choice of doctors.

Most of the relevant laws that are being "pre-empted" are not geared to protecting patient choice -- which is fully protected and expanded in the Act -- but to protect providers from price competition and other pressures of managed care organizations. The state laws the Act overrides are those that bar managed care organizations from creating their own networks -- for example, not allowing a managed care network to refuse to admit a qualified physician into its network.

ARTICLE: *"Doctors in training will be assigned to the coveted specialty programs based partially on race and ethnicity...."*

FACT: This is ridiculous. **No physician or medical student is "assigned" to any specialty or told what type of medicine they can practice.** The Act does make clear that funding of medical education will put more emphasis on the widely-acknowledged need to train primary, as opposed to specialty care physicians, and that attention will be paid to the potential under-representation of minority groups.

ARTICLE: *"Under the Clinton bill you are entitled to a package of basic benefits, but you can have them only when the are `medically necessary' and `appropriate.' That decision will be made by the National Quality Management Council, not be you or your doctor. The Council ... will establish `practice guidelines' to control `utilization' of health services."*

FACT: That is wrong. You and your doctor will decide the type of care that you need. The National Board has the authority to issue guidelines on what may be necessary or appropriate. Its process of issuing any guidelines will entail the fullest participation of all concerned.

Today, virtually all insurance plans can refuse to pay for services deemed unnecessary and inappropriate, and it is the insurance company -- not the patient and physician -- with the ultimate authority. The decision-making process of insurers are not subject to any public input or scrutiny. To imply that the new system will have restrictions on what is necessary and appropriate, when the current system does not, is anything but truthful.

There is nothing in the Act to suggest that the "practice guidelines" referred to here will be mandatory or will control anything. They are to assist plans, providers and others in providing higher quality care. As the Act says, they "may *be used by health care providers to assist in determining how diseases, disorders, and other health conditions can most effectively and appropriately by prevented, diagnosed, treated and managed clinically.*"

ARTICLE: *"The Secretary of Health and Human Services has the power to set a controlled price for every new drug, and to require the drug manufacturer to pay a rebate to the federal government . . . If a producer balks at paying the rebate, the Secretary can `blacklist' the drug, striking it from the list of medications eligible for Medicare reimbursement."*

FACT: Very misleading. **The word "blacklist," with quotation marks around it in the statement, does not appear in the bill.** Putting quotation marks around it implies it is directly lifted from the text. In this case, however, it obviously applies to the author's interpretation of the text.

The Secretary can, in some circumstances, request a rebate on a drug as a cost containment tool. This will apply only to those drugs purchased in bulk by the federal government for the millions of Medicare beneficiaries. Manufacturers are given process rights in these negotiations as well. **There is no "blacklist".**

ARTICLE: *"Under the bill, the Secretary weighs the development costs and profit margin for the single new drug, rather than the overall profitability of investing in new cures."*

FACT: The statement refers to page 373 of the bill. The bottom of that page and the next page list **no less than 8 factors** that must be considered by the Secretary in negotiating a rebate in the Medicare drug program. Clearly, there is no effort to exclude the consideration that many efforts to produce new drugs cost a great deal and produce no profit to drug manufacturers. Drug companies would certainly be given the opportunity to raise these considerations and there is absolutely nothing in the proposal would prevent the Secretary from considering that reality.

your boss or insurance company, have the choice of doctor and health plan to make sure you get the high-quality care you deserve.

Third, unfair insurance company practices will be outlawed. 3 out of 4 insurance policies -- that's 133 million people -- have these lifetime limits which mean that your coverage could be cut out just when someone in your family is sickest. No more. No more jacking up prices when you get sick. You'll have affordable insurance you can depend on. Fourth, we protect Medicare. We'll cover prescription drugs under Medicare, and give new options for long-term care in the home and community. And fifth, everyone will have health benefits guaranteed at work, with the government providing discounts to small businesses and the unemployed. Even if you lose your job, you will never have to worry about losing benefits or being forced to change doctors.

9) Is it true that my doctor can be fined $10,000 for treating me outside the system?

A: No, that's not true. You can see any doctor you want and pay for any procedure or treatment. The $10,000 fine refers to the President's crackdown on insurance company fraud. Fly-by-night insurance companies will be fined if they try to dupe you by selling you "supplemental" benefits that you're already guaranteed by law.
[Note: By law, you'll be guaranteed the right to pay to see any doctor in the country, even if you are in an HMO.]

10) What's going to happen to my Medicare benefits?

A: Older Americans who receive Medicare will continue to receive all the benefits you do today. And you'll keep the doctor you now have. In addition, we'll strengthen Medicare by adding prescription drug coverage. Older Americans will also benefit from new long-term care options in their homes and communities, where they want to receive care.

11) What happens if the money runs out?

A: Today, when insurance companies go out of business, patients get struck without health care, and doctors don't get paid. The President's approach prevents that. It bans fly-by-night insurers, forcing the insurance industry to set aside funds to protect against bankruptcy or failure.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release January 31, 1994

STATEMENT BY DEE DEE MYERS

The following documentation is in response to Elizabeth McCaughey's article entitled *"No Exit: What The Clinton Plan Will Do For You"*, that ran in last weeks New Republic.

The article contains numerous factual inaccuracies and misleading statements.

This documentation clarifies the facts surrounding the President's approach to health care reform.

-30-30-30-

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 10, 1994

REMARKS BY THE PRESIDENT
IN TELEPHONE CALL TO SENATOR EDWARD KENNEDY

The Oval Office

1:48 P.M. EDT

THE PRESIDENT: Hello.

SENATOR KENNEDY: Mr. President.

THE PRESIDENT: How are you, Senator?

SENATOR KENNEDY: Well, real well, better today than any other time we've been for a long time. Your program is on track. We've got a lot of enthusiasm for it. People are excited. They know that for the first time in the history of the country we're going to get a chance to debate this. And your leadership and Mrs. Clinton's leadership has just made an extraordinary difference.

THE PRESIDENT: Well, I thought you were terrific. I tell you, you and all the people that voted with you in the committee are really going to give the country a chance to have an honest debate about this now. There's been an awful lot of charges and countercharges in the air, and a lot of misinformation. But the fundamental fact is that we're now going to have a chance to decide as a nation whether we're going to give health care coverage to all of our people in the context that will enable us to bring some of the costs down and keep some of the bad things from occurring that are happening today. And I'm really elated about it.

SENATOR KENNEDY: Well, I think the people are really beginning to sort of understand that after all the posturing and statements and speeches, that we are for the first time going to have a chance to do something for families in this country. And I think that's really the good news.

The one thing that we have seen very, very clear in the last two weeks is that the politics of negativism and the politics of criticism and the naysayers may be able to get attention for the early rounds, but I just can't believe that that kind of attitude can last. I find in traveling around Massachusetts, people are asking, if you're against the program, what are you really for? And I think that the fact that you've been out there day in and day out fighting for something that's going to make a difference for families, working families, is really making a difference.

And we've had a good conversation today and last night with Chairman Moynihan and a number of the members of that committee this morning. And I know we've got a battle through there, but, quite frankly, I think that this health program of yours has come to pass.

THE PRESIDENT: Well, you were there a long time before anybody else. I still remember the speech you gave in Memphis in 1978. And you convinced me we needed to get off our dime and go to work. It's just taken us 16 years to get a bill out of committee, but I'm ready to roll. (Laughter.) And the American people are

deeply in your debt, and we now have a chance to do it. And I just want to assure you, I'm going to do everything I can.

I want to also say a special word of thanks to you for making the effort to reach out to Republicans and give them a chance to be part of the process. You and I know they're under enormous partisan pressure not to participate. But Senator Jeffords voted with us yesterday, and many of the Republicans offered amendments and did other things that you gave them a chance to do. And I hope this will be eventually like Social Security and Medicare, where a number of them will finally come around in the end. And I think they will, in part because you kept the door open and worked with them so carefully.

SENATOR KENNEDY: Well, just on that, on the benefit package approach on it, we had 17 to nothing; all the Republicans as well as the Democrats. And the long-term care, we are 15 to two. On the privacy provisions that are going to even fill in some of the abuses that exist today, we had virtually unanimous support. The training programs, 11 to six. The quality issues, which are so important, 13 to four. We picked up many Republicans on different provisions of it. And I think, obviously, we -- I know how you have worked to try and make sure they're going to be there during the debate on the floor. I think they will be.

THE PRESIDENT: We've just got to keep hitting it. I'm ready if you are.

SENATOR KENNEDY: Okay. Listen, it's good to -- really appreciate you. We're all looking forward to you coming back to Massachusetts sometime.

THE PRESIDENT: Me, too. (Laughter.)

SENATOR KENNEDY: Particularly Patrick. He said you had a good time up there with him the other day, too.

THE PRESIDENT: We really had a good time. And I was so pleased. He seemed to be doing very well, and he seemed to be enjoying himself immensely.

SENATOR KENNEDY: Well, it was very kind.

I talked to the First Lady this morning, as well. So she's already busy strategizing and moving along on the program.

THE PRESIDENT: Thanks.

SENATOR KENNEDY: Thanks an awful lot.

THE PRESIDENT: All right, man.

SENATOR KENNEDY: Good to talk to you.

THE PRESIDENT: Goodbye. Thank you, sir.

SENATOR KENNEDY: Thank you very much, Mr. President.

THE PRESIDENT: Bye bye.

END 1:52 P.M. EDT

PM-Health-Ad Watch,620
Details From ``Harry and Louise'' Ads
With PM Health Reform Bjt
By The Associated Press=

Details from the two new ``Harry and Louise'' ads that the health insurance industry is running in 10 states and the nation's capital:

Title: ``Quality.''

Time: 30 seconds.

Creator: Goddard-Claussen ``First Tuesday,'' Malibu, Calif.

Scene: Harry is driving. Louise sits beside him looking through a newspaper.

Text:

Harry: ``So, the paper says Congress is moving ahead on health care reform.''

Louise: ``If they can just cover everyone.''

Harry: ``But they're talking price controls?''

Louise: ``Right. Government-imposed spending limits for every region of the country.''

Harry: ``So, if our plan runs out of money?''

Louise shrugs.

Louise: ``Rationing, the way I read it. You know, long waits for health care and some services not even available.''

Harry: ``Government-controlled health care. Congress can do better than that.''

Louise: ``They will, if we send them that message.''

Announcer: ``For facts you need to send Congress a message, call today.''

Screen flashes the toll free number, 1-800-285-HEALTH.

Key images: A middle-American couple voices their fears about what the health care legislation moving through Congress means for them. Louise's shrug says it all: rationing.

Goal: Get viewers worried enough to call their members of Congress, or contact the Coalition for Health Insurance Choices, which will send free mailgrams for them. The coalition gets most of its money from the Health Insurance Association of America.

Analysis: The ad makes no mention of the Clinton health plan or any specific bill, but suggests they would all impose price controls and lead to health care rationing. The Clinton plan and a version approved by the Senate Labor and Human Resources Committee would limit insurance premium increases. White House officials contend that waste can be squeezed out without sacrificing necessary care. And they argue that health care already is rationed in a system where 39 million Americans have no insurance.

Title: ``Brother.''

Time: 30 seconds.

Creator: Goddard-Claussen ``First Tuesday,'' Malibu, Calif.

Scene: Harry is playing basketball outside his house with his younger brother Pat. Louise wheels her bicycle up as Pat sinks a jump shot.

TEXT:

Pat: ``He shoots ... he scores!''

Louise: ``He gloats.''

Harry: ``Louise, Pat was just telling me his state has community rating.''

Louise: ``Everyone pays the same rate no matter their age, even if they smoke or whatever. Does it work?''

Pat: ``My health insurance went from $1,200 to $3,200 a year.''

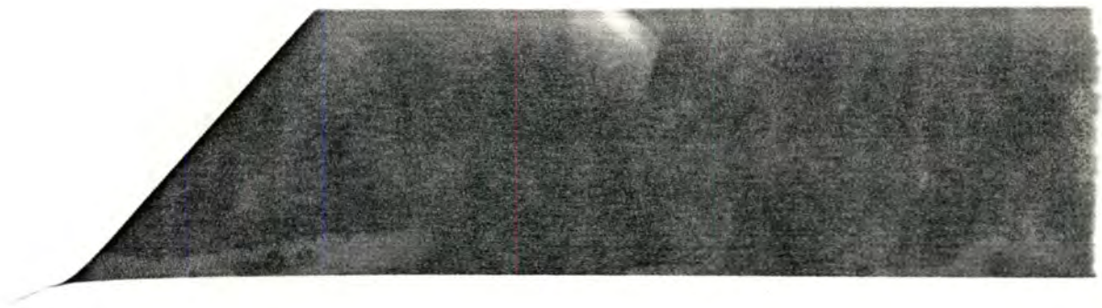
Harry: ``More than double!''

Pat: ``Yeah, thousands dropped their insurance. I mean we actually have fewer covered now than before.''

Harry: ``Congress can do better than that.''

Louise: ``If we send them that message.''

Announcer: ``To send Congress a message on flat community rating, call



Key images: Newspaper headlines are flashed spotlighting problems that New York encountered after it adopted community rating for individual and small group policies last year. The basketball-playing brothers and bike-riding Louise would be forced to pay the same rates as smokers.

Goal: Alert the public to drawbacks of pure community rating.

Analysis: This ad makes hay from the actual problems that New York encountered when it switched to community rates. Younger, healthier workers dropped their coverage when their rates climbed. White House officials say that is an argument against incremental insurance reform and for mandatory, universal coverage. President Clinton has acknowledged that his community-rating system would drive rates up for younger, healthy workers.

**** filed by:APE-(--) on 06/21/94 at 00:33EDT ****
**** printed by:WHPR(160) on 06/21/94 at 07:12EDT ****

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 10, 1994

REMARKS BY THE PRESIDENT
IN TELEPHONE CONVERSATION WITH SENATOR JAMES JEFFORDS

1:54 P.M. EDT

THE PRESIDENT: Hello.

SENATOR JEFFORDS: Hello, Jim Jeffords here.

THE PRESIDENT: Hi, Senator. I just wanted to thank you for your help yesterday and for your leadership on the health care bill, and to say especially how much I appreciate the work you did to get the WIC program fully funded. I know how much it means to you and how much it's going to do for the children of this country.

SENATOR JEFFORDS: Well, thank you, Mr. President. I deeply appreciate that. And I want to thank you for your leadership. You got us going on this road, and I think with Senator Kennedy's help, we took a big step yesterday to getting our health care bill that we all want.

THE PRESIDENT: Well, I really appreciate the fact that you were willing to work with us and to vote for it. I know that some other Republicans offered some amendments and voted for some of the provisions of the health care bill in the committee, and I hope that by the time we get around to voting on the floor we'll have a bill that can get some more bipartisan support. I know they're under a lot of pressure not to vote for anything, but I know that you have some colleagues who agree with you and who will eventually put the interests of the country first just as you have done.

I'm just honored to be in this fight with you, and I think we have to keep working and reaching out to others and trying to broaden the base. And I know that's what you want to do, too.

SENATOR JEFFORDS: I certainly do, and we made a big step in that direction yesterday. And Nancy Kassebaum and also Dave Durenberger, with me, put an amendment in, and I think if we'd been able to pass it, it probably would have gotten on board. And --

THE PRESIDENT: What was the amendment?

SENATOR JEFFORDS: -- it gave me confidence that we're going to be able to do it on the floor. And I've talked to a number of others. I'm confident that, again, when we get on the Senate floor and with a little more tinkering, we'll be able to get a good bipartisan bill for you.

THE PRESIDENT: Well, I'm ready to work with you. We can do it. We can do it. Thanks to you, and I'll never forget it. And let's just keep working at it.

SENATOR JEFFORDS: Okay, thank you. And I thank the First Lady for her call this morning. I deeply appreciated that, and it's been great working with her and Ira Magaziner. They're two wonderful people.

THE PRESIDENT: Thanks. Have a good day.

END 1:56 P.M. EDT

Clips

June 20, 1994

MEMORANDUM TO INTERESTED PARTIES

FROM: Jeff Eller - Media Affairs

REFERENCE: Media Affairs Activities for week ending 6/18

The preceding week produced significant regional media from several events. They are detailed below. Selected clips are attached.

First Lady and Health Care

Last Thursday, the First Lady did a conference call with farmers in the Midwest who are supportive of health care. That event was made available by satellite. In all, over 121 different news shows on 64 stations in 48 markets made use of the video. That includes such specialty shows as *Ag Day*. In addition, radio reporters were offered a special number in which to call and list. 50 radio stations and seven print reporters used that service. A usage report and newspaper clips are attached.

Following that, there were nine radio interviews set up with the six group organizations who attended the Conference Call session with the First Lady at the White House.

Lee Swenson, President National Farmers Union, Denver
1. Agri- Network, 42 Affiliates (OK, KS, AR, NM)
2. KOA, Denver
3. KSOO, Sioux Falls, SD (MN, SD, IA, NE)

Ralph Paige, Executive Director Federation of Southern Cooperatives, Atlanta
1. Agri-American Net, 60 affiliates (IN)

Harvey Joe Sanner, Arkansas President American Agriculture Movement
1. Arkansas Radio Network, 67 affiliates/KARN

Lois Wales, Executive Board Member of the American Corn Growers Association, Dimmit, TX
1. Texas State Network, 125 affiliates across TX

Frank Matheson, President National Farmer's Union, Littleton, MA
1. WBZ, Boston
2. WRKO, Boston

Denise O'Brien, President National Family Farm Coalition, Washington, D.C.
1. WHO, Des Moines

Other health care interviews: Dr. Tyson did two live interviews into Fargo and one taped interview into Oklahoma City. Secretary Reich into Kansas City KCMO on the health care numbers announced by Rockefeller and Daschle. Deputy Secretary Altman on station KEX in Portland, OR. and the Bob Aaronson Show, WCTC, New Brunswick. Walter Zelman on WNYC, the NPR affiliate in New York City and Good Day USA Show on the Independent Broadcaster's Network. Larry Levitt on KTKK, Salt Lake City on the Hank Hathaway Show.

Welfare Reform

There is an accompanying clip set on welfare reform. We also did mail outs to specialty press, set up radio interviews for Bruce Reed with KCMO and KMBZ, the David Brenner Show, formerly the Larry King radio show.

Bonnie Campbell

The Democratic candidate for Governor in Iowa visited the President. We set up a photo up in the Oval, comments at the stakeout position with Iowa press and radio conference calls. Clips are attached and the campaign was very appreciative.

Oil

The office worked with Congressional offices and DOE to set up press availability for the oil and gas meeting with Members of Congress. Most of the reps that we wanted to speak came out and said good things. Deputy Energy Sec was there and gave the admin spin. In addition, the NEC was very helpful in supplying information on this event.

Arkansas Razorbacks

Of course, great press off the Razorbacks. Clips are attached. In addition, Coach Nolan Richardson did an interview with all-sports radio station WTEM in D.C. and player Williamson did an interview with a station in Arkansas; Doug Lillabridge with station KARN and the Arkansas Radio Network interviews.

Queen Noor of Jordan

Jock Gill met with Queen Noor of Jordan, at her request and cleared by the NSC, to discuss an exchange of e-mail between Jordanians and the White House.

Crime

There was significant work done setting interviews last week on the crime bill conference committee. That work will increase significantly this week.

Friday
June [illegible]
Single Copy Price 50 Cents

The Durant Daily Democrat

Volume 94 Number 244 Durant, Oklahoma 74701 1 Section 10 Pages

Health Care

Esbenshade to Hillary Clinton: 'I Owe This to My Son'

By PATRICK BARRETT
Staff Reporter

With a break in his voice, an Achille farmer spoke to Hillary Clinton Thursday about how his lack of health insurance contributed to his son's death.

James Esbenshade was one of seven farmers throughout the nation who spoke to the first lady regarding their difficulties in obtaining affordable health care.

Esbenshade's son, James Esbenshade II, died of Reye's Syndrome Dec. 19.

When his son slipped into a coma, a Dallas hospital would not accept him because he did not have insurance, and the 17-year-old Calera High School junior died 24 hours later when he was taken to Children's Hospital in Oklahoma City.

"I know my son's in heaven. It's tough for us to look back on this. I owe this to my son," he told Clinton.

Esbenshade said he was told by a government-run farm lending program several years ago that health insurance was a luxury he could not afford.

Clinton told Esbenshade she could not think of a more dramatic example of the need for guaranteed health insurance for all Americans.

"I hope and pray that people will hear what happened to you and know we're not making this up," she said.

Clinton said farmers are a good example of the type of middle class citizen that cannot afford health care and make too much money to qualify for Medicaid.

She said she thinks it is time Congress deals with this problem by legislating a nationwide health insurance program.

"Congress has guaranteed health insurance. I think it's time Congress gives you and everyone else what they take for granted," Clinton said.

Esbenshade said health insurance for his three-person family would cost more per month than what he is currently paying in living expenses.

He said he wrote to President Bill Clinton, the first lady and the Secretary of the U.S. Department of Agriculture in March about his son's death, and his letter is what made Clinton want to talk to him.

Esbenshade raises cattle and crops on his 1,200-acre farm.

He said he has farmed in Achille for 21 years, and his family has four generations of farmers.

Esbenshade said farmers have fallen behind in their mortgage earnings despite the fact that they raise food for the entire country.

"We're not like a steel worker who got all his propensity raises over the years," he said. "My father got more for a bushel of wheat than I do."

Esbenshade was notified the first lady wanted to speak with him through the Chickasaw Trail Counseling Service in Yuba.

Mona Lee Brock, a Chickasaw Trail counselor, said her agency provides counseling, financial services, advocacy work and crisis intervention to the state's farmers.

Since 1985, she said almost 500 Oklahoma farmers have killed themselves, and her agency has carried out 480 crisis interventions due to the stress and income-related problems created by the current farming lifestyle.

Brock said many farmers lose their land in order to pay for their medical bills because the hospitals turn their unpaid claims in to collection agencies, who sue them in court.

Brock said there must be a radical change in farm policy or it could mean even further hardship for Oklahoma farmers.



Durant Daily Democrat Photo by Durant

ACHILLE FARMER Jim Esbenshade talks to Hillary Clinton about his health care concerns.

First lady hears farmers' stories

■ One farmer told how his son died because he wasn't insured.
■ The first lady told them the president's plan would benefit farmers.

By JAN LANDON
The Capital-Journal

A Kansas farmer in 1993 needed to harvest 3,663 bushels of wheat just to pay his family's health insurance premiums.

That's 20 times more bushels than were needed for the same insurance in 1964.

Hillary Rodham Clinton shared that information Thursday during a telephone conference with seven Midwestern farmers. Farmers face unique health-care problems, and one in three don't have insurance for themselves and their families, Clinton said.

Many times a farmer must choose between buying food for the livestock, fertilizer for the crops or medicine for the cattle, the farmers told her. The first lady listened as the farmers, including Kansan Glen Strnad of Munden, shared their predicaments.

They covered everything from pre-existing conditions and high premiums to preventive health care. Roger Allison of Columbia, Mo., talked about not being able to afford check-ups or regular visits to physicians. When he needs a doctor, Allison said, he goes to the emergency room.

He and Clinton agreed preventive health care was more effective and less expensive than dealing with a problem after it happens.

The conversation was intertwined with numerous promotions for President Clinton's health-care plan, and the need for universal insurance coverage.

"Farming is one of the most dangerous occupations we have left in our country," Hillary Clinton said. "These are hardworking, middle class families. These are the people the president's plan is about covering."

The most poignant story came from a Colbert, Okla., farmer. Jim Esbenshade recounted in a shaking voice how he lost his son when he was refused a transfer to a

Continued on page 2-A, col. 1

First lady talks to farmers

Continued from page 1-A

larger hospital because he didn't have health insurance.

James Esbenshade Jr., 17, died Dec. 19, 1993. He was suffering from a cold and flu, and the local hospital requested a transfer to a Dallas hospital. That transfer was denied, and it took another 24 hours before the teenager was transferred to Oklahoma City. He died the day of the transfer.

"I owe this to my son," said James Esbenshade Sr., a peanut and vegetable farmer who also raises cattle. "It's been pretty tough; he was my only son. He loved to farm. It's the only thing he ever wanted to do."

Other farmers shared their own experiences. Del Gorents of Vergas, Minn., talked about how she and her husband ran a successful dairy farm for 35 years. When her husband became ill with a heart condition, and their health insurance premiums skyrocketed, they were forced to sell off their cattle.

The Gorentzes were able to become insured with Minnesota's state sponsored program. Clinton held up the Minnesota plan as an example for other states.

The only jokes during the 50-minute conference came from the Kansas. Strnad is a 62-year-old lifelong farmer and Democrat who couldn't afford health insurance premiums when they jumped to more than $1,000 a month.

"I'm from Republic County, Kansas — the Republican River Valley," he told the first lady. "That's why they call it the Republican River — because it's so crooked."

The first lady said the stories told were indicative of the situation farmers are facing across the country.

"We are here because we need to hear people like you and the people you represent," Clinton said. "We need to have you let us know what people like you need from a health-care plan."

Topeka (Kan) Capital-Journal
Friday June 17, 1994

Columbia Missourian
6/17/94



TERRY BARNER/Missourian

Activist and Howard County farmer Roger Allison participates in a conference call with Hillary Rodham Clinton. He told the first lady his family will be in trouble without reform.

Local farmer schools first lady on need for rural health care

By SHU-MEI ROAN
Missourian staff writer

Roger Allison, a farmer from Howard County, told first lady Hillary Rodham Clinton on Thursday that universal coverage is the only chance for him to get adequate health care.

"I don't have a penny to spare," said the 45-year-old, who started farming in 1969. "I can't afford health insurance."

He was one of the seven Midwestern farmers who participated in a telephone conference with Clinton to discuss health-care reform. They all echoed Allison's concerns and his hopes for passage of a universal health-care plan.

In 1983, a farmer paid $2,000 for complete coverage for his family. In 1994, the cost is about $30,000.

"If I got pains and aches, I took aspirin and Advils," said Allison, who spoke to Clinton from the Missouri Rural Crisis Center in Columbia. "I'm just like a lot of other middle-class farmers and rural people. When we get sick, we tough it out."

Two years ago, Allison had a car accident which resulted in extreme pain that he couldn't treat with aspirin. He came to Columbia to see a doctor. No doctors would take him because he had no health insurance.

> 'Health insurance is just like a Mercedes-Benz. Everybody can get access to it, but not everybody can afford to buy it.'
>
> — Hillary Rodham Clinton

"I had to go to the emergency room, which took much more time and a lot of money," he said.

He has not had a physical exam since 1969, and the possibility of a major problem like cancer worries him. He just does not know. And according to a survey done by the Crisis Center a few years ago, more than 60 percent of its clients had either inadequate health insurance or none at all.

"Without universal coverage, we will never have guaranteed affordable health care," said the Missouri

Please see Farmer, Page 10A

Rural Missourians want health care improved

■ M.U. study finds city dwellers agree with bettering care in the state's underserved areas.

By SHAI MELMAN
Missourian staff writer

Research has shown that rural residents think health care in their areas is not good enough. And their urban counterparts seem to think so, too.

A survey by the Rural Policy Research Institute, a consortium of scientists based at M.U., indicates that both rural and urban residents strongly support improving health care for rural and underserved areas.

"We weren't expecting to find such a clear agreement on these issues by both urban and rural residents," said Chuck Fluharty, director of RUPRI.

Fluharty and others presented their findings to the U.S. Senate Agriculture Committee last week in Washington; the survey was conducted by the Gallup Organization.

The poll, which involved 500 rural and 500 urban households across the country, found urban residents support a range of improvements for rural health care, from increasing the number of primary care physicians to equalizing pricing standards.

"From the survey we can tell that residents of Boone County support quality health care for rural Missourians," Fluharty said.

While the survey found more similarities than differences between the two groups, some discrepancies emerged.

For example, rural residents would more readily accept receiving care from non-physician health-care providers, such as a licensed physician assistant or a registered nurse.

Fluharty said most health-reform packages don't account for the shortage of health-care providers in rural areas.

"It's a flaw in many plans, and what we've learned is that alternative health-care providers are acceptable to rural Americans," he said. "There may be many positive elements in some of those proposals, but a number of critical issues need more attention."

Another important difference is that urban residents are more satisfied with their health care than rural residents. Forty-nine percent of the urban people surveyed said they were completely satisfied with their health care. Only 37 percent of the rural residents surveyed said the same.

When asked what type of health-reform proposal would be most acceptable, the groups were in agreement. Most residents chose a plan requiring small businesses and individual insurance purchasers to join health cooperatives.

"These results may provide policymakers with a sense of which proposals are preferred by average citizens," said Mark Edelman, an Iowa State University scientist who worked on the poll.

Farmer: Facilities necessary

From Page 1A

farmer.

Clinton agreed, saying that people naturally are going to postpone going to the doctor if they don't have health insurance.

"Health insurance is just like a Mercedes-Benz," the first lady said from the White House. "Everybody can get access to it, but not everybody can afford to buy it."

"It's so backward of our system. It requires you to pay when you get sick but doesn't allow you to take care of your problems beforehand."

In addition to universal coverage, she said, facilities were also very important in solving rural health-care problems.

After Allison finished her conversation, the other six farmers from six different states took turns talking to Clinton. An Oklahoma farmer told his sad story.

Without insurance, he could not transfer his 17-year-old son to a better hospital after he went into a coma and was sent to the local hospital. A children's hospital accepted the young man 24 hours later. He died that afternoon.

"He was my only son, and the only thing he loved was farming," said the father. "But we can't afford health insurance."

Columbia Missourian 6/17/94

Columbia Daily Tribune
6/17/94

State farmer, first lady discuss health reform

The Associated Press

When Roger Allison gets hurt on his Howard County farm or becomes ill, he has to go to the emergency room because he can't afford health-care insurance.

In fact, Allison said, he hasn't even had a routine physical examination since 1969.

Allison, 45, is executive director of the Missouri Rural Crisis Center. While at the center's Columbia office, he was one of seven farmers from the Midwest who participated in yesterday's telephone conference about health-care reform with first lady Hillary Rodham Clinton.

He told Clinton that most farmers are in a situation like his when it comes to health insurance.

Allison said a survey by the Rural Crisis Center showed that more than 60 percent of the group's 3,200 members had inadequate or no health insurance.

"Many farmers have to choose between feed and seed and needed medication for themselves," Allison said.

Another problem for farmers is the lack of doctors and primary care in rural areas, Allison said.

He suggested to the first lady that health-care reform should include incentives for farm owners and small business owners to offer health care to all their employees.

"Without universal coverage, we will never have adequate health care," Allison said. "Good health care should be a basic right for everyone."

Clinton said Allison is like thousands of other Americans who go to a doctor only when they become seriously ill.

"We are being very foolish ... because we don't take care of the problems and try to prevent, but worry about it only after you get sick," Clinton said.

Clinton said farmers often work six or seven days a week and their entire livelihood depends on staying healthy.

And she agreed with Allison that it will not do rural Americans any good to have universal health care if no medical care is available nearby. She said the president's health-care reform plan includes incentives to keep doctors in rural areas.

Other participants in the telephone conference were farmers from Iowa, Minnesota, Kansas, Oklahoma, North Dakota and South Dakota. Representatives from farming associations and organizations were in Washington, D.C., to take part in the conference call.

the Salina Journal

Serving Kansas since 1871

Farmer cracks up first lady

Hillary laughs about his Republican joke

By GORDON D. FIEDLER JR.
The Salina Journal

Munden farmer Glen Strnad told first lady Hillary Clinton exactly what he thought about the state of the nation's health care and warned that the entire system was ripe for collapse if reform is not forthcoming.

"I think Congress ought to do something so that every American can have health care just like they do," he said.

The north-central Kansas farmer was one of seven Midwesterners selected to discuss health care concerns with the first lady during a conference call to the White House on Thursday afternoon.

Strnad is 62 and dropped his health insurance when he turned 60 because the monthly cost jumped from $640 to $1,040.

"I'm old enough to retire, but not old enough for health care," Strnad told Clinton.

Clinton was sympathetic.

"We do have the finest doctors, nurses and hospitals in the world," Clinton told him, "but you have got to be able to afford them, and too many people, people who work hard for a living, are being shut out of the system."

Strnad lightened the serious topic of health care reform and cracked up the first lady by mentioning he lived in Republic County in the Republican River Valley.

"It's crooked, that's why they call it the Republican," Strnad said of the meandering river.

"Glen, you need to come up here and help me out," an amused Clinton said.

Clinton asked Strnad and the others participating in the call to help work for health care reform, a job Strnad seemed willing to perform.

"I'm a friend of Clinton's plan," he said. "I think it will work."

Following the conference, Strnad said he was hopeful there will be progress on the issue.

"It shows people that a lot of rural farmers, independent businesses, are uninsured. I hope it wakes our senators up."

During the call, Strnad told Clinton he has a heart problem, had a small cancerous portion of his lip removed and that both he and his wife have high blood pressure.

► See INSURANCE, Page 8

► FROM PAGE 1

Insurance talk enlivens first lady

But it was his mention of the nearly 63 percent jump in his insurance premium, causing him to drop the coverage, that fired up the first lady.

"That's outrageous," she said. "That's one of the real traps that we have to watch out for in this health care debate. You're going to hear a lot of people, some of them members of Congress from your state, Glen, who are going to be talking about all we need to do is make some insurance reforms and then everybody can go buy insurance, because then everybody will have access.

"That's like saying you and I have access to a Mercedes Benz. We can go in to the showroom and look around, but I doubt you are going to drive one of those big cars out."

Access, she said, is important, but it also has to be guaranteed, affordable insurance.

"I hope you keep speaking out," Clinton told Strnad.

BC-HEALTH-HILLARY
DAIRY CATTLE TREATED BETTER THAN HUMANS - HILLARY
□WASHINGTON□(Reuter) -□Hillary□Rodham Clinton said Thursday the U.S.□health□care system was ``irrational and cruel,'' saying she was told by some□farmers□that their dairy cows got better medical treatment than their children.

□President□Clinton's wife spoke in a conference call with farmers from seven Midwestern states about the problems they face getting and paying for□health□insurance.

``Nearly one in three farm families have no health care coverage at all,'' Mrs Clinton said during the call. Other farmers paid premiums of as high as $13,000 a year for insurance coverage, she said.

``I've spoken with dairy farmers who've told me their cows get better health care, mandated by the government, than they are able to give their children,'' she said.

Mrs Clinton said one farmer in□Kansas□calculated it took 3,663 bushels of wheat just to cover his health care costs in 1993 -- 20 times more than it took in 1964.

Her conference call from the White House was broadcast over loudspeakers to reporters in the White House press room.

Mrs Clinton listened for about 45 minutes to experiences reported by the farmers, including one from Oklahoma who said his son died after one hospital refused to transfer him to another hospital because his family didn't have health insurance.

``We've heard about the worst story I think any parent can ever hear, which is the loss of a child in the face of the irrational and cruel health care system,'' Mrs Clinton replied.

She said farmers were among middle-class Americans who didn't get insurance through their employers because they were self-employed, made too much money to get health care from the government-run Medicaid system for the poor and often weren't wealthy enough to afford insurance.

``It just isn't right that the rich and poor get taken care of but the people in the middle, who do all the work in this country, they get left out,'' she said.

Mrs Clinton led the task force that developed her husband's health care plan last year. It calls for universal care for all Americans, financed largely through a system of employer mandates.

The plan has run into serious trouble on Capitol Hill. Recent polls have indicated Americans are increasingly opposed to Clinton's plan, although they still favor health care reform.

REUTER

BC-HEALTH-HILLARY
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□WASHINGTON,□June 16 (Reuter) -□Hillary□Rodham Clinton said Thursday the U.S.□health□care system was ``irrational and cruel,'' saying she was told by some□farmers□that their dairy cows got better medical treatment than their children.

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REUTER

AM-OK–Farmer-Health,300
Colbert Farmer Tells His Story to Mrs. Clinton

COLBERT, Okla. (AP) An Oklahoma farmer spoke Thursday to lady Hillary Rodham Clinton about the death of his teen-age son, something he said could have been averted if not for health insurance hassles.

``I owe this to my son,'' Jim Esbenshade of Colbert told Mrs. Clinton in a telephone conference call that included six other Midwest farmers.

Esbenshade, 47, a third-generation farmer, said his only son became ill with the flu this past winter and was admitted to a local hospital. While there, the teen-ager went into a coma and doctors said the boy would need to be transferred to a hospital in Dallas.

``They came back and said, `Sorry, you don't have no insurance,'" Esbenshade said. ``So therefore we couldn't transfer him. Twenty-four hours later got him transferred to Oklahoma City ... he died that afternoon.''

``Oh, Jim,'' Mrs. Clinton said.

Esbenshade said his family had health insurance coverage several years ago, but that his lender told him health insurance ``was more like a luxury'' and didn't fit in the family's budget.

``It's been pretty tough,'' he said. ``He was my only son and loved the farm. It's all he ever wanted to do.

``I know my son's in heaven, but it's tough.''

Mrs. Clinton said she had heard similar stories from farmers across the country.

``Nobody, no American, no farmer should be in a position where they have to cut out health insurance. That is absolutely wrong,'' she said.

``I would just hope and pray people will hear what happened to you and understand we're not making these stories up. I hope your story will motivate other people to feel what they should feel about taking care of each other in this country.''

AM-MO-□Health□Care□Missouri,□Bjt,0380
Missouri Farmer Supports First Lady's Health Care Reform Program

By MARGARET STAFFORD= Associated Press Writer=

□KANSAS□CITY, Mo. (AP) Most□farmers□who are still luc enough to have their farms can't even consider buying□health□insurance because of the expense, an Armstrong farmer told□Hillary□Rodham Clinton.

Roger Allison, who also is executive director of the Missouri Rural Crisis Center, was one of seven farmers from the Midwest who participated Thursday in a telephone conference about health care reform with Mrs. Clinton.

Allison, 45, said because of low farm prices he feels fortunate to have kept his farm in Howard County. He told Mrs. Clinton he has to watch every penny, so he hasn't even had a routine physical exam since 1969.

``When I've been hurt on the farm or had other medical problems, I have to go to the emergency room,'' Allison said, meaning his care costs more.

Allison said a survey by the Rural Crisis Center showed that over 60 percent of the group's 3,200 members had inadequate or no health insurance.

``Many farmers have to choose between feed and seed and needed medication for themselves,'' Allison said.

Another problem for farmers is the lack of doctors and primary care in rural areas, Allison said.

He suggested to Mrs. Clinton that health care reform should include incentives for farm owners and small business owners to offer health care to all their employees.

``Without universal coverage we will never have adequate health care,'' Allison said. ``Good health care should be a basic right for everyone.''

Mrs. Clinton said Allison is like thousands of other Americans who go to a doctor only when they become seriously ill.

``We are being very foolish ... because we don't take care of the problems and try to prevent, but worry about it only after you get sick,'' Mrs. Clinton said.

Mrs. Clinton said farmers often work six or seven days a week and their livelihood depends on staying healthy.

And she agreed with Allison that it will not do rural Americans any good to have universal health care if no medical care is available nearby. She said her husband's health care reform plan includes incentives to keep doctors in rural areas.

Other participants in the telephone conference were farmers from Iowa, Minnesota, Kansas, Oklahoma, North Dakota and South Dakota. Representatives from farming associations and organizations were in Washington D.C. to take part in the conference call.

AM-OK–Farmer-Health, 1st Ld,170
Colbert Farmer Tells His Story to Mrs. Clinton
Eds: Updates to add dropped word ``we'' in 4th graf

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told Mrs. Clinton in a telephone conference call that included six other Midwest farmers.

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"Oh, Jim," 5th graf

BC-MO-SD--Health Care,0380

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By MARGARET STAFFORD= Associated Press Writer=

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BC-ND--Hummel-Hillary,200

Mott Farmer To Talk With First Lady About Health Care

dcndbiskanrm

MOTT, N.D. (AP) A Mott farmer told Hillary Rodham Clinton about his family's problems with health care during a conference call Thursday.

Ruben Hummel, 66, who farms 15 miles north of Mott, said his wife, Viola, came down with pneumonia, "and we ended up with a great big bill."

Hummel said he's still paying off that bill.

Mrs. Clinton spoke to seven Midwestern farmers in the five-minute conference call.

Roger Allison of Armstrong, Miss., said he has to watch every penny, and he hasn't even had a routine physical exam since 1969.

"When I've been hurt on the farm or had other medical problems, I have to go to the emergency room," said Allison, 45.

Mrs. Clinton also spoke to farmers from Iowa, Minnesota, Kansas, Oklahoma and South Dakota.

Hummel is not sure how he was chosen for the conference call.

"We have no political affiliation," he said. "I have attended a few of the health care meetings, including the task force meeting, so I suppose it had something to do with that."

BC-GF-CLINTON-CALL
Hillary Clinton to Discuss Health Care with Midwest Farmers
Grand Forks Herald, N.D. Knight-Ridder/Tribune Business News

JAMESTOWN, N.D.--June 16--First lady Hillary Clinton will participate in a conference call with farmers from across the Midwest today to discuss the importance of health care reform and universal coverage, and its specific impact on farming families.

North Dakota Farmers Union member Ruben Hummell, Mott, N.D. will participate in the conference call. Hummell is a lifelong farmer who has been unable to afford adequate health insurance for his family. The policy they could afford is limited. In 1991, Hummell's wife, Viola, was hospitalized. They are still struggling to pay the bill that their insurance did not cover. Ruben is now covered by Medicare, but is concerned that Viola may need further hospitalization.

Hummell will be joined by seven other participants who will have the opportunity to discuss their concerns with the first lady. Leaders of several farming associations will also be present at the White House for the call.

END!A4?GF-CLINTON-CALL

PM-OK--Farmer□Health□Care,230
Colbert Farmer To Speak With First Lady

YUKON, Okla. (AP) First Lady□Hillary□Rodham Clinton will get an earful about rural health care problems today from a group of Midwest□farmers.□including a Colbert man.

Jim Esbenshade will participate in a conference call. He was selected from among four names submitted by the Chisholm Trail Counseling Services.

The CTCS has been operating a farm stress hotline and counseling service for farmers since April 15, under a grant received from Farm Aid.

Bill Bullard with CTCS said the White House contacted the service and asked it to submit the names of four family farmers ``who were without access to affordable health care and who had encountered insurmountable difficulties due to health-related problems."

Esbenshade was told by the his lender that health care was a luxury farmers like him could not afford. After Esbenshade dropped his□health□insurance, his young son became ill and died because the family had trouble finding a hospital that would admit him in time to receive proper treatment.

``Farm families have been operating under an economic cost/price squeeze that makes expenditures like health care difficult, if not impossible for many farm families," Bullard said.

This is the UPI Radio Network Fourth Roundup for 6-15-94= New material transmitted 4:10pm Eastern, 1:10pm Pacific, 2110 GMT= Feed begins with cut 140. After all new cuts are fed, there will be a repeat of cuts 124-thru-139 from previous Hourly Newsfeeds=

HILLARY-HEALTH= 140 :38 v-a wh hse (bill small w-first lady hillary clinton, in conference call w-midwestern□farmers)□first lady hillary clinton lobbies farmers on□health□care

141 :26 a wh hse (hillary clinton) tells□kansas□farmer glen strnad - pron: ster'-nad - that access does not mean universal coverage (cars out)

142 :16 a wh hse (hillary clinton) tells□north□dakota farmer ruben hummell she hopes he'll lobby□congress□on behalf of health care reform (of them)

143 :20 a wh hse (hillary clinton) tells former□minnesota□farm wife del gorentz that universal coberage must be affordable (many families)

144 :25 a wh hse (hillary clinton) tells□iowa□farmer keith johnson she hopes he'll lobby his congressmen (health care)

US-LIRR= 145 :32 v new york (linda castrilli) the clock is still ticking for a long island rail road labor strike

EDS: THE FOLLOWING CUTS ARE EXCERPTS FROM CNN, WHICH MUST BE CREDITED W-EACH AIR USE. THESE CUTS MAY NOT BE USED AFTER 3 P-M EASTERN TIME FRIDAY.

NORKOR-NUCLEAR-CARTER= 146 :17 a pyongyang (fmr pres jimmy carter) north korean president kim il-sung has reversed his decision to expel international nuclear inspectors (up confidence)

147 :08 a pyongyang (fmr pres jimmy carter) the u-s is now in a position to reopen the lines of communication with north korea (overcome them)

148 :22 a pyongyang (fmr pres jimmy carter) north korea is fearful of a nuclear war with the u-s (against them)

-end ``C-N-N" cuts-

CATERPILLAR= 149 :38 v-a peoria, ill (carl voltz w-jerry brown, pres, u-a-w) caterpillar inc has agreed to meet with federal mediators in an effort to resolve the latest labor crises with the united auto workers union

the producer this hour is neal augenstein.= telephone: 1-800-777-5336; international dial direct +1-202-898-8111.=

MEDIA MONITORING FIRST LADY HEALTH
CARE CONFERENCE CALL WITH FARMERS
JUNE 16, 1994

1 Merman	David Senter & Assoc. Washington D.C.
2 Danielson	WHO, Des Moines IA
3 Jordan	KFRU Columbia
4 Carlson	Dakota News Network
5 Fibison	Agri-News Rochester MN
6 Moshrosh	Kansas City Farmer's Union
7 Dutro	Agri-News Indianapolis
8 Takash	Minnesota Farmer's Union
9 Dean	Proradio
10 LaPort	KRUN, Lexington NE
11 David Adams	KTYN
12 Kevin Allen	Mid America Ag Network Wichita
13 Ann Boswal	KJFY
14 Thomas Brand	Brown Radio Network
15 Pat Bury	WNAX Yankton South Dakota
16 Robin DeBates	KZSZ
17 Patrick Driscol	Michigan Farm Radio Network
18 Larry Fischer	KBOO
19 Chris Funkhouser	KDLR
20 Ms. Grimes	St. Louuis Post Dispatch
21 Pam Hammett	West Dakota Radio Network
22 Ron Haugtie	Minnesota Farmer's Union
23 Dave Kranz	California Farm Network
24 Wendy Landes	Missouri Rural Crisis Center Columbia
25 Jan Landon	Topeka Kansas Capitol
26 Hap Larson	KBUF
27 Kerry Martin	Oklahoma Agrinet
28 R.J. McAllister	KBLA
29 Kevin Monson	KCIM
30 Jeff Nalley	WBKR
31 Clay Peterson	National Farmer's Union
32 Anna Radelat	Thompson Newspaper
33 Robert Rasmus	Radio Iowa News Network
34 Susan Risinger	WJAG
35 Jim Sears	KMEM Memphis Missouri
36 Berne Sheppard	TTOQ Rapid City South Dakota
37 Margaret Stafford	Associated Press Kansa City
38 Steve Taylor	KCNN
39 Jim Thorson	KWAT
40 Dave Tilert	WJIL
41 Jenny Uechman	KUNI
42 Dan Verbeck	KMBZ
43 Pam Wesley	WSUI
44 Ray Wilkinson	Tobacco Radio Network
45 Dan Wills	KKOW Pittsburg Kansas
46 Bob Wright	Oklahoma Farmer's Union

47 Ms. Carter	KMZOO, Missouri
48 Mr. Knipp	Kansas Farm Radio
49 Mr. Truitt	Agri News, Ind.
50 Mr. Jordan	KFRU
51 Gordon Fiebler	Salina Journal
52 Mr. King	American Corn Growers Assn.
53 Elwin Hoffman	KGCI Granny Center Iowa
54 J. Wagner	DeMoine Register
55 Bill Bullard	Chism Trail Counseling
56 Steve Mantemach	KOLI, Mobridge SD
57 Bill Mason	WGEL, Greenville IL
58 Greg Steward	WWIB, Chippewa Falls WI
59 Frank Powers	KLMG Radio, Tulsa OK
60 Gary Wergin	KFEQ, St. Joseph MI
61 Joel Reuter	Tribune Radio Network
62 Lisa Phillips	KTTR Public Radio Ft Dodge IA
63 Eric Rogers	KFYR, Bismark ND
64 Jerry Gerhardt	KSEB, Liberal KS

			4:30am	0:14	5min
Little Rock (58)	KATV/ABC	16-Jun	1:30am	0:46	5min
			2:00am	0:14	4min
Wichita-Hutchinson (61)	KUPK/ABC	16-Jun	3:30am	0:14	5min
			4:00am	0:14	5min
Syracuse (67)	WIXT/ABC	16-Jun	1:30am	0:14	5min
Paducah-Cape Girardeau (76)	WCEF/IND	16-Jun	2:00am	0:14	4min
			2:30am	0:14	5min
Springfield, MO (80)	KSPR/ABC	16-Jun	10:00pm	0:14	22min
South Bend-Elkhart (84)	WNDU/NBC	16-Jun	5:30am	0:14	3min
Huntsville-Decatur-Floren (87)	WAAY/ABC	16-Jun	12:30am	0:15	19min
			1:30am	0:14	5min
			2:00am	0:14	4min
			2:30am	0:14	5min
			10:00pm	0:15	9min
Youngstown (90)	WYTV/ABC	16-Jun	2:30am	0:14	5min
Evansville (93)	WBHT/CBS	16-Jun	2:00am	0:14	4min
			2:30am	0:13	5min
			3:00am	0:14	4min
Sioux Falls (107)	KDLT/NBC	16-Jun	10:00pm	0:24	17min
Fargo-Valley City (108)	KTHI/NBC	16-Jun	5:30pm	0:02	29min
			6:00pm	0:31	TOP
			10:00pm	0:16	22min
	WDAY/ABC		10:00pm	0:47	10min
Chico-Redding (126)	KCPM/ABC	16-Jun	11:00pm	0:14	15min
Corpus Christie (129)	KIII/ABC	16-Jun	2:30am	0:14	5min
Wausau-Rhinelander (133)	WAOW/ABC	16-Jun	10:00pm	0:20	4min
La Crosse-Eau Claire (135)	WQOW/ABC	16-Jun	10:00pm	0:23	11min
Beaumont-Port Arthur (136)	KBMT/ABC	16-Jun	3:30am	0:13	5min
Topeka (142)	WIBW/CBS	16-Jun	12:30am	0:24	19min
			6:00pm	0:31	4min
			10:00pm	0:25	8min
Columbia-Jefferson City (151)	KOMU/NBC	16-Jun	6:00pm	0:35	TOP

	KRCG/CBS		6:00pm	0:14	6min
			10:00pm	0:13	6min
Minot-Bismark (153)	KFYR/NBC	16-Jun	1:00am	0:09	11min
			3:00am	0:13	8min
			6:00pm	0:11	8min
			10:00pm	0:12	7min
	KMOT/NBC	16-Jun	1:00am	0:13	10min
			3:00am	0:10	8min
			10:00pm	0:10	7min
	KQCD/NBC		1:00am	0:10	11min
			3:00am	0:13	8min
			6:00pm	0:13	8min
			10:00pm	0:10	7min
	KXMA/CBS		5:00pm	0:14	26min
			9:00pm	0:14	2min
	KTMB/CBS		6:00pm	0:14	7min
			10:00pm	0:14	2min
	KXMC/CBS		5:30pm	0:03	29min
			6:00pm	0:04	7min
			10:00pm	0:14	5min
Salsbury (163)	WMDT/ABC	16-Jun	2:00am	0:14	10min
			5:30am	0:14	11min
Gainesville (167)	WCUB/ABC	16-Jun	11:00pm	0:14	15min
Billings (172)	KTVQ/CBS	16-Jun	1:30am	0:14	5min
			2:00am	0:13	4min
			2:30am	0:15	5min
			3:00am	0:14	5min
Rapid City (173)	KDUH/ABC	16-Jun	10:00pm	0:29	TOP
	KEVN/NBC		5:30pm	0:08	5min
			10:00pm	0:06	9min
	KIVV/NBC		5:30pm	0:08	5min
			10:00pm	0:06	9min
	KOTA/ABC		5:00pm	0:14	29min
			5:30pm	0:15	TOP
			10:00pm	0:09	9min
	KSGW/ABC		5:00pm	0:19	29min
			5:30pm	0:32	TOP
			10:00pm	0:11	9min
Missoula (174)	KPAX/CBS	16-Jun	1:00am	0:14	4min
			1:30am	0:13	5min
			2:00am	0:14	4min
			2:30am	0:13	5min
			3:00am	0:14	4min
Yuma-El Centro (178)	KECY/CBS	16-Jun	11:00pm	0:14	6min

Ada-Ardmore (179)	KTEN/ABC	16-Jun	6:00pm	0:59	1min
			10:00pm	0:59	1min
Great Falls (180)	KFBB/ABC	16-Jun	10:00pm	0:14	6min
St. Joseph (185)	KQTV/ABC	16-Jun	10:00pm	0:33	8min
Tuscaloosa (186)	WDBB/FOX	16-Jun	2:00am	0:14	4min
			2:30am	0:14	5min
			3:00am	0:14	4min
Charlottesville (196)	WVIR/NBC	16-Jun	5:30am	0:13	11min
Ottumwa-Kirksville (198)	KTVD/ABC	16-Jun	1:30am	0:21	8min
			5:00pm	0:23	TOP
			6:00pm	0:21	2min
			10:00pm	0:21	2min

TWRONG (CLERKS) A:DDB-06/14/94;20:02 E:CPS-06/14/94;20:02 D: 19.30

[CMDSDfset lw tammieCMDNMe][guide]|WRONGS14 a1, req for jump|<
<
[[hd422]|Women suffered<
the system's flaws|<
[cont]|A-1|<
[jp]|WOMEN, A-8|5|<
<
[tx][cw18.9][by1]|DONALD BRADLEY|<
#President Clinton, meet Karla.<
   She's not an economist or a social scientist, but maybe her story can help you talk about the need to reform America's welfare system.<
   Karla is 31, a Midtown single mother of four. To protect her identity, her last name is not being print" ed. She was receiving $342 a month in welfare _ most of which went toward rent _ and $430 a month in food stamps.<
   Then she got a job as a waitress earning $463 a month. Because of the job, she eventually lost all of her welfare and $300 of the food stamps. She also lost Medicaid for two of her children.<
   By going to work, her income dropped to $593]<
[tx]from $772.<
   ''Plus I had to buy uniforms and pay for bus fare,'' Karla said Mon" day. ''I really wanted to work, be" cause I was tired of sitting around and I wanted things for my kids, but I couldn't afford it after a while.''<
   Bingo, said Sister Berta Sailer, director of St. Vincent's Family Service day-care center at 31st Street and Troost Avenue.<
   ''Karla should have been re" warded for getting out and getting a job,'' she said. ''But instead, it was like the system wanted to put her back in her place. She made a sound economic decision by quit" ting her job.''<
   Sailer co-founded St. Vincent's 25 years ago to serve poor fami" lies. More than half of the parents of the center's 240 children re" ceive welfare benefits.<
   ''Getting off welfare and going to work must be an improvement in their lives,'' she said. ''If not, what's the motivation? These moms have kids to care for.<
   ''Suburban America might say these mothers are lazy for not working. No, these mothers are smart.''<
   Here's what Sailer would like to see included in the president's plan:<

Kansas City Star
6/15/94

Kansas City Star 6/15/94

[sqr]Parents must not lose health coverage by taking a job.<

[sqr]Child-care benefits must be expanded, because parents can't pay for child care with a mini" mum-wage job.<

[sqr]Benefits must keep coming for a year or so after the recipient lands a job and then decrease gradually.<

[sqr]Finally, there must be jobs in the neighborhoods where parents live, because many don't have transportation.<

''You can have the best voca" tional training in the world, but it doesn't do a bit of good if there are no jobs,'' Sailer said.<

''Our moms get offered jobs as dishwashers out in Johnson Coun" ty. They can't take jobs out there. The bus lines quit running by the time they get off work.''<

The biggest and most baffling problem to her is child care.<

As long as a welfare recipient is in school or vocational training, she can receive free child care through state subsidies. But that aid ends when she gets a job.<

''There's at least a year's wait" ing list to get child-care money when you go to work,'' Sailer said. ''The system would rather seek out the one woman who doesn't want a job and they say, 'We're going to make you work!'^''<

Another problem is the rule that prohibits a man from living in a single mother's home if she is re" ceiving welfare.<

''We all know how important having two parents around is for children, but as soon as a man moves in, the woman loses her benefits,'' Sailer said.<

Mae Richardson has been there. She used to be a welfare mother before she managed to get off.<

''They would come in and search your house for a man's shoes,'' she said. ''And they would ask when was the last time you slept with him. That was degrad" ing.''<

Richardson said the monthly checks are so small that the recipi" ent can't do much other than sit at home. And families suffer because their clothes, toys and food aren't as nice as other families'.<

''Why should they have to eat beans and neck bones all the time?'' Richardson asked.<

''I don't know if I could get off today,'' she added. ''It's a lot easi" er to get on than it is to get off. It's almost like they want to keep you there.''<

When Richardson was on wel" fare, her monthly payments were augmented by a rent subsidy.<

Today there is a great shortage of rent aid, said David English, a program developer at St. Vin" cent's.<

''Single mothers on welfare can" not afford rent,'' English said. ''We've got all these nomadic fam" ilies moving every two or three months, because that's how long it takes to throw them out of an apartment.''<

Sailer thinks the system is so flawed that reform might be im" possible.<

''We might have to start from scratch,'' Sailer said. ''I just know that we need a government that spends less on armies, oil compa" nies and tobacco growers and more to help poor working moth" ers.''<

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[tx][by2]|MATT CAMPBELL,<
BILL NORTON<
and MARY SANCHEZ|<
#Three Missouri programs
aimed at turning welfare depen"
dents into workers will get presi"
dential scrutiny today when Bill
Clinton comes to Kansas City to
plug his own welfare-reform plan.<
   Two of the programs, the state-
run Futures and the nonprofit
Women's Employment Network,
have a track record of removing
people from the welfare rolls. An"
other state program, 21st Century
Communities, will start in July
and build on the Futures effort.<
   Vicki [folo]Phelps, a 34-year-old
mother of three, credits the em"
ployment network with ending a
five-year reliance on welfare
checks.<
   For 19 months she has been a
computer operator for Con"
tinuum Vantage, a local company
that provides services for insur"
ance companies. She also attends
Penn Valley Community College
at night.<
   Phelps said the network topples
barriers.<
   ''The reason most women can't
go back to work is they can't af"
ford child care or transportation,''
she said. ''They don't have skills
to write resumes. Sometimes they
don't have the self-esteem, don't
have clothing.''<
   The employment network helps
with all that, and on a personal
level.<
   ''You're not a number,'' Phelps
said. ''The counselors give a great
deal of attention to each person.''<

Kansas City Star
6/15/94

Kansas City Star 10/5/94

Most of the women come into the network dejected, literally looking downward. When they graduate they have ''a very real turnaround,'' said director Leigh Kline.<

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An average of 30 women gradu" ate each month _ about 1,700 since 1986. The job-placement rate is 75 percent to 80 percent. Some even go on to an entrepre" neurial program to start their own businesses.<

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Sometimes she found work and dropped off the rolls. ''I was al" ways doing something. It's not like they all make it seem, that you're just sitting around the house, drawing checks,'' Gipson said. ''But you can't make too much money. They put you off'' the rolls.<

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The program provided her com" puter training, child-care expenses and bus fare and allowed her to keep receiving benefits from the state, especially Medicaid.<

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Most important, she said, she was assigned an advocate, some" one she could talk to one-on-one.<

''Mine became my best friend,'' she said.<

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[tx]#The 21st Century Communities program will require participants to work for their welfare benefits, which will be supplemented by local employers.<

The state will give employers the dollar equivalent of Aid to Families with Dependent Chil" dren and food stamp benefits to help subsidize the cost of hiring welfare recipients.<

For example, if the cash value of Aid to Families with Depen" dent Children and food stamps is $3.08 an hour, the employer would supplement that by $3.50 so that the actual wage would be $6.58 an hour, said Bert Berkley,

chairman of the board for Tension Envelope Corp. and a strong supporter of the program.

By allowing only companies that create new jobs to participate, the program ensures that no one is laid off or displaced by the program. Organizers hope the job opportunities will allow people to eventually leave the welfare system.

''It is essential that these are new jobs,'' Berkley said. ''We're trying to make this an opportunity for people to raise themselves up by their bootstraps.''

The program also allows people to retain medical and day-care benefits, said Paula Cardello, deputy coordinator of the Local Investment Commission.

The commission is a community-based group that is helping the Missouri Department of Social Services oversee the 21st Century Communities program and other welfare reform efforts. Berkley is a founder of the commission.

Kansas City is the only city in the nation piloting the 21st Century program.

Georgeanna Designs, a Kansas City greeting card assembly company, is the first company to join the program, but other businesses have expressed interest, Cardello said.

''We're looking at it as an opportunity for people who haven't had job opportunities before,'' Cardello said.

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6/15/94

Kansas City Star
10/14/94

Women off welfare to talk with Clinton

By MATT CAMPBELL
and BILL NORTON
Staff Writers

President Clinton will meet today with at least four area women who made the transition from welfare to work force.

The women, whose names were forwarded to the White House by the local Women's Employment Network and Missouri's Futures program, were expected to add a positive spin to the administration's national welfare-reform plan.

The women are to receive a 1½-hour briefing with White House officials before their meeting with Clinton, said Arlenda Moffitt, a 26-year-old Kansas City mother who has been on and off welfare since 1986.

She recently began earning $7 an hour working in customer service for Pitney Bowes Management Services and is supporting her two children.

Moffitt, who went through the network training program and now is enrolled in Futures, said she was eager to tell Clinton about her success.

Other women set to meet with Clinton include Pamela Ruhnke of Independence and Vicki Phelps and Birdella Smith of Kansas City.

In 1989 Ruhnke was working three jobs but was still unable to support her three children. She made too much money to qualify for welfare, so she quit two of her jobs and reapplied.

Through Futures, she received educational and job-training help and now earns $7.35 an hour as an apprentice with Cates Sheet Metal Industries. She could work her way up to earning more than $20 an hour.

Phelps, 34, is another graduate of the Women's Employment Network. Medical problems forced her to leave her insurance company job in 1987, and she received welfare checks for five years.

Phelps, a single mother of three, now earns $15,000 annually at Continuum Vantage, supervises three persons and handles billings for 700 clients.

Smith, also 34 and the mother of three, had been on and off welfare for years before Futures and the Women's Employment Network helped her get a secretarial job at Hellmuth Obata & Kassabaum Architects. She earns $6.75 an hour with full benefits.

Kansas City Star
6/14/94



Clinton's welfare reform plan

Highlights of the president's new plan to overhaul the welfare system:

- Spend $9.3 billion over five years on job training, child care, teen pregnancy prevention and public service jobs for welfare recipients
- Leave the current welfare system largely intact for welfare mothers born before 1972
- Target education, training on welfare mothers born in 1972 or later
- A 24-month, lifetime limit on cash benefits for welfare recipients over the age of 18. After the 24 months, they would be required to work in taxpayer-financed public service jobs if they did not get jobs on their own.
- Allow recipients to remain in public service jobs if they can't find private employment
- End welfare benefits for recipients who refuse to stay in school, look for work, go to job training or accept job offer
- Guarantee child care to welfare recipients during education, training programs and for one year after they leave welfare for the workforce
- Allow states to limit additional benefits for children conceived by women on welfare
- Initiate a national campaign against teen pregnancy; provide grants to about 1,000 middle and high schools for teen pregnancy programs
- Discourage unwed motherhood among teens by refusing to issue separate welfare checks to minors living apart from parents or responsible adult
- Require hospitals to establish paternity at birth as a way to improve child support collections
- Establish a national child support clearinghouse with registries of parents who owe child support
- Withhold wages and suspend professional and occupational licenses and driver's licenses from fathers who fail to pay child support
- Much of the money for the plan comes from cuts in social spending and restriction on health and welfare benefits for legal immigrants whose relatives can afford to support them.

Source: Summary of Clinton plan provided to Congress

Knight-Ridder Tribune

Clinton's welfare program called a work in progress

Much of the package is subject to change; some question whether it goes far enough.

By BILL NORTON
Staff Writer

As with much of his domestic policy to date, President Clinton's plan "to end welfare as we know it" is a work in progress. Here are a few elements, although they are subject to change:

■ **Costs:** As of last week, $9.3 billion to be spent over five years. That's down from the original $15 billion to $16 billion.

Flashpoint: Spending. Some reformers are upset because Clinton plans to spend less. But he doesn't want to pay for this reform with a tax increase. That irritates supporters of programs to be trimmed, such as Supplemental Security Income for elderly immigrants and the environmental Superfund cleanup program.

■ **Target:** Young, unwed mothers who receive Aid to Families with Dependent Children. Forty-two percent of America's 5 million welfare families are headed by teen-age moms.

The Plan: No work, no welfare. Here is the nub of reform costs. The president pledged to bridge the gap between welfare dependence and private sector employment by subsidizing a recipient's schooling, job training, job finding fees, child care and health care — even government subsidized jobs.

Flashpoint: Weak job market. During the 1992 campaign, Clinton stumped on the slogan, "two years and out," the notion that a welfare recipient had two years to find a job or lose government support. Late last week, the administration softened a tad, saying people who made "good faith efforts" to find private sector jobs — but couldn't — could stay on government subsidized jobs two more years.

A problem: In some sectors, jobs that pay more than welfare are scarce. Still to be worked out: What if someone still can't find a job?

■ **Goal:** Fewer babies by welfare mothers. Called "family caps," analogous to salary caps in pro sports. The administration wants to deny extra welfare benefits to welfare moms who keep having children.

Flashpoint: So controversial it could fuse abortion opponents and feminists in opposition.

Clinton to visit Kansas City

Continued from A-1

wanted to return to Kansas City to make his announcement. He conducted a town hall meeting at an area television station April 7 as part of his effort to boost his national health-care reform plan.

That visit had political overtones because it included a trip to Topeka, where Clinton was photographed with U.S. Rep. Jim Slattery. The congressman is considered the front-running Democratic candidate for Kansas governor and a key swing vote on health-care reform.

Wheat, a Democrat, is engaged in a spirited three-way battle for his party's nomination for the U.S. Senate. Standing shoulder to shoulder with the president, even one as embattled as Clinton, could boost his stature.

Another prominent Senate candidate, Democrat Marsha Murphy, recently appeared to distance herself from the president, saying she'd rather campaign on her own instead of with Clinton. At the time, the Jackson County executive did not know the president would be coming this month.

Clinton's appearance with Wheat, coming on the heels of Murphy's comments, could make the president himself an issue in the Senate race.

The president's welfare plan is expected to take a back seat to his push for universal health-care coverage and is not expected to pass this year.

Still, details about the plan have been leaked out of Washington in recent days, and some members of Congress have said Clinton would be wise to have a welfare bill in place in case his health-care plan falters.

The president's plan calls for a 24-month limit on cash benefits for recipients of Aid to Families with Dependent Children, the nation's main cash-assistance program. Parents who exhausted their benefits and were unable to find a job would be enrolled in a subsidized job or community service program paying the minimum wage.

Futures, a state program funded primarily by the federal government, has been doing close to what Clinton wants to achieve since it began in 1991.

The voluntary program designs individual plans for each participant and helps them with education or job-training skills. Support services, such as transportation or day care, are provided.

"We feel it is unique in its approach and hope it is a model for others," said Diane Patrick, program manager for Futures. She declined to comment Saturday on whether White House officials had contacted her about Clinton's visit.

Patrick said 240 persons had graduated since the program began in Jackson, Platte and Clay counties. About 1,100 people are in the program now, and about 600 are on waiting lists.

"We try to achieve long-term sufficiency," Patrick said.

The Futures program in Missouri was made possible by passage of the Family Support Act of 1988.

Wheat, a longtime advocate of welfare reform, said he had called Clinton's attention to Futures. He proposed his own welfare-reform plan in May with a group of about 90 moderate to conservative Democrats known as the Mainstream Forum.

The plan emphasizes jobs over training and education. It would force welfare recipients to look for a job as a condition of receiving benefits.

"Reforming our welfare system is a top priority of mine — and of the president's," Wheat said.

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Kansas City Star
10/14/94

Women off welfare to talk with Clinton

By MATT CAMPBELL
and BILL NORTON
Staff Writers

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Kansas City Star 6/15/94

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6/12/94

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Kansas City Star-
6/12/94

Political and practical needs guide Clinton's return to Kansas City

By STEVE KRASKE
Political Correspondent

Presidents don't just drop into major cities. They have reasons — both practical and political — that dictate where they go.

President Clinton has a basketful of each as he prepares for his trip to Kansas City Tuesday.

The visit, which will feature the announcement of his national welfare reform plan, marks the second time Clinton has stopped here since April 7. It is unusual for a president to visit a city twice in only 10 weeks unless he is running for re-election.

But Kansas City Mayor Emanuel Cleaver and others said Sunday that compelling considerations drew Clinton back again.

"This is, in my estimation, the most natural spot for the president," Cleaver said.

Sparking Clinton's interest in Kansas City is the area's recep-

See CLINTON'S, A-6, Col. 1

Kansas City Star
6/12/94

Welfare-to-work tales lead Clinton to Commerce Bank

By TED SICKINGER
Staff Writer

If you need to make an ATM withdrawal at 922 Walnut St. today, you had better think again.

The president is coming.

Commerce Bank of Kansas City will play host to 250 guests from across Kansas City and to 150 journalists from across the country as President Clinton unveils his welfare reform initiative there.

"Things are pretty exciting around here," said Jonathan M. Kemper, president and chief executive officer of Commerce Bank of Kansas City. "It's hard to imagine a more prestigious guest to have at the bank."

Nor one who involves so much preparation. Normal banking at that location will come to a halt. Staff members have been transferred to a neighboring branch to handle the overflow business that is anticipated as customers discover their branch has been overrun.

Why Commerce?

"Commerce is one of many organizations in Kansas City that have successfully hired people and moved them from welfare to work," said a White House aide who helped organize the president's visit. "We looked at a number of locations. Commerce worked logistically."

A White House advance team was sent out Friday to look at prospective speech sites. Its concerns included such logistics as security, acoustics, space available and the television friendliness of the podium from which the president will speak.

The White House team also considered Payless Cashways Inc., the Kansas City building-materials retailer, but quickly ruled it out for security reasons. Eleven floors of balconies surround the atrium where the president would have spoken.

St. Louis Post-Dispatch 6/15/94

Clinton's Plan Has Several Pitfalls, Welfare Recipients Say

By Roger Bignor and Cynthia Todd
Of the Post-Dispatch Staff

President Bill Clinton's plan to reform welfare drew high marks from Missouri officials and experts for its emphasis on job-training programs.

But recipients of welfare here say that Clinton and the experts failed to recognize the dearth of jobs with decent pay and benefits.

Gary Stangler, head of Missouri's Department of Social Services, says Clinton's proposal reinforces the state's own plan to get people off welfare and into jobs.

Like Clinton's plan, the state's program sets a two-year limit on welfare payments. The state plan, passed by the Legislature earlier this year, will spend $16 million in state and federal money. Nearly half of that is earmarked for job-training and day care, state officials say.

"We agree with President Clinton in making teen-aged mothers the top priority in welfare reform," Stangler said in a telephone interview. "If we're going to break the cycle of dependency on welfare, that's where we're going to break it."

But young women who've been on welfare doubt the reform packages hold enough to break the cycle.

"The plan's not comprehensive enough — people need more than a job," says Robin Acree, a single parent who lives in Mexico, Mo. In two weeks, Acree, 33, will end eight years on the welfare rolls.

She said she's already done everything that Clinton is now stressing. First, she got a loan to earn a bachelor's degree in communications from the University of Missouri at Columbia. Then, she got two part-time jobs that pay her about $1,400 a month.

That gets her off welfare. But it isn't enough to support herself and her three children, ages 16, 14 and 11. She spends $1,050 a month for rent, utilities, food and car loan payments. On July 1, her income also makes her ineligible for Medicaid, the state-federal program that pays medical bills for the poor.

But she can't afford the $370 monthly premiums that private health insurance will cost her. Acree's premiums are high because she has a chronic health problem.

Two women from Pine Lawn say Clinton's approach won't work because jobs are too scarce and the ones that are available pay too little. Neither woman gets child support from the father of her child.

Carmen Bailey, 27, says she was trained by Grace Hill Neighborhood Center for a job with the center. But her 3950-a-month income isn't enough to support her and her son, James, 6. "If I could get food stamps, we would make it — but my income makes me ineligible for the stamps," Bailey said.

Carrie Jackson, 36, also took a loan to get training as a nurse's aide. She left the welfare rolls in the late 1980s after she got a job in a nursing home to support herself and her son, Chester, now 14.

Her $1,000-a-month income was just enough to pay her rent, utilities and food bills, she said. But after she injured her back on the job, her employer replaced her. Now, she's back on welfare. She gets Medicaid and food stamps.

"Some people think living on welfare is easy — but it's hard," said Jackson, who gets $23 a month — enough only for rent and utilities. "I can't buy new shoes or clothes for myself."

Welfare

From page one

voluntary welfare-to-work plans already in place on a limited basis in Kansas City and other parts of Missouri.

He spoke before about 350 people in the lobby of the downtown headquarters of Commerce Bank, one of Missouri's largest statewide financial firms. Commerce is among the Kansas City businesses hiring former welfare recipients through the state and local programs.

Among other elements in Clinton's plan:

■ An education campaign against the rising number of teen pregnancies, which the president noted is a key reason for the nation's welfare problem.

■ A system of government-subsidized jobs for people who can't get regular private-sector employment. Individuals would work either for government programs or businesses and nonprofit groups that would get subsidies to help pay them.

■ New tools to crack down on deadbeat fathers who fail to kick in child support payments, including wage garnishment and suspension of drivers' licenses and a national "new hire" registry. Clinton said such fathers owe approximately $34 billion.

■ A requirement that hospitals establish paternity at birth and that a female welfare applicant name and find her child's father before she can receive benefits.

■ A requirement that unwed teen mothers live with their parents or with a responsible adult, while teen fathers may be required to work off what they owe in child support.

Clinton said there's no greater gap "between our good intentions and our misguided consequences" than in the welfare system.

For many, he said, the system has undermined "the very values that people need to put themselves and their lives back on track."

Before his speech, Clinton met with 10 former welfare recipients who got jobs in Kansas City through the state and local pilot programs.

One of them, Yolanda Magee, 31, a Commerce Bank research clerk, introduced Clinton to the crowd. "I would like to tell my generation a training program can be a step toward a better future," said Magee, a single mother who was on welfare for nine months.

Clinton said other changes are needed so people aren't penalized for leaving the welfare system for jobs — including increased child-care aid for the working poor and his administration's health care plan.

That would guarantee such individuals health insurance coverage after they lose the Medicaid benefits they get while on welfare.

"Today you have this bizarre situation where people on welfare, if they take a job in a place which doesn't offer health insurance, are asked to give up their children's health care, and go to work earning money, paying taxes to pay for the health care" of people still on welfare, Clinton said.

"Until we fix that we will never close the circle and have a truly work-based system."

Among other speakers were Health and Human Services Secretary Donna Shalala, Gov. Mel Carnahan, Kansas City Mayor Emanuel Cleaver and Rep. Alan Wheat, D-Kansas City. Wheat is co-sponsor of another welfare reform plan pending in Congress that contains some of the ideas Clinton backs.

One of Wheat's major foes for the Democratic U.S. Senate nomination in the Aug. 2 primary, Jackson County Executive Marsha Murphy, did not speak but was introduced to the crowd by Carnahan.

At Carnahan's urging, the Missouri Legislature passed a new state welfare plan last month that has some of the same goals as Clinton's national proposal. One difference is that some recipients will be given a longer period of time — as long as four years — before they lose benefits.

Some politicians have expressed skepticism that the plan has much chance of passage this year because Congress already is knee-deep in Clinton's health care plan.

But a Clinton aide said the issue could catch fire this year since some Republicans haven't been sharply critical in initial comments. The aide, who requested anonymity, pointed out that Gov. Carroll Campbell, R-S.C., and John Engler, R-Mich., had joined two Democratic governors Thursday in calling Clinton's plan "a positive contribution to the welfare reform debate."

British MP's Guide Dog Is Politically Incorrect

LONDON (AP) — Lucy led her master astray on her debut in the House of Commons, leading a Labor Party leader to the Conservative benches.

"It's a Tory dog," one lawmaker shouted as the Labrador retriever guide dog went astray with David Blunkett, the Labor Party's spokesman on health. One of Blunkett's colleagues got them pointed in the right way.

Blunkett, who is blind, had the last laugh, mocking Conservatives for their poor showing in European assembly elections last week.

REMEMBER FATHER'S DAY-SUNDAY, JUNE 19!

CHAMPION SALUTES THE

Springfield News-Leader
6/15/94

Missouri plan, Clinton's mesh, officials say

Both welfare-reform blueprints stress training over simply taking benefits.

Terri Gleich / News-Leader

JEFFERSON CITY — Missouri's new welfare reform plan and President Clinton's proposal to "end welfare as we know it" were made for each other, said Missouri's division of family services director.

"They share a lot of common themes," said Carmen Schulze, division director. "They both have an emphasis on responsibility, on the importance of family, and on wages not welfare."

Both the administration's plan — which Clinton revealed Tuesday in Kansas City — and the legislation approved by the Missouri General Assembly last month focus on providing welfare recipients with education, job training and transitional benefits to ease the shift from welfare to work.

Also, both require single, teen mothers to live with a parent or responsible adult to receive Aid to Families with Dependent Children.

But there are key differences. Clinton's proposal takes a harder line by setting a two-year limit on cash assistance for mothers who were born in 1972 or later. At the end of two years, the women would

See **WELFARE**, Page 11A

About the plan

- The White House estimates the work program will have 394,000 aid recipients enrolled by 2000, a drastic increase from the 15,000 currently enrolled in special work in some states now.
- The Clinton plan will cost about $9.3 billion over five years. About $7 billion will come from cuts in other social programs.

Some of the larger cutbacks — an estimated $3.7 billion — would come from tightening Social Security benefit payments and eligibility requirements for Food Stamp and Aid to Families with Dependent Children programs. About $800 million in Social Security benefits to drug addicts would also be cut.

And, in a move sure to anger environmentalists, much of the remaining cost would come from a corporate tax that's now earmarked for hazardous waste cleanup.

Bond, Emerson say plan stops short of fixing problem. **2B**

Springfield - News-Leader
6/15/94

OUR VIEW

Welfare reform needs faster start

The issue:

President Clinton's welfare reform proposal is an overly compromised first step.

We suggest:

The plan needs the faster, more encompassing approach favored by conservatives, tempered by liberals' protection for children and for the dignity of the poor who want to work.

Call in:

If you wish to record a comment on today's editorial, please call 836-1212 or 1-800-095-1779. Please spell your name and include a phone number.

A view of the News-Leader Editorial Board

President Clinton's welfare reform proposal has its heart in the right place, but its legs just aren't moving fast enough.

The $9.3 billion proposal, unveiled at Kansas City's Commerce Bank on Tuesday, does many of the right things. But it strives too much for compromise in the delicate balancing act that any welfare reform must achieve: making adults accountable without punishing children.

That creates a series of trade-offs:

■ It sets as a goal moving welfare recipients toward self-sufficiency, placing a two-year lifetime limit on cash benefits for single parents over 18. But it does so very slowly, meaning it will barely make a dent in welfare numbers until well into the next century.

■ Looking to the future, the job training portion of the proposal concentrates on women under 28. While that makes sense, liberal critics are right in arguing it writes off a whole generation.

■ It recognizes that child care is vital to women seeking to get off welfare. One-fourth of the program's money is dedicated to providing day care.

Still, there's a trade-off here. Day care and training programs take $7 billion of the program, leaving only $1.2 billion for the expensive subsidized jobs that would go to people unable to find work.

That's likely to create the same kind of frustrating waiting list experienced by Futures, Missouri's stab at moving welfare recipients into the work force. The voluntary program has many of the same features as Clinton's proposal.

■ Early reports of the proposal didn't mention family issues. But whatever welfare proposal comes out of Congress must eliminate the ridiculous rules that force families apart for economic reasons.

■ While welfare reform is necessary — a large majority of Americans believe it discourages poor people from seeking work — Clinton's proposal is tainted by the obvious political moves behind it. With an increasingly unpopular health care reform bill bogged down in Congress, he needed something salable for the fall's midterm elections.

Clinton at least has nudged the debate beyond the empty words from Democrats and Republicans that too often accompany talk of welfare reform.

Now, it's vital for them to improve on Clinton's proposal. If conservatives can speed up and extend reform's scope, while liberals protect it from the draconian, anti-child measures conservatives want, we can fix 30 years of welfare mistakes.

OPPOSING VIEW

President's plan neglects cost control, illegitimacy

By U.S. Rep. Mel Hancock

President Clinton promised to "end welfare as we know it." But, once again, his tough rhetoric does not match the program he has proposed. If anything, the Clinton plan defends welfare as we know it.

The administration plan is missing the four key elements of any genuine reform: getting welfare costs under control, discouraging illegitimacy, enacting honest work requirements, and cutting off benefits to noncitizens.

Republicans, always seeking to be constructive, have offered an alternative that contains these elements. The gap between the Clinton plan and Republican alternative, however, is wide.

The Clinton plan actually increases welfare spending by $9.5 billion. This is on top of the "war on poverty" begun in the 1960s already costing taxpayers $300 billion a year and rising.

The Republican alternative contains rock solid spending caps that save taxpayers $30 billion over five years.

The Clinton plan's answer to the exploding welfare caseload of single parents with children born out of wedlock is more value-free sex education and condom distribution (one of the root causes of promiscuity and illegitimacy). Clinton's "family caps" provision, which is supposed to discourage welfare mothers from having more children by limiting cash benefits, is canceled out by Clinton's allowing promiscuous welfare mothers additional food stamps, Medicaid coverage and public housing.

The Republican plan, on the other hand, cuts off all cash aid to minors, who, from this point forward, have children out of wedlock. States would also be allowed to raise the age cutoff and refuse benefits simply on the basis of illegitimacy.

On another front, the Clinton plan partially weakens existing work requirements. His plan exempts anyone over 28 from work, letting 80 percent of current welfare recipients off the hook.

The Republican plan doubles the number of individuals required to participate in a work program and focuses on getting mothers with school-age children in the work force so they can end their dependence. Republicans also consolidate federal job training programs and give states more flexibility in administering them.

The bottom line is that the American people want real, honest welfare reform. They want reform that costs taxpayers less money — not more. They want more than tough rhetoric and weak follow-through. If the president feels like keeping his word, Republicans stand ready to help him.

Rep. Mel Hancock represents southwest Missouri in Congress.

Springfield
News-Leader 6/15/94

Welfare / State, Clinton plans 'fit'

Continued from 1A

lose their AFDC grants and be required to take a government-subsidized job if they can't find work in the private sector.

Missouri's program is not mandatory and there's a smaller penalty for failing to become self-sufficient after two to four years — a benefit reduction of about $50 a month.

The state's plan builds on a four-year-old program Missouri calls FUTURES.

About 6,500 of the 90,000 Missouri families on welfare participate in the program, which provides support services to help recipients find and keep jobs. Schulze anticipates adding 2,000 families to the program next year because of a $7.7 million budget boost.

The program has been available in Greene County since January 1992, said Pam Burrell, a FUTURES case manager in Springfield. She said 112 families have successfully completed the program and become self-sufficient. The total number of program participants since inception was unavailable.

Currently, 160 of 2,390 county families on AFDC are in the program.

Under the program AFDC recipients who spend at least 20 hours a week on schooling, job training, community service or searching for a job are eligible for extra aid for day care, transportation and other work-related expenses. Also, a case manager works with [illegible] to help with obstacles they encounter.

The new state plan, which is awaiting final approval by Gov. Mel Carnahan, asks welfare recipients to negotiate individualized self-sufficiency pacts with the state. The pacts will spell out what a family needs to get off welfare within two to four years and will identify services the state will provide, such as child care, job training and transportation aid.

As an incentive to participate in the pacts, the bill allows those who do to have a car, up to $5,000 in property and to keep two-thirds of any wages they earn, without losing state aid.

Senate President Pro Tem Jim Mathewson, D-Sedalia, a sponsor of the welfare reform bill, estimated it will move 400 families off welfare in the 1996-97 budget year.

St. Joseph
News-Press

WEDNESDAY, JUNE 15, 1994 St. Joseph, Missouri 50¢ 8 SECTIONS

Clinton discloses plan to fix welfare system

By JAMES FITZHENRY
News-Press Staff Writer

KANSAS CITY — Invoking the work ethic of Harry Truman, President Clinton on Tuesday unveiled a $9.3 billion welfare reform proposal that he says reflects the heartland values of the former president.

Clinton spoke to the Walnut Lobby of the Commerce Bank, where a young Truman worked as a bank teller for $26 a week before he went on to become president of the United States.

"I have come out here to the heartland of America to the bank where Harry Truman had his first job to talk about the values that sustain us all," Clinton said.

The key point of the welfare-to-work plan calls for recipients to enter into a contract to receive education and job training — and when a two-year period is up, they will have to go to work or lose their benefits.

The proposal also calls for tougher penalties for parents who don't pay child support. There is an estimated $34 billion in outstanding child support payments across the nation.

"This is an important date for me, because I have worked on this issue for about 14 years and I care very deeply

Please see Clinton/2A

St. Joseph News-Press 6/15/94

St Joseph News-Press
6/15/94

Clinton discloses his welfare plan in Missouri

Continued from page 1A

about it," Clinton said. "We have to repair the damaged bond between our people and the government over how the welfare system works."

The president was accompanied by Health and Human Services Secretary Donna Shalala, and U.S. Reps. Pat Danner and Alan Wheat, Missouri Gov. Mel Carnahan and Kansas City Mayor Emanuel Cleaver, all Democrats.

The room was filled with invited guests and former welfare recipients who have received job training and gone back to work under a unique welfare program in Kansas City.

Clinton praised Carnahan for the progressive welfare reform bill that was passed by the Missouri General Assembly during its last session. Carnahan is expected to sign the bill soon.

Missouri's welfare law mirrors much of the president's plan.

Danner said she likes what she has seen of the proposal. The bill is expected to be formally introduced in Congress next week.

"We can't have generation after generation that think this is an appropriate way of life," she said.

Danner has been a proponent of cutting off welfare payments to aliens, which is one of the means to pay for the $9 billion plan over the next five years.

About $7 billion of the plan will be paid for by shuffling entitlement spending, with the rest of the funding coming from stepped up collections of child support payments.

The plan singles out the youngest mothers on the rolls of Aid to Families with Dependent Children, the joint federal-state welfare program that supports 5 million poor families.

Women born after 1971 would get the education, training, job placement and child-care services needed to become self-sufficient.

The plan also pours far more money into child care, education and training — a total of $7 billion over five years — than into subsidized jobs — just $1.2 billion.

Clinton said the reform will push 1 million people off the welfare rolls or into work by the end of the decade, and that child support collections would have doubled, to $20 billion from $9 billion.

Those who fail to find work before their cash benefits run out would be required to take subsidized or community service jobs paying the minimum wage.

The plan does not raise taxes or increase the deficit. Clinton said that's important in the overall schema of things.

"The Congress is putting the finishing touches on a new budget that will give us three years of declining deficits for the federal government for the first time since Harry Truman was president," he said.

State Rep. Gary Witt, D-Platte City, who was among the delegation of state officials invited to hear the president, said Clinton's speech hit many of the same topics debated before passage of Missouri's welfare law.

"I think the State of Missouri is going to be one leg up on the rest of the country when the federal law goes into effect," Witt said. "The goal is to get people off of welfare and into work."

Beyond his plan, the president said the real change will have to come in the individual decisions of millions of Americans to value both family and work.

He said there is no substitute for the family.

"We can no longer say the business of having a child into this world has no responsibility," Clinton said. "We have to encourage teen-age parents to live at home, not have the welfare system force them to move out. We have to change the signals we're sending."

The Associated Press contributed to this story.

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Joplin Globe
6/15/94

Clinton: Break

welfare cycle

$9.3 billion plan proposes

job training, limited benefits

The Associated Press

KANSAS CITY, Mo. -- President Clinton announced a $9.3 billion plan Tuesday to transform welfare from a check-writing system into a job training program for tens of thousands of single mothers.

''I really believe that we have a chance finally to replace dependence with independence, welfare with work,'' Clinton told former and current welfare recipients.

Eula Duncan, a mother of four who is trying to get off welfare and get a job, whispered ''Amen,'' as the president promised to give women on welfare a second chance and to get tough with the parents who refuse to support their children.

''We cannot permit millions and millions and millions of American children to be trapped in a cycle of dependency with people who are not responsible for bringing them into

the world, with parents who are trapped in a system that doesn't develop their human capacity to live up to the fullest of their God-given abilities and to succeed as both workers and parents. We must break this cycle,'' he said.

Joplin Globe 6/15/94

The White House proposal would cut welfare benefits to immigrants, drug addicts and alcoholics, and would slash subsidies to wealthy farmers to finance its scaled-back and often-delayed plan.

The cornerstone of the president's plan is a two-year limit on cash benefits, an idea Clinton used to define himself as a new and centrist Democrat during his 1992 campaign.

But Tuesday's plan to translate his popular campaign promises to ''end welfare as we know it'' singles out the youngest mothers on the rolls of Aid to Families with Dependent Children, the joint federal-state welfare program that supports 5 million poor families.

And at the end of the decade, fewer than 8 percent of welfare recipients would actually be enrolled in a work program, although Clinton declared that his proposal would push 1 million parents into the work force by 2000.

The plan also pours far more money into child care, education and training -- a total of $7 billion over five years -- than into subsidized jobs, just $1.2 billion.

According to the proposal, women born after 1971 would receive the education, training, job placement and child-care services they need to become self-sufficient. Those who fail to find work before their cash benefits run out would be required to take subsidized or community service jobs paying the minimum wage.

Although they would be allowed to remain in the work

JOPLIN GLOBE TEL:417-623-6450 Jun 15,94 16:14 No.016 P.02

program indefinitely, parents who refuse a private-sector job would be kicked out. Advocates for children and the poor say the plan does little to lift those participants out of poverty, and takes away the social safety net for children whose parents refuse to comply.

Joplin Globe 6/15/94

Alfreda Gipson, 28, a graduate of a Missouri training program who began work recently as a clerk-typist, said she never wanted to be on welfare. ''I did it for the medical benefits,'' she told reporters. ''The public thinks you make millions and millions of dollars. That's a lie.''

See Welfare, Page 10A

JOPLIN GLOBE TEL:417-623-8453 Jun 15,94 15:16 No.016 P.03

Clinton to unve`l proposal `n KC

Plan would reform welfare

By The Associated Press

A welfare reform plan advanced by the Clinton administration that has drawn qualified support from the nation's mayors will be officially unveiled in Kansas City Tuesday, the White House announced Sunday.

President Clinton will make a brief visit to Kansas City to outline his plan. Clinton will fly in for a midday speech and immediately fly back to Washington after making his second visit to the area in 10 weeks.

News of the trip first came from U.S. Rep. Alan Wheat, a six-term Democratic congressman who is seeking to build statewide name recognition as he runs for the Senate seat of retiring Republican John Danforth.

Clinton will address community leaders, welfare reform activists and former and current recipients of welfare, the White House said. Otherwise, his visit is closed to the public.

Wheat said the president would review a Missouri program aimed at helping Missouri families move off welfare.

"I'm proud that the president will be coming here to talk about his welfare reform plan while learning about Kansas City's Futures program," Wheat said Saturday.

In magazine interviews released Saturday, Clinton said his reform plan to put a two-year limit on cash benefits for most adults and steer them to jobs would "make a dramatic difference."

The U.S. Conference of Mayors outlined "areas of concern" in Clinton's $9.3 billion plan in a resolution to be voted on during its

Please see **CLINTON**, Page 10A

Clinton: To unveil welfare reform plan

From Page 1A

annual meeting in Portland.

The mayors objected to cuts in entitlement programs and the treatment of community service jobs that could put welfare recipients to work. But they said they support Clinton's overall plan because it is "generally consistent" with their own previous proposals.

In an opening address Sunday, Health and Human Services Secretary Donna Shalala told about 200 mayors that she anticipates great input from local officials as the plan moves through Congress. The administration plans to unveil the details Tuesday.

The heart of Clinton's plan is a 24-month limit on cash benefits for most adults on the rolls of Aid to Families with Dependent Children, the chief welfare program.

During his last visit to Kansas City in April, Clinton conducted a town hall meeting at a television station as part of his effort to boost his national health care reform plan.

That visit had political overtones because Clinton also stopped in Topeka, where he was photographed with Rep. Jim Slattery, D-Kan., who is a frontrunner for the Democratic nomination for governor.

Wheat is fighting for his party's nomination to the U.S. Senate. An appearance with Clinton could boost his stature.

The Examiner 6/13/94

Kirksville Daily Express 6/14/94

KIRKSVILLE DAILY EXPRESS

And Kirksville Daily News

VOL. 93 NO. 139 TUESDAY, JUNE 14, 1994

Flag Day



Laughlin Plans To Close

Laughlin Pavilion psychiatric hospital announced it will stop admitting patients today and officially close on August 13, 1994.

The closing affects 98 employees.

The licensed, full-service 119-bed psychiatric hospital is operated by National Medical Enterprises, Inc. The company also operated Kirksville Osteopathic Medical Center, which will remain open and is unaffected by today's announcement.

"Our decision to close Laughlin Pavilion in no way affects our close association with Kirksville College of Osteopathic Medicine," said Barry P. Schoost, president and chief operating officer of NME's Hospital Division.

NME previously announced its intent to divest its psychiatric hospital business and accounted for it as a discontinued operation as of Nov. 30, 1993. Since then the company has been focusing on its facility.

Employees impacted by the closing will receive severance benefits, including outplacement counseling and related services. . Laughlin made a series of cuts in recent years. They are as follows: 30 positions, January 1991; 17 positions, January 1992; 17 positions, Feb. 1992, and 13 positions, June 1994. Hours of 15 employees were reduced in the June 1993 downsizing and three in-patient units were consolidated on the first floor, rather than on three floors, providing a total 49 in-patient beds.

Laughlin Pavilion was one of nine of 61 NME psychiatric hospitals raided in August 1993 by FBI agents in part of a nationwide search of facilities owned or leased by NME. The search warrants which were executed were part of an ongoing investigation into possible criminal misconduct on the part of the psychiatric hospital chain, a FBI spokesman said.

eral's office launched a sweeping investigation to the operations of psychiatric hospitals across Texas. Patient complaints about practices at the Colonial Hills Hospital led to state hearings that focused nationwide attention on NME's sprawling psychiatric operations. These hearing culminated in a $9 million civil settlement in 1992 with the Texas attorney general. And in November 1993, NME announced it agreed to plead guilty to federal criminal charges and to pay $2 million to settle government claims involving its closed psychiatric hospital in San Antonio.

Laughlin closed its Columbia Cope Care site in May 1991 after irregularities were exposed in its operation. Laughlin Administrator Jim LeBaron said irregularities were corrected and cited the soft economy and cuts in health care as reasons for its closing.

NME put the psychiatric opera-

Kirksville
Daily Express 6/14/94

Clinton Proposes Scaled-Down Welfare Plan

WASHINGTON (AP)—Moving to redeem President Clinton's pledge to "end welfare as we know it," the White House today unveiled his $9.3 billion reform package imposing a two-year limit on cash benefits and steering aid recipients into the work force.

"Under the president's reform plan, welfare will be about a paycheck, not a welfare check," according to a summary of the plan obtained by The Associated Press.

The five-year plan, which Clinton will announce today in Kansas City, Mo., would largely be paid for by cutting social programs, especially aid to immigrants and the homeless. Subsidies to wealthy farmers would be cut at a savings of $500 million.

A huge chunk of the money — about $7 billion — would be spent on education, training and day care programs, with only $1.2 billion targeted for work programs.

The tilt away from jobs programs is expected to draw criticism.

Clinton's speech forum was the Commerce Bank, where Harry Truman once worked as a teller. Now, the bank is known for hiring people from training programs intended to move them from welfare to jobs.

More than a year in the making and long delayed in its presentation, Clinton's plan is intended to frame a national debate on welfare reform, a politically popular issue among Democrats and Republicans alike.

With health reform already clogging both houses of Congress, it's doubtful that welfare reform will be enacted this year even though there's strong support for change.

Polls find that the overwhelming majority of Americans are disgusted with the current welfare system; most people believe it discourages poor people from finding work.

Clinton said overhauling welfare is an issue that cuts across political lines. "This is something the Bubbas of America and the liberals can get together on," he said in an interview published this week by U.S. News & World Report magazine.

The centerpiece of Clinton's plan is a two-year limit on cash benefits for single parents 18 and older. The proposal singles out the youngest women on the rolls — those born after 1971 — for intense job training, placement and child care to help them prepare for the work force.

Parents who exhaust their cash benefits and are unable to find a job on their own would be enrolled in a subsidized job or community service work that pays minimum wage. They would be

(Continued On Page 2)

Welfare

From Page One

allowed to remain in the work program indefinitely, as long as they were doing everything possible to find jobs.

Anyone who refuses a private sector job or fails to make a good faith effort to find work would lose welfare benefits.

Critics say the plan is phased in so gradually that it will be "well into the next century" before significant numbers of parents are required to work for their benefits, and that it writes off the generation of women born before 1971.

The administration estimates the subsidized work program would grow to 394,000 participants by 2000. That's up from 15,000 now, the White House said. If 5 million families were still on welfare by the end of the century, as they are now, just 8 percent would be enrolled.

House Republicans have written a plan providing at least 700,000 public service jobs.

A 32-member task force that shaped Clinton's plan had recommended an ambitious plan costing up to $15 billion, but that was scaled back when the president refused to raise taxes to pay for it.

Much of the money to finance Clinton's proposal comes from cuts in social spending, including a homeless prevention program, and restrictions on health and welfare benefits for legal immigrants whose relatives can afford to support them.

Some of the larger cuts include:

—$3.7 billion would come from tightening Social Security Aid to Families with Dependent Children and food stamps sponsorship and eligibility rules for non-citizens. "Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S.," the document said.

—State spending on emergency homeless assess programs would be capped, saving $1.6 billion. States have tended to use the program for non-emergency programs, the White House said.

—Social Security eligibility for drug and alcohol addicted recipients would be limited, saving $800 million.

—The earned-income tax credit, aimed at the working poor, would be denied to non-resident aliens, saving $300 million.

The program would cost $10.8 billion over five years, but $1.5 billion would be saved from caseload reductions and reduced fraud, the White House said.

Blue Springs Examiner
6/15/94

Education key factor in welfare reform

Plan would cost $9.3 billion

By The Associated Press

Whatever the chances that President Clinton's welfare reform plan will succeed, he seems to have one thing pegged: Most people on welfare would love to get off.

They're just not sure his plan gives them enough time. Its cornerstone is a two-year limit on cash benefits.

"Two years would cut off the ones who will take a little longer," said Cynthia Reese of Kansas City. "Everybody has a different situation, and it takes longer than two years if you want to get through certain barriers."

Clinton unveiled his proposed a $9.3 billion program to move people from welfare to jobs on Tuesday at a press conference in Kansas City. Most of the money — about $7 billion — would be spent on education, training and day-care programs, and $1.2 billion would be targeted for work programs.

Portions of his plan would require more responsibility for welfare recipients, increasing child support collection and decreasing teen-age pregnancies.

Reese, 34, had worked steadily since age 17. But four years ago, newly divorced and with three children to support, she went on public aid.

She finally fought her way off welfare with the help of Missouri's Futures program, begun in 1992. The program paid Reese's child care and transportation costs so she could attend a community college.

Like the Clinton proposal, Futures requires people to sign a plan for moving off welfare. But it has no time limit, which pleases Alfreda Gipson of Kansas City, another graduate who is now a typist in the program's offices.

Gipson spent eight years on welfare. She said she was forced to public assistance when she had to choose between medicine for her infant son and buying a bus pass to get to her job.

"I knew I didn't want to be on (welfare)," she said. "I did it for the medical benefits. The public thinks you make millions and millions of dollars. That's a lie."

She added, "Two years and out, I don't agree with. It didn't take me that long, but some people don't have the ability to grab that (opportunity)."

Blue Springs Examiner
6/14/94

Clinton's visit not an accident

By Doug Glass
The Associated Press

The architects of Missouri's welfare reform legislation say it's no accident that President Clinton chose Kansas City as the place to unveil his own package of reforms today.

"I think the president is coming someplace where (welfare) works, and the prospects for the future are bright," said Gary Stangler, director of the state Department of Social Services.

Gov. Mel Carnahan hasn't yet signed the welfare reform bill the General Assembly passed May 10, but it's expected he will. Money already has been set aside for the reforms in the state budget that takes effect July 1, Stangler said.

Clinton said Saturday that he wants a two-year limit on cash payments to welfare recipients.

Such a limit is at the heart of the Missouri reforms.

Recipients of Aid to Families with Dependent Children would sign an agreement to move off welfare over two years. During that time, the person would receive job training and greater short-term assistance.

Those refusing to go along with the plan or violating the terms of their agreement would face cuts in their monthly benefits.

The bill also offers $5 million in tax credits to businesses that invest in poor areas; requires teenagers to be enrolled in school to qualify for AFDC payments; and makes grandparents liable for child support if their teen-age son or daughter doesn't take care of their children.

"I think Missouri reached a balance between requiring responsibility and giving tools to get people there," said state Rep. Joe Maxwell, who sponsored Missouri's legislation in the House.

Blue Springs Examiner
6/13/94

President will talk welfare during visit to Kansas City

By The Associated Press

A welfare reform plan advanced by the Clinton administration that has drawn qualified support from the nation's mayors will be officially unveiled here tomorrow, the White House announced Sunday.

President Clinton will make a brief visit to Kansas City to outline his plan. Clinton will fly in for a midday speech and immediately fly back to Washington after making his second visit to the area in 10 weeks.

News of the trip first came from U.S. Rep. Alan Wheat, a six-term Democratic congressman who is seeking to build statewide name recognition as he runs for the Senate seat of retiring Republican John Danforth.

Clinton will address community leaders, welfare reform activists and former and current recipients of welfare, the White House said. Otherwise, his visit is closed to the public.

Wheat said the president would review a Missouri program aimed at helping Missouri families move off welfare.

"I'm proud that the president will be coming here to talk about his welfare-reform plan while learning about Kansas City's Futures program," Wheat said Saturday.

In magazine interviews released Saturday, Clinton said his reform plan to put a two-year limit on cash benefits for most adults and steer them to jobs would "make a dramatic difference."

The U.S. Conference of Mayors outlined "areas of concern" in Clinton's $9.3 billion plan in a resolution to be voted on during its annual meeting in Portland.

The mayors objected to cuts in entitlement programs and the treatment of community service jobs that could put welfare recipients to work.

In an opening address Sunday, Health and Human Services Secretary Donna Shalala told about 200 mayors that she anticipates great input from local officials as the plan moves through Congress. The administration plans to unveil the details tomorrow.

The heart of Clinton's plan is a 24-month limit on cash benefits for most adults on the rolls of Aid to Families with Dependent Children, the chief welfare program.

During his last visit to Kansas City in April, Clinton conducted a town hall meeting at a television station as part of his effort to boost his national health-care reform plan.

After Year Of Preparation, Welfare-Reform Plan Unveiled

By Ron Suskind

Staff Reporter of The Wall Street Journal

KANSAS CITY, Mo. -- President Clinton's welfare-reform plan, unveiled here after nearly a year of preparation, illustrates how lofty rhetoric can be throttled in an era of budget austerity.

"None of this will be easy to accomplish," Mr. Clinton said at a Kansas City bank where Harry Truman once worked, striking a more cautious tone on welfare reform than during his presidential campaign. "But we have to make a beginning. We can't let millions continue in a cycle of dependency."

Mr. Clinton's plan, which wraps an array of programs around a maximum of two years of welfare benefits without work, is already being attacked as being too slow in completion and too gentle in design to repair a flawed welfare system that most agree is causing more damage than good. The attacks are mostly coming from the political right, which saw one of its natural "get tough" issues seized by Mr. Clinton with his dramatic campaign pledge to "end welfare as we know it."

With more money, he might have come closer to delivering on that bold promise -- and winning an outright political victory. But the president's desire to avoid new taxes and rely on politically acceptable cuts in other antipoverty programs to pay for his proposals has resulted in a program that will at best gradually change the lives of a record 14 million Americans on welfare.

The Clinton welfare plan -- the legislation for which will be sent to Congress in a few weeks -- will involve less than half of all recipients by the year 2000, and leave thinly funded a variety of hoped-for provisions such as support of two-parent families and child care for the working poor.

Still, as the congressional battle over welfare commences, Mr. Clinton appears to be assured of getting credit for offering a basic package that will most likely be passed -- probably by next year's Congress rather than the current one -- in some recognizable form.

A reform proposal by House Democrats and another by moderate Republicans are both built around a two-year limit similar to one in the Clinton plan. But both would be phased in faster by relying on sharp cuts in programs to immigrants that could yield nearly $20 billion for new programs. The administration also proposed cuts in benefits to immigrants, but only at onefifth the level of congressional proposals.

In Washington news conferences and news releases, congressional Republicans were chiefly critical of the president's plan as a "jobs program," though a House GOP alternative would provide many more such public-service jobs to beneficiaries forced from the welfare rolls. They also complained that the president's proposal doesn't cut off additional benefits to mothers who have children while on welfare, or cut off payments entirely to alcohol and drug addicts and legal aliens.

Mr. Clinton also drew criticism from his own party. Iowa Sen. Tom Harkin, typically a liberal, attacked the administration plan as too liberal for not seeking to force people off welfare before two years.

The Clinton plan, which would cost $9.3 billion over five years, would include only those born after 1971 -- about 2.4 million adults by the year 2000, or about half of the total projected case load. The remaining recipients would mostly receive what they are getting now: continuing benefits with training and placement programs that would get some additional funding. While politicians have attacked the slow phasing, most welfare experts are more forgiving about the reason: No one is quite sure what works in moving recipients from welfare to independence.

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Gates Gets The Presidential Nod

KANSAS CITY, Mo. (AP) No one escapes the greeting boomed at customers of Gates & Sons Bar-B-Q, not even President Clinton.

``HI, MAY I HELP YOU?'' reverberated through the restaurant during Clinton's brief visit to Kansas City Tuesday, which included a luncheon stop at Gates.

``He took the mixed plate,'' said Arzelia Gates, the catering manager. Ribs, ham, beef, bread and fries, washed down with red soda, said owner Ollie Gates, who sat at Clinton's table along with U.S. congressional members Alan Wheat and Pat Danner.

It was a big moment for the Kansas City barbecue scene, particularly for Gates. Fifteen years ago, former President Jimmy Carter ate ribs at Arthur Bryant's;

``Finally, a president comes around to Gates,'' Ollie Gates crowed as Clinton left about 2:30 p.m.

Clinton has reportedly favored Ricky's Pit Bar-B-Que in Kansas City, Kan.

Both Ricky's and Gates supplied food for the president's traveling party earlier Tuesday.

---> Governor's Son Arrested for Driving While Intoxicated

ST. CHARLES, Mo. (AP) Gov. Mel Carnahan's youngest son, Thomas, is scheduled to appear in traffic court here June 27 on charges of driving while intoxicated.

St. Charles County authorities said Thomas Sidney Carnahan, 25, of Rolla, was stopped late Sunday in Lake St. Louis after a deputy spotted him driving erratically. They said a Breathalyzer test showed he was legally drunk.

Carnahan, who was arrested on a similar charge three years ago, posted a $5,000 bond and was released.

The younger Carnahan was charged with driving while

intoxicated in Columbia in August 1991. Boone County Circuit Court officials said he was convicted of DWI and careless and imprudent driving in January 1992. He was fined $500, ordered to attend classes for DWI offenders and placed on two years' probation.

The maximum penalty for a second DWI offense is a year in jail and a $1,000 fine.

In a statement Monday afternoon in Jefferson City, Gov. Carnahan said the incident was ``obviously a tragic episode in Tom's life. He fully understands the gravity of the situation, and he deeply regrets what has occurred.

``As a father, I am committed to helping my son get through this difficult time," the governor said.

Thomas Carnahan is the youngest of the governor's four children. He is a law student at the University of Missouri.

---> Veteran Sen. Norman Merrell Dead of Cancer at 70

JEFFERSON CITY, Mo. (AP) Battling the ravages of cancer, Sen. Norman Merrell took a non-prescription tonic of personal politicking and crafting Missouri's $12.3 billion budget.

As Senate Appropriations chairman, the veteran Democrat put a big imprint on the state spending plan including, for example, major funding for airport improvements in Monticello, his northeast Missouri hometown.

But Merrell didn't last to see the state budget kick in on July 1. He died of cancer at age 70 on Tuesday just a month and a day past the session's final gavel in the Senate, where he had served since January 1971.

Merrell was diagnosed with colon cancer a year ago. By late January, chemotherapy had the cancer in remission.

He didn't go on the Senate floor until the session was about three weeks old. When he did, it was with an oxygen machine, hooked up because his lung collapsed. The machine's quiet purr became part of the soundscape of appropriations hearings and floor debate.

Merrell entered the Mayo Clinic in Rochester, Minn., last Saturday. He died Tuesday afternoon at the clinic's St. Mary's Hospital, with his wife nearby.

Besides his wife, Merrell is survived by two children and five grandchildren. Funeral arrangements were incomplete Tuesday night.

---> Danforth, Bond Took Nine Expense-Paid Trips in 1993

WASHINGTON (AP) Financial disclosure forms show Missouri Republican Sens. Christopher Bond and John Danforth took nine trips paid for by others in 1993.

Danforth listed four expense-paid trips in 1993, including a Jan. 9-15 visit to Jamaica, for a conference on Russia and the Ukraine paid for by the Aspen Institute. Hotel and meal expenses were included.

Bond listed five trips, including the well-publicized Senators' Ski Cup in Park City, Utah, Jan. 14-17 with his wife.

The documents released Tuesday show Danforth remained among the Senate's wealthiest members in 1993, while Bond's assets and income were a bit more on the modest side.

One thing they had in common was a Senate salary of $133,600.

Danforth, a grandson of the founder of Ralston-Purina Co. who is retiring after three terms, listed several trusts that manage a diverse portfolio of investments for him, some valued at more than $1 million each.

Danforth listed no liabilities, took no honoraria for speeches and accepted a single gift, a $600 crystal bowl from the Suffolk University Law School Association for which he obtained an Ethics Committee waiver.

Bond donated $7,500 in honoraria to charities for seven speeches made in 1993, most of them in Washington.

Bond's liabilities included two bank loans of between $50,001 and $100,000 and a car loan of between $10,001-$15,000.

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(ndy) (ATTN: National editors) (Includes optional trims) Clinton Introduces His Plan to Fix Welfare Woes (Kansas City)

By Susan Page= (c) 1994, Newsday=

KANSAS CITY, Mo. President Clinton Tuesday unveiled a scaled-down $9.3 billion plan to ``end welfare as we know it," an expansive and popular campaign pledge that has proven remarkably difficult to fulfill.

``There is no greater gap between our good intentions and our misguided consequences than you see in the welfare system," Clinton told an audience that included current and former welfare recipients. He said he would submit legislation within a few days to change welfare ``from a system based on dependence" to one that would use time limits to steer and then force some recipients into the workplace.

But the proposal on an issue that helped Clinton portray himself as ``a different kind of Democrat" drew immediate fire from Republicans and conservative Democrats. They argued it amounted to little more than tinkering with a system that has inspired disdain and frustration among many Americans, including some of those who benefit from it.

``This is classic Clinton, except to the nth degree: Over-promise, under-deliver, and then try to fudge the difference," said William Bennett, former education secretary and drug czar in Republican administrations who now heads an advocacy group called Empower America. ``What we've got here is marginal tinkering which will cost more

money."

Liberals were not especially happy either. New York's Gov. Mario Cuomo issued a two-page written statement that praised Clinton for some of the welfare-to-work provisions, but criticized his proposal to pay for them by cutting other benefits for the poor and for legal immigrants. ``I am disappointed that the administration has not resisted the urge to capitalize on the current tide of anti-immigrant sentiment," he said.

The Clinton package is likely to face a logjam on Capitol Hill, where the key committees already are struggling to enact a health care plan this year. House Majority Leader Richard Gephardt, D-Mo., and administration officials conceded Tuesday that action on welfare probably won't take place until next year.

But working in its favor is widespread dismay over a welfare system that has fostered generations of dependency and even encouraged pregnancies among unwed teen-agers. While proposed prescriptions differ, more than eight in 10 Americans told a CNN-Time survey last month that the system needed reform.

The White House calculates that fewer than half of all welfare families would be subject to the new work rules by the year 2000, and only a fraction 331,000 out of 5.7 million actually would be pushed off the public dole by that time. Others would be in exempt categories or would be working in publicly subsidized jobs.

But administration officials portrayed the plan as a methodical start to changing a ``culture of dependency" to a system that would encourage and, eventually, require recipients to work for a paycheck instead of cashing a benefits check.

``Today we have to restore faith in the beginning in certain basic principles that our forebears took for granted the bond of family, the virtue of community, the dignity of work," Clinton said, standing in the lobby of the Commerce Bank, where President Truman once worked as a clerk. The bank now participates in local and state programs that help welfare recipients get jobs.

(Begin optional trim)

If Clinton's proposal was enacted:

Welfare recipients born after 1971 would face a limit of two years of cash benefits; then they would have to get a private-sector job or accept a community service job. To help them, the plan would spend $4.8 billion over five years to provide child care and another $2.8 billion on job training and education. Older recipients would not be subject to the time limit.

The government would spend $1.2 billion over five years to subsidize 350,000 community-service jobs. But officials conceded that number could swell if private jobs prove harder to get than expected, and recipients could continue to work in the subsidized jobs indefinitely.

More aggressive efforts would be made to get parents to pay child support, including requiring hospitals to establish paternity at birth and withholding wages of ``deadbeat dads." A national child support clearinghouse would track errant parents across state lines.

A national campaign against teen-age pregnancy would require teen-age mothers to stay in school, identify their child's father and live at home or with a responsible adult in order to receive benefits.

States would be given new flexibility to experiment, including measures that would cut off additional benefits for mothers who have children while on welfare.

(End optional trim)

To pay for the plan, the administration proposed an odd combination of budget cuts and revenues ``cats and dogs," one administration official called them put together after Clinton decided not to propose any new taxes. The biggest single component, $3.7 billion, would come from limiting benefit payments to legal aliens.

More than $2 billion would come from caps and cuts on federal assistance programs for the poor and $500 million would be trimmed from agricultural subsidies. Another $1.6 billion would be ``borrowed" from the Superfund, collected to pay for environmental cleanup.

Distributed by the Los Angeles Times-Washington Post News Service=

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(ATTN: National editors) (Includes optional trims)

Clinton Unveils Welfare Reform That Emphasizes Jobs (Kansas City)

By Elizabeth Shogren= (c) 1994, Los Angeles Times=

KANSAS CITY, Mo. Decrying the ``cycle of dependency" that keeps millions of Americans on welfare rolls for years, President Clinton unveiled Tuesday a $9.3 billion reform initiative that would impose a two-year limit on cash benefits and require younger recipients to find work themselves or take a government job.

``We propose to offer people on welfare a simple contract," Clinton said during an address in the lobby of a Kansas City bank where Harry Truman once worked where former welfare recipients have become productive wage-earners.

``We will help you get the skills you need," Clinton said. ``But after two years, anyone who can go to work must go to work, in the private sector, if possible, in a subsidized job, if necessary. But work is preferable to

welfare, and it must be enforced."

If his package is enacted, the president said, 1 million people who would otherwise be unemployed and receiving welfare benefits will be holding jobs by the year 2000. That would represent roughly one in five all adults who now receive Aid to Families with Dependent Children. Clinton's plan applies only to AFDC, and not to Food Stamps or other programs for the needy.

The initiative is designed to flesh out Clinton's campaign promise to ``end welfare as we know it" by addressing some of the factors that tend to make public assistance more attractive than gainful employment to recipients, particularly single mothers. Welfare reform is considered a central element of Clinton's ``New Democrat" agenda, which attempts to find common ground between traditional liberal and conservative approaches to social policy.

``Work," the president declared in the lobby of Commerce Bank, ``is the best social program our country has ever devised."

(Begin optional trim)

But White House officials acknowledge that the initiative probably will languish until the fate of Clinton's health care reform campaign is resolved. Moreover, concerns about the cost of the welfare package and the eventual scope of its public employment provisions could endanger passage in an era of tight budgets and public skepticism about big social programs.

The welfare initiative attempts to discourage long-term dependency by extending both a carrot and a stick: Welfare recipients would be provided with additional education, training, job placement services and child care to help them become self-sufficient. But if they failed to play by the new rules, they could see their benefits reduced or cut off.

But in taking a ``tough love" approach to dependency, it must overcome a significant obstacle that has blocked past reform efforts: In most cases, it costs the government less money to simply send checks to unemployed welfare beneficiaries than to provide the kind of training, subsidies and public sector jobs needed to turn them into wage-earners.

(End optional trim)

Under the Clinton plan, public sector jobs would be provided to participants who hit the two-year time limit without finding work in the private sector. Commerce Bank, for example, is active in a city program that trains and places Missouri welfare recipients in private jobs.

Clinton said his plan makes it clear that both parents will be held responsible for the welfare of their children. It would emphasize establishment of paternity, and crack down on fathers who fail to provide mandated child support. It includes measures to discourage teen pregnancy and illegitimacy, which Clinton says have contributed to welfare dependency.

``Children should not be born until parents are married and fully capable of taking care of them," the president said.

Most of the plan's provisions would apply only to adult recipients born after 1971, who represent the youngest one-third of the total adult AFDC population of 5 million. The age threshold is intended to reduce the total cost and lighten the administrative burden imposed on states, which would be required to create hundreds of thousands of education, training and subsidized-work slots.

The president said he would introduce his legislation in the next few days. It already faces competition from several congressional proposals that represent different visions of welfare reform. Liberals tend to oppose the proposed time limit as too severe, while conservatives argue that the Clinton plan does not do enough to discourage illegitimacy.

In unveiling his proposal, Clinton stressed that it must be accompanied by health care reform. Without universal health coverage, he said, welfare recipients will continue to be faced with an unacceptable trade-off: If they leave welfare for a low-wage job, they probably will have to give up the medical coverage the government provides them and their children.

The plan calls for no tax increases to finance welfare reform. Instead, the president proposed to offset its costs largely through reductions in entitlement programs targeted at the poor. The largest portion, an estimated $3.7 billion over five years, would come from denial of public assistance to non-citizens. Immigrants whose sponsors earn more the median income, now about $40,000, would not qualify for such benefits unless they become citizens.

Another $1.6 billion would come from capping AFDC's emergency assistance program, which states use at their own discretion to help poor people and the remainder would come from offsets from an assortment of programs.

(Optional add end)

The Clinton plan would require hospitals to devise procedures to establish paternity when possible. Tougher child support regulations, including a national clearinghouse to track fathers who fail to make their payments, would cause government child support collections to more than double, Clinton said. New teen pregnancy prevention programs would be established in 1,000 middle schools and high schools in disadvantaged neighborhoods.

burgeoning welfare rolls are linked to problems in the low rung of the U.S. economy. In fact, 70% of recipients escape from the welfare system within two years of entering it, though most end up eventually returning to the rolls. While this group is now assisted by the earned-income tax credit, which essentially makes low wages tax-exempt, and would be greatly helped if universal health-care coverage becomes law, a hoped-for boost -- child care for the working poor -- was sharply cut back in final revisions of the Clinton plan.

Much discussed, but difficult to attack, is another force driving growth in the welfare rolls: out-of-wedlock births, which will increase to 50% of all births, if current trends continue over the next decade, the president said in his speech. This trend, especially concerning teen pregnancies, "will not be turned around overnight," he said, "but be sure of this: No government edict will do it."

The Clinton plan offers little to directly prevent out-of-wedlock births, relying instead on cracking down on fathers. In his speech, the president called his program for child-support enforcement the toughest in the country's history: starting with establishing paternity in the delivery room, tracking deadbeat fathers across state lines, and, in some cases, making them work off what they owe.

But on some controversial measures that might attack the problem head on, Mr. Clinton backed off. Notable among them is the "family cap," which would halt the current practice of giving welfare recipients increases for each additional child. After vigorous debate in the administration over the past few weeks, the president decided to allow the states an option of whether to institute such a change.

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Jackie Calmes in Washington contributed to this article.

CLINTON UNVEILS HIS PLAN TO OVERHAUL WELFARE
By DOUGLAS JEHL
c.1994 N.Y. Times News Service

KANSAS CITY, Mo. - President Clinton sought to give a harder edge to his domestic policy agenda Tuesday by putting forward a long-postponed proposal to toughen the rules for millions of Americans on the welfare rolls.

The plan that Clinton announced would expand training to young welfare recipients but require those still on the rolls after two years to join a work program or risk losing their benefits.

That would represent the first time limit imposed on welfare payments, and it would be reinforced with the most aggressive effort ever to extract child-support payments from delinquent fathers.

While a pledge to overhaul the welfare system was a central feature of Clinton's 1992 campaign for president, aides say he has no intention of pushing hard for the passage of legislation this year. The White House and most congressional Democrats are determined to focus their energy first on a health care overhaul.

Tuesday's announcement was instead in no small part an effort to insulate a president facing sharp criticism from the right as he and his party look apprehensively toward the mid-term elections in November.

Nearly all of the details of the five-year, $9.3 billion welfare plan have already been made public during wrangling within the administration in which the White House trimmed the plan's scope to limit congressional fights over its financing.

And while Clinton kicked off his campaign to overhaul health care last fall in an address to a joint session of Congress, he chose to introduce the welfare plan Tuesday to an audience of 250 people in the lobby of a downtown bank here.

Adopting the phrase of a former welfare mother who joined him on the stage, Clinton said the program should be ``a stepping stone, not a way of life."

The proposal to require welfare recipients to move on to paying jobs, some subsidized by the government, would affect only Americans born after 1971, or about one-third of the 5 million families who now receive welfare.

But the plan has other sweeping aspects, including a plan to establish paternity of all children at birth and to force absentee fathers to make regular payments for

child support.

Some congressional Democrats have expressed concern that a Clinton decision to offer a welfare bill this year might detract from efforts to pass health care legislation.

But Republicans and a rump group of Democrats have been more vocal in accusing the president of dragging his feet, and aides to the president have said Clinton felt bound by the promise he made in this year's State of the Union Message to present a welfare proposal by ``this spring."

Clinton nevertheless waited until less than a week before summer begins. And because any welfare plan must travel through the same congressional committees now enmeshed in battles over health care, senior presidential aides said they expected no real legislative attention to welfare until next year.

Republicans immediately criticized Clinton's proposal as inadequate, in part because it includes a loophole that would let those who make a good-faith effort to find a job receive government benefits even after two years.

At a press conference in Washington, about a dozen Republicans said the plan would lock recipients into poverty and did not discourage illegitimate births.

``Why did it take 18 months to come up with something as minimal as this?" asked Rep. Rick Santorum of Pennsylvania.

On the other hand, the proposal won general praise from the leaders of both parties of the National Governors' Assocation. And with elections now less than five months away, it serves at least to add a more conservative plank to a White House platform that some Democratic candidates have appeared hesitant to run upon.

Along with the two-year lifetime limit on welfare benefits, Clinton would provide training and job-search programs to help indigent mothers move on to work.

His plan would reduce benefits for people who did not enroll in the programs and after two years would cut off payments altogether to those who refused to look for a job or who turned down one that was offered. Mothers with a child under the age of 1 would be exempted.

Clinton did not call for new taxes to pay the $9.3 billion for education, job subsidies, child care for participants and other programs over the next five years.

Instead, he said the money would largely come from reductions in other social programs. The heaviest axe would fall on those giving benefits to immigrants, and that has made the plan unpopular with some city and state governments who fear that they will have to make up the difference.

A study released Tuesday by the White House underscores that progress will be slow even if Clinton's plan is adopted. By the year 2000, the study says, only one in seven of parents under age 29 who would otherwise have remained on welfare will have left it.

But with many more people working in part-time or government-subsidized jobs, Clinton said the changes he proposed would move 1 million adults into a work program of some kind or off welfare altogether by the turn of the century.

``We know what the problems are," he told the invited gathering of community leaders and welfare mothers, ``and we know that they did not develop overnight. But we have to make a beginning. We owe it to the next generation."

Clinton has spent much of his public life as an advocate of change in the welfare system, and he reminded the audience of that today, saying he believed ``we have a chance finally to replace dependence with independence, welfare with work."

Still, his appearance at the Commerce Bank in Kansas City, in a lobby decorated with tacked-up signs bearing the works ``work" and ``responsibility" conveyed little of the zeal he has previously brought to the issue.

That may have been because his announcement represented such a clear payment on the debt Clinton owes to Sen. Daniel Patrick Moynihan, the New York Democrat who heads the Senate Finance Committee and who threatened earlier this year to hold health care ``hostage" if Clinton did not produce a welfare plan this year.

Some White House officials said they held out hope this week that a welfare plan might win passage along with a health care overhaul in a legislative flurry this fall.

They also said the White House believed that the country could not succeed in moving people off welfare without universal health care, since many people stayed on welfare because it provided them with health insurance.

At the press conference in Washington, about a dozen Republicans, including Sen. Bob Dole of Kansas, the minority leader; Rep. Newt Gingrich of Georgia, the House minority whip, and Gov. George Allen of Virgina accused the president of promising conservatives a plan they could endorse while producing instead a liberal project.

-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

BC-MO--Presidential Barbecue,0260
Gates Gets The Presidential Nod

KANSAS CITY, Mo. (AP) No one escapes the greeting boomed at customers of Gates & Sons Bar-B-Q, not even President Clinton.

``HI, MAY I HELP YOU?" reverberated through the restaurant during Clinton's brief visit to Kansas City Tuesday, which included a luncheon stop at Gates.

``He took the mixed plate," said Arzelia Gates, the catering manager. Ribs, ham, beef, bread and fries, washed down with red soda, said owner Ollie Gates, who sat at Clinton's table along with U.S. congressional members Alan Wheat and Pat Danner.

It was a big moment for the Kansas City barbecue scene, particularly for Gates. Fifteen years ago, former President Jimmy Carter ate ribs at Arthur Bryant's;

``Finally, a president comes around to Gates," Ollie Gates crowed as Clinton left about 2:30 p.m.

Clinton has reportedly favored Ricky's Pit Bar-B-Que in Kansas City, Kan. Ricky Smith hands out business cards claiming to be the ``President's Choice," featuring a color photograph of Clinton and Smith shaking hands. Smith is a native of Arkansas.

And during Clinton's last visit to Kansas City in April, the president's crew ordered ribs, sausage and beans from Ricky's.

``The Secret Service told us the president didn't want" any other kind besides Ricky's, Smith said then.

But Smith remains confident. It was Ricky's that supplied food to the president's inauguration, and it was Ricky's where Clinton stopped during the 1992 campaign.

Both Ricky's and Gates supplied food for the president's traveling party earlier Tuesday.

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bc-welfare-pm
CLINTON PUTS FORWARD
WELFARE PROPOSAL
By BILL NICHOLS=
USA TODAY=

KANSAS CITY, Mo. President Clinton followed through on one of his most popular campaign promises Tuesday, proposing a $9.3 billion welfare reform plan he says meets his pledge to ``end welfare as we know it."

Speaking at Commerce Bank, where former president Harry Truman was a teller, Clinton said the plan to impose a two-year limit on cash benefits and move recipients into public or private-funded jobs harks back to values of Truman's generation.

``There's no greater gap between our good intentions and our misguided consequences than you see in the welfare system," Clinton said.

``We have to restore faith ... in certain basic principles that our forebears took for granted the bond of family, the virtue of community, the dignity of work."

Clinton's long-awaited announcement got wide criticism from the right for not going far enough, and from the left for threatening the social safety net and failing to provide enough jobs as an alternative.

``This is a joke half joke, half fraud," said William Bennett, a Republican former secretary of Education.

``There's a lot less here than they want to claim," said Republican National Chairman Haley Barbour. ``This is hardly an end to welfare as we know it."

Senate Majority Leader Robert Dole, R-Kan., quipped the plan would ``end welfare reform as we know it."

Even Democrats weighed in.

Sen. Tom Harkin, D-Iowa, a liberal sponsoring his own reform bill, called Clinton's plan ``too liberal" and said it fails to cover enough families: ``A lot of nice words, but there's no action."

The head of the Congressional Black Caucus, Rep. Kweisi Mfume, D-Md., called it ``more punitive than progressive" and said Clinton didn't provide enough money or jobs.

Scaled back to control costs, Clinton would phase in new work requirements over a generation by covering only the youngest welfare parents those born since 1971.

Fewer than one-third of the 5 million families in the main welfare program, Aid to Families With Dependent Children, would be included initially.

By 2000, the administration estimates 2.4 million welfare parents would be covered.

Financing, since Clinton decided against any tax increase, comes almost totally from cuts in social programs. The largest chunk $3.7 billion is from limiting benefits to legal non-citizens, although Clinton did not go as far as rival plans.

After two years of benefits, recipients would get a minimum-wage public or subsidized private job if they cannot find a job on their own. They could stay in the work program indefinitely, as long as they make a good-faith effort to find a job a provision opposed by conservatives.

White House officials clearly understand the potential danger of proposing reforms congressional leaders say will see no action this session. Some key Clinton aides and allies wanted the proposal delayed, so as not to blur focus on health-care reform.

But political experts from both parties, however, say Clinton had to act. Not only did he promise in his State of the Union address to submit a welfare bill by spring, but this is an issue on which an overwhelming majority of

voters want attention paid.

``Welfare reform is one of those issues that probably 70 percent of the country believes is important," says political analyst Charles Cook. ``They don't necessarily believe it's going to happen this year but they want to see the president working on it."

(Contributing: William M. Welch)

BC-CLINTON-PARTYING

CLINTON GOES PARTY HOPPING IN WASHINGTON

WASHINGTON, June 14 (Reuter) - President Clinton went party hopping Tuesday night in the exclusive Kalorama section of Washington.

After returning from a day trip to Kansas City, Clinton returned to the White House briefly and then drove to the home of Jim Freeh, a local Democratic supporter, for a reception in honour of visiting Tennessee Governor Ned Ray McWherter.

Emerging from that party, Clinton walked next door to the home of retired Senator William Fulbright of Arkansas who helped get Clinton started in politics. Fulbright is recovering from a stroke suffered two months ago.

After seeing Fulbright, Clinton drove around the block to the home of Texarkana, Texas rancher and businessman Truman Arnold, a long-time Clinton backer. Arnold had invited Clinton confidante Bruce Lindsey to the dinner party and Lindsey brought Clinton along with him.

Clinton frequently goes out on the town to parties and restaurants, usually with his wife, Hillary Rodham Clinton.

REUTER

PM-Clinton Visit, Bjt,0620

Clinton Welfare Plan Reviewed by People Who've Been There

With AP Photos

By DOUG GLASS= Associated Press Writer=

KANSAS CITY, Mo. Whatever the chances that President Clinton's welfare reform plan will succeed, he seems to have one thing pegged: Most people on welfare would love to get off.

They're just nc ure his plan gives them enough time. Its cornerstone : .. two-year limit on cash benefits.

``Two years would cut off the ones who will take a little longer," said Cynthia Reese of Kansas City. ``Everybody has a different situation, and it takes longer than two years if you want to get through certain barriers."

Clinton on Tuesday proposed a $9.3 billion program to move people from welfare to jobs. Most of the money about $7 billion would be spent on education, training and day-care programs, and $1.2 billion would be targeted for work programs.

Portions of his plan would require more responsibility for welfare recipients, increasing child support collection and decreasing teen-age pregnancies.

Reese, 34, had worked steadily since age 17. But four years ago, newly divorced and with three children to support, she went on public aid.

She finally fought her way off welfare with the help of Missouri's Futures program, begun in 1992. The program paid Reese's child care and transportation costs so she could attend a community college, and now she's a clerk/typist in the program's offices.

Like the Clinton proposal, Futures requires people to sign a plan for moving off welfare. But it has no time limit, which pleases Alfreda Gipson of Kansas City, another graduate who is now a typist in the program's offices.

Gipson spent eight years on welfare. She said she was forced to public assistance when she had to choose between medicine for her infant son and buying a bus pass to get to her job.

``I knew I didn't want to be on (welfare)," she said. ``I did it for the medical benefits. The public thinks you make millions and millions of dollars. That's a lie."

She added, ``Two years and out, I don't agree with. It didn't take me that long, but some people don't have the ability to grab that (opportunity)."

Several women in the Futures program are taking nursing classes at a local community college and can't finish their work in two years, Gipson said.

One of them is Rita Thompson, 44, of Kansas City. She went on welfare in January 1993 when her employer, a company that sold caller ID devices for telephones, went bankrupt.

``I have never wanted to go on welfare, but when you can't find a job and your unemployment runs out, you've got to feed your child," said Thompson, who is divorced with a 16-year-old son.

Thompson worries about a two-year benefits limit, but she also worries about how much time the Clinton plan would give people to find a job.

``He can't just drop us after 90 days like a hot potato," Thompson said. ``We have to get a good job with good benefits."

Vicki Phelps, a 34-year-old Kansas Citian, spent five years on welfare after medical problems forced her to give up her job at a medical insurance company. She finally got off welfare in 1992 and now works for another insurance

company.

Despite Phelps' lengthy stay on the welfare roll, she supports a two-year limit.

``The federal government has to be persistent in this two-year limit," Phelps said. ``As long as there's job training. You can't just take (assistance) away. There's got to be something there to replace it."

LaRhonda Smith, 25, of Kansas City, also doesn't mind the two-year limit. Another graduate of the Futures program, Smith got her high school equivalency degree in February and was nervous about an interview Thursday for a telemarketing job at Sprint.

``I really want the job," she said. If she gets it, she added, ``I will work. I will go back to college and further my education so I can go up the ladder."

BC-WELFAREPLAN national editors:DA

Clinton welfare plan aims to break cycle of dependency for next generation

(HAS TRIMS)

By Kathy Lewis

Dallas Morning News

KANSAS CITY, Mo. President Clinton on Tuesday offered a welfare-to-work plan that takes aim at the next generation of Americans, trying to break the cycle of poverty.

``We have to make a beginning. We owe it to the next generation," Clinton said. ``We cannot permit millions and millions and millions of American children to be trapped in a cycle of dependency."

The president pledged that his plan would transform the welfare system from a one based on dependence to one that ``works toward independence."

To that end, the cornerstone of the Clinton proposal is a two-year limit on welfare benefits for younger recipients, who would have to get either private or government-subsidized jobs.

Concerns about cost led the administration to apply the limit to only those born after 1971. Although it was largely an economic decision, administration officials emphasized that this ``young people first" approach will target those most at risk young single mothers.

It will, the White House said, also send a strong message to teen-agers that ``welfare as we know it has ended."

But the prospects for welfare reform this year are slim, analysts said, because Congress already is struggling to pass health-care reform.

Clinton has made welfare and health-care reform, which he often links, top priorities of his administration. But the White House missed self-imposed deadlines for sending both plans to Congress.

The president unveiled his welfare reform plan Tuesday at Missouri's Commerce Bank, where Harry Truman was once a teller.

Repeating an oft-used phrase from his 1992 presidential campaign, Clinton said welfare should offer ``a second chance, not a way of life."

Before his speech, Clinton met with several women who under Missouri's welfare-to-work programs now have jobs. The bank where he spoke is among Kansas City businesses that have participated in the program.

Some critics have said Clinton's plan does not live up to the promises of his campaign.

Sen. Phil Gramm, R-Texas, said the president's plan does not meet the test of putting welfare recipients into ``productive tax-paying jobs with a future." He called the plan ``limp" and said it leaves most welfare programs untouched.

The two-year limit applies to cash benefits for poor mothers, but there is no limit on food stamp programs for those who qualify.

In addition to the deadline, other provisions of the Clinton plan are aimed at a young generation of Americans and are designed to discourage teen-age and unwed pregnancies.

(EDITORS: NEXT GRAF OPTIONAL)

``Welfare reform will send a clear and unambiguous message to adolescents: You should not become a parent until you are able to provide for and nurture your child," according to a White House fact sheet. ``Every young person will know that welfare has changed forever."

(END OPTIONAL TRIM)

Under the plan, the administration would embark on a national campaign against teen pregnancy, provide $300 million in grants to 1,000 schools to develop teen pregnancy-avoidance programs, $100 million for community programs and set up a national clearinghouse to share information about local programs that are working.

The two-year deadline applies to recipients age 18 and older. Teen-age parents who receive benefits must stay in school and take advantage of job initiatives. Unmarried teen-age mothers must live with their parents and must identify the child's father to get benefits.

States would be allowed to limit additional benefits to mothers who become pregnant after they are on welfare.

(EDITORS: NEXT 2 GRAFS OPTIONAL)

Clinton, however, emphasized that the government cannot halt pregnancies among unwed mothers. Communities and families, he said, must play a strong role.

``This trend did not develop overnight. There are many reasons for it. It will not be turned around overnight. But be sure of this: No government edict can do it," he said.

(END OPTIONAL TRIM)

Clinton would raise $7 billion of the $9.3 billion for the five-year program from spending reductions in programs for legal immigrants, caps on homeless emergency assistance programs, limits on supplemental benefits for drug and alcohol addicts and ending agriculture deficiency payments for wealthy farmers.

The rest of the money would come from extra revenues from the corporate Superfund tax and extended fees for passenger, custom services and railroad safety inspections.

(EDITORS: STORY CAN TRIM HERE)

Several other welfare plans already on Capitol Hill call for more limits on benefits to legal immigrants. The House GOP plan, for example, raises $20 billion from such cutbacks.

In his speech, Clinton said welfare reform must be a bipartisan issue, and he noted the ``serious'' efforts being waged by members of both political parties.

Still, most political experts believe welfare reform will have to wait until next year. On Tuesday, House Majority Leader Dick Gephardt, D- Mo., said it is unlikely Congress would act on welfare reform this year because of the ongoing debate over health care reform.

The National Governors' Association issued a statement embracing the ``principles'' outlined in Clinton's program.

BC-WELFAREBILL national editors:GL

Clinton outlines welfare reform plan with less funds for child care

(GRAPHIC; details below.)

By Michael Kranish

Boston Globe

KANSAS CITY, Mo. President Clinton unveiled his welfare reform plan here Tuesday, a limited proposal that would leave at least 80 percent of recipients on public assistance in the year 2000 and that contains only half as much money for child care as originally suggested, presidential aides said.

With most details of the plan previously made public, Clinton outlined the program without providing new specifics. Instead, in a campaign-like speech, he repeated his favorite positions about welfare and renewed his call for a reduction in the number of births by unwed mothers.

In a bow to conservatives, Clinton proposed a ``paternity establishment program'' that would try to determine the father of a child born to a unwed mothers on welfare and to track down ``deadbeat dads.'' The program seeks to double current child support collections from $9 billion to $20 billion in six years.

``We have a big welfare problem because the rate of children born out of wedlock ... is going up dramatically,'' Clinton said. ``At the rate we're going, unless we reverse it, within 10 years more than half of our children will be born in homes where there has never been a marriage.''

The key element of Clinton's plan is to force people off welfare and into a job after two years. However, a shortage of funds forced him to modify that requirement, allowing welfare recipients to remain on the dole indefinitely if no private or public job is available.

The president, indicating his eagerness to avoid a fight with Republicans over the issue, reached out to the GOP Tuesday, saying, ``This ought to be a bipartisan issue ... I don't care who gets the credit for this if we can rebuild American families.''

But in Washington, some Republicans reacted harshly, calling the plan halfhearted, while some Democrats and a large coalition of advocacy groups decried it for punishing the poor and their children. Political analysts say the plan has little chance of passage this year.

``It's like diagnosing a patient with a terminal disease and prescribing him with aspirin,'' said Rep. James Talent, a Missouri Republican, who co-sponsored alternative welfare reform plan that create stricter work requirements, end benefits to unwed mothers under 21 and establish an employment voucher system.

In Massachusetts, Gov. William Weld, who has sought a federal waiver to impose a 60-day limit on Aid to Families with Dependent Children, said, ``Not only does President Clinton's plan apparently not end welfare as we know it but it appears that he's going to make it impossible for states to end welfare as we know it.''

He also said, ``Now, my concern is that it may displace the ability of states to try the 60-day approach,'' which has drawn opposition from Democrats in the state's congressional delegation.

Meanwhile, Sens. Kit Bond, a Missouri Republican, and Tom Harkin, an Iowa Democrat, released a bipartisan alternative plan that omits the prospect of government jobs. Harkin said he was ``sorely disappointed'' by Clinton's plan, which he described as an anachronistic, ``New Deal'' approach.

The program has much less money for child care than originally envisioned. Clinton's aides once proposed spending $3.5 billion for child care support for people who leave welfare and get a job. The plan outlined Tuesday proposes spending only $1.5 billion.

The child care cutback became necessary when Clinton decided against using new taxes to pay for the welfare proposal and to finance it largely by trimming back other programs.

Under the plan, welfare recipients born before 1971 about one-third of the current caseload are exempt from the requirements to get off public assistance after two

years. But because of various exemptions, half of welfare recipients in the year 2000 will not be affected.

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(Contributing reporter Heather Bruce assisted from Washington in this report. Doris Wong of the Globe staff contributed from Boston.)

(Graphic 06/13 CLINTON WELFARE PLAN available from KRT Graphics; call (202) 383-6064.)

Chicago activist: welfare reform will cost state

CHICAGO, June 14 (UPI) President Clinton's welfare reform proposals, which he unveiled Tuesday in Kansas City, will end up costing Illinois because of the state's large population of legal immigrants, according to the director of a Chicago immigrant advocacy group.

David Marzahl of the Chicago Coalition for Immigrant and Refugee Protection, says Clinton's plan depends too much on cutting benefits to legal immigrants in order to pay for much of the $9.3 billion reform effort.

``Support for the program is based on the erroneous belief that immigrants, particularly illegal immigrants, are a drain on the economy, receiving far more in benefits than they pay in taxes," Marzahl said. ``This misperception plays neatly into deep-seated, anti-immigrant feelings popular among some segments of the American public."

Marzahl contends that nearly half of the funding will come from denying welfare benefits to a large segment of legal immigrants, increasing from three to five years the amount of time some immigrants have to live in the U.S. before they become eligibile.

``This will greatly affect Illinois, because we have the fifth- highest number of immigrants," Marzahl said. ``It essentially becomes an unfunded mandate for states like Illinois, who will have to pick up the costs of providing benefits to immigrants who are otherwise taxpayers."

Clinton's new tough welfare reform plan would limit many recipients to two years of benefits and require them to find jobs within that time.

The program is expected to affect 2.4 million adults and cost taxpayers $9.3 billion over five years. As conceived by the administration, reforms would not require new taxes or increase the federal deficit because added costs would be offset with cuts in existing benefits.

Illinois Sen. Paul Simon released a statement about the plan on Tuesday evening, giving it a mixed review.

``It's a start toward true welfare reform," Simon said. ``As Congress begins work on this, I will continue to push for a meaningful jobs component. It makes little sense to have a job requirement if there aren't jobs for people when they leave the welfare program."

BC-Clinton-Unveils-Welfare-Plan-Meant-to

Clinton Unveils Welfare Plan Meant to Reward Work (Update1)

(Updating throughout with analysts' comments and additional information on the plan)

Kansas City, June 14 (Bloomberg) -- President Clinton officially unveiled his long awaited welfare reform plan in Kansas City today saying that now welfare would be about a paycheck, not a welfare check.

Speaking from Missouri's Commerce Bank, where President Truman was once a teller, Clinton said that he had to ``change (welfare) from a system of dependence to independence. Change it so the focus is clearly on work," he said.

Clinton said under his program 1 million adults would move off welfare and into the workforce by the year 2000.

Yolanda Magee, who introduced Clinton, is just the sort of welfare success story President Clinton hopes his plan will produce many times over.

The 21-year-old single mother of a two-year-old son was on welfare for some nine months before she started working as a research clerk at Commerce Bank.

``I was tired of sitting at home... I wanted to work for a living," Yolanda said. So she joined a computer training program sponsored by the Urban League, used their child care services while she trained, and landed a job at Commerce Bank. Now she makes $6.71 an hour.

Clinton is hoping that his plan will please those lawmakers who want to get tough with those who take advantage of welfare and also mollify those who see welfare as keeping the unemployed under the government's thumb.

Caseworker as Job Counselor

He hopes to get that done by assigning each welfare recipient to a caseworker who will help the recipient develop a way to find a job and stay in it.

``There's a myth that these folks are job-ready and can just go out and get a job if they want to," said Patricia Miller, co-chair of Futures, a Missouri welfare reform program. She added that such basic problems as illiteracy still had to be addressed.

Recipients will be permitted to a lifetime maximum of 24 months on welfare and if they are offered a job, they will be required to take it, according to a summary of the plan released by the White House today.

Those who can't find a job after two years on welfare will have to take public sector jobs at a minimum wage. They'd be required to work between 15 to 35 hours a week,

it said. That program is only good for a year.

People who can't find another job after that will be wiped off the welfare rolls.

Not Cheap

Clinton's plan for changing welfare won't come cheap. He is asking for some $7 billion in additional funding for education, training and placement and another $1.2 billion to pay for the public sector jobs.

The White House says it can fund the reform by cutting entitlement programs by $7 billion over five years. The biggest cut is a $3.7 billion in estimated savings from tightening eligibility for welfare programs and food stamps to non-citizens. It also proposes saving $500 million by ending deficiency payments to full-time farmers who have $100,000 in non-farm income.

``We're paid for,'' said Bruce Reed, co-chair of Clinton's Welfare Reform Task Force.

The money, by the year 2000, would have a dramatic impact, according to the White House. By 2000, 14% of parents under age 29 who would have been on welfare without the reforms will have left the rolls. Some 26% of mothers under age 29 would be working, it said.

``It is always easier for Congress to strip out benefits in a program like this and keep in the punitive measures because that's what voters want to see,'' said Mark Rom, assistant professor of government and public policy at Georgetown University. ``Clinton is going to have a tough time getting the money out of them.''

Child Support

The system will also rachet up child support payments as fathers' incomes rise and will withhold wages and suspend professional, occupational, and drivers' licenses to enforce compliance.

``This plan includes the toughest child support measures in the history of this country,'' Clinton said, adding that there was $34 billion in uncollected child support payments in the U.S. a year and some of that shortfall came out of welfare coffers.

The president's plan also calls for a national campaign against teen pregnancy. Teen parents will also have to stay in school and prepare themselves for jobs if they want to receive any welfare payments.

Most see that as good news.

``Anything that brings more responsibility to the family and encourages economic opportunity brightens the prospects for business,'' said Richard Green, chairman of Utilicorp United Inc, a utility holding company based in Kansas City.

Clinton also hopes to beef up safeguards against fraud. His plan calls for state to state tracking systems using national identification numbers for anyone on welfare. -- Dina Temple-Raston at the White House (202) 434-1884 with Jenell Wallace in Kansas City/mfr/ (For more on Clinton, NI EXE. For more on Congress, NI CNG) -0- (BBN) Jun/14/94 19:03 EOS (BBN) Jun/14/94 19:04 86

AM-Welfare-Clinton,940

President Opens Campaign For $9.3 Billion Welfare Reform

EDS: Adds information and edited for Texas members; similar version moving nationally

By JENNIFER DIXON= Associated Press Writer=

KANSAS CITY, Mo. (AP) President Clinton announced a $9.3 billion plan Tuesday to transform welfare from a check-writing system into a job training program for tens of thousands of single mothers.

``I really believe that we have a chance finally to replace dependence with independence, welfare with work,'' Clinton told former and current welfare recipients. He spoke in the walnut and marble lobby of the historic Commerce Bank in downtown Kansas City, where Harry Truman found a job as a young man.

Eula Duncan, a mother of four who is trying to get off welfare and get a job, whispered ``Amen,'' as the president promised to give women on welfare a second chance and to get tough with the parents who refuse to support their children.

``We cannot permit millions and millions and millions of American children to be trapped in a cycle of dependency with people who are not responsible for bringing them into the world, with parents who are trapped in a system that doesn't develop their human capacity to live up to the fullest of their God-given abilities and to succeed as both workers and parents. We must break this cycle,'' he said.

The White House proposal would cut welfare benefits to immigrants, drug addicts and alcoholics, and would slash subsidies to wealthy farmers to finance its scaled-back and often-delayed plan.

In Washington, Sen. Phil Gramm, R-Texas, called the president's plan ``limp'' and said it does not meet the test of placing welfare recipients in ``productive tax-paying jobs with a future.''

``The plain effect of the president's proposal is to leave most welfare programs untouched while spending more on some and trusting bureaucrats to invent a handful of new welfare programs to take up the slack,'' Gramm said.

Opposition also came from a Democratic senator. Tom Harkin of Iowa, who is sponsoring his own welfare reform bill providing for individual welfare-to-work contracts, said the Clinton proposal resembles a New Deal program that promises government jobs. ``What kind of nonsense is that?'' he said. ``We don't have the money for that.''

The cornerstone of the president's plan is a two-year limit on cash benefits, an idea Clinton used to define

himself as a new and centrist Democrat during his 1992 campaign.

But Tuesday's plan to translate his popular campaign promises to ``end welfare as we know it" singles out the youngest mothers on the rolls of Aid to Families with Dependent Children, the joint federal-state welfare program that supports 5 million poor families.

And at the end of the decade, fewer than 8 percent of welfare recipients would actually be enrolled in a work program, although Clinton declared that his proposal would push 1 million parents into the work force by 2000.

The plan also pours far more money into child care, education and training a total of $7 billion over five years than into subsidized jobs, just $1.2 billion.

Texas Human Services Commissioner Burt Raiford said it ``makes good sense" to target the youngest welfare recipients, and that ending welfare dependence requires affordable child care, health care and effective job training.

However, Raiford added, ``Meaningful welfare reform will address the needs of all of our youngest citizens."

He said that means educating young people for jobs that pay a living wage; giving them goals that serve as ``a true alternative" to premature parenthood, truancy and drugs; and addressing substance abuse and delinquency before they lead to welfare dependency.

``None of these is easy. But each will do more to reform welfare than all the quick-fix sound bites that pass for good public policy on welfare reform combined," said Raiford.

According to the president's proposal, women born after 1971 would receive the education, training, job placement and child-care services they need to become self-sufficient. Those who fail to find work before their cash benefits run out would be required to take subsidized or community service jobs paying the minimum wage.

Although they would be allowed to remain in the work program indefinitely, parents who refuse a private-sector job would be kicked out. Advocates for children and the poor say the plan does little to lift those participants out of poverty, and takes away the social safety net for children whose parents refuse to comply.

Alfreda Gipson, 28, a graduate of a Missouri training program who began work recently as a clerk-typist, said she never wanted to be on welfare. ``I did it for the medical benefits," she told reporters. ``The public thinks you make millions and millions of dollars. That's a lie."

The Clinton plan also tackles teen-pregnancy, child support enforcement, welfare fraud and the welfare bureaucracy.

Under the plan, teen mothers would be required to live at home. Those who refuse to stay in school, look for work or attend training programs face stiff sanctions generally their family's share of their monthly AFDC check. It also calls for spending $400 million on a campaign against teen pregnancy, including grants to a thousand schools.

Hospitals would be required to establish paternity at every birth, child support awards would be updated regularly, and parents who refuse to pay could have their professional, occupational and driver's licenses revoked.

The administration believes its plan could double public child support collections from $9 billion a year to $20 billion by 2000.

Clinton's plan also establishes a national clearinghouse that would track parents who slip across state lines to avoid paying their child support, as well as those who receive welfare, monitoring compliance with time limits and work requirements.

Nearly all of the money to finance the plan comes from cuts in social programs, particularly benefits for immigrants.

Under the plan, the relatives and other sponsors of new immigrants would be required to bear greater financial responsibility for them, saving $3.7 billion over five years.

The plan also saves $1.6 billion by capping spending on an emergency welfare program that advocates say protects the poor against homelessness. Additional savings come from cutting subsidies to wealthy farmers and putting limits on federal disability benefits to drug addicts and alcoholics.

The plan also wrings $1.6 billion from the Superfund hazardous waste clean-up fund.

BC-CLINTON national editors:WA
Clinton presents welfare reform proposal
(GRAPHICS; details below)
(HAS TRIM)
By Robert A. Rankin and David Hess
Knight-Ridder Newspapers

KANSAS CITY, Mo. President Clinton proposed attacking the costly national problem of welfare dependency with a plan Tuesday that would force growing numbers of young welfare mothers into public or private jobs.

``Work is the best social program ... it gives hope and structure and meaning to our lives," Clinton told an audience here at the Commerce Bank, which hires former welfare recipients under an innovative Kansas City program that White House aides said is a model for much of what Clinton proposes.

The heart of Clinton's plan would make young single mothers self-sufficient by giving them money and child care while they get job training but then to cut off

their cash benefits after no more than 24 months.

However, those who can't find jobs would be given temporary tax-subsidized work, usually at the minimum wage, either in the private sector or in community service. And some people would be exempt from the two-year time period: for example, mothers with infants would get a 12-month deferral for their first child, but only three months for a second child.

The reforms would be phased in slowly because of high projected costs. Republicans sharply criticized the plan as falling far short of Clinton's 1992 campaign promise to ``end welfare as we know it."

Democrats defended the program as a good start toward dealing with
a crucial social problem. But congressional leaders said they do not expect serious work on welfare reform legislation to begin until next year.

``We're not going to drop health care reform to take up welfare reform," said House Majority Leader Richard A. Gephardt, D-Mo. ``The biggest step in welfare reform is health-care reform. The biggest reason people stay on welfare is the fear of loss of health insurance. They're scared to death and they should be of losing their Medicaid. ... If we can get health-care reform (this year), we've done two-thirds of welfare reform."

Clinton proposes to go slow with reforms, largely because he lacks the money to do it faster. The new requirements would apply to welfare recipients born after Dec. 31, 1971 roughly one-third of the total case load expected in 1996. Half of all adult welfare recipients would be covered by 2000, and two-thirds by 2004.

Even at that moderate pace, Clinton's reforms would drive up welfare costs by an estimated $9.3 billion over five years and that takes into account $1.5 billion in savings from assumed reductions in case load and fraud.

By their own estimates, the Clinton administration's reform proposals would have only a marginal impact in reducing the total welfare population, currently 14.3 million people.

By fiscal year 2000, administration documents say, the reforms would remove some 331,000 adults from welfare rolls entirely, put 222,000 others in part-time jobs while they continue to receive welfare, and place 394,000 more in tax-subsidized employment.

Clinton appealed for bipartisan support for his proposals Tuesday, saying ``this is not a partisan issue, this is an American issue."

But Republicans in Congress, who have proposed an alternative plan, said Clinton's approach is defective on several counts.

``It's hopelessly weak and falls short of his own goal of ending welfare as we know it," said House Minority Leader Robert H. Michel, R-Ill.

Rep. Rick Santorum, R-Pa., who co-chaired a GOP task force on welfare reform, said the work requirements for recipients are ``far too weak" in the president's bill.

Senate Minority Leader Bob Dole, R-Kan., said the GOP ``believes welfare should be transitional support toward private sector jobs, not unending government-sponsored make-work. ... Under the Clinton plan, after two years of welfare checks, recipients could be indefinitely supported by a government-subsidized paycheck."

Clinton seemed to anticipate the criticism in his speech Tuesday, defending his relatively modest proposal by saying, ``We have to make
a beginning. We owe it to the next generation."

One major goal of the president's plan is to stimulate a sense of parental responsibility in the welfare population. It emphasizes the need to discourage teen-age pregnancy, both by changing welfare incentives and by mounting a national campaign through the schools stressing delayed sexual activity.

Noting that America's rate of illegitimate births has quadrupled over the last 30 years and will exceed 50 percent within 10 years, the president said welfare incentives must be changed ``to send a profound message that it is wrong to continue this trend ..."

``No government edict can do it," Clinton said. ``To change the country on a profound issue like this requires the efforts of millions and millions and millions of you, talking openly and honestly and freely about these things."

(EDITORS: STORY CAN TRIM HERE)

A related parental responsibility proposal would require hospitals to establish paternity at birth, and would stiffen efforts to collect child support payments from absent fathers.

While generally praising Clinton's plan, few Democrats would sign on to his method of paying for it.

``He wants to take it from other entitlements," said Senate Finance Committee chairman Daniel Patrick Moynihan, D-N.Y., a strong advocate of reform. ``I'd hope that would work, but ... if I start talking about that, I'd be negative and I want to be positive now."

Sen. Joseph I. Lieberman, D-Conn., said Clinton's plan is ``tough, sensible and effective."

But Republicans contended that Clinton's plan does not go far enough in dealing with teen-age pregnancies and proliferating numbers of illegitimate births among welfare clients.

They also complained that the plan permits too many aliens to continue to qualify for benefits and allows too many drug addicts to receive payments.

``We oppose the president's plan," said House Minority Whip Newt Gingrich, R-Ga. ``We have a superior bill and we're going to push very hard to get it adopted."

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(Graphics 06-14 WELFARE PLAN COSTS and 06-13 CLINTON

WELFARE PLAN
available from KRT Graphics Network; for information on graphic, call 202-383-6064.)

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bc-CNSwelfare,1173

Clinton introduces welfare reform plan

By Amy Bayer
Copley News Service

KANSAS CITY, Mo. President Clinton unveiled Tuesday (June 14) his long-awaited plan to ``end welfare as we know it,'' a plan that stresses making welfare recipients become workers but was panned by critics as too timid.

At its toughest, Clinton's plan would force welfare parents off the dole after two years, insisting that they find work, get a government-subsidized job or enroll in education and training programs.

At its most generous, Clinton's plan would give valuable new benefits to welfare recipients, guaranteeing them education, training, job placement services and child care.

But the $9.3 billion proposal, which Congress is unlikely to consider this year, would barely pare the welfare population, easing only about 7 percent of recipients off government rolls by the year 2000.

A record 5 million American families or 14 million people now receive welfare under Aid To Families with Dependent Children (AFDC), the nation's best-known and most widely-criticized welfare program.

Welfare programs now cost the nation about $150 billion a year, with AFDC accounting for about $22 billion of that. Welfare spending makes up about 12 percent of the federal budget.

Under Clinton's plan, that cost would rise over the next decade until sufficient numbers of people are weaned off the dole.

``Today we have to restore faith in certain basic principles that our forebears took for granted the bond of family, the virtue of community and the dignity of work,'' Clinton said introducing the plan at Kansas City's Commerce Bank, which hires participants in Missouri's welfare-to-work programs.

In the bank lobby, filled with state officials and former welfare mothers, hung stark black and white signs, each with a one-word message: ``Work,'' ``Responsibility,'' ``Opportunity'' and ``Family.''

Clinton acknowledged the value of welfare for people negotiating ``rough spots'' in their lives. But he criticized the current welfare system as one that undermines basic values, discourages work and leads to generations of welfare dependency.

He also decried ballooning illegitimacy rates, warning that under current trends, half of all American children will soon be born to single mothers.

``There is no greater gap between our good intentions and our misguided consequences,'' Clinton said of the welfare system.

Clinton's plan, which will be introduced as legislation later this month, faces many obstacles on Capitol Hill, where health care reform and election-year pressures are competing for time and attention. Privately, White House aides said there is little chance Congress will pass the plan this year.

Congressional Republicans are sponsoring at least two competing plans, both more conservative than Clinton's proposal. The GOP would deny AFDC benefits to young, unwed mothers and force a larger share of the welfare population into work programs.

Republican Rep. Rick Santorum, chairman of the House GOP Task Force on Welfare Reform, charged Tuesday that Clinton's plan is nothing but a ``political document.''

``The Democrats want to be able to talk tough on welfare reform when they go home to campaign, but don't expect much action,'' Santorum said.

Conservative Republican Bill Bennett, who served in the cabinets of Presidents Ronald Reagan and George Bush, dismissed the plan as ``more misguided Democratic do-goodism,'' that creates a new set of entitlements for welfare recipients.

``Wait until the great American middle class discovers the welfare population is getting more benefits, not fewer,'' Bennett said.

Clinton's plan faces criticism from his own party, too, both among liberals who say it is too tough to conservatives who say it too lenient.

Labor leaders worry that government jobs programs steal work from union members, while other critics complain that Clinton's plan offers special benefits to welfare recipients that are not enjoyed by the working poor particularly child care.

``It might end welfare as we know it, but it won't end poverty,'' said Sunny Harris Rose of the national Association of Social Workers.

In addition, immigration advocates say Clinton unfairly targets immigrants to pay for the plan, a proposal that also riles officials from states like California that are home to a large number of immigrants.

During his speech, Clinton did not mention the high price of the package, which initially would increase the nation's welfare bill. The costs were spelled out to

reporters by White House aides.

To pay for the program, Clinton would raise most of the funds by restricting welfare benefits for legal immigrants, forcing their sponsors to pay more for their support.

Under long-standing law, would-be immigrants must show the government that they have sponsors who will make sure they do not become public charges. But this requirement often is not met for a variety of real-life reasons, such as an inability to find or hold a job or a sponsor no longer able to provide aid, and many immigrants end up on welfare.

Nationally, about 1 million non-citizen immigrants receive benefits from the Supplemental Security Income, Medicaid, Food Stamp and AFDC programs at a cost of about $5 billion a year.

In addition, the plan would trim spending on other welfare programs, cut agricultural subsidies for wealthy growers and divert money from Superfund environmental clean-up taxes and Customs Service fees.

Still, Clinton's package is much smaller than what he initially promised in his 1992 election campaign and the first year of his presidency, in part because he ruled out any tax increase to pay for it.

To cut costs, Clinton would target reforms only at welfare parents born after 1971. White House aides said that decision ``sends a message" to teenagers that welfare is not a way of life. But it would exempt two-thirds of the adults on welfare.

At the heart of the program would be a two-year limit on cash aid in exchange for new benefits. Recipients would excused from the two-year time limit if they or their children are disabled. In addition, a new mother would be given a one-year exemption after the birth of her first child, and three months for a second child.

The program would fund about 300,000 subsidized jobs for those welfare recipients who can't find private sector work.

Among the other provisions, the Clinton plan would:

Require welfare participants to take any job offered them.

Force unwed teen mothers to stay in school and live at home or with a responsible adult.

Provide more federal money for state education and jobs programs and allow states more flexibility to devise welfare programs, including allowing two-parent families to qualify for benefits.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

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CLINTON DETAILS PLAN TO END
`WELFARE AS WE KNOW IT'
Eds: With sidebar, WELFARE-SIDE
Graphic: On GGN
By DEBORAH MATHIS=
GNS White House Reporter=

KANSAS CITY, Mo. President Clinton unveiled his long-awaited plan to reform welfare Tuesday, proposing to propel recipients toward independence with a raft of job-training programs, child-care assistance and child-support enforcement.

``We must do this work," Clinton told an audience at Kansas City's historic Commerce Bank, where Harry Truman once worked as a teller. ``This is not a government mission, this is an American mission."

Making people work the heart of the five-year, $9.3 billion plan
would apply only to those born after Dec. 31, 1971. That is less than one-third of the 14 million people receiving assistance, but estimated to represent two-thirds of the welfare caseload by the year 2004.

In most cases, welfare recipients would be dropped from the rolls after two years unless they can prove they are unable to work or have extenuating circumstances, such as caring for a disabled child.

But the plan would look at even those situations skeptically, in some cases requiring the recipient to devise a plan for an eventual break from public assistance. The lifetime limit for cash benefits would be two years, total.

``We will help you get the skills you need," Clinton said, ``But after two years, anyone who is able to go to work must go to work. In the private sector is preferable."

The two-year cutoff is a staple among welfare reform enthusiasts, many of whom have plans of their own. Several have been introduced on Capitol Hill.

But where all plans require recipients to eventually find work, Clinton's is more generous toward recipients, even casting the government in the jobs business as a last resort.

His plan to ``end welfare as we know it" a staple promise of his 1992 presidential campaign but much-delayed as the administration struggled to pay for it was attacked by liberals as well as conservatives as too lenient.

``I have some fundamental concerns and disagreements with the Clinton plan," said liberal Sen. Tom Harkin, D-Iowa. ``First, the Clinton plan has at its center an arbitrarily set one-size-fits-all, two-year time limit. I believe that is far too liberal and far too costly."

Harkin also objects to a public jobs program for recipients who cannot find a private sector job.

``This part of the president's program is wrong-headed

Pine Bluff Commercial 6/16/94

PINE BLUFF COMMERCIAL

SPORTS

B

THURSDAY, JUNE 16 1994

Razorbacks Visit Clintons at White House

By Adam Kraus
SUNDAY MAGAZINE EDITOR

WASHINGTON — Inside a steamy, crowded Rose Garden tent Wednesday, President Clinton and his wife congratulated the Arkansas Razorbacks on their first NCAA basketball championship.

"I think it is fair to say there have been many important events that have occurred in the Rose Garden, but none more important than what is occurring today," Mrs. Clinton said.

The president presented the team and Coach Nolan Richardson with plaques honoring the Razorbacks' victory.

"You did your state proud, you made the president happy but more importantly, you showed America the best about what college athletics should be and we are all very, very proud of you," Clinton told Richardson and the team.

Richardson then presented the president with a Razorbacks jersey with the name "CLINTON" on the back.

Rep. Ray Thornton, D-Ark., along with Surgeon General Dr. Joycelyn Elders and White House Chief of Staff Thomas "Mack" McLarty, joined nearly 250 other Arkansans at the event. Sens. Dale Bumpers and David Pryor, both D-Ark., called and told Clinton they could not attend the event because they had to vote on legislation.

"I told them that their priorities might be a little out of order," Clinton said.

After the event, the president and Mrs. Clinton invited their Arkansas guests for lemonade on the South Lawn.

This is the second time Clinton congratulated the team on its 76-72 win over Duke University. Clinton attended the April 4 championship game in Charlotte, N.C.

During his congratulatory speech, Clinton joked with the crowd about how basketball and his job paralleled each other.

"It's more and more physical all the time," the president said. "You get behind and then you get ahead. You never know whether you're going to win until the end of the game and people are questioning your judgment, talk all the way through. I just wish that on every close issue, I had Scotty Thurman there at the end to make the shot."

"It feels great," forward Corliss Williamson said. "It's a prime example of what Arkansas fans are. No matter where they are or what position they hold, they are Razorbacks to the heart."

Richardson, who followed Clinton at the podium, said the team was delighted and proud "that we had the opportunity not only to win a national championship, but to have the First Fan of this country be a fan of the University of Arkansas."

with an emphasis on finding private or public sector jobs for recipients to move them off the welfare rolls.

In his address at the Commerce Bank, which has helped a number of Missouri women to move from welfare to work, Clinton portrayed the plan as paving the way for those on welfare to receive a paycheck rather than a welfare check.

The president hit hard on the problem of teenage pregnancy, saying that it ``will not be turned around overnight" but noting that ``no government action can do it."

The president called for a ``national campaign" against teen pregnancy and said pregancy should be avoided until parents ``are totally capable of taking care of them."

Clinton said his plan ``includes the toughest child support enforcement in the history of the country" to help families collect an estimated $34 billion in delinquent child-support payments to reduce the need for public assistance.

He said his proposal is intended to restore ``bedrock values" and help the nation wean recipients from government assistance by fostering family and community support structures and affirming the ``dignity of work."

The new system is focused heavily on helping young mothers, who are the bulk of welfare recipients.

While generally endorsed by the U.S. Conference of Mayors as ``sound and fair," the organization expressed concern over some provisions, including the entitlement cuts to pay for the changes.

And Raul Yzaguirre, president of the National Council of La Raza, a non-profit Hispanic rights group, cautioned the administration's proposal ``risks doing more harm than good."

``We believe the Clinton administration is attempting to do the right thing," he said, but added that ``unfortunately, by insisting that welfare reform be financed through cuts in existing benefits...is not the way to engage in an effective strategy to reduce poverty."

And the National Abortion and Reproductive Rights Action League opposed language to deny benefit increases to women who have children while receiving assistance, calling the proposal a ``terrible idea."

``This child exlusion policy, if passed by Congress, would harm already hard-pressed families, punish innocent children and coerce some low-income women to have abortions," said NARAL Vice President James Wagoner.

Under the program:

Each recipient, working with a caseworker, would develop an employability plan identifying the education, training and job placement services needed to move that individual into the work force.

Most welfare recipients would be limited to 24 months of cash assistance.

Anyone offered a job would be required to accept it.

Jobs would be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, some federal college grants to students and other programs.

Parents who refused to stay in school, look for work, or attend job training programs would lose their share of the welfare check.

Mothers with disabilities and those caring for disabled children initially would be exempt from the two-year limit but will be required to develop plans aimed at leading them to jobs.

In addition, mothers with infants will receive only short-term deferrals from the restrictions 12 months for the first child and three months for the second. At the discretion of states, a small number of young mothers completing education programs could receive extensions.

Under the current system, welfare recipients who work lose benefits, dollar for dollar, and are penalized for saving money.

Clinton said his proposal would change these rules by setting higher earned income and child support standards.

In addition, the administration proposal raises the federal match and provides additional funding.

AM-Clinton-Bar-B-Q,70
President Samples Kansas City Barbecue
With AM-Welfare-Clinton, Bjt

KANSAS CITY, Mo. (AP) President Clinton took advantage of his trip to Kansas City Tuesday to sample some of the city's famous barbecue.

He stopped for a meat platter at Gates Bar-B-Q, a popular eatery owned by Ollie Gates, a prominent local Democrat.

Clinton was in town to announce details of his proposal for changes in welfare laws.

BC-CLINTON-WELFARE (SCHEDULED)
CLINTON PROPOSES $9.3 BILLION WELFARE REFORM PROC
By Susan Cornwell

KANSAS CITY, Mo, June 14 (Reuter) - Declaring America must break the cycle of dependency that has produced generations on the dole, President Clinton proposed Tuesday a $9.3 billion welfare reform plan limiting younger recipients to two years of benefits without work.

Clinton said the plan, if passed by Congress, would

mean nearly 1 million Americans who would otherwise be on welfare would be off it or working in government-subsidised jobs by the year 2000.

Critics say this is only a small part of the current caseload and point out that government-subsidised jobs also cost the taxpayer money. There are 5 million adults on welfare now, and nearly 10 million American children dependent on them.

But Clinton said that while he could not change the entire system overnight, he also could not allow it to remain the same.

``We cannot permit millions of American children to be trapped in a cycle of dependency ... We must break this cycle," he told an audience at the Commerce Bank in Kansas City, which has participated in a Missouri state welfare-to-work programme not unlike the one Clinton is proposing on a national scale.

The president, who promised during his 1992 campaign to ``end welfare as we know it," said he wants to wean younger Americans off the dole by offering them job training, education, and if necessary subsidised private-sector or community service jobs.

He has rejected raising taxes to finance his plan, a decision which limited its scope. Clinton targeted his programme at people born after December 31, 1971 -- a group that will grow as time passes.

``Phasing in the new system will direct limited resources to young, single mothers with the most at risk," a White House statement said.

They will face a lifetime limit of 24 months of cash assistance. If they still can't find work, they will be required to take government-subsidised jobs in the private sector or community service jobs.

They will also have access to job training and education, and child care for up to a year after they leave welfare.

Clinton said his programme would also include ``the toughest child support enforcement measures in the history of this country." He said both parents would have to be identified at a hospital when a baby is born, and parents who don't pay court-ordered child support would have their wages garnished and they would be ``tracked across state lines."

At the same time he said his proposal would give states great flexibility to continue programmes such Missouri's FUTURES prgoram, which has placed 240 former welfare recipients in jobs in three years.

Clinton was introduced by Yolanda Magee, a 21-year-old who had successfully gone through the FUTURES programme.

Clinton's proposal includes $2.8 billion for education, training and placement; $1.2 billion for subsidised jobs; $4.2 billion for child care; $600 million for child support enforcement and $300 million for a ``massive" effort to counter teen pregnancies through educational programmes in schools.

Another $200 million is earmarked for various services.

The president proposed paying for his five-year reform plan largely through cuts in federal ``entitlement" programmes which automatically confer benefits on those deemed eligible.

The biggest chunk of the proposed cuts, $3.7 billion, comes from cutting back welfare for non-citizens by making it harder for them to qualify for benefits. The only hit on wealthy Americans ends agricultural support payments to farmers who earn more than $100,000 in non-farm income. This would produce $500 million.

The president will introduce his proposals in Congress in the next two weeks, officials said. But the bill may move slowly on Capitol Hill. ``It's probably something we won't be able to complete until next year," House Democratic leader Richard Gephardt of Missouri told reporters in Washington.

He said Congress could only get to welfare reform this year if it finished the rest of its agenda, including health care reform.

Republicans have resisted Clinton's proposals and an alternative authored by Pennsylvania Republican Rick Santorum would require welfare recipients to work in return for their welfare payments. It would be financed by more draconian cuts on benefits received by non-citizens.

REUTER

CAPITOL FUND-RAISER

Friends Campbell, Clinton meet

She welcomes the president's offer of help in her campaign for governor.

By JANE NORMAN
OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Some Democrats running in this fall's elections may worry about appearing too cozy with a beleaguered President Clinton, but not Iowa's Bonnie Campbell.

Campbell, the Democratic nominee for governor, met with Clinton at the White House Wednesday to discuss child support and welfare reform. Clinton attended a $1,000-a-plate fund-raising dinner in Campbell's behalf at a posh downtown hotel Wednesday night.

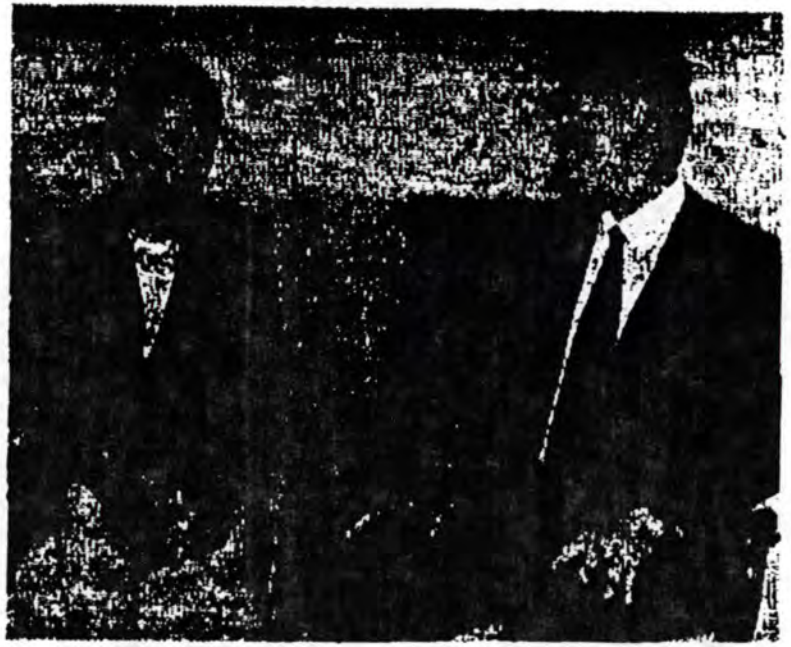
Members of the press were invited into the Oval Office to take photographs of Campbell and Clinton, who were seated in gold chairs under a painting of George Washington. "In the fall I will be out trying to help people who share my values and my interests, if they want me to do so," Clinton said when asked what advice he had given Campbell.

"Pretty Independent"

"I find most voters in most states are pretty independent," he said. The extent of his campaigning for Democratic candidates also will depend on what happens in Washington with the debate over health-care reform, welfare reform and lobbying reform, Clinton said.

After the meeting, Campbell said she has no qualms about a widely publicized appearance with the president. The Democratic Party's top political strategist recently was rebuked by the White House for suggesting Democratic candidates could distance themselves from Clinton if that's what they needed to do to win.

"I think the voters of Iowa are sophisticated enough to know I'm a Democrat," Campbell said. "I'm personal friends with Bill Clinton, but I'm not him."



GANNETT NEWS SERVICE

Democratic nominee for governor Bonnie Campbell meets with President Clinton at the White House Wednesday. The two discussed child support and welfare reform.

Campbell said she met Clinton when she was working in Washington for former Sen. Harold Hughes, D-Ia., then later as state Democratic Party chairwoman. "I'm just not the kind of person who's a fair-weather friend," she said, adding that she expects the president to campaign for her in Iowa. Clinton was scheduled to be in Illinois tonight to campaign for the Democratic nominee for governor there, Dawn Clark Netsch.

At the meeting with Campbell, Clinton fielded questions about his welfare reform plan, defending it against sharp criticism by Sen. Tom Harkin, D-Ia.

Harkin, who has proposed an alternative plan based on a program in place in Iowa, has said Clinton's plan is too costly and reminiscent of the New Deal, with its emphasis on public-sector jobs.

"I don't think so," Clinton said. He noted that Harkin's plan would cut off recipients once they have lived up to terms of their contract with the state to move to self-sufficiency.

That may work in states with low unemployment but not in areas where jobs are more scarce, Clinton said, so public service jobs may be needed.

Campbell said she is a "cautious supporter" of the Iowa plan. "I think the most important thing the president has done is put welfare reform on the agenda," she said. The Iowa plan is "aggressive and tough," she said, but there are some problems — such as availability of child care and jobs.

"We're a long way from knowing whether our own welfare reform will be successful," she said. "I hope it will."

The fund-raising event, which was attended by about 150 people, was expected to raise $126,000 to $150,000 for Campbell's campaign treasury, which was drained in her primary fight against Des Moines clothier Bill Reichardt.

The dinner, which was closed to press coverage, was organized by the Democratic Governors' Association.

President Backs Mrs. Campbell In Race for Iowa Governor's Seat

BY DAVID C. BEEDER
WORLD-HERALD BUREAU

Washington — Iowa Attorney General Bonnie Campbell met Wednesday with President Clinton, who endorsed her campaign to become Iowa's first woman governor and the first Democrat since Harold Hughes in 1962.

"I am very glad to be here with Attorney General Campbell," Clinton told reporters in the Oval Office. "I've known her for a long time, and I am very pleased by her decisive victory" in the primary election.

Mrs. Campbell said she met Clinton when she was an aide to Hughes in the Senate. She requested the meeting with Clinton to discuss child-support provisions in his newly announced welfare proposal.

"I have a special interest in child support, which I think is critical to any discussion of welfare reform," said Mrs. Campbell, a native of South Plymouth, N.Y.

Clinton said enforcement of child support was one of the strongest provisions of welfare legislation he announced Tuesday in Kansas City.

"It is the toughest in the history of the country," Clinton said. "It will permit enforcement across state lines, garnisheeing wages and suspending driver's licenses," Clinton said. "We estimate that we would go from $9 billion a year to $20 billion a year in child-support enforcement recovery if this bill passes."

Clinton, in response to a question, said he hoped his schedule would permit him to travel to Iowa to campaign for Mrs. Campbell in her race against four-term Republican Gov. Branstad.

He said he would attend a $1,000-a-person fund-raising event for Mrs. Campbell and other Democratic gubernatorial candidates Wednesday night.

Clinton said the success of his welfare proposal will depend on Congress providing funds for child care and medical coverage of welfare recipients.

"We ought to have with this a national campaign to try to lower the rate of out-of-wedlock births," Clinton said.

"The truth is the welfare problem, indeed the poverty problem, is increasingly a problem of young women in their early teens," he said. Clinton deflected criticism of his plan by Sen. Tom Harkin, D-Iowa, who said the Clinton plan wasn't tough enough.

Harkin, in a press conference Tuesday, said Clinton set a two-year limit on welfare payments when it should have been a much shorter time period.

"If we truly want to reform the nation's welfare system, then we must focus on self-sufficiency," Harkin said.

He has introduced a welfare bill with Sen. Kit Bond, R-Mo., based on an Iowa law requiring welfare recipients to sign a contract tailored to each case. The contract sets a date when benefits will be terminated for each recipient.

"I don't see a conflict between the Iowa plan and what we are trying to do," Clinton said. "A state like Iowa is perfectly free to design their own plan."

Mrs. Campbell, 46, a graduate of Drake University and a former state party chairman, was asked about the prospect of an independent gubernatorial candidacy by Rep. Fred Grandy, R-Iowa, who was narrowly defeated by Branstad in the Republican primary.

"My instinct is that it would help and that he would split the Republican vote," Mrs. Campbell said. "It really doesn't matter. I am going to have to play the hand that's dealt."

Sen. Charles Grassley, R-Iowa, who backed Branstad over Grandy, said Wednesday that he was surprised Grandy received 48 percent of the vote compared with 52 percent for Branstad.

"Fred Grandy ran a much better campaign for governor than I had believed he would," Grassley said. "He had a sophisticated operation of enticing people to the polls. Those were the highest numbers of any Republican primary."

Grassley said he thinks Grandy should support Branstad this time and make another run for governor in 1998.

Omaha World-Herald
Midlands News
Thursday, June 16, 1994 Page 15

The Gazette

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Campbell talks about welfare with president

By David Lynch
Gazette Washington reporter

WASHINGTON — President Clinton defended his welfare reform proposal Wednesday against attacks from Sen. Tom Harkin, D-Iowa, saying there are no conflicts between the Iowa plan, which is the basis of the Harkin proposal, "and what we're trying to do."

Iowa Attorney General Bonnie Campbell agreed with the president, saying the most important thing Clinton was doing was putting welfare reform on the table and emphasizing the need to crack down on delinquent child support.

Campbell, who last week won the Democratic gubernatorial nomination, met with Clinton in the Oval Office for more than a half-hour Wednesday to discuss welfare reform in general and the child support provisions in the president's proposal.

Before their private meeting, reporters and photographers were ushered into the Oval Office for a photo opportunity and to ask questions.

Welfare reform was the dominant topic, with the president saying his proposal would give states the flexibility they need to create their own system. States would not be limited to the national guidelines.

With Harkin's help, last year Iowa received a waiver from Clinton to implement its welfare reform system. It requires welfare recipients to sign a contract that requires them to take part in training and education programs and get off the welfare rolls within an agreed upon period of time.

The Harkin welfare reform proposal that was introduced earlier this summer is based on the Iowa plan and requires recipients to sign contracts and to train and work their way off welfare.



Bonnie Campbell

Says Iowa ahead of federal reform

Harkin on Tuesday lambasted the Clinton proposal, which he said would only apply to about a third of welfare recipients and would create "make-work" jobs.

Clinton on Wednesday rejected that criticism, saying government-created jobs are necessary in states that have high unemployment rates and no private sector jobs for welfare recipients.

Speaking with the press outside the White House after her private meeting with the president, Campbell said Iowa will not be directly affected by Clinton's proposal, because the state has already received a waiver and has its own program.

However, she said she wanted to thank the president for placing so much importance on child support recovery, one of her main issues as attorney general.

Clinton was scheduled to attend a $1,000-a-ticket fund-raiser in downtown Washington, D.C., for Campbell on Wednesday evening.

Council Bluff
Nonpareil
6/16/94

Campbell doesn't conside Clinton a political liability

By DAVID HAWKINGS
Nonpareil Washington Bureau

WASHINGTON — Iowa Attorney General Bonnie Campbell is defying the conventional wisdom that association with President Clinton is a political liability this election year.

The Democratic gubernatorial nominee leaves the capital today after a whirlwind visit that included two appearances with the president.

On Wednesday afternoon, Campbell was ushered into the Oval Office for a well-attended photo opportunity with the president. A few hours later, she was a main beneficiary of a Democratic Governors Association $1,000-per-ticket fund-raiser where Clinton was the main drawing card.

And Campbell said she expects the president to campaign for her this fall, when she will be challenging Republican Gov. Terry E. Branstad's bid for a fourth

With the president's volatile and the usual e that the party outside t House will do well in the term election, many Demo made it clear they are not ride Clinton's coattails.

"The voters of Iowa ar cated to know that I'm a

CAMPBELL/*Please s*

Campbell

Continued from Page 1A

and personal friends with Bill Clinton, the president, but I'm not him," Campbell said outside the White House.

"I'm not a fair weather friend," she said when asked why she was apparently the first statewide Democratic candidate to request a White House "grip and grin" session for the cameras.

She did not describe it that way, of course. Instead, she said her meeting with Clinton would show Iowans her level of access in Washington. Campbell said her private talk with Clinton after the photo session was about proposed changes in federal child support enforcement rules, a favorite topic of hers.

During her few moments in the TV lights, Campbell steered a middle ground between endorsing either the welfare system overhaul Clinton unveiled this week or an alternative offered by Sen. Tom Harkin, the Iowa Democrat who was sharply critical of the president's measure. She said that in Iowa the matter may be moot because the state has been granted a federal waiver to pursue its own reforms.

The president, showing detailed knowledge of Harkin's bill, called several of its provisions deficient and defended his measure from some of the Iowa senator's criticisms.

Front Page Story

The Dallas Morning News
6/17/94

Clinton hears oil delegation

He tells lawmakers he'll consider tax incentives

By Kathy Lewis
Washington Bureau of The Dallas Morning News

WASHINGTON — President Clinton indicated Thursday that he's willing to consider tax incentives and regulatory relief for the troubled U.S. oil industry, lawmakers said.

The president met privately for more than an hour with a large bipartisan delegation from Congress concerned about the oil and gas industry. About 500,000 jobs have been lost since the mid-1980s.

Members of Congress and administration officials said that Mr. Clinton said he would consider tax incentives that wouldn't increase the deficit.

Although the president didn't pledge specific support for the package of ideas presented, both Republicans and Democrats called the meeting constructive.

"The president, I think, was impressed by the hearing, but he said, 'We'll get back to you, give you a report.'

"The mood was a good one, but the answer is not yet definitive," said Sen. J. Bennett Johnston, D-La.

Sen. Kay Bailey Hutchison, R-Texas, said, "I felt it was very productive."

And Rep. Henry Bonilla, R-San Antonio, said, "We talked about tax incentives primarily. He was very open to trying to work something out."

Although the price of oil was trading around $14 a barrel in February, it has since recovered. In New York Mercantile Exchange trading, it jumped 91 cents Wednesday and 5 more cents Thursday to $19.91 a barrel, a 12-month high.

Experts said that's not a sign that prices will double to $40, as they did in 1991, when the United States went to war with Iraq, the world's fourth-largest oil producer at the time.

Instead, it appears that oil prices have returned to the roughly $18- to $22-a-barrel range that they've wobbled between since 1988.

According to administration officials, Mr. Clinton urged the lawmakers to develop plans that would show tax credits for marginal oil wells — low-producing wells in danger of being capped — that would not affect tax revenue.

Deputy Energy Secretary Bill White, a Hous-

[illegible] CLINTON on Page 30.

The Times-Picayune
6/17/94

Clinton hears plea for oil

6/17/94

By BRUCE ALPERT
Washington bureau

WASHINGTON — Oil patch lawmakers met for an hour Thursday with President Clinton, and came away convinced he'll support measures to boost the ailing oil and natural gas industry.

Sen. Energy Committee Chairman J. Bennett Johnston, D-La., who has been critical of the administration's policies toward the industry, said he expects the president to approve some but not all of the proposals submitted Thursday.

"The president, I think, was impressed by the hearing, but he said he will get back to you and give you a report," Johnston said. "The mood was a good one, but the answer is not yet definitive."



Among the proposals are royalty relief to encourage new drilling, tax incentives to preserve marginal production when oil prices fall below $20 a barrel, regulatory relief and a measure that would allow producers to deduct from taxes some geological and geophysical costs.

During the session at the White House, Sen. John Breaux, D-La., suggested that some of the tax relief be tied to health reform packages, because it will be the only tax bill likely to be taken up by Congress this year.

But Johnston said he doesn't see much likelihood that health reform and oil and gas relief would be linked.

"I don't think there are many senators, if any, who would vote for or against health care based on what is done in energy," Johnston said. "Both are too important to be commingled."

Still, he and Breaux, along with Rep. Billy Tauzin, D-La., said they were encouraged that Clinton seemed sympathetic to the plight of oil and gas.

"We've lost 22,000 jobs since November and we've lost more jobs than steel and auto combined," Johnston said. "This is a disaster for one of America's largest industries."

Tauzin said he sensed administration support for doing something immediately to help make stripper wells — those producing 15 barrels a day or less — economically viable.

Energy Secretary Hazel O'Leary has said any relief for the oil and gas industry cannot add to the federal deficit under budget rules imposed by Congress and supported by the administration. But lawmakers said Clinton suggested that tax incentives should not necessarily be considered increased costs because without them thousands of low-yielding stripper wells could be shut down and the taxes they generate lost forever.

The Baton Rouge Advocate

6/17/94

Lawmakers lobby Clinton on oil, gas incentives

By JOAN McKINNEY
Advocate Washington bureau

WASHINGTON — Congressmen from oil and gas states Thursday lobbied President Clinton on an array of tax and royalty relief options to revive the industry, but left the White House with only promises of more studies.

The options include tax breaks on high-cost production activities, relief for stripper well operators and incentives to spur new development in deep-water areas of the Gulf of Mexico, according to congressmen who attended the one-hour meeting with Clinton.

U.S. Sen. John Breaux, D-La., added another wrinkle by suggesting oil and gas tax breaks be inserted in health-care legislation now before Congress.

"You always look for a train to attach a car to. The health-care bill may be the train" for oil and gas assistance, Breaux told news reporters outside the White House.

But other oil and gas lawmakers declared there is no effort to trade votes on health care and oil and gas production incentives.

Two lawmakers — U.S. Rep. Billy Tauzin, D-Thibodaux, and a congressman who requested anonymity — said Breaux made only an offhand comment in the meeting about including oil and gas in health-care legislation.

Breaux's suggestion was made so casually that "I thought it was a joke" and the comment did not provoke further discussion, said the second lawmaker.

Several energy state lawmakers represent swing votes on health care, particularly moderate and conservative Democrats who serve on the House Ways and Means, the Senate Finance and the House Energy and Commerce committees.

Many of those congressmen attended the oil and gas meeting with Clinton, among them Breaux; two Ways and Means members from Louisiana, New Orleans Democrat William Jefferson and Shreveport Republican Jim McCrery; and House Energy Committee member Tauzin.

Any health-care reform bill must have a tax section to raise revenue to pay for some health-care programs.

Breaux said a health bill probably will be "the only tax bill this year," so health care legislation would be the only vehicle available for proposed energy tax breaks.

But U.S. Sen. J. Bennett Johnston, D-La., the Senate's Energy Committee chairman, said that, for many lawmakers, the issues of health care and oil and gas aid are entirely separate and must be judged on their individual merits.

Breaux is pushing two proposed tax breaks for the industry, one to lower the cost of certain expensive, high-technology production, and another to give a $5-per-barrel tax credit for production in very deep offshore areas of the federal Outer Continental Shelf.

Johnston has proposed separate legislation allowing the U.S. Interior Secretary to forgive, or reduce, the royalties owed on some deep-water production.

Previously, a top U.S. Energy Department official said the Clinton administration might support a version of Johnston's royalty relief legislation, but Johnston has waited weeks and the endorsement has never materialized.

Johnston said "we'd been hopeful" of getting a royalty relief endorsement from Clinton at Thursday's White House meeting, but "there were too many different proposals" discussed at the meeting, making it difficult for Clinton and his staff to react immediately.

"They're going to report back," he said. "The mood was good in the meeting," said Johnston. "... We got some assurance that the president is particularly interested in the loss of stripper wells, and he has some real interest in offshore drilling incentives."

Also attending the meeting were Louisiana Reps. Robert Livingston, R-Metairie, and Jimmy Hayes, D-Lafayette.

Federal program creates 600,000 jobs for youths

By ROBERT MAYLOR JR.
AP labor writer

WASHINGTON — The Clinton administration plans to create more



Stocks mostly higher; Dow Jones up 20.93

By STEVE BARON
AP business writer

NEW YORK — Stocks were mostly higher [illegible]

The Dow Jones industrial average gained 20.93 to 3,811.34

print 102.707

FEDERAL FILINGS

06/16 Clinton Backs Lifting ANS Crude Oil Export Ban

FORM TYPE: CapHill
ISSUER: BRITISH PETROLEUM CO., THE
SYMBOL: BP

President Clinton today told a group of 117 congressmen that he agrees with arguments to relax the ban on Alaskan North Slope (ANS) crude oil exports.

However, Clinton said in an unprecedented meeting this morning held to discuss the concerns of the oil and gas industry, impediments remain regarding lifting the ban as it effects the General Agreement of Tariffs and Trade and well as the Jones Act, which requires all shipments between U.S. ports to be done on U.S. ships

(END) FEDERAL FILINGS-DOW JONES NEWS 06-16-94
11:59

FEDERAL FILINGS

06/16 Clinton Optimistic About Stripper Well Credits

FORM TYPE: CapHill

While several senators expressed optimism that their meeting this morning with President Clinton on relief for the oil and gas industry would prove fruitful, Sen. Bennett Johnston (D-La.) was somewhat cautionary.

"The president said, we'll get back to you," he said in characterizing the meeting. "The mood was a good one, but the answer is not yet definitive." However, Johnston added, "I'm confident we'll get an answer soon. I'm encouraged it will be a good one."

Clinton was encouraging about the prospects for enacting tax relief for low-production "stripper" oil wells. He told the bipartisan group of 117 congressmen, mostly representing oil and gas areas, that it was possible that such tax relief would not lose tax revenue for the government.

That's important because budget law requires that tax losses be offset by equivalent tax increases in other areas or reductions in spending. Treasury Secretary Lloyd Bentsen, who attended the meeting, reminded the group that budget constraints continue to be a concern.

Clinton asked the group to develop a plan for tax relief for marginal wells that are likely to be shut down without relief, according to Bill White, deputy secretary of energy. The president as well as Bentsen emphased the need to come up with revenue-neutral solutions.

Since oil prices have risen substantially in recent months, the cost of adopting tax relief would be lessened, White said. The Department of Energy has asked National Petroleum Council to develop a study concerning the most cost-effective way to preserve marginal production, which is expected to be finished next month, White said. He added that the study could be used to craft a relief plan. Most oilwells in the U.S. produce less than 2.5 barrels per day, and they account for 10%-15% of the U.S. oil supply.

Sen. David Boren (D-Okla.), who had called for the meeting, said that $3 of revenue would be gained by the government for every $1 of tax credit given.

Besides the issue of tax incentives for stripper wells, the only other issue the president commented on was the possibility of relaxing the ban on oil exports from Alaska's North Slope, White said.

The president said he thought there would be economic benefits from relaxing the ban, but he said that two trade issues are stumbling blocks, according to White. Maritime unions have endorsed dropping the export ban if they are guaranteed that U.S. ships would be used to ship the oil to Pacific Rim markets. But there are provisions in the General Agreement on Tariffs and Trade that may restrict the U.S. from requiring international shipments to use American vessels. Clinton said the net economic benefit or loss would have to be evaluated.

The U.S. is in negotiations with European shipping countries on shipbuilding subsidies and the Jones Act, which requires the use of U.S. vessels for shipments between U.S. ports is a topic in those discussions. Expanding the requirement for the use of U.S. vessels to exports could have a negative impact on those negotiations, White said.

Clinton said "he thought lifting ban was good idea subject to resolving the trade issues." White said. "The president supports it if can do it on American ships; that would increase American employment," he said.

There has been a decline in production from Prudhoe Bay, the primary production area on Alaska's North Slope. Many people think production would expand in both Alaska and California, where Alaskan oil is now shipped, if Alaskan oil could be sold in the world market at world prices. The National Economic Council believes there would be positive benefits from relaxing Alaskan exports.

The congressional group asked Clinton to endorse several types of relief for the industry, including royalty relief for deepwater production, tax incentives for production and regulatory relief. Boren said the entire package being requested by the congressmen would cost the government $300-$400 million over a five-year period. "That's not a very high hill to climb," he said.

The administration "supports the concept of royalty relief in offshore areas of the central and western Gulf, targeted at tracks that would not otherwise be drilled," White said. He said the administration has made some recommendations on legislation proposed by Johnston.

Johnston's bill has been approved by the Energy and Natural Resources Committee that he chairs and he included it in a proposal on mining reform legislation that the Senate and the House are to begin negotiating on shortly. However, Johnston's bill was turned back by a large margin when he attempted to attach it to a clean water bill earlier this year, and its inclusion in the mining reform bill is certain to be fought by the House.

Johnston's bill would extend royalty relief to offshore Alaskan frontier areas, which the administration opposes. White said the administration also differs with Johnston over whether royalty relief should be granted for a certain amount of oil or until costs have been recovered, as Johnston has proposed. Interior Secretary Bruce Babbitt is willing to visit with Johnston over the issue, White said.

Other issues raised include insurance requirements for offshore oilwell operators. The operators say requirements under current law would force them to post bonds that they cannot afford. White said the Interior Department has recognized that rules they have proposed "may have problems, because it assumes one size fits all." He said the agency is reviewing its proposal and wants to revise it "to better tailor it to the risk."

Many of the problem could be changed administratively, White said, but there are a couple of issues that may require legislative relief, he said.

White said that Interior will scale back its request for more frequent collections of royalties from public lands.

Sen. Pete Domenici (R-N.M.) told Clinton it is important that the Environmental Protection Agency take the advice given by a federal advisory group of oil companies and environmentalists on underground waste injection. White said EPA has indicated it intends to do that.

Several senators also encouraged the administration to some types of geological expenditures to be expensed in the current year,

No. 1 Razorbacks rule D.C. on day of swine and roses

Arkansas Democrat Gazette 6/16/94

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — The University of Arkansas men's basketball team got the spoils of the victor Wednesday, visiting the White House and the Razorbacks' best-known fan.

President Clinton and first lady Hillary Rodham Clinton greeted the NCAA champions, coach Nolan Richardson and hundreds of supporters at a Rose Garden ceremony.

Early in the 1993-94 season, Clinton had promised the Razorbacks they would be invited to the White House if they won the national championship.

He held up his end of the deal Wednesday afternoon.

"I just wish that on every close issue, I had Scotty Thurman there to make the shot," Clinton said.

Thurman hit the three-point shot that helped send the Razorbacks to a 76-72 victory over Duke University on April 4.

Clinton used the opportunity to catch up with old friends. Hundreds of Arkansans crowded into a tent in the Rose Garden, calling the Hogs and cheering as though the event were a pep rally at Bud Walton Arena in Fayetteville.

The first lady wore Razorback red for the occasion.

The president attended four Arkansas games last season, including the last three in the NCAA Tournament. His support netted him a photo on the cover of *Sports Illustrated* this year.

Unlike most presidents, he never makes a secret of where his athletic loyalties lie.

"I never did anything quite so crazy as to risk the 51 electoral votes of Michigan, Arizona and North Carolina by going to those games," Clinton said.

The team defeated the University of Michigan for a spot in the NCAA Final Four. It then defeated the University of Arizona and Duke.

The fans were as happy to be at the White House as the players. Dozens flew up on a chartered plane from Fayetteville with the team Wednesday morning. Hundreds more live in Washington, transplanted after Clinton's November 1992 victory or already working here for members of the state's congressional delegation.

Others just got lucky.

"This is a wonderful surprise," said Clyde Covington of Hot Springs.

Covington was in Washington on vacation when he learned the Razorbacks would be at the White House. He was able to wrangle an invitation to the ceremony.

"To see the team and the president together is wonderful," Covington said.

"I think this may be the second-greatest event that has happened to Arkansas. The first was the inauguration of the president," said John Tull, a Lonoke farmer and member of the Commodity Futures Trading Commission.

The president clearly enjoyed the occasion, shaking hands long after the ceremony ended. He also couldn't resist a little ribbing at the expense of Arkansas' two senators, who were absent but who held a reception for the Razorbacks on Capitol Hill later in the day.

Clinton said Sens. Dale Bumpers and David Pryor, both D-Ark., "called me and told me that they had to stay and vote. I told them that their priorities might be a little out of order."

Ironically, the Arkansas senators were voting on amendments concerning the Whitewater Development Corp. affair that has engulfed the administration.

Richardson presented the president with an Arkansas basketball jersey with Clinton's name on the back and the number "1" under the name.

"What can I say? Our cups runneth over," the coach said. "We're very delighted, very proud, very happy that we had the opportunity not only to win a national championship, but to have the first fan of this country be a fan of the University of Arkansas."

Thurman said, "We're extremely proud of the fact that we're here in the Rose Garden. Hopefully, we'll get to come again next year."

The Razorbacks and their fans were given a tour of the White House. The team then went to Capitol Hill for two receptions before returning to Fayetteville late in the day.

"All of us ... were very proud not only of the fact they won the national championship, but the way they won it with hard, clean, aggressive basketball," Clinton said. "That championship game was the way every national championship ought to be decided."

'First Fan' honors Razorbacks at White House

By Adam Keats
Doorey Washington Bureau

WASHINGTON — Inside a steamy and Hog-fan-packed Rose Garden tent, President Clinton and Hillary Rodham Clinton Wednesday congratulated the Arkansas Razorbacks on their first NCAA basketball championship.

"I think it is fair to say there have been many important events that have occurred in the Rose Garden, but none more important than what is occurring today," Mrs. Clinton said.

The president presented the team and Arkansas coach Nolan Richardson with commendation plaques honoring the Razorback's victory. As is customary for any Razorback fan — the Clintons included — the crowd wrapped up the celebration by "calling in the Hogs," — yelling three times, "Wooooo, pig, sooey!"

"You did your state proud, you made the President happy but more importantly, you showed America the best about what college athletics should be and we are all very, very proud of you," Clinton told Richardson and the team.

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"I told them that their priorities might be a little out of order," Clinton said.

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After the event, the president and Mrs. Clinton invited their Arkansas guests for lemonade on the South Lawn.

This is the second time Clinton congratulated the team on its 76-72 win over Duke University. Clinton attended the April 4 championship game in Charlotte, N.C. and spent time with the team after the victory.



Associated Press

President Clinton, left, congratulates Arkansas head coach Nolan Richardson during a ceremony Wednesday at the White House.

Southwest Times Record



THE FIRST FAMILY JOINS RAZORBACK BASKETBALL PLAYERS IN CALLING THE HOGS (AP)

log calls echo through Rose Garden

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Richardson presented Clinton with a red-and-white Arkansas jersey with "Clinton" and "No. 1" printed on it.

Scotty Thurman, whose last-minute 3-pointer won the championship, told Clinton, "Hopefully, we'll be all coming back here next year to do this again."

The president said basketball resembles another sport he likes — politics.

"It's more and more physical all the time. You get behind and then you get ahead. You never know whether you're going to win until the end of the game. And people are questioning your judgment calls all the way through," he said with a laugh.

The event ended with three rounds of Arkansas' traditional hog call, "Woo Pig Sooie!" Clinton and the first lady joined in, although they chatted to each other between calls.

As the hog call ended, the first lady polled the crowd to see how many had not toured the White House. When several hands raised, she said, "Well, we'll fix that." She invited the guests to have some lemonade on the South Lawn while the staff arranged private tours.

Pine Bluff
Commercial
6/16/94

PINE BLUFF COMMERCIAL

SPORTS

B

THURSDAY, JUNE 16, 1994

Razorbacks Visit Clintons at White House

By Adam Kern

WASHINGTON — Inside a steamy, crowded Rose Garden yesterday, President Clinton and his wife congratulated the Arkansas Razorbacks on their first NCAA basketball championship.

"I think it is fair to say there have been many important events that have occurred in the Rose Garden, but none more important than what is occurring today," Mrs. Clinton said.

The president presented the team and Coach Nolan Richardson with plaques honoring the Razorbacks' victory.

"You did your state proud, you made the president happy but more importantly, you showed America the best about what college athletics should be and we are all very, very proud of you," Clinton told Richardson and the team.

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After the event, the president and Mrs. Clinton invited their Arkansas guests for lemonade on the South Lawn.

This is the second time Clinton congratulated the team on its 76-72 win over Duke University. Clinton attended the April 4 championship game in Charlotte, N.C.

During his congratulatory speech, Clinton joked with the crowd about how basketball and his job paralleled each other.

"It's more and more physical all the time," the president said. "You get behind and then you get ahead. You never know whether you're going to win until the end of the game and people are questioning your judgment. Talk all the way through. I just wish that on every close issue, I had Scotty Thurman there at the end to make the shot."

"It feels great," forward Corliss Williamson said. "It's a prime example of what Arkansas fans are. No matter where they are or what position they hold, they are Razorbacks to the heart."

Richardson, who followed Clinton at the podium, said the team was delighted and proud "that we had the opportunity not only to win a national championship, but to have the First Fan of this country be a fan of the University of Arkansas."

THE MORNING NEWS
SPRINGDALE, ARK. JUNE 16, 1994

Up Thursda
The Newspaper Northwest Arkansas Depends Upon

Number One Fan and Number One Coach



AP Photostream

President Clinton gestures toward Arkansas Coach Nolan Richardson during a ceremony Wednesday in the Rose Garden of the White House at Washington. Members of the Arkansas Razorback basketball team, the 1994 NCAA basketball champions, were honored for their victorious season. In the background are players Clint McDaniel (left) and Reggie Merritt.

The Morning News 6/16/94

Clintons Welcome National Champs



AP Photostream

Calling the Hogs: President and Mrs. Clinton join members of the NCAA national basketball championship team, the Arkansas Razorbacks, in calling the hogs during a Rose Garden ceremony Wednesday in Washington. Behind the president (from left) are team members Davor Rimac, Darnell Robinson and Dwight Stewart.

Adam Keats
News Washington Bureau

WASHINGTON — Inside a steamy Rose Garden tent, packed with Hog fans, President and Mrs. Clinton on Wednesday welcomed the Arkansas Razorbacks and congratulated them on winning their first NCAA basketball championship. The Marine Band played the Arkansas fight song, and the crowd eventually called the hogs.

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■ See RAZORBACKS/ Page 2A

Razorbacks from 1A

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After the event, the president and Mrs. Clinton invited their Arkansas guests for lemonade on the South Lawn. The first lady polled the crowd to see how many had not toured the White House. When several hands raised, she said, "Well, we'll fix that."

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Clinton's love for basketball can be traced to his early childhood. According to *Sports Illustrated*, the president played church-league ball as a kid. He also was a reserve on the Oxford University B team while he was a Rhodes scholar from 1968 to 1970, the sports weekly reported.

Clinton's close ties to the state, the school and the team made Richardson as well as the players appreciate having the president as their No. 1 fan.

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"I kind of feel like a politician up here," Thurman said. "Hopefully, we'll be able to come back next year and do it again."

Williamson, who found out only a few weeks ago that he fractured his left wrist during a layup in the championship game, said his arm "feels all right, but the heat makes it itch."

Williamson said he will wear the yellow-and purple cast — now autographed by the president — for another three months.

As is customary for any Razorback fan — the Clintons included — the crowd wrapped up the celebration by "calling the hogs," yelling three times, "Woooooo, pig, sooey!"

Northwest Arkansas News
6/16/94

White House Welcomes Hogs

Adam Keats
Donrey Washington Bureau

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6/16/94 6:25 AM Inches: 13.1
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PM-Clinton-Razorbacks,460
President Hosts Arkansas Razorback Team
rftpwdc
By RON FOURNIER
Associated Press Writer

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The president, who hails from Arkansas and attended several games this season, presented official commendations to the team and coach Nolan Richardson, crediting them with "hard, clean, aggressive basketball."

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The Courier
6/16/94

El Dorado News Times
6/16/94

Clinton honors the Hogs

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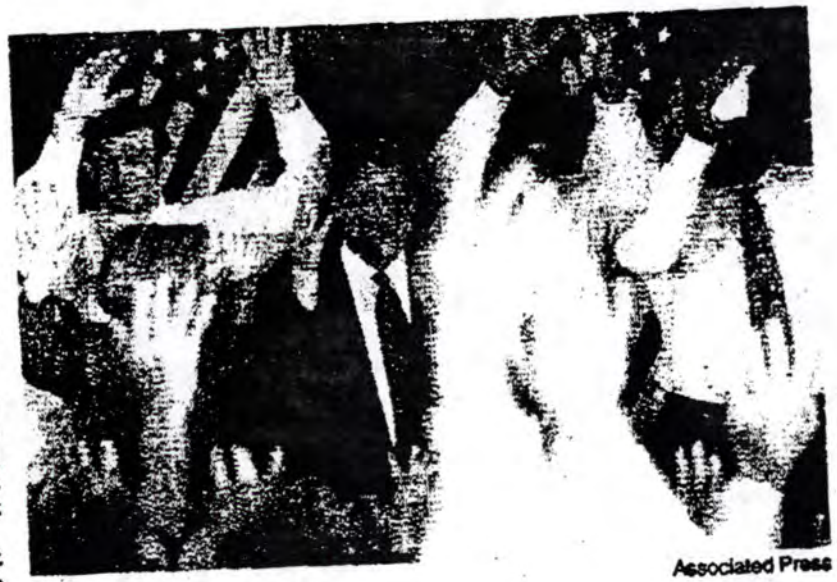
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Associated Press

Calling the Hogs

President and Mrs. Clinton, along with members of the NCAA basketball champion Arkansas Razorbacks, celebrate during a ceremony honoring the team. The Hogs were honored Wednesday at the White House.

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Harrison Daily Times

Thursday, June 16, 1994

President Hosts UofA Basketball Team

❑ President's 'Woo Pig Sooie!' echoes across Rose Garden.

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The event ended with three rounds of Arkansas' traditional hog call, "Woo Pig Sooie!" Clinton and the first lady joined in, although they chatted to each other between calls.

As the hog call ended, the first lady polled the crowd to see how many had not toured the White House. When several hands raised, she said, "Well, we'll fix that."

She invited the guests to have some lemonade on the South Lawn while the staff arranged private tours.

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Clinton displays new jersey. (AP Laserphoto)

A little 'Hog Heaven' right in Rose Garden

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The Daily Citizen
6/16/94

Clinton hosts Razorbacks

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[redacted]d Hill Subcommittee Starts Voting On Health Plan, Defeats GOP Move

By Spencer Rich and Dana Priest
Washington Post Staff Writers

The second in a long series of congressional panels began voting on a national health plan yesterday as a House Education and Labor subcommittee crushed a Republican attempt to kill a version of President Clinton's health bill.

On a 16-to-10 party-line vote, labor-management relations subcommittee Democrats defeated a move by Rep. Marge Roukema (R-N.J.) to junk a Clinton-like plan sponsored by subcommittee chairman Pat Williams (D-Mont.).

In place of the Williams measure, Roukema offered a proposal based in part on a bill sponsored by House Minority Leader Robert H. Michel (R-Ill.), which does not include two controversial features of the Clinton plan.

One is a government-enforced requirement that businesses pay most of the cost of health insurance for their workers. The other feature is mandatory cost controls. "We do not want a national health board and bureaucracy establishing the cost controls that really result in wage and price controls" and eventually in rationing of care, Roukema declared.

Her plan would have changed insurance regulations to make it easier for small businesses to buy insurance, and would have created voluntary purchasing cooperatives in which a number of businesses could mass their purchasing power to obtain policies on good terms. It also would have limited the ability of the companies to exclude persons from health policies for preexisting health conditions. States would have been allowed to expand subsidized coverage for the poor. Employers would have been required to offer, but not pay for, health insurance for their workers.

Williams and other Democrats said the Roukema bill would be vetoed by President Clinton if it passed Congress, because, Williams said, it does not guarantee universal coverage for all Americans and does little to hold down the growth of costs. Williams's version, like Clinton's, includes direct cost controls and requires most employers to pay 80 percent of the premiums for their workers, though Williams gives special subsidies to small businesses.

"The president's bill is unworkable and is headed for oblivion," said Rep. Richard K. Armey (R-Tex.). "Let's give the White House bill a proper funeral, a blessing and a burial," said Rep. John A. Boehner (R-Ohio).

A House Ways and Means subcommittee approved a bill similar to Clinton's plan in March. So far, Congress has taken no other action, although five House or Senate committees have been asked to draft recommendations for a broad health bill and a dozen other panels have jurisdiction over portions of bills. Meanwhile, the American Medical Association, which backed off its support of mandatory employer-provided insurance at its last annual convention, yesterday came out in support of a requirement that firms with 100 or more employees must pay most of the premiums for their employees.

In a speech before the Health Insurance Association of America, the AMA's executive vice president, James S. Todd, said that under the concept now backed by the AMA, individuals in smaller companies would be required to buy their own coverage, with sliding-scale subsidies for low-income people.

Under this scheme, most doctors who run their own offices would not be required to pay their workers' insurance. About 75 million people are in families with workers employed in firms of less than 100 employees.

Todd said the AMA favors having employers in large firms pay 80 percent of the premium and employees the rest, with government assistance available for low-income families.

Hill Conferees Agree on Reduced Budget

By Eric Pianin
Washington Post Staff Writer

House and Senate negotiators reached agreement yesterday on a new budget plan containing $13 billion more in spending savings over the next five years than the Clinton administration had favored.

The compromise agreement marked a partial victory for Senate deficit hawks, who had argued that President Clinton's $496 billion anti-deficit package approved last year did not go far enough.

In approving its version of the budget resolution for fiscal 1995, the House had opposed any additional spending cuts, fearing that most of the savings would be made at the expense of the defense budget, which already has undergone sharp curtailment in recent years. However, a bipartisan faction in the Senate led by J. James Exon (D-Neb.) and Charles E. Grassley (R-Iowa) forced a change in the resolution to provide $26 billion more in savings over the next five years.

Yesterday's compromise essentially split the difference, requiring a total of $13 billion of additional savings by 1999, $500 million of it in the fiscal year that begins Oct. 1.

"We split the difference because the House would not accept a larger cut and the Senate would not accept any less," Senate Budget Committee Chairman Jim Sasser (D-Tenn.) said in announcing the agreement.

An aide to House Budget Committee Chairman Martin O. Sabo (D-Minn.) confirmed that an agreement had been reached. The compromise spending blueprint, which includes spending levels for the coming year as well as projected levels for the succeeding four years, could be sent to the House floor as early as Friday.

The compromise plan largely mirrors Clinton's proposals for spending a total of $1.5 trillion in the coming fiscal year. About a third of those funds would go for domestic, defense and foreign aid programs that Congress has direct control over, while the rest will be spent on entitlement programs, like Medicare and Medicaid, and interest on the federal debt.

With an election looming, many congressional Republicans and Democrats have agitated for additional spending savings, to demonstrate to voters their resolve to gain control of the deficit. While the combination of last year's spending cuts and an improved economy has produced a dramatic decline in the projected deficit, Exon, Grassley and others have argued that the time is ripe for deeper cuts below the existing spending caps.

In the House, Reps. Bill Zeliff (R-N.H.) and Robert E. Andrews (D-N.J.) are launching an effort today to force a vote on the "A to Z Spending Cuts Plan." That measure, under attack by the House Democratic leadership, is designed to circumvent the committee system and throw the floor open to 56 hours of debate and votes on virtually any spending cut members choose to offer.

Consensus on Health Reform Elusive As Conferences Go On High and Low

By Dana Priest
Washington Post Staff Writer

In the VIP cabin of the military plane carrying lawmakers back from former president Richard M. Nixon's funeral, Sen. Robert J. Dole (R-Kan.) convened a health care confab—at 1 a.m.

Crowded in the doorway, seated on the floor and crammed between the small collapsible tables, a dozen foggy-eyed members of Congress had the kind of informal, inconclusive talk-a-thon that is occurring daily as members mull over changes in the U.S. medical system.

Except for a few dozen legislators who staked out their positions long ago or are being browbeaten by anxious committee chairmen to adopt one soon, the consensus on health reform is still as liquid as whipping cream in a carton, as Sen. Bob Packwood (R-Ore.) likes to say.

"You beat it and beat it until it whips," said Packwood. "You never know exactly when it will finally congeal."

The whipping process seems to being going on everywhere. On the House and Senate floors when members vote on other bills, in the private offices of committee chairmen, at the White House and, as Dole's meeting indicates, even in the air.

Rep. Dave Camp (R-Mich.) was in the middle of David McCullough's thick Truman biography when Dole tapped him on the shoulder on the flight back from California. "Hey, Dave, come on up front. We're chatting with some people about health care," Dole told him.

As Sen. Jesse Helms (R-N.C.) rested an aching leg on a table and Dole swiveled in a big easy chair, Sheila Burke, Dole's indefatigable chief of staff, ran through a list of general principles she and others thought Republicans might agree on.

Sens. Packwood, Dave Durenberger (R-Minn.) and John H. Chafee (R-R.I.) talked about a centrist bill they could write based on requiring individuals to buy coverage. Sen. Don Nickles (R-Okla.) reminded them he is backing away from even that, toward a slower, more incremental approach.

"The window for a bill with bipartisan support closes in our committee in three weeks," Rep. Fred Upton (R-Mich.), a House Energy and Commerce Committee member, told the group.

Rep. Barbara B. Kennelly (D-Conn.), the only Democrat in the cabin, explained the range of opinion she hears among her colleagues. "I could have been at a Democratic caucus or a Republican caucus," she said later. "Everyone is at about the same place. It's all we all think about."

Five major congressional committees are working on health care legislation, and 11 others have jurisdiction over parts of the plans. All face deadlines soon if they hope to enact legislation sometime in October to campaign in the November elections. Even so, Congress has its work cut out.

The titans of the Senate Finance Committee have gathered in the office of Chairman Daniel Patrick Moynihan (D-N.Y.) twice a week for the last three. They have "glided from subject to subject," as Sen. John D. "Jay" Rockefeller IV (D-W.Va.) describes the "Socratic way" Moynihan has led members through the three-page, soup-to-nuts agenda Packwood passed out.

Five major congressional committees are working on health care legislation.

If disagreements look like they may become arguments, he moves on to another subject. "At the point it begins to lock in, Pat will make a deft comment, like 'Well good, we'll move along.' Or 'We need to have a paper on that,' " said Rockefeller.

The sessions are kept to an hour. "He's very artful, like a doctor giving you a small dosage of discussion at a time," said one participant.

The free-flow form encourages members to bring up whatever comes to mind.

Sen. Kent Conrad (D-N.D.) has suggested that everyone should have the same coverage as federal employees.

Rockefeller walked his colleagues through a four-page analysis of different health alliances. Sen. John Breaux (D-La.) wondered "whether it's too difficult to get done all at once," he and others recalled.

"How do you feel about what [Ways and Means Chairman Dan] Rostenkowski [D-Ill.] said?" Moynihan asked at one meeting, referring to Rostenkowski's recent remarks that a broad tax may be necessary to pay for universal coverage. When it was clear not everyone had read the remarks, he asked the staff to pass out copies.

"We're not getting ready to make decisions," said Durenberger. "We're just talking."

Part of the committee's circumspection comes from the fact that the Senate's chief Republican and Democratic leaders are members. Dole attends every meeting and does not say a lot. Mitchell attends most, and says even less.

Still, there is much more genuine bipartisanship here than in any other panel, where private bill-writing sessions have been for Democrats only. Two weeks ago, when Moynihan had to leave early for a White House appointment, he asked Packwood, the ranking Republican member, to chair the meeting, rather than the next senior Democrat.

All the talk is not limited to Capitol Hill. Two public archenemies—the White House and the Health Insurance Association of America (HIAA), creators of the Harry and Louise commercials that blasted President Clinton's plan—met recently to discuss ways "we could work together," according to participants.

Following up on an offer made by an HIAA official during a television news show, former Ohio governor Richard Celeste, then the head of the Democratic National Committee's health campaign, called up HIAA president Willis Gradison for a get-together.

A few weeks ago in the West Wing, Gradison sat down with deputy chief of staff Harold Ickes, Clinton adviser George Stephanopoulos and chief lobbyist Pat Griffin. They discussed old areas of disagreement, but they also talked about doing a public advertisement together that might highlight the common ground, which is this:

The White House wants everyone to have insurance and the HIAA wants to sell more policies. Hence HIAA's support for the White House proposal that all employees be required to pay part of their workers' coverage.

Depending on who is interviewed at the White House, the idea of a joint commercial is either dead, so stupid as to have never been taken seriously, or still a possibility. "We're not there yet, but it's intriguing," said Stephanopoulos. "You don't want to rule it out just on principle."

A6 WEDNESDAY, MAY 4, 1994 ...
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THE WASHINGTON POST

40

The Zoe Baird Solution

CONGRESS MAY finally be moving toward a plan to solve what you might call the real Zoe Baird problem by protecting the Social Security benefits of most domestic employees. Ms. Baird, you remember, was President Clinton's first nominee to be attorney general. The nomination failed after she acknowledged having neglected to pay the Social Security taxes of two domestic employees, a nanny and her husband, who it turned out were also living and working in this country illegally.

There was a great stir after the nomination was withdrawn, particularly when it turned out that other Clinton appointees had a similar problem. A lot of people, it seemed, had domestic employees for whom they were not in the habit of paying the employer's share of payroll taxes. You heard the matter described in all kinds of often surprisingly sympathetic ways. More women were working; more families were in the market for child care; the immigrants needed the jobs. The employers didn't know they owed the tax, or the forms were too hard to fill out, or the nannies and other employees couldn't afford or didn't want to be reported to the authorities.

The House Ways and Means Committee decided the way to deal with the problem was to define it out of existence by raising the wage threshold below which taxes are not owed. The old rule was that the tax applied to any worker paid more than $50 a quarter. To reduce the inconvenience to employers, the committee proposed to lift that to $1,800 a year. What could be simpler? You reduce noncompliance by simply reducing the obligation to comply. But in giving the ground to employers the panel was also writing many thousands of domestic workers out of the Social Security system, because a worker gets no credit toward benefits from wages on which no tax is owed or paid. The Ways and Means cutoff would have written off some 300,000 domestic workers, about 40 percent of those for whom taxes were then paid. When some rank-and-file committee members protested, they were beaten back on a 19-19 tie.

Now Ways and Means has come up with a lower threshold that would still cut off too many employees, but not as many, and the Senate Finance Committee has approved a $620-a-year figure that would cut off fewer still. It looks like they're going to get it about right—solve the compliance problem while protecting the domestic employees who were the real victims all along. No matter that it will have taken a year; you have to be thankful for such successes as you find them.

A KGB Memoir

WHAT IS to be made of the newly published memoir of Pavel Sudoplatov in which, among other things, the former KGB general accuses leading scientists in the American atomic bomb project of helping Stalin acquire American nuclear secrets. The first consideration must be that, coming as they do from a loathsome and unapologetic mass murderer, such accusations demand an extraordinarily high level of documentary corroboration. It is difficult to imagine someone who deserves less to be taken at his unverified word.

The second consideration is that the particular targets of his atomic allegations—Robert Oppenheimer, Leo Szilard, Enrico Fermi, Niels Bohr—are doubly owed objective judgment. They are dead and unable to defend themselves. And they are men whose notable contributions to a project that was deemed vital to the allied war effort entitle them not to have their memory casually smeared. Certainly these lions of science deserve not to be maligned by someone who has a manifest personal interest in a self-serving version of history and who to this day upholds a Stalinist ideology that spares him any requirement for loyalty to truth.

As for the nitty-gritty, readers of these pages will have had a chance to examine the argument between the defenders and critics of the Sudoplatov material. The analysis offered yesterday by Priscilla Johnson McMillan seems to us to be hardheaded and to show the arbitrary element in the Sudoplatov allegations of espionage and treason.

It is bad enough that the new book comes from a publisher (Little, Brown) ready to present it not as the memoir of a man who proudly ran one of the century's great killing machines but as an "enlightening" report from a former Soviet "spymaster"—a word that cleans up his wretched deeds. Worse, the book has been picked up by the History Book Club; the choice conveys the impression that it is not simply an 87-year-old survivor's recollections but a work of history that has been subjected to the disciplines of the craft. At least the book is well named—"Special Tasks."

Cost and Access: Consensus Quickly Splinters

By ADAM CLYMER
Special to The New York Times

WASHINGTON, April 12 — "Too high premiums and not enough health care." That was how a clerk in Fargo, N.D., answered last month when asked what was the nation's biggest health care problem.

Her reply was a singular moment of clarity in the current debate.

In contrast, the arguments on Capitol Hill have concentrated on detail, process and politics, frequently cast in incomprehensible jargon as legislators and lobbyists compare hard-to-explain parts of President Clinton's plan with elements of competing proposals that no one, except perhaps their sponsors, understands.

The clangor has left the public confused and, recent polls show, perhaps even less knowledgeable than it was a few months ago.

The problems Congress is trying to solve are often drowned out in the din. But the main points are as the Fargo clerk identified them: cost and coverage.

Except among some very conservative Republicans, there is a consensus that major gaps exist in the present system and that costs have produced a crisis. And as Congress returned today from its Easter recess, there is widespread agreement with the message that Hillary Rodham Clinton carries everywhere these days: "Maintaining the status quo cannot be an acceptable alternative."

Agreeing on problems is a first step toward fixing them. But what comes next is a giant step, because a solution to one problem can make the next one worse.

The politicians' reluctance to tell constituents that there is no free lunch is reciprocated; the public has not descended on Capitol Hill to say what it wants to sacrifice.

Identifying the Problem

For the Fargo clerk, who would give only her first name, and hundreds of others interviewed in a recent New York Times Poll, the connection between cost and coverage is clear: cost means the higher and higher insurance premiums they have to pay.

But it is a different side to the cost problem that is forcing Congress to grapple with this vast, complicated issue: health care has become the monster that eats Federal budgets, forcing up deficits and starving other initiatives.

Coverage is largely a function of insurance. About 38 million Americans have no health insurance. After years of steadily increasing private insurance coverage, in the late 80's more Americans started losing insurance than were signing up. Rising costs were the main reason. Millions of other Americans found themselves with only bare-bones coverage. People without insurance do get medical care, but it is worse than the insured receive, although many uninsured are young and healthy.

Beyond these two biggest problems are a swarm of other issues, each crucial to someone. There have to be more medical personnel in rural areas if the promise of health insurance is to mean more than possession of a plastic card. But there also may be a need to produce fewer specialists.

Doctors think that if change is coming this must be the moment to change the malpractice lawsuit system. The elderly argue say now is the time to provide prescription drug coverage under Medicare, and at least a start on benefits for long term care.

The difficulty is that all these issues, especially in combination, lead some lawmakers to despair and ask if it would not be enough to deal with just a few of the issues, the ones people agree on, like restraining the most grating practices of the insurance industry.

But the dominant view is the one offered recently by John Rother, legislative director of the American Association of Retired Persons: "You can't solve only one or two without making the others worse."

Costs

Rising Rates Across the Board

About 14 percent of the United States' gross domestic product is spent on health care. That is a greater share than any other country spends, and it could reach 19 percent or 20 percent by the end of the century.

To most people, the issue of cost is more personal: soaring bills. Many employers never tell workers how much the company pays on their behalf, but benefits have been cut back and employees' payments have been steadily increasing. The Health Insurance Association of America says the cost of family coverage under an average group insurance plan went to $436 a month in 1992 from $235 in 1988, an average annual increase of 17 percent.

A Formidable Deficit

For people who have to buy individual insurance, the increase has been even steeper, "20 percent or a little bit more than that" a year, says Cecil Bykerk, chief actuary for the nation's major individual insurer, Mutual of Omaha. Their premiums are vastly higher, too, because high administrative costs and a lack of bargaining power mean that only about $55 out of every $100 in premiums goes to pay claims. In large group plans, as much as $90 may go to claims, meaning the insurance company charges less for the same benefits.

Those difficulties might not have seized the attention of Congress and the Administration if the Government did not face sharply rising bills, too.

The Basics of Care

A periodic report on national health issues.

Federal health spending for care for the elderly under Medicare and for the very poor under Medicaid went to $200 billion in 1992 from $128 billion in 1988. That is a smaller rate of increase than in group policy costs and was accomplished partly by medical providers' shifting costs onto patients for whom the Government does not pay. Nonetheless, it is still much more than the Government can manage in an era when it is beginning to take the Federal deficit seriously.

States are no better off. The National Association of State Budget Officers contends that states' spending for their share of Medicaid went up 22 percent in 1991 and 33 percent in 1992. Steven D. Gold, director of the Center for the Study of the States at the State University of New York at Albany, argues that those figures are exaggerated and that the real increase is around 17 percent in each year, but that even so, Medicaid is the fastest-growing component of state budgets.

In 1994, Mr. Gold said, the 50 states together "are spending more for Medicaid than for higher education."

Why are costs going up?

Dick Davidson, president of the American Hospital Association, argues that the answer is this: "We pay for medical care on a piecework basis. There's an incentive for more medical encounters."

Dr. Philip R. Lee, Assistant Secretary for Health in the Department of Health and Human Services, says a surplus of specialists causes more spending than necessary.

In medicine, an excess supply of services does not drive prices down; instead, it seems to drive demand up. "When a physician goes into practice," Dr. Lee said, "you generate more costs, ordering lab tests, doing X-rays, in some cases doing procedures."

Access to Care

How to Help The Uninsured

Health insurance is not the same as appropriate care, but it is the first step. The 38-million figure used by President Clinton for the number of uninsured is just a momentary snapshot, because people go on and off insurance rolls, especially as they get jobs or lose them. Diane Rowland, senior vice president of the Kaiser Family Foundation and a leading student of health statistics, says she believes that about 50 million Americans lack insurance at one time or another in the course of a year.

Conservative Republicans often argue that too much is made of the number of uninsured people, because Medicaid is available to the poor, or at least the very poor. And that belief exists, says Mr. Davidson, the hospital association president, because hospitals have boasted they treat anyone who comes in, regardless of

THE NEW YORK TIMES, WEDNESDAY, APRIL 13, 1994

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9

whether they can pay for it. While the boast is accurate for life-threatening circumstances like emergency appendectomies, Mr. Davidson says, it is not for postponable treatments like hip replacements.

Indeed, a book on the problem, "Falling Through the Safety Net," to be published next month by the Johns Hopkins University Press, concludes that being uninsured "has a substantial effect on the amount, location and even quality of care received."

The authors, Joel S. Weissman, who teaches health policy at the Harvard Medical School, and Dr. Arnold M. Epstein, a domestic policy adviser at the White House, say the insured have less primary care and less preventive care. "People who lack insurance delay care," they write, "and there is evidence to suggest that they come into the hospital more severely ill. They may also be hospitalized more frequently for conditions that could have been treated on an ambulatory basis."

In addition, the authors say, "there is also emerging evidence that the quality of their care may be compromised."

Other Issues

Cutting Specialists, And Lawsuits, Too

Though there is wide agreement that controlling costs and broadening access are the goals of overhauling health care, the list of serious problems does not stop there.

One problem is the question of whether the United States has the right number, in the right mix, of primary care doctors, specialists, nurses and physician assistants. There is a consensus that the nation produces too many specialists, though there is also fierce disagreement on how to slow the increase.

Linda Aiken, a professor of nursing and sociology at the University of Pennsylvania, argues that the nation ought to be using twice its current total of 35,000 nurse practitioners and ought to ease the restrictions many states place on what those practitioners can do, such as prescribing drugs. The nurse practitioners do provide basic care both in places where there are no doctors and in place of more expensive physicians in health maintenance organizations and other forms of collaborative medical practice.

But there is also a widespread sense that more personnel alone will not solve the problem of access, either in rural areas or urban slums. Dr. Lee, the assistant secretary, says that in the slums in particular it is far-fetched to expect many doctors to open up practices because "the environment is just too difficult." But he says the problems are least severe in areas served by networks like the one established by Montefiore Hospital in the South Bronx. Similarly, a rural network of clinics, nurses, hospitals and doctors has minimized the personnel shortages in the open spaces of the Dakotas.

Few health care problems evoke such widespread complaint as insurance practices. Insurance companies have an endless variety of rates and policies.

Mr. Bykerk, the Mutual of Omaha actuary, says that only 1 percent to 2 percent of the public is "uninsurable," meaning that they have "such a bad health condition that under today's conditions a typical insurance company would not insure them under any circumstances."

But many millions more have health conditions that either mean much higher rates or exclude that a particular problem from insurance coverage. People usually have to be insured anew when they change jobs, and many fear that they will not be approved. If a person loses his job, his insurance is usually lost, too. Small companies that provide insurance can find that one worker's sick child can cause their rates to soar or for them to be told that unless that worker is excluded, the insurance will not be renewed.

The result is a worried nation. Thirty percent of the public, in the Times poll last month, said they were "very concerned" that in the next five years they would lose their insurance.

Insurance companies today, unlike the Blue Cross agencies that really began hospitalization insurance in the 1930's, look for good risks and charge people differently. Even the Health Insurance Association of America does not defend these practices and would be willing to see them barred, so long as the rates of good risks could be raised to pay for coverage of poor risks.

A less clearly defined issue is malpractice litigation. Doctors and most Republicans regard it as a very serious burden, not only because some plaintiffs win immense verdicts but also because the threat of being sued forces wasteful habits on doctors who overtreat in self-defense. In some fields, particularly obstetrics, soaring insurance rates have driven doctors out of business.

Counterpressures, from lawyers' organizations and genuine skeptics about the medical industry's commitment to policing its own quality, have stalled past efforts to change the laws on malpractice. That skepticism persists. "I'd like to see the A.M.A. reduce their fees in return for malpractice reform," said Mr. Rother, who has often battled the American Medical Association on behalf of retired people.

Doctors and hospitals alike contend that antitrust laws scare them out of getting together and agreeing on ways to eliminate expensive duplications. (Mr. Davidson says that as far as hospitals are concerned, the Clinton Administration is easing the antitrust fear by spelling out the rules in advance.)

Only organizations representing the elderly have made an issue out of prescription drug coverage. Still, there seems to be widespread agreement that a change in medicine since Medicare was enacted in 1965 away from hospitalization and towards greater use of prescription drugs supports the demand for adding a prescription drug benefit to Medicare now, though the expense is scary.

While the elderly annually spend about three times as much on prescription drugs as do other Americans, nearly two-fifths of them have no insurance to cover it. So Mr. Rother and his group's members, who vote heavily, see coverage as the bottom line.

"If you don't have coverage for prescription drugs for my people," Mr. Rother said, "it's like not having health care."

Then there are other, widely acknowledged problems in the health care system, ones that affect its spirit and that none of the overhaul proposals seem to combat. One is paperwork. Eighty-two percent of the adults in that Times poll said there was too much paperwork in health care today.

A related problem is the tone of modern medicine for its practitioners. The steadily growing private efforts to cut costs require continual checking with insurance companies, and doctors do not like it, saying it denies them the dignity they expected when they picked their profession.

As Dr. James S. Todd, executive vice president of the A.M.A., said, "They have to call 1-800-CONTROL before they can do anything."

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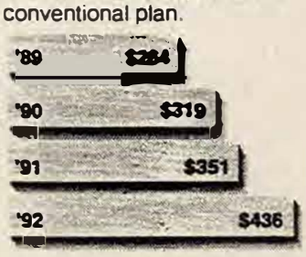
SNAPSHOT

Care: Less Available, More Costly

The number of uninsured Americans, in millions.



Average monthly premium to insure one family, under a conventional plan.



No 1993 figures available.

Sources: Employee Benefits Research Institute, Health Insurance Association of America

The New York Times

10

Many Don't Realize It's Clinton Plan They Like

By Hilary Stout
Staff Reporter of The Wall Street Journal

YORK, Pa. – Jahan Bashir doesn't like President Clinton's health-care plan. She thinks it's too confusing, too complex and probably too expensive.

What about a plan that would guarantee a standard private health benefits package to all Americans, try to promote competition in the medical industry, include some government regulation to keep prices under control and require all employers to buy health insurance for their workers with the promise of government subsidies to help the smallest companies.

"It sounds good," says Mrs. Bashir, a 43-year-old secretary and mother of seven. "Employers may pick up a lot of the burden, but if the employer can't afford it, the government will subsidize. So you're going to have the employer, the government and the insurance companies working together."

Actually, that plan *is* the Clinton plan.

Mr. Clinton is losing the battle to define his own health-care bill. In the cacophony of negative television ads and sniping by critics, foes are raising doubts about the Clinton plan faster than the president and Hillary Rodham Clinton can explain it. Unless the Clintons can cut through the confusion, the outlook for passage of major elements of their bill is in doubt.

A new Wall Street Journal/NBC News poll shows that public support for "the Clinton health plan" is eroding. Yet the same poll, conducted by Republican Robert Teeter and Democrat Peter Hart, shows that backing for the basic provisions in the president's plan is strong.

In the poll, 45% of Americans now say they oppose the Clinton plan, up from 39% in January and 18% in September, just after the president outlined the plan in a televised address to Congress. Thirty-seven percent of those surveyed favor the Clinton program, down from 42% in January and 51% in September.

But when read a description of the major provisions of the White House bill – without identifying it – 76% of the respondents say it has either "a great deal of appeal" or "some appeal." That is far better than the response to descriptions of four other congressional proposals:

A description of a plan by Rhode Island Sen. John Chafee and other moderate Republicans, which would require all individuals to obtain health coverage and provide financial assistance to low-income people, appeals to 48% of those surveyed. A plan by Democratic Rep. Jim Cooper of Tennessee that has bipartisan backing and would require employers to offer – but not pay for – coverage for their workers and seek to control prices through market competition gets a 34% approval rating. A plan by conservative GOP Sen. Phil Gramm of Texas that would allow people to set up tax-free savings accounts for medical expenses gets 42% approval. And a government-run, taxpayer-funded system pushed by Rep. Jim McDermott of Washington and some other liberal Democrats appeals to 31%.

Forty percent of those surveyed say requiring employers to pay for their workers' health coverage, a cornerstone of the Clinton plan, is the best way to achieve universal health coverage. This compares with 22% who favor requiring individuals to purchase their own coverage, and 18% who back having the government collect money through taxes and use it to pay medical bills. Moreover, by 58% to 34%, Americans say the government should set controls on health prices. The Clinton plan would place caps on the annual increase in private health insurance premiums. Plans being pushed by Republicans and some other Democrats wouldn't.

Surprisingly, despite the push for fast action on health-care overhaul, Americans by 60% to 35% say it would be acceptable if Congress didn't pass a plan this year.

"The White House should find this both satisfying and sobering," says Mr. Hart. "Satisfying because the basic ideas which they've drawn up are the right ideas" in the view of many people, he says. But "sobering because they clearly have communicated very little to the public, and in that respect have ceded too much to the interest groups."

To further test public sentiment in the health-care debate, the Wall Street Journal asked Mr. Hart to convene a small group of people in York, a medium-sized city in the southern part of Pennsylvania. Everyone in the group – including a woman whose family lost its health coverage when her husband lost his job and a union member with a plan that "covers everything you can imagine" – believes the U.S. health system is badly broken and needs to be overhauled to guarantee health coverage for everyone.

But no one expresses support for Mr. Clinton's sweeping proposal. In fact, no one can explain it. "I think nobody in this room realizes where Clinton's coming from with his plan, and it doesn't speak clearly," complains Keith Beatty, who runs a local youth-care program.

Yet when the group is read a description of the Clinton bill (without identifying it as the president's plan) and of the four other leading proposals in Congress, the Clinton plan is the first choice of everyone in the room. Referring to the unidentified Clinton proposal, Mr. Beatty declares: "With the plan you just presented, it speaks clearly."

Most members of the group say they get their information about health care from television and newspapers. To many, the most memorable source has been health-insurance-industry commercials strongly criticizing elements of the Clinton plan, including the famous "Harry and Louise" ads that depict an "ordinary couple" worrying about the White House bill.

Yet the Pennsylvanians insist they don't place much stock in such messages. Robin Doll, a 44-year-old financial specialist for York County who has a Blue Cross/Blue Shield health plan paid for by her employer, says she sees critical advertisements from the health-insurance industry "constantly." But, she declares, "they're in it to make billions, so who's going to believe them?"

Nevertheless, the people in this group seem to be taking away the ads' messages and are waiting for Mr. Clinton to respond more clearly about his plan. "I'd like to know exactly how it's going to work," says Debbie Rudisill, a stationery-store saleswoman with no health coverage. "One day he says this, one day he says that."

Mr. Hart says the administration could learn a valuable lesson from such comments. "If the White House had had access to these people in York, what it would recognize is they have to be able to simplify their message, to say this is what we're doing: A, B and C," he says. "They have to be able to get out there and talk about it, day in and day out."

Everyone in the York group also agrees that health-care reform means coverage for every American. No one in the room is willing to accept a compromise of anything less. "We've got to have universal health care, whether you make a million bucks or nothing," says Ms. Doll.

In the Journal/NBC poll, 33% of Americans rank universal coverage as the most important goal of health-care reform, the highest for any of the suggested choices. Lower medical rates and capping costs placed second, with 18%.

In contrast to the sentiments of the people in York, though, the poll found some willingness to accept a bill that doesn't guarantee coverage for everyone. In the new poll, 43% of Americans say Mr. Clinton should refuse to sign a bill that doesn't guarantee universal coverage; 43% says he shouldn't refuse.

When the people in York discuss their own health care, they reflect the feeling among many Americans about the precariousness of medical coverage in the U.S. today. Of the 12 people, seven have been without health insurance at some time in the past five years. Another, Linda Luther Baumer, who works part-time, worries that she'll lose her coverage when her husband retires in the next year or two. "Either I've got to get a fulltime job that provides benefits or – we don't know what we're going to do," she says.

Fred Bingaman, a customer service representative, receives coverage for his family through his employer in return for a $37.98 weekly contribution. He's satisfied with his health coverage now, but figures "I may not be in good shape tomorrow – or an hour from now."

While the people in York worry about rising health costs, they all say they would pay something to ensure universal coverage – if the system is fair. "I don't pay now, but I'd be willing to pay an equal percentage as everyone else," says Mr. Rentzel, the steelworkers representative.



THE WALL STREET JOURNAL/NBC NEWS POLL

The Wall Street Journal/NBC News poll was based on nationwide telephone interviews of 1,503 adults conducted Friday through Tuesday by the polling organizations of Peter Hart and Robert Teeter.

The sample was drawn from 315 randomly selected geographic points in the continental U.S. Each region was represented in proportion to its population. Households were selected by a method that gave all telephone numbers, listed and unlisted, an equal chance of being included.

One adult, 18 years or older, was selected from each household by a procedure to provide the correct number of male and female respondents. The results of the survey were minimally weighted by age and sex to ensure that the poll accurately reflects registered voters nationwide.

Chances are 19 of 20 that if all adults with telephones in the continental U.S. had been surveyed, the findings would differ from these poll results by no more than 2.6 percentage points in either direction. A limited number of questions were asked of half the sample; for these, the margin of error was 3.6 percentage points. The margin for any subgroup would depend on the size of that group.

THE WALL STREET JOURNAL, THURSDAY, MARCH 10, 1994

Counting on Future Savings

Administration estimates of savings from President Clinton's health care plan through the year 2000. The Administration estimated how much states and the District of Columbia would spend for Medicaid and certain types of long-term care without reform, then compared these figures with projected spending under the Clinton plan.

State	Projected Savings (in millions)	State	Projected Savings (in millions)	State	Projected Savings (in millions)
N.Y.	$8,600	Wisc.	$889	N.H.	$248
Calif.	6,500	Mo.	806	Miss.	230
N.J.	3,700	Minn.	789	Alaska	227
Tex.	3,300	Ariz.	744	Del.	203
Mich.	2,500	Va.	659	Neb.	201
Mass.	2,400	Ala.	639	D.C.	162
Penn.	2,400	S.C.	622	Ark.	152
Ohio	1,600	Ind.	622	N.M.	151
Ill.	1,500	Ky.	582	Utah	151
Fla.	1,300	Kan.	546	Nev.	131
Wash.	1,300	Colo.	518	Vt.	116
Conn.	1,200	Ore.	503	Hawaii	98
Ga.	1,100	Me.	372	Mont.	95
Tenn.	1,100	R.I.	364	Idaho	82
Md.	1,000	Iowa	339	Wyo.	73
La.	929	Okla.	329	N.D.	71
N.C.	902	W.Va.	326	S.D.	56

Source: Department of Health and Human Services

Administration Outlines State Savings Under Clinton Health Plan

By ROBERT PEAR
Special to The New York Times

WASHINGTON, March 1 — With its health care plan battered by critics on the left and the right, the Administration tried today to revive interest in the proposal by asserting that every state would save money if Congress approved the plan in precisely the form recommended by President Clinton.

The Administration's estimates are rosier than those by various governors, Republicans and independent researchers. In addition, lawmakers from both parties say Congress will make major changes in the President's plan.

The Administration said New York State would save $8.6 billion under the plan, or 9 percent of what it would otherwise spend on Medicaid and certain types of long-term care for disabled people from 1996 to 2000.

In addition, it said, New Jersey would save $3.7 billion, or 19 percent; Connecticut would save $1.2 billion, or 12 percent, and California $6.5 billion, or 11 percent.

Doubt About Savings

Taken together, the Administration said, states would save at least $46 billion, or 8 percent of what they would otherwise spend on health care over the five years.

Richard M. Cook, a health policy adviser to Gov. Mario M. Cuomo of New York, disputed the estimates, saying, "We don't believe there will be an $8.6 billion saving for this state." At the most, Mr. Cook said, the President's proposal may save New York $1 billion over five years. But, he warned, such estimates are highly uncertain because the Clinton plan is "predicated on a model of competition that has not been tested."

Kenneth E. Raske, president of the Greater New York Hospital Association, which represents 91 hospitals in the metropolitan New York City area, said: "The report is incomplete. It does not show the impact of the President's proposed Medicare cuts, which would be devastating to New York hospitals, especially teaching hospitals."

The study made public today was done by the Department of Health and Human Services to show the effects of the Clinton plan on state budgets. Administration officials said they would issue a separate study in several weeks to show the effects on hospitals, doctors and medical schools.

Support on One Side

The Administration's estimates assume that Congress will approve all elements of the Clinton plan and that the cost controls proposed by the President, including Federal regulation of private health insurance premiums, will be 100 percent effective. But not only do lawmakers say they expect major changes in the plan, they also say they doubt that the cost controls can slow health spending as much as the Administration says.

Nevertheless, Raymond C. Scheppach, executive director of the National Governors' Association, said: "The Administration's estimates, in the aggregate, are plausible. There would be potential savings for states under the plan as drafted."

Moreover, Mr. Scheppach said, the Administration tried to prevent hig cost increases for the states.

Despite these efforts, he said, governors are split about the merits of the Clinton plan. They do not agree on the wisdom of Mr. Clinton's proposal to require employers to provide health insurance for their employees nor do they agree on his proposal for a national health budget, setting limits on spending for a standard package of benefits.

Kenneth E. Thorpe, a deputy assistant secretary of health and human services who supervised the study, said the savings would occur for three reasons.

First, Mr. Thorpe said, many people now enrolled in Medicaid, a Federal-state program for low-income people, would be shifted to private health insurance plans, relieving the states of a large financial burden.

> Trying to restore momentum lost to other critics.

Second, he said, the Federal Government would establish a new program of home care for severely disabled people, substituting Federal money for state financing in many places. And, third, the Clinton plan would reduce state spending on health care for active and retired state employees.

But Gail R. Wilensky, an economist who headed the Federal Health Care Financing Administration under President George Bush, and William Kristol, who was chief of staff for Vice President Dan Quayle, said the estimates were implausible.

"Do they also show the decline in the quality of health care state by state?" Mr. Kristol asked. "The problems of the Clinton plan are much deeper than anything that could be solved through cost savings estimates."

The Administration computed the savings by estimating how much states would spend, under current law, on health care for Medicaid recipients, state employees and disabled people living outside institutions. Then it compared these numbers with projected spending for the same people under Mr. Clinton's proposal.

At least two Congressional subcommittees intended to begin voting on health care legislation this week, but they deferred action after finding that there was no consensus for Mr. Clinton's proposal or any alternative.

The head of an influential health policy group, the Jackson Hole Group, today urged Congress to take a gradual approach to revamping the nation's health care system. The group, which includes health care executives and policy analysts, inspired much of Mr. Clinton's plan.

At a hearing on health care change, Dr. Paul M. Ellwood, president of the Jackson Hole Group, told the Senate Finance Committee, "I would urge you to do this in stages and to do it over a longer period of time."

Under the original Jackson Hole proposal, one health insurance purchasing group would buy insurance for all small businesses in a given geographic area. Mr. Clinton adopted that idea, but now the Jackson Hole Group suggests that several purchasing groups be allowed to operate in the same area. Such competition would benefit consumers, the group said.



BY MARILYN MOON

Health Reform and You

Q. *My wife and I both run extremely small businesses. She and her partner have no employees. In my business, I am the sole proprietor and I have one part-time worker. I also recently took a part-time job for the health benefits package because we just had a child. Before that, we went with more or less no insurance because we've both been very healthy. Under the proposed health plans, will I still be able to maintain the benefits that I receive now at no cost from my part-time employer or will we, because we're both self-employed, lose those benefits?*

A. The situation you describe is somewhat complicated, but it indicates how people now make accommodations to get insurance. The Clinton proposal would require that all employers (including self-employed persons as their own bosses) contribute to the costs of insurance for persons who work more than 10 hours a week. Your wife's contribution as an employer would depend on her number of hours worked and the composition of your family. You would also be required to contribute as an employer for yourself and your worker. If you continue to work more than 10 hours per week for someone else, that employer would also have to contribute. The goal is to assure that within an alliance, all employer contributions plus the contribution of federal subsidies for low-income earners would equal 80 percent of the costs of premiums for workers and their families, but no single contribution would be that high.

Q. *If you're married to a person who is working, will the employer be required to provide the health care benefits for your whole family or will you have to pay for it? That is, will they have to only provide you access to buy?*

A. The question you pose varies across the reform plans now being considered. Of the major bills that have been introduced, the Clinton administration's proposal is the only one that requires employers to help pay for health insurance. The so-called single payer plan introduced by Rep. Jim McDermott (D-Wash.) and Sen. Paul Wellstone (D-Minn.) replaces reliance on an employer-based system with a tax-financed approach. All other plans either require that individuals take the responsibility for purchasing insurance or have no requirements for people to [illegible] those by Rep. Jim Cooper (D-Tenn.), Rep. Robert Michel (R-Ill.) and Sen. John Chafee (R-R.I.), require employers to offer an insurance plan, but do not require an employer contribution toward premium costs.

Q. *I'd like to know if, under any of the health plans, the president's or the others, there is a mechanism like—for want of a better term—a better business bureau for complaints about doctors. Is there going to be anything anywhere that would help consumers or clients figure out whether the doctor they plan to see has had any complaints lodged against him?*

A. Several of the plans do attempt to improve the process by which complaints are registered. For example, the Clinton, Cooper and Chafee proposals would all establish "ombudsmen" to monitor how well plans met the needs of patients. These proposals also require surveys of patient satisfaction. But you are more concerned about the issue of physician competency. These scorecards on the plans likely would not provide physician-specific information. One of the justifications for more oversight over the delivery of care by insurers is to help assure enrollees of high-quality providers of care. The Clinton proposal also requires that all health plans establish a grievance procedure so that enrollees can raise concerns, but resolution of those complaints would not likely be made public.

Q. *I am a retired military officer and I would like to know how the president's health care plan will affect me. I get free or nearly free medical care at any military facility or on a co-payment basis with CHAMPUS, which pays a good percentage of the costs in a private facility. Will I lose this benefit? Will I have to start paying additional insurance premiums?*

A. The Clinton proposal allows the military flexibility in developing its own health plans for active-duty personnel and others. Those in CHAMPUS could choose instead to be in the regular alliance plans. The proposal also assures individuals the same level of benefits and protection against co-payments they now have. Thus, you would retain your current benefits, and you would [illegible]ts. ■

Do you have a question about President Clinton's health proposal or about the other bills in Congress? The Washington Post free telephone information service takes questions from readers about how the plan could affect them. Call POSTHASTE at 202-334-9000 on a touch-tone phone and enter category code 8500 (in Prince William County, 703-690-4110). Health economist Marilyn Moon of the Urban Institute provides answers in this column based on information from the White House, Congress and other sources. While she cannot answer all questions or give personal advice, she will answer a range of inquiries.

TUESDAY, JANUARY 25, 1994 THE WASHINGTON POST

Donna E. Shalala

Yes, There Is a Health Care Crisis

Perhaps the most astounding assertion I've heard during the current debate over health care reform is that there is "no health care crisis in America." This statement often comes before arguments that comprehensive health care reform is unnecessary or that the current system just needs a few adjustments and some fine tuning.

Let's not pull any punches: This argument is bogus. It's destined to fail because millions of Americans are experiencing a health care crisis and they know it. And, frankly, deep down in their hearts, those who deny that there is a problem know it too.

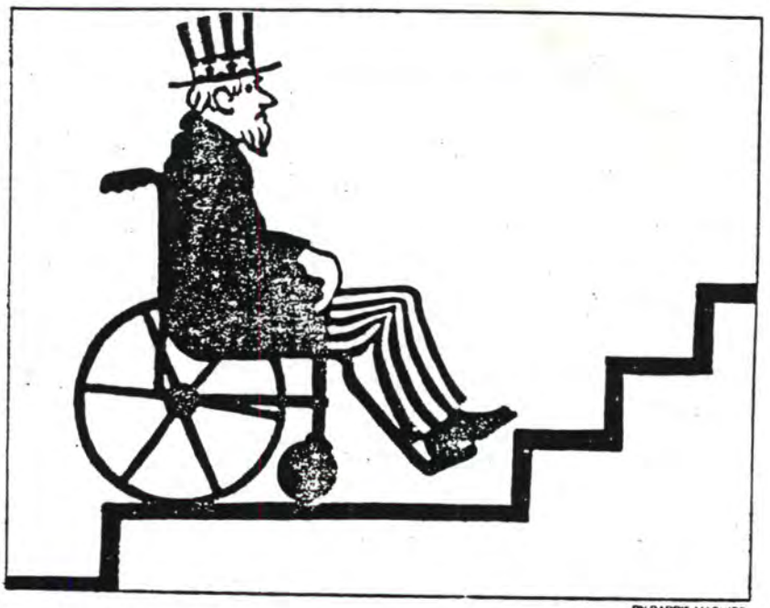
As Congress prepares to begin discussing the details of the president's Health Security Act, let's look at what has brought us to this debate:

- A health care system in which 2 million Americans are losing their health insurance every month—some for short periods and some for long periods of time.
- A health care system that consumes nearly 15 percent of our gross domestic product, while only one other country (Canada) is above 10 percent. Such spending taxes the budgets of American families, businesses and government, and hobbles our international competitiveness.
- A health care system in which the rules are so skewed that insurance evaporates just when people need it most. Even the best insured Americans cannot be secure in their health care coverage.
- A health care system in which the employees of small businesses are charged an average of 35 percent more for the same coverage than those who work for medium-size and large companies.
- A health care system in which there is no accountability for quality or cost, leading to millions of dollars in waste and fraud.

As a result of these flaws, the American public has been demanding comprehensive reform of the health care system. When public opinion experts recently asked Americans to name the *single thing* Congress could do to improve their lives, health care reform was the number one answer.

Yet, the status quo crowd says we can simply make a few changes around the edges and call that health care reform. When I hear that, I'm reminded of something Gov. Ann Richards of Texas said: "You can put lipstick on a pig, give her a purse and call her Monique, but she's still a pig." For health care reform to be genuine, it must address the underlying problems with our system—namely, a lack of security for families and businesses, and costs that continue to rise at two or three times the rate of inflation.

In the past year I have visited more than three dozen communities across the country to discuss health care. People from all walks of life have poured out their hearts and shared very personal stories about the unfortunate and often maddening failures of the health care system—how it failed them in their time of need.



BY BARRIE MAGUIRE

There were stories of families that can't get insurance because a child was born with a chronic medical condition, stories of wives being advised to divorce their husbands in order to get affordable insurance. There were stories of business owners being told they'd have to cut off one worker from their insurance policy in order to retain coverage for the rest. These are not imaginary problems; these are signs of a system that isn't working.

In September the president addressed Congress and the nation about health care reform. Since that speech, the case for comprehensive change has grown stronger, not weaker.

In December the Employee Benefit Research Institute, an independent, private, nonprofit organization, reported that 2.2 million Americans lost their health insurance for a substantial part of 1992. Since 1991, 3.1 million Americans have been cut off the insurance rolls, many of them for good. Most of the people who lost their insurance worked full-time, usually for small companies that could no longer afford to buy coverage for their workers. And more children lost their insurance in 1992 than at any time since the mid-1980s, when Congress began expanding Medicaid coverage of those under age 19.

This month the U.S. Chamber of Commerce reported that employers' spending on health care benefits for their workers skyrocketed 220 percent from 1980 to 1992. Later in the month, the U.S. Department of Commerce reported that U.S. health care spending is expected to jump 12.5 percent in 1994. We are spending more and more on health care but getting less and less for our money.

These are not the symptoms of a system suffering from temporary difficulties. They are the manifestation of a system that is broken and needs to be fixed.

There has been a great deal of discussion about the recent report by the Department of Labor showing that health care inflation in 1993 slowed to 5.4 percent. Let's remember, however, that medical prices still rose twice as fast as all other consumer prices, continuing a pattern stretching back to World War II. And it is very likely that this slowdown is a temporary reaction to the debate over health reform in Washington. We need only look back at previous national debates over health reform.

In 1973, after President Nixon imposed wage and price controls and proposed a health reform plan quite similar to President Clinton's, the inflation-adjusted growth in national health spending dropped from 9 percent in 1972 to 3 percent in 1973 and 2 percent in 1974. When those controls were lifted and the Nixon reform plan was defeated, health spending grew 5 percent in 1975 and was back to an 8 percent growth rate in 1976.

In 1979, while Congress considered President Carter's health reform plan, the inflation-adjusted rise in U.S. health spending slowed from 5 percent in 1978 to one percent in 1979 and again in 1980. Once the Carter bill was defeated, however, health care spending growth was back up by 5 percent in 1981, 6 percent in 1982 and 7 percent in 1983. Not only were we back where we started, we were worse off.

The Heath Security Act enhances the private market's ability to permanently curb its own cost growth. If the current trend proves to be true, it will make our job easier: to ensure that all Americans have a comprehensive set of benefits that cannot be taken away.

We can argue about which is the best approach to resolving the problems that plague our health care system and the American people. We can debate long and hard how to shape a new system and how to finance it. But we shouldn't waste another breath on the question of what we call this situation. Let's face facts and work together to provide the American people with a solution.

The writer is secretary of Health and Human Services.

Richard Cohen

Nunn II

Does the Clinton administration have a moral compass? That question arose when Sen. Sam Nunn (D-Ga.), the powerful chairman of the Armed Services Committee, turned down the job of defense secretary. After Nunn said no, the White House mimicked the policy Nunn forced on it regarding gays in the military. When it comes to the Pentagon offer, the White House's response amounted to this: Don't ask, Don't tell.

So if you ask, you get a whole lot of hemming and hawing, and the suggestion that the offer to Nunn was nothing more than a courtesy—a bow to an enormously influential committee chairman, a mere pause before William Perry was chosen. It was expected, you are told, that Nunn would not take the post (he had rejected it once before) and would prefer to remain in the Senate, where his tenure is ensured. No one can promise tenure at the Pentagon.

The White House's reticence is understandable. On the issue of gays in the military, Nunn humbled President Clinton. An inexperienced president was forced to back down—and he did so in distinctly clumsy fashion. After elevating the issue to a matter of principle, Clinton then stammered retreat, including the suggestion that gays could be segregated in the military. Finally, the administration had to adopt Nunn's "Don't ask, Don't tell" compromise. The courts, though, have both been asking and telling—and the policy is not likely to pass legal muster. It will probably have a short half-life.

Little wonder then that when it comes to the offer made to Nunn, the White House's message was muddled. Some news organizations reported that a hard offer had been made while others suggested that Clinton had merely touched base. My understanding is that it was more of the former than the latter—not quite an offer from Clinton himself but a clear enough invitation to join the Cabinet for Nunn to mull things over for two days. Such an approach has the distinct benefit of deniability should it be rejected, but in this case the Clinton administration ought to be denied that benefit.

Why? Not because Nunn is unqualified for the post. He isn't. In fact, there are probably few people who can even match his qualifications. The relevant issue, instead, has to do with symbolism: What sort of man is Nunn, and what would his appointment to one of the most important Cabinet posts say about Clinton? It would say, I submit, that he would rather solve a problem than be ideologically consistent.

Whatever you might think of Clinton's vow to open the military to homosexuals—and most Americans thought it a bad idea—it was an expression of principle. To my mind, it was long past due. The inherent unfairness of the present regulations was even apparent to Barry Goldwater—and it's still hard to get to the right of him. The one-time Mr. Conservative wrote an op-ed piece in The Post supporting Clinton's plan to drop the ban against gays.

Nunn, however, sincerely thought Clinton had a wretched idea. But then Nunn is a deeply conservative man whose record is soiled by, among other things, supporting the 1972 presidential bid of George Wallace, a racial segregationist, and by the firing of two staff members who he discovered were homosexuals. One of them, George A. Baldwin, had received the Bronze Star and the Purple Heart as an infantry officer in Vietnam. This is the way a grateful nation says thanks.

The office of secretary of defense goes back to the founding of the republic when it was called the secretary of war. On a given day, it's the most important of all Cabinet posts—often the most visible. To offer that office, with all its prestige and immense authority, to someone the gay community—an important Clinton constituency—finds anathema sends a clear message to them that Clinton's word is not to be trusted. To others, regardless of where they stand on this particular issue, it says that to Clinton declared matters of principle are mere campaign utterances.

At present, Clinton is having a good time in the polls. His approval ratings (now at 59 percent) have been climbing—probably in tandem with the improved economy. But George Bush had even higher ratings, and he resides now in Houston. Once the economy turned on him, he was a goner—a political doughnut with a hole where ideology should be. Reading his lips got to be too confusing.

Clinton shares some of Bush's characteristics. Variously a government activist, a fiscal conservatives, a cultural liberal, a "New Democrat," he has yet to define himself—as Ronald Reagan did—to both his admirers and his critics. In fact, he has ignored the political lesson Reagan taught so well—that even critics admire a man who sticks to his guns. With the overture to Nunn, Clinton simply dropped his gun and went over to the other side. Don't ask, don't tell seems to be more than Clinton's compromise on gays in the military. It might well be the soul of his political ideology.

THE PATIENT'S ADVOCATE

Health Reform and You

Q. *I'm a senior citizen and I'm very pleased with Social Security and Medicare. Does anyone propose changing the health care system to eliminate the insurance companies as the middlemen? Does anyone propose running health care reimbursements as Medicare is handled now?*

A. The Clinton proposal would keep many aspects of Medicare unchanged, including the way claims are processed. What changes are proposed in this area are aimed at simplifying the process. For example, the insurance companies that operate as processors of claims would, in most areas, be combined so that all of your bills are processed by the same firm. At present, different companies process hospital and physician bills.

Q. *I work in a free medical clinic where we serve undocumented aliens and underinsured and uninsured people. If the health care system is changed, will there still be gaps in the system that would require our services? And under President Clinton's plan, would we qualify as an essential provider?*

A. The major gaps that would be left in the system if the Clinton proposal were adopted would be in coverage of undocumented aliens. The proposal does indicate that special help would be available to fund services in separate clinics for such people. Other people who now use your clinic would have a health care card, enabling you to be reimbursed for their care. However, people with very low incomes might not be able to pay the required cost sharing, which also might affect your clinic. Your clinic does seem to fit the definition of essential providers, a group that would be offered special protections to ensure that insurance plans include them as part of the new structure. Exact definitions of who qualifies as an essential provider would be established later.

Q. *What dental benefits are covered under plans being considered?*

A. Under the Clinton proposal, dental benefits—prevention, diagnosis and treatment of disease—are initially limited to children under age 18. Coverage is extended to adults beginning in the year 2001. Even then, there would be some exclusions. Orthodontia is not covered for anyone initially, and after 2001 is limited to children ages 6 to 12. Endodontic procedures, such as root canals, are excluded for adults.

Do you have a question about President Clinton's health proposal or about the other bills in Congress? The Washington Post has opened a special line in its free telephone information service to take questions from readers about how the plan could affect them. If you have a question, call POSTHASTE at 202-334-9000 on a touch-tone phone and enter category code 8500 (in Prince William County, 703-690-4110). Health economist Marilyn Moon of the Urban Institute provides answers in this column based on information from the White House, Congress and other sources. While she cannot answer all questions or give personal advice, she will answer a broad selection of inquiries.

53

PHOTOCOPY
PRESERVATION

WASHINGTON

A QUICK LOOK AT WHAT'S GOING ON IN THE NATION'S CAPITAL

Senate approves, amends jobless-benefits package

The Senate Thursday approved 13 extra weeks of benefits for 1 million people who have been jobless for half a year, but sent it back to the House to consider two amendments senators added: one locking in President Clinton's reduction of the federal workforce by 252,000 and one blocking extended benefits to people with incomes over $120,000.

ABORTION MEETING: Attorney General Janet Reno meets today with leaders of both sides of the abortion battle. But members of Operation Rescue and several other militant anti-abortion groups were abruptly uninvited to the meeting by Justice Department officials Thursday. The move came after leaders of the National Right to Life Committee, the nation's largest group of abortion foes, announced they would boycott the meeting to underline their opposition to violence. Reno, who hadn't seen the list of invitees, earlier had said she would not meet with groups who engaged in violence or lawbreaking in the abortion battle. The meetings come after Reno told reporters the FBI and the Bureau of Alcohol, Tobacco and Firearms are investigating clinic firebombings.



AP

RENO: Stiff-arms Operation Rescue

C-17 DEAL: The Air Force will buy 40 C-17 cargo planes instead of 120 as originally envisioned in a $40 billion order with McDonnell Douglas. The reduced order is part of a deal with McDonnell Douglas to settle its $1.6 billion in claims over the plane's development problems.

NAFTA PUSH: President Clinton is planning "a burst of activity" to tout the North American Free Trade Agreement with Canada and Mexico, Trade Representative Mickey Kantor said. Clinton may hold a TV town meeting before the scheduled House vote on the pact Nov. 17.

ELSEWHERE IN THE WORLD

Bosnian war forces Muslims to revert to medieval life

Muslims in a United Nations "safe area" in Bosnia-Herzegovina will have to burn cooking oil for light and use oxen and horses for transport this winter in a grim reversion to medieval life forced by 18 months of civil war, U.N. officials say. Meanwhile, the United States blamed Bosnian Croats for a massacre of 25 Muslim villagers and vowed those responsible for such "war crimes" would be punished.



BELFAST STRIFE: Two more people were killed in Northern Ire-

Another twist i

Possible criminal violations

By Leslie Phillips
USA TODAY

Sen. Bob Packwood, R-Ore., suffered a setback Thursday in his battle with the Senate ethics committee when the committee chairman said Packwood may have violated criminal laws.

In the course of an investigation into sexual misconduct allegations against Packwood, committee Chairman Sen. Richard Bryan, D-Nev., said lawyers discovered "possible misconduct" unrelated to the original inquiry in the 8,000 pages of Packwood's personal diaries.

"This information raised questions about a possible violation of one or more laws, including criminal laws," Bryan said.

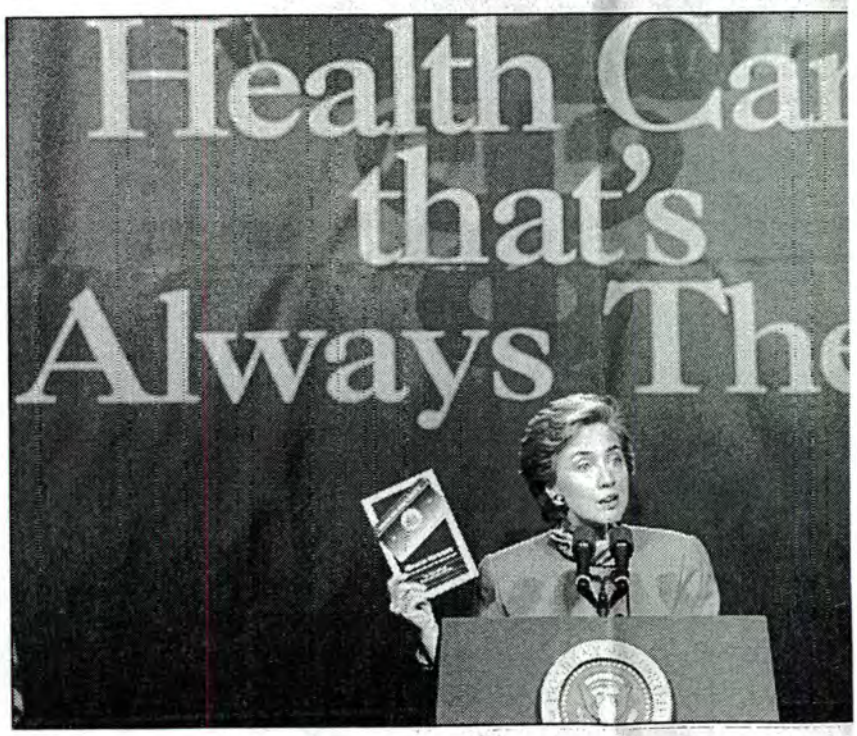
The Senate convenes Monday to debate whether to take Packwood to court to obtain the diaries, which the senator is refusing to hand over, citing his constitutional right to privacy.

Packwood went onto the Senate floor Thursday to talk about the committee's probe but not the latest revelation. His lawyer, James Fitzpatrick didn't return phone calls.

Senate Minority Leader Robert Dol R-Kan., scolded Bryan for raising th specter of criminal charges without pr viding some reason: "If you're going



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PUBLIC PITCH: First lady Hillary Rodham Clinton explains the health-care plan School of Medicine in Baltimore. The first lady sounded a warning against 'mis

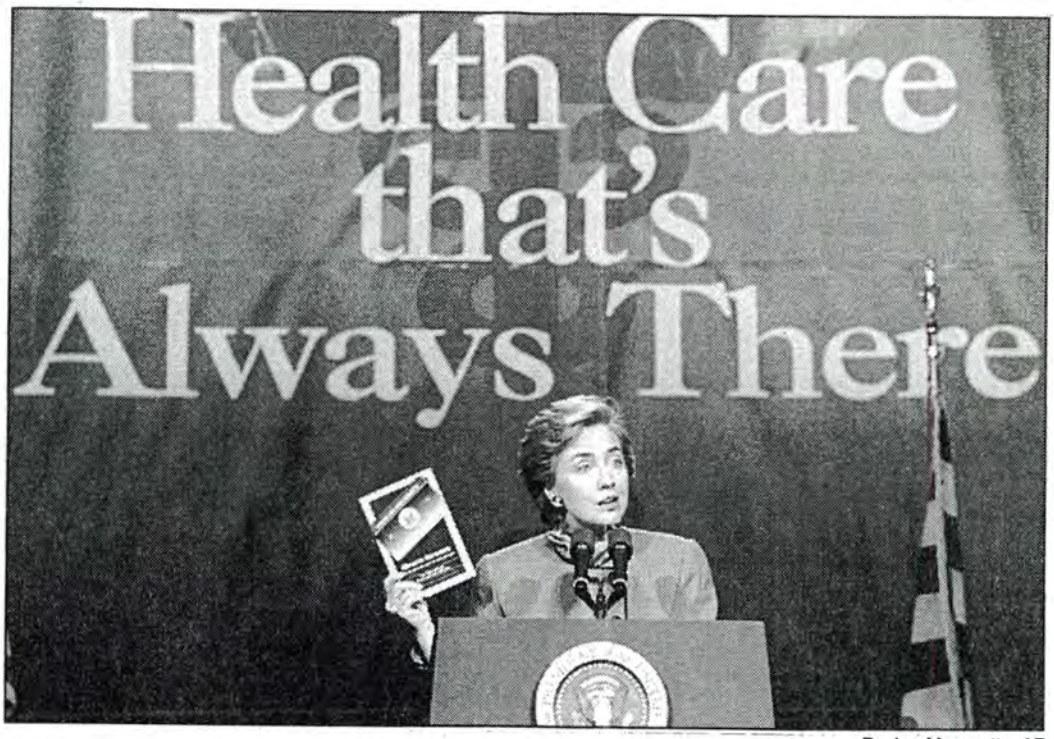
Critical Senate dissects

By Richard Wolf
USA TODAY

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By Joe Marquette, AP

PUBLIC PITCH: First lady Hillary Rodham Clinton explains the health-care plan at Johns Hopkins School of Medicine in Baltimore. The first lady sounded a warning against 'misinformation.'

Critical Senate dissects plan

By Richard Wolf
USA TODAY

President Clinton's five-year, $331 billion health-care reform plan came under fire in a Senate hearing Thursday as too costly and bureaucratic.

From the size of its proposed national health board to the borrowing authority of its planned regional alliances, the package was picked apart by skeptical senators.

Elements of their discontent:

▶ Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y., belittled the board as a $2 billion bureaucracy.

▶ Several Republicans and Democrats said subsidies for small employers and low-income individuals, and a comprehensive benefits package, could drive up future costs.

▶ Sen. John Chafee, R-R.I., author of a competing proposal, said a plan to assume firms' insurance costs for early retirees 55 to 64, with incomes up to $90,000, is too generous.

▶ Sen. John Danforth, R-Mo., said borrowing authority given to regional cooperatives could threaten the Treasury.

> "The plans ... are like the logistics of an Army corps going to the South Pacific."
>
> **— Sen. Daniel Patrick Moynihan, D-N.Y.**

Secretary of Health and Human Services Secretary Donna Shalala and top aides pledged the plan wouldn't be burdensome. "There are no rosy scenarios here," she said. "There are no magic asterisks."

But the questions from Democrats as well as Republicans illustrated the difficulty Clinton will have steering his 1,342-page tome through Congress.

"There are a lot of political mine fields," said Sen. John Breaux, D-La. "That's what the debate is going to be about."

Moynihan, whose support will be crucial, scolded Shalala for previous testimony that the health board would have only about 100 employees.

Reading from an internal administration document, he said the board — charged with overseeing benefits, costs and standards — would be a much larger bureaucracy with a $2 billion annual budget.

"The plans they have made are like the logistics of an Army corps going to the South Pacific," Moynihan said later.

But he applauded revised financing estimates, which include caps on subsidies, conservative economic assumptions and a "cushion" against unforeseen costs: "It's more rigorous, and it's more accepting of uncertainty."

That didn't sway Republicans, who argued benefits will prove more costly and revenues lower than projected.

When Medicare was created in 1965, Danforth noted, its cost was projected to hit $9 billion in 1991. Instead, it rose to more than $100 billion.

"My concern is that we're going to create ... a rerun of Medicare," he said.

Said Shalala: "We need to learn from that experience."

▶ Who pays more, 1A

Hard sell be on health ca

By Adam Nagourney
USA TODAY

BALTIMORE — The Clintons launched the public sales drive for their new health-care reform Thursday, with Hillary Rodham Clinton warning about a campaign of "misinformation" against the plan.

A day after delivering the health-care plan to Congress, the Clintons went to Johns Hopkins School of Medicine here for an unusual joint appearance. They offered a detailed explanation of the plan, an attempt to win back the upper hand in the debate.

Since President Clinton first laid the framework for his plan, five competing proposals have emerged in Congress. Also, critics have lit into Clinton's plan in advertisements aimed at derailing some of its provisions and questioning its effectiveness.

"Please help us," Clinton said to rows of white-frocked medical students in the crowded auditorium.

While Clinton offered a sometimes rambling explanation, Hillary Clinton hinted at the political fight looming in the months ahead.

"We want people to become informed," said the first lady, who has headed the White House effort to draft a health-care plan. "In order to rebut the kind of attacks, misinformation, advertising campaigns that will be stirred up in the next months, we all have to be better educated."

Added the president: "The more people who know what's in this, the more people who can make constructive suggestions about how it can be approved, the better off we're all going to be."

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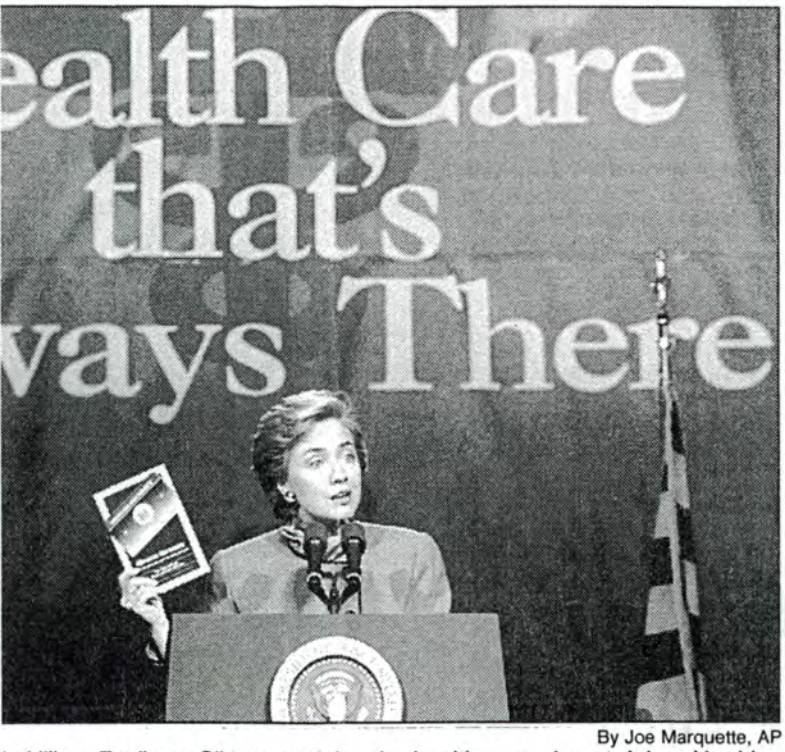


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"The debate is no longer over whether we will do something," she said, "but what we will do and how soon."

The president also stepped outside the plan, arguing, for instance, that school systems needed to restore physical education programs felled by budget cuts in the past decade. He said the cuts had resulted in a decline in health.

He also assailed unhealthy "group behavior," such as the gun-inspired violence that he said was increasing medical costs in the country.

Today, Hillary Clinton speaks at a health-care summit in Kansas City, Mo.



AP

CLINTON

A cap — by any other name

President Clinton grabbed a new cap to wear when he went jogging Thursday before heading to New York to campaign for Mayor David Dinkins.

But stitched across the front was "Rudy" — the nickname of Dinkins' opponent Rudolph Giuliani.

The hat came from makers of the movie *Rudy*. In New York, Clinton recovered. "I realized there was another movie I liked .. *Dave*," he said, slipping on a cap reading "Dave."

PHOTOCOPY
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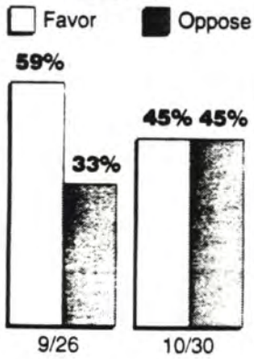
CLINTON'S HEALTH-CARE PLAN

Health plan loses some support

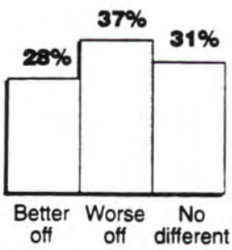
USA TODAY CNN GALLUP POLL

A USA TODAY/CNN/Gallup Poll shows that most people do not think they would be better off under President Clinton's health-care reform plan, but they do think the nation as a whole would be better off. Most see their health-care costs going up under the plan. The poll results:

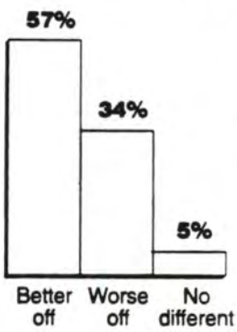
Opposition to health plan increases



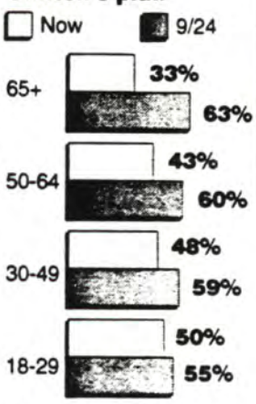
One-third say they would be worse off under Clinton plan



. . . but say the country as a whole would be better off.



Fewer elderly favor Clinton's plan

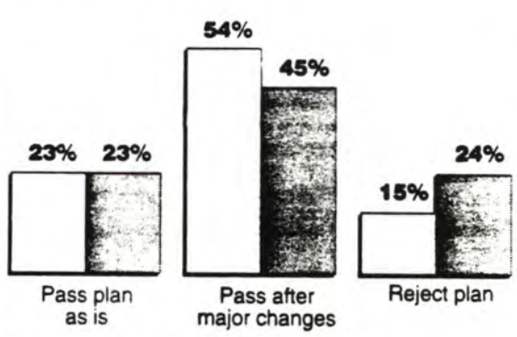


Who people say plan was designed to benefit:

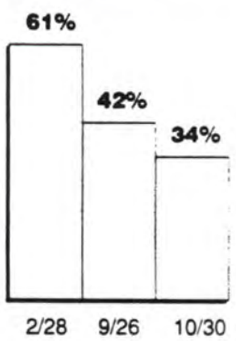


Most still want changes in plan

Those who say Congress should:

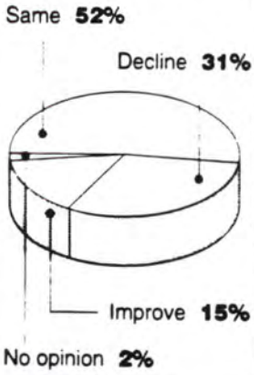


Fewer say plan would solve health-care problems

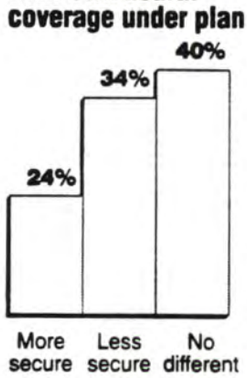


Half expect no change in quality of health care

How people say the quality of their medical care would change under Clinton's plan.

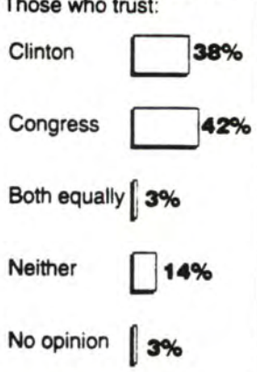


Most wouldn't feel *more secure* about their own health coverage under plan

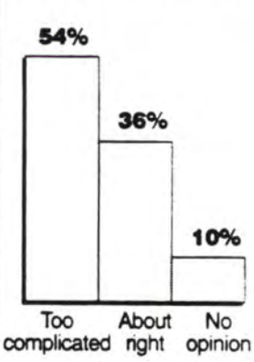


Public split on whom to trust to improve health-care system

Those who trust:

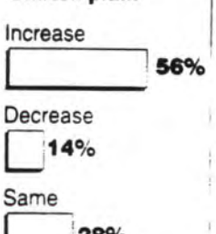


Most say Clinton plan too complicated to work

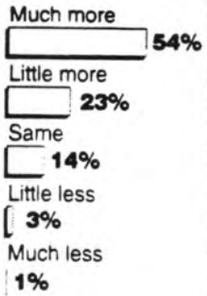


THE COST OF REFORM

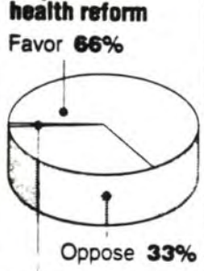
Most say their total costs, including insurance, would go up under Clinton plan:



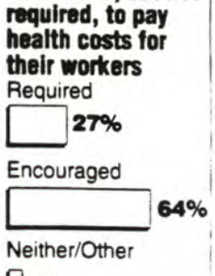
Most think Clinton plan would cost much more than estimated



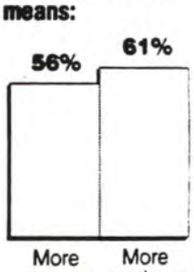
Most favor 75-cent cigarette tax increase to help finance health reform



Most say employers should be encouraged by tax breaks, but not required, to pay health costs for their workers



Most favor guaranteeing health insurance for all, even if it means:



Health plan support slips

Skepticism grows over quality, cost and choice

By Richard Benedetto
USA TODAY

President Clinton has targeted the special interests of the health-care industry as the biggest obstacle to the broad reform he wants to bring to the nation's serpentine system.

However, rank-and-file citizens are becoming increasingly skeptical of the Clinton plan's effect on them, and may wind up the tougher sell as details get clearer and bargaining unfolds on Capitol Hill.

A USA TODAY/CNN/Gallup Poll taken Thursday-Saturday finds public support for Clinton's proposal slipping below 50%, and nearly half calling for Congress to make big changes.

Eight of 10 say they believe Clinton's plan will cost more than he estimates.

"The final plan won't look anything like the one the president carried up to Capitol Hill," predicts Republican pollster Neil Newhouse.

The public's biggest worries:

▶ 56% say costs will go up.

▶ 53% fear too much government involvement.

▶ 31% expect quality to decline.

▶ 42% expect fewer choices among doctors.



USA TODAY

PANETTA: 'Nobody gets a free lunch.'

"I love my doctor and trust him. He knows all my kids, and I don't want to leave him (for) someone that somebody else tells you you have to go to," said Debra Tonihka, 34, a Hansen, Idaho, health aide and mother of three.

Support has dropped most among men and people 65 and older — early backers of the plan. Seniors, like those in other age groups, have become less certain about embracing the Clinton program as specifics come out and critical voices get louder.

"This plan is very favorable to seniors, especially in prescription drugs and long-term care. But right now they're hearing mostly news about higher premiums and reduced benefits, so it's normal to have a period of doubt," says John Rother, chief lobbyist of the American Association of Retired Persons.

On the plus side for Clinton:

▶ Two of three favor his proposal to pay for the plan partially by hiking the cigarette tax by 75 cents a pack.

▶ A majority say they'd be willing to pay more taxes to help cover those without insurance.

▶ Most of the respondents think the USA as a whole would be better off under Clinton's program.

"If (George) Bush had won the election, we'd have nothing going on now in health-care reform," says Bruce Creely, 42, a Raleigh, N.C., mental health therapist.

But only one in four say they themselves would be better off.

"Anytime they have put through a program, we've ended up with more big government, and the people who are supposedly helped by it end up getting hurt, and the burden increases for all the working people," says Carl Sims, 51, owner of a Tomball, Texas, landscaping company.

Clinton budget director Leon Panetta, out Sunday defending the president's plan, said on CBS-TV's *Face the Nation* that Clinton reforms would replace a flawed system and would require sacrifices by some.

"Nobody gets a free lunch if you are going to provide comprehensive health-care coverage in this country," he said.

But 42% say they trust Congress more than Clinton to improve the health-care system, while 38% trust Clinton — a sign administration sales pitches aren't working as planned.

"With Congress at only 26% approval, that doesn't say much about Americans' faith in the Clinton plan," says poll-taker Newhouse.

Contributing: Brian O'Connell

▶ Who would pay more, 1A

Clinton tries to clarify cost issue

By Richard Benedetto and William B. Welch
USA TODAY

Support for President Clinton's health-care plan has fallen since it was unveiled five weeks ago, a new USA TODAY/CNN/Gallup Poll shows.

The poll finds the public split 45%-45%, down from 59% support Clinton enjoyed after he outlined the plan to Congress.

The administration over the weekend moved to ease one of the public's main fears — that the plan will increase costs.

After reports that 40% of all families would pay more, the White House tried to clarify.

Clinton said 15% would pay more — about $6 a month, officials said — for the same coverage, and 25% face less of a hike, but for better benefits.

Echoing Clinton, White House health adviser Ira Magaziner said Sunday on NBC's *Meet the Press* that 40% was "misleading" because it didn't account for better benefits.

"In the first year, over 60% of people will pay the same or less," Magaziner said. "When the program is fully phased in, 70% will pay the same or less."

Critics seized on the 40% figure, cited by Health and Human Services Secretary Donna Shalala on Thursday.

House Republican Whip Newt Gingrich of Georgia called it "an enormous power grab for Washington."

Rep. Dick Armey, R-Texas, also on NBC, challenged one of Clinton's key concepts: "We believe universal coverage is just a euphemism for the welfarization of health care."

He predicted Clinton would compromise. "When he sees his plan won't fly, then he'll look for something that can."

Other poll findings:

▶ 23% say Congress should pass the plan as is.

▶ 24% say reject it totally.

▶ 45% say pass it only after major changes.

Also, 42% trust Congress more than Clinton to improve health care; 38% trust Clinton.

The poll of 1,017 adults, done Thursday through Saturday, has a 3% margin of error.

▶ Public skeptical, 2A

HOUSE RULES

Anti-Secrecy Drive Putting Democrats on Defensive

Caught off guard by an upstart Republican's surprise parliamentary victory and public relations coup, House Democratic leaders are scrambling to thwart a move to make it easier to force floor votes on touchstone conservative issues.

Oklahoma Rep. James M. Inhofe is bent on killing an arcane House rule that makes it hard to dislodge stalled bills. He managed to blast free his proposal to kill the rule by breaking it and rallying radio talk show hosts, editorial writers and Ross Perot to his cause.



R. MICHAEL JENKINS

Inhofe, with Perot on left, declared victory Sept. 8.

At issue is a House rule intended to allow members to bring to the floor popular bills bottled up in hostile committees. To do so, a majority of members (218) must sign a "discharge petition."

Here's the rub: The names are secret until the 218th has signed. Inhofe said that makes it easier for the Democratic leadership to pressure members to withhold signatures for bills it opposes — term limits, the line-item veto, the balanced-budget amendment and others in the conservative mantra that are considered winners outside the Beltway.

Inhofe said the signatories should be public as soon as they sign. "Once they become public, people are going to demand that their representative sign whatever discharge petition is in there," he said.

Democrats call his proposal a risky step toward plebiscitary democracy — and a direct challenge to their power. "The Inhofe proposal would give the minority a new and powerful tool for forcing House members to take public stands on issues that help the minority," said the Democratic Study Group.

Inhofe's bill (H Res 134) to end the secrecy took a big step toward enactment Sept. 8, when the last seven of 218 members signed his petition to dislodge it from the Rules Committee. *(Box, p. 2370)*

But his ultimate goal — forcing conservative bills to the floor — is far from achieved. While he is seems likely to win the anti-secrecy fight, the cumbersome machinery of the discharge process and the parliamentary machinations of House leaders likely will keep it hard to bypass the committee process.

By Phil Kuntz

Thorn in His Side

In Tulsa, Inhofe for years has been a controversial figure whose up-and-down political career defies prediction. In Washington, he is best-known for his Reagan-era days as a free-market advocate and Cold Warrior, describing himself as "a little bit on the hard right." Until now, he was not prominent in the GOP's fight against the Democrats' grip on the House agenda.

But the secrecy shrouding discharge moves has bugged him for 6½ years. Inhofe introduced his bill March 18. He said it will discourage hypocrisy: "This is the first step in eliminating yet another congressional custom that allows members to posture in support of popular legislation back in their districts while secretly working for its defeat back in Washington."

Referred to the Rules Committee, his bill faced a dim fate because Chairman Joe Moakley, D-Mass., and other House leaders do not like the idea. They contend that it would make it too easy to pressure members to sign discharge petitions, thereby increasing the influence of interest groups and turning the House's deliberative pace into a series of knee-jerk reactions to what Rep. Mike Synar, D-Okla., called the "There-Ought-To-Be-a-Law Caucus."

"Discharge petitions are not supposed to be the norm — they are supposed to be the exception," Moakley said. "If that equation should change, you're going to see a lot of bad bills coming up . . . that will do a great deal of harm to this country."

After waiting the requisite 30 legislative days for committee action, Inhofe filed a discharge petition May 27. He then kept track, getting each new signer to report back to him the name and number of the previous one to make sure his list was accurate.

By early August, Inhofe had 211 signatures, a handful of Democrats and all but two Republicans. He would have had 217, but six Democrats removed their names.

"I reconsidered and took it off," said James P. Moran, D-Va. "I discussed it with Mr. Moakley. He talked to me in a friendly way. There was no threat or anything like that."

On Aug. 4, Inhofe told the House that he would give The Wall Street Journal the names of all members who had not signed the petition by the start of the summer recess, two days hence. The paper's editorial page, a conservative forum that long has been disdainful of the House's Democratic keepers, agreed to print them.

Discharge History

Inhofe thus defied a decree first issued from the chair by Speaker John Nance Garner, D-Texas, on Feb. 23, 1932: "These signatures can not be made public until the required number of members have signed the petition."

At the time, the House was trying to perfect its discharge rule, seeking one that would not be too hard to invoke or too easy. The struggle began in 1910 as part of the revolt against the dictatorial Republican Speaker, Joseph G. Cannon of Illinois. Debate over versions of the rule continued for years with the majority party — some-

times Republican, sometimes Democratic — usually successfully arguing for more stringent discharge rules.

Discharge attempts rarely work. Of 493 petitions filed since 1931, just 45 attracted the required number of signatures and 24 resulted in measures being formally discharged, which requires a floor vote, according to the Congressional Research Service (CRS). Of those, the House passed just 18 of the bills. Two became law — the Fair Labor Standards Act of 1938 and the Federal Pay Raise Act of 1960.

The threat of a discharge can force floor action on a measure — most recently succeeding in enactment in 1983, when Congress repealed the withholding of taxes from interest and dividend payments.

The last time a committee was discharged was last year when the balanced-budget constitutional amendment was freed from the Judiciary Committee — the first discharge in more than a decade. It narrowly failed to get the required two-thirds majority.

Foley's Misplaced Trust

Discharge petitions are kept in a locked drawer at the clerk's desk on the House floor.

Disclosing the names is "strictly prohibited under the precedents of the House," says an "important notice" shown to signatories.

A message from Speaker Thomas S. Foley, D-Wash., adds: "The chair trusts that all members will comply with this time-honored principle on their own responsibility."

Foley's trust was misplaced. Under the headline, "End Congress's Gag Rule," the Journal printed Inhofe's list of non-signers Aug. 17 — only the fifth such unauthorized disclosure and the first since 1960, CRS says.

Conservative talk show hosts began harping on the issue during the August break, led by the most famous, Rush Limbaugh. Inhofe became an instant regular on the circuit, appearing on 58 talk shows across the country.

Billionaire Ross Perot, the former independent presidential candidate, also joined the fray, mobilizing members of his group, United We Stand America, to pressure House members to sign the petition. Some began a 24-hour vigil outside Moakley's district office to protest his opposition. Editorial writers called on their representatives to sign.

Members "came under tremendous pressure," said Vic Fazio, D-Calif., who runs the party's campaign shop.

Democrats — including freshmen from marginal districts — began promising to sign Inhofe's petition when the House returned Sept. 8. Sensing defeat, Moakley notified members that they were free to sign.

A half-hour before that day's session began at noon, the first of more than a dozen Democrats began lining up to sign. "I was first in line," said Jane Harman, D-Calif. Nine who pledged to sign could not; tradition allows only 218.

The 218th: Marjorie Margolies-Mezvinsky, D-Pa., a freshman who just before the break risked her new career representing a GOP district by providing the 218th vote to approve President Clinton's budget proposals.

Soon after, Perot, Inhofe and dozens of other members held a news conference. United We Stand members cheered their leader, who declared, "This is a great day for our country."

Moakley, Fazio and Synar held a news conference to denounce Inhofe's plan, but a consensus appeared to develop at a later leadership meeting that fighting Inhofe on signature secrecy was fruitless.

Instead, Democrats behind the scenes began discussing ways to make the discharge route more difficult. Under the rules, Inhofe can bring his discharge motion to a vote Sept. 27, but the Rules Committee could pre-empt him by bringing an alternative to the floor before then.

Among the options they are considering, according to Moakley and Fazio:

- Increasing the number of signatures required.
- Lengthening the waiting period before a discharge petition can be filed.
- Giving a committee facing discharge 30 days to report out the bill in question, with any amendments it desires.

A Rules subcommittee scheduled a hearing for Sept. 14. Inhofe apparently faces no punishment for violating secrecy.

Inhofe said the proposals are outrageous: "They're still trying to cover up and figure out ways to sneak around and subvert the will of the people."

Even if Inhofe gets his way, the discharge process still will be flush with ways for the leadership to control the agenda. Any committee faced with a successful petition can report out a bill to its liking — and then refuse to bring even that to the floor, forcing the petitioners to start over. Or the Rules Committee can report out a floor rule giving leaders the advantage.

"The rule is written so that it will work if you have sufficient support and do everything right," said Richard S. Beth, a CRS expert on the issue. "But it's hard to do that, and if you do make any mistakes, it usually provides the leadership with an opportunity to prevent your issue from coming up." ■

Maverick Signatures

Signing Rep. James M. Inhofe's discharge petition were 173 Republicans and 45 Democrats:

Democrats Who Signed
(in order of signing)

Fingerhut, Eric D., Ohio
Laughlin, Greg, Texas
Condit, Gary A., Calif.
Applegate, Douglas, Ohio
Traficant, James A. Jr., Ohio
Valentine, Tim, N.C.
Parker, Mike, Miss.
Hall, Ralph M., Texas
Long, Jill L., Ind.
Swett, Dick, N.H.
Stupak, Bart, Mich.
Cramer, Robert E. "Bud," Ala.
Pickett, Owen B., Va.
Danner, Pat, Mo.
Rowland, J. Roy, Ga.
Geren, Pete, Texas
Stenholm, Charles W., Texas
Tauzin, W. J. "Billy," La.
Payne, Lewis F. Jr., Va.
Peterson, Pete, Fla.
Poshard, Glenn, Ill.
Taylor, Gene, Miss.
Pallone, Frank Jr., N.J.
Penny, Timothy J., Minn.
DeFazio, Peter A., Ore.
Bilbray, James, Nev.
McHale, Paul, Pa.
Slattery, Jim, Kan.
Deal, Nathan, Ga.
Sangmeister, George E., Ill.
Jacobs, Andrew Jr., Ind.
Barcia, James A., Mich.
Lipinski, William O., Ill.
Costello, Jerry F., Ill.
Shepherd, Karen, Utah
Inslee, Jay, Wash.
Cantwell, Maria, Wash.
English, Karan, Ariz.
Harman, Jane, Calif.
Bacchus, Jim, Fla.
Meehan, Martin T., Mass.
Andrews, Thomas H., Maine
Hayes, Jimmy, La.
Andrews, Robert E., N.J.
Margolies-Mezvinsky, Marjorie, Pa.

Democrats Who Promised To Sign

Inhofe said nine Democrats promised to sign the petition but could not do so once it reached a majority:

Andrews, Michael A., Texas
Glickman, Dan, Kan.
Holden, Tim, Pa.
Lloyd, Marilyn, Tenn.
Mann, David, Ohio
Orton, Bill, Utah
Pomeroy, Earl, N.D.
Schenk, Lynn, Calif.
Thurman, Karen L., Fla.

Democrats Who Removed Their Names

Inhofe said six Democrats initially signed the petition but later removed their names:

Borski, Robert A., Pa.
Brewster, Bill, Okla.
Clement, Bob, Tenn.
English, Glenn, Okla.
Hall, Tony P., Ohio
Moran, James P., Va.

Republicans Who Did Not Sign

Gilman, Benjamin A., N.Y.
Myers, John T., Ind.

THE WALL STREET JOURNAL THURSDAY SEPTEMBER 16, 1993

People Think Health-Care System Needs Fixing But Aren't Sure of What's Broken, Survey Finds

By GERALD F. SEIB
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Americans are certain of one thing: The country would be a lot better off if its health-care system were overhauled.

Unfortunately for President Clinton and his coming health-care reform plan, that's about all people are sure about right now. A Wall Street Journal/NBC News poll shows there also is a great deal of uncertainty and ambivalence about the precise kind of change people want, as well as underlying concerns that the plan will create new ills even as it cures old ones.

The one thing that's clear from the survey is that Mr. Clinton has succeeded in convincing people that health care is a big problem. By an enormous margin, 78% to 19%, of those surveyed agree that the system doesn't meet the needs of most people. And a majority—55%—predict that the Clinton health-care plan will help the nation; just 28% think it will hurt it.

"People think the country overall will benefit from a reform of health care, and that's the best thing the president has going for him," say Peter Hart, a Democratic pollster, and Robert Teeter, a Republican pollster, who jointly conducted the Journal/NBC survey.

Cost, Loss of Benefits Feared

But just beneath that sentiment lurk the fears and uncertainties that Mr. Clinton must address before he can sell his particular reform. Just 20% of those surveyed say they think they will be helped by the Clinton plan. More than half—55%—say they think the Clinton plan will fail to save them money compared with the health-care costs they would incur without it.

Medical-Malpractice Cases

The Clinton proposal to settle medical-malpractice cases out of court has been tried in many states, often with disappointing results. Separately, a change in a rule in the health plan means about 10 million business owners could still operate as independent contractors. Articles on pages B1 and B11.

There also is a fear of losing benefits. While 47% say they expect the standard set of benefits offered under the Clinton plan to be about the same as those they receive now, a quarter say they think their benefits will be worse.

Perhaps most troubling for the White House, 58% say they think jobs will be lost because of the plan's expected requirement that all employers pay much of the cost of health coverage for their workers.

Despite their desire for change, people are "satisfied with a lot of the elements of the health-care system," say Messrs. Hart and Teeter. "The immediate challenge is going to be convincing the public that reform means saving money and providing the public with care as good as that they've been receiving."

Uncertain Expectations

"Do you agree or disagree with these statements about President Clinton's health-care reform package?"

	AGREE	DISAGREE
It will cut the federal deficit	23%	66%
It will force many small businesses to close	55	38
New taxes will be required to pay for it	82	15
There is so much waste in our system that costs can be reduced without compromising the quality of health care	84	12
The plan will help control health-care costs	63	28
Treatment for mental illness should be included to the same extent as treatment for physical illness	82	13

THE WALL STREET JOURNAL/*NBC NEWS* POLL

Mr. Clinton is going to invest a lot of time and energy selling the plan across the nation as soon as it's unveiled on Wednesday. The following day, he will have a huge event on the White House's South Lawn to plug the plan, then fly to southern Florida for a nationally televised town hall meeting. The stop is designed to sell the plan to politically pivotal senior citizens, who make up a big portion of the Florida population.

Over the following two weeks, the president will be in New York, California and probably the Midwest doing the same kind of sales work. In California, he will speak to the AFL-CIO. He also will meet with doctors, stressing the plan's provisions simplifying the reams of paperwork with which they now cope.

The campaign will stress that the Clinton plan will provide security to people, produce "real savings" and simplify the system for consumers and doctors, says Richard Celeste, the former governor of Ohio who is leading a Democratic sales effort. "If there is a dividing line, it is between those who want change — and there may be disagreement about what kind of change — and those who don't want change," he said in an interview.

Through this campaign, the fundamental problem facing Mr. Clinton is that people seem uncertain about precisely what the problem is with the current system. Asked what they consider the most important health-care issue, 42% cite the cost of health care. But a nearly equal share, 41%, cite the problem of people who aren't covered by insurance.

People clearly don't think that the quality of health care they receive is the issue. Almost three-quarters, 72%, say they are satisfied with the quality they and their families receive. And 69% say they are satisfied with the availability of care.

But doubts begin to creep in when people are asked whether they could handle a big, costly illness. Just 52% say they are satisfied with the ability of their insurance plan to cover them in the event of a catastrophic illness, while 38% express dissatisfaction.

People Want It All, Cheap

In short, people at this stage seem to be demanding of Mr. Clinton the impossible fix: They want at least all the benefits they get now and more security that they will keep getting them, want everyone else covered and want it all without a big increase in the cost to them.

In part, people seem to expect this happy outcome because they think there is so much inefficiency in the system that much can be accomplished just by tightening it up. A big majority, 84%, say costs can be reduced without compromising the quality of care. But people also seem willing to pay at least a little more as part of an overhaul. A sizable majority, 79%, say they would be willing to pay an additional $50 a year in health-care costs to ensure that all people get health coverage and can keep it if they lose or change jobs or encounter serious illness. And 72% say they find a $1-a-pack increase in the tax on cigarettes acceptable.

It's also clear what people *don't* want: restrictions on their freedom to pick doctors or the services available to them. Asked to pick the worst mistake the president could make in reforming the health-care system, more of those surveyed, 24%, cited limiting the right to choose a doctor than anything else.

And a majority say they would find it "totally unacceptable" for the package to limit some of the health services available to senior citizens under Medicare. It isn't just senior citizens who object; a majority of adults of all ages share the sentiment. That probably means, say Messrs. Hart and Teeter, that even younger people fear that curbs on services offered to older citizens could be a first step to limits on services to others.

How Poll Was Conducted

By a WALL STREET JOURNAL *Staff Reporter*

The Wall Street Journal/NBC News poll was based on telephone interviews of 1,006 adults conducted Friday through Monday by the polling organizations of Peter Hart and Robert Teeter.

The sample was drawn from 263 randomly selected geographic points in the continental U.S. Each region was represented in proportion to its population. Households were selected by a method that gave all telephone numbers, listed and unlisted, an equal chance of being included.

One adult, 18 years or older, was selected from each household by a procedure to provide the correct number of male and female respondents. The results of the survey were minimally weighted by age and income to assure that the poll accurately reflects registered voters nationwide.

Chances are 19 of 20 that if all adults with telephones in the U.S. had been surveyed, the findings would differ from these poll results by no more than 3.1 percentage points in either direction. A limited number of questions were asked of half the sample; for these, the margin of error was 4.5 percentage points. The margin for any subgroup would depend on the size of that group.

THE WALL STREET JOURNAL THURSDAY, SEPTEMBER 16, 1993

Clinton's Plan For Malpractice Has Failed Tests

By Edward Felsenthal
Staff Reporter of The Wall Street Journal

President Clinton's proposal to resolve medical-malpractice cases through out-of-court proceedings has already been tried in many states, frequently with disappointing results.



The administration's plan, which became public last week, would require disgruntled patients to engage in early settlement talks and to submit any claims to trained mediators or panels of experts before having a chance to go to court. Patients who didn't like the out-of-court results could sue after the mediation was completed.

The theory behind such procedures is that they dispose of meritless cases quickly, encourage settlements in others, and even if the two sides go to court, they create more realistic expectations that might lead to settlements later on. But those assumptions have been dashed more often than not, lawyers for both patients and doctors say, in many of the 30-odd states that have enacted similar programs in the past two decades.

In fact, lawyers say, the procedures often do little more than gum up the works, building in extra delays and legal costs. As a result, legislatures in at least six states, including the president's home of Arkansas, have junked the approach altogether. New York discarded its system in 1991 amid complaints that plaintiffs were waiting as much as five years for a pretrial hearing. Elsewhere, six state supreme courts have ruled the procedures are unconstitutional, because they restrict people's access to the judicial process.

With that history as a backdrop, Mr. Clinton's proposal has many malpractice specialists perplexed. "It's strange," says Paul Weiler, a professor at Harvard Law School. "The verdict across the country in the bulk of the jurisdictions that have tried it is that it has been a failure."

Lawyers say the records of these programs are filled with cases like that of Joel Stein, who died in a Rockland County, N.Y., hospital after an automobile accident. In 1977, Mr. Stein's family filed a malpractice suit, alleging that his doctors negligently failed to maintain his breathing in the emergency room. After several years' delay, the case finally reached a

Please Turn to Page B8, Column 1

Continued From Page B1

pretrial panel, which ruled unanimously for the doctors, according to the family's lawyer, Harvey Wachsman.

But as in all states with pretrial screening, the ruling wasn't binding. So Mr. Stein's family decided to proceed with a jury trial. More than six years after the case had been filed, a jury awarded $900,000 in damages to the family. The pretrial process had added nothing but time and expense, and it hadn't even accurately mirrored how the court system would evaluate the patient's injury.

Mr. Stein's case illustrates many of the problems with the kind of out-of-court proceedings contemplated by the Clinton administration. As hearing results aren't binding, losing parties frequently choose to go on to trial, where they can win verdicts inconsistent with the panel's ruling. In many states, the panel results aren't even admissible as evidence at a subsequent trial.

Broader studies of out-of-court procedures tell a similar story. A 1987 report by the New York judiciary's chief administrator, for example, found that delays caused by pretrial hearings "continually frustrate the administration of justice . . . and constitute a crisis of significant proportions." The report also concluded that the panels weren't keeping malpractice cases from going to trial.

Moreover, the hope of some in the medical profession that such panels would favor defendants more often than juries do proved to be unfounded. A 1980 study of malpractice claims by the National Association of Insurance Commissioners found that pretrial panels ruled for the plaintiff in about 36% of cases that they screened, roughly the same percentage of court cases that ended in judgments or settlements. And settlement awards were actually slightly higher in cases involving prescreening, according to the New York chief administrator's report.

Nonetheless, the concept continues to have its enthusiasts, and roughly 25 states still use some type of out-of-court screening. "The devil is in the details," says Laura Morlock, a sociologist at Johns Hopkins University who has studied Maryland's record with pretrial procedures.

Prof. Morlock's study found that about 2.2% of malpractice claims in that state go to a jury before they are resolved, about half the percentage that proceed to trial nationally. Maryland's program has been comparatively successful, she says, in part because pretrial panel decisions can be used as evidence in a trial. That helps deter losing parties from pursuing their cases further, she says.

The draft of the Clinton plan circulating in Washington isn't specific about the details of the out-of-court procedures it would implement, though it does state that the consumer is "free to pursue the complaint in court" if dissatisfied with the pre-screening result. The proposal indicates that various alternatives will be developed by the National Health Board, a presidentially appointed body that will oversee many aspects of health care.

Health specialists hope that the final proposal will add provisions that may help avoid some of the states' failings. For example, the administration could decree that plaintiffs who turn down settlement offers must pay the defendants' legal fees if a court's ultimate award is less than the defendant had offered before trial.

"Whether this is a good or a bad proposal in the end is going to hinge very heavily on the nature of the procedures that are developed under it," says Martin Conner, president of the American Tort Reform Association in Washington.

Still, many lawyers' and doctors' groups are skeptical that Mr. Clinton can come up with anything that will work better than what various states have implemented. "Most of the models that have been tried really don't solve the issue," says James Todd, executive vice president of the American Medical Association. "There are very few untried processes left."

In addition, any [redacted] court requirements [redacted] the same legal challe[redacted] feated some of the sta[redacted] ida's supreme court, for e[redacted] 1980 that the operation of t[redacted] screening panels had proven t[redacted] unconstitutionally "arbitrary and capricious."

The decision came in the case of Robert Kirschgessner, who objected that the moderator of the hearing had allowed only 30 minutes for the proceeding and then illegally postponed it. The Florida court cited what it called a "parade" of bungling and delays, and threw out the out-of-court program. The Florida legislature subsequently passed a law allowing judges in malpractice cases to order a pretrial panel if one of the parties requests it.

Wedtech Cases Dropped

Federal prosecutors closed the books on the 1980s Wedtech Corp. political-corruption scandal by announcing that they won't pursue cases against any of the remaining defendants.

San Francisco attorney E. Robert Wallach and former Congressman Robert Garcia won't be retried, New York U.S. Attorney Mary Jo White said, because many years have elapsed since the alleged crimes, and because of the "substantial" expenditure of prosecutors' resources on the case. In a filing in federal court in New York, the U.S. Attorney's office also noted that Mr. Garcia served 104 days in prison before his conviction was overturned in 1990.

Both men had been convicted for their dealings with Wedtech, a defunct Bronx defense contractor — Mr. Garcia on charges of extortion, Mr. Wallach on charges of conspiracy and fraud. Mr. Wallach's most recent trial, in which he represented himself, ended in a hung jury earlier this year. Mr. Wallach was retried after an appeals court overturned his first conviction.

No other Wedtech defendants remain, said Kate Cosenza, a spokeswoman for the U.S. Attorney's office. She said the office doesn't know how much money the government has spent on the litigation, which began in 1988 against Mr. Garcia and in 1987 against Mr. Wallach.

Mr. Wallach, who is hundreds of thousands of dollars in debt because of the trials, said he will return to rebuilding his legal practice, which he resumed in June 1991. "It has been a very long struggle, which I do not regret," said Mr. Wallach, a former adviser to Reagan administration Attorney General Edwin Meese III. "Even justice delayed is an important goal never to be forsaken."

Mr. Wallach was accused of illegally trading on his friendship with Mr. Meese to help Wedtech win defense contracts and to earn $1 million in payments for himself from the company.

Mr. Garcia, who was accused of extorting a $20,000 no-interest loan from Wedtech, said he's trying to put his life back together after "a very difficult period." Mr. Garcia was a U.S. representative from New York until he resigned in 1990, and he now works as a lobbyist on Capitol Hill. He said he won't run for office again.

His wife, Jane Lee Garcia, and friend, Ralph Vallone Jr. — co-defendants whose convictions also were overturned on appeal — won't face further prosecution, the U.S. Attorney's office said.

Law Note . . .

WHO'S NEWS: Robert D. McLean, 48 years old, was elected chairman of Chicago law firm **Sidley & Austin**. He succeeds Howard J. Trienens, 70, who had been chairman since 1975 and remains a partner. Mr. McLean, who specializes in financial and securities litigation, will continue as head of the 700-lawyer firm's Washington office.

—Junda Woo contributed to this article.

GOP offers alternative to revamp health care

BY R.A. ZALDIVAR
Free Press Washington Staff

WASHINGTON — Senate Republicans unveiled a health-care reform plan Wednesday that calls for a smaller government role than President Bill Clinton's and would delay insurance coverage for all.

The proposal, which reflects many of the priorities of Republican moderates, amounts to a serious counteroffer in the opening round of bargaining with Clinton.

"It's not a Band-Aid, but it's not major surgery, either," said Senate Republican leader Bob Dole of Kansas, one of 23 Republicans sponsoring the plan. "Republicans are committed to real, measurable, permanent reform of our health-care system."

If Clinton's plan represents one end of the spectrum, the Senate Republican proposal represents the other. Most analysts believe a plan that can pass Congress is to be found somewhere between the two.

Clinton will formally release his plan Wednesday.

"Health reform has to pass with large majorities," said Josh Wiener, a health economist at the Brookings Institution, a nonpartisan Washington think tank. "If it squeaks through like the budget bill, it will not be sustainable. So Clinton has got to get a broad consensus by compromising with the moderate Republicans."

Drafted by a task force headed by Sen. John Chafee, R-R.I., the plan comes with a catchy name: HEART, which stands for Health Equity and Access Reform Today. The plan aims to eventually require all Americans to purchase their own insurance.

Unlike Clinton's, the Senate Republican plan would not require employers to cover their workers. It would put off coverage for all until 2000 — instead of 1997 in the Clinton plan. It would also provide slimmer benefits. For example, instead of a new long-term care program, the Republicans would provide a tax deduction for long-term care expenses.

Like Clinton's, the Senate Republican plan would rely heavily on Medicare and Medicaid savings to pay for coverage for the uninsured. But the Republicans would use government-provided vouchers and tax deductions,

See GOP, Page 6A

GOP offers plan to revise health care

GOP, from Page 5A

not employer contributions, to cover the uninsured.

Low- and moderate-income people would be eligible for vouchers that would be used to buy health insurance. Others would be permitted to deduct the cost of health insurance from their taxes.

Eventually, the Republican plan would require every American to carry health insurance or pay a penalty to the government.

People who receive costly, benefit-rich health plans from their employers would be taxed on part of the value of their insurance, with the revenue going toward expanding coverage for the uninsured.

The Republican plan would raise $213 billion over five years from Medicare and Medicaid savings and about $100 billion from taxes on high-cost health-care plans. The cuts in Medicare and Medicaid are likely to be attacked as too high, as was Clinton's plan to squeeze $238 billion from the two programs.

Like Clinton, the Senate Republicans would set up health alliances — insurance purchasing co-ops for small businesses and individuals. But in the Republican plan, employers would not be required to join the alliances.

Health plan falls short for women, experts say

It won't cover all recommended screenings

BY KAREN SCHNEIDER
Free Press Washington Staff

WASHINGTON — President Bill Clinton's health care plan wouldn't pay for all of the mammograms, pelvic exams and Pap smears that medical experts say women need for early detection of breast and cervical cancer.

Clinton's proposal would require every health care plan in the country to pay for some screening to help detect the deadly diseases — good news for women with no insurance or limited coverage. Some 46,000 women are expected to die this year from breast cancer; 4,400 from cervical cancer.

But the plan would not require health providers to pay for all of the tests most experts agree women should have.

The plan, which will be introduced to Congress on Wednesday, sets minimum benefits that all health plans

See HEALTH CARE, Page 11A

1/2

149

HEALTH CARE, from Page 1A

would be required to offer. It does not preclude providers from offering more frequent mammograms and Pap tests.

White House spokesman Kevin Anderson said Wednesday that the plan's coverage for preventive screenings is "based on medicine's best estimate of what is the most effective schedule on which to do these things."

But many medical experts disagree, and women's advocates say they will fight for better coverage.

Who would be reimbursed?

Virtually every medical expert in the country agrees that a mammogram — a breast X-ray to pinpoint tumors or other abnormalities — is the best way to detect disease before it spreads. But medical experts disagree on the effectiveness of mammograms for women in their 40s.

The National Cancer Institute and the American College of Obstetricians and Gynecologists, which represents 33,000 doctors, recommend that women in their 40s have a mammogram every one to two years. But the Clinton plan does not call for reimbursing women in their 40s for the exam.

The plan also would not pay for annual mammograms for women 50 or older, even though virtually every leading medical group in the country supports such tests. Clinton's plan would cover screenings every two years for women over 50.

"I'm just not in accord with that," said Dr. Louise Tyrer, a retired ob-gyn who is medical director of the Association of Reproductive Health Professionals in Washington.

Tyrer said women who have a family history of breast cancer or who have used birth-control pills need regular mammograms in their 40s because they are at greater risk of getting breast cancer.

The plan's coverage for mammograms "could increase the incidence of deaths from breast cancer in this country, which is already unacceptably high," she said.

The number of women diagnosed with breast cancer has soared in the past decade. This year, 183,000 women will be diagnosed with breast cancer.

Number of tests debated

Meanwhile, 13,500 women will be diagnosed with cervical cancer this year. Experts agree that a Pap smear — a swab of the cervix to look for abnormal cell growth — is the only effective method to detect cervical cancer early enough to save lives. But they disagree over whether women need to have annual Pap smears once they've had three tests that are normal.

The American College of Obstetricians and Gynecologists and the cancer institute recommend annual screenings and pelvic exams for women over 18 or for sexually active teenagers. Those groups also say that if a woman has had three consecutive normal Pap tests, her doctor may choose to perform the test less frequently.

But Clinton's health care plan will reimburse women for pelvic exams and Pap tests only once every three years after a woman has had three normal Pap tests. Thus, if her doctor wants to perform the test and exam more often, the woman would not be reimbursed unless her insurer covers additional testing.

The health care plan makes an exception for women who are at risk of getting a sexually transmitted disease. That includes women who previously had a sexually transmitted disease or who have had more than one partner. Those women would be reimbursed for annual pap tests and screenings for chlamydia and gonorrhea. Women fared better under an earlier draft of the health plan, which suggests that the preventive screening benefits were scaled back to control costs.

The earlier draft followed guidelines established by the U.S. Preventive Services Task Force, made up of clinicians and epidemiologists with expertise in prevention.

The task force recommends Pap tests for all sexually active women every one to three years and mammograms for women over 50 every one to two years.

A national scientific survey of 2,500 women this year found that 35 percent of women had not had a Pap test in the previous year and that 45 percent of women over 50 had not had a mammogram in the previous year.

Coverage for all those types of screenings varies among private insurance plans, and the costs of such tests vary around the country. The Clinton administration says that its reimbursements for preventive care would exceed those typically offered now by private plans.

But women's advocates say they will insist on better coverage in Clinton's plan.

"We will be negotiating very hard on the preventive screening," said Rep. Patricia Schroeder, D-Colo., and co-chairwoman of the Congressional Caucus for Women's Issues.

Schroeder said congresswomen also would fight to include examinations and screenings for osteoporosis, a debilitating bone disease that strikes women disproportionately.

"We want to make sure that we don't end up with a plan where women have to take their private parts and go buy private insurance," she said.

Clinton health plan falls short for women, experts say

2/2

150

Comparing Plans

Here is a comparison of key features of the Clinton Administration's health care plan and one proposed by Senate Republicans.

Benefits Package

CLINTON PLAN: A single benefits package, spelled out in the legislation.

SENATE GOP: A single benefits package, to be put together by a national commission. Congress would have the option of accepting or rejecting the entire package, but would not be allowed to amend it.

How Costs Would Be Controlled

CLINTON PLAN: Consumers, banding together in regional or corporate alliances, would gain greater negotiating power with health care providers, forcing them to curb their prices. The plan also includes some government cost control, in the form of limits on the growth in premiums that could be paid by the regional alliances.

SENATE GOP: It would also establish regional alliances, but participation in them would be voluntary, and more than one would be established in each state.

Employer Obligation

CLINTON PLAN: Most employers would be required to pay 80% of the average cost of health care premiums for their workers, who would pay the remainder.

SENATE GOP: None, although the sponsors say they believe that most employers who now provide those benefits would continue to do so and that better access and lower costs would encourage other firms to begin providing them. Because small firms would have the option of joining regional alliances, they no longer would be refused health insurance or charged higher premiums if they had a few high-risk workers.

Individual Obligation

CLINTON PLAN: Employed individuals would be required to pay an average of 20% of the cost of their health care benefits, depending on which plan they choose. Self-employed or unemployed people would be required to pay the entire premium, with low-income people eligible for government assistance.

SENATE GOP: All individuals would be required by law to carry health insurance. Those who could not afford it would be issued government vouchers to assist them in paying all or part of the average premiums in their area, depending on their income.

How It Would Be Financed

CLINTON PLAN: Largely through savings, including $238 billion reaped through curbing growth in Medicare and Medicaid spending to roughly the inflation rate, plus growth in the number of those eligible for the plan. A "sin" tax on cigarettes and possibly alcohol would raise $105 billion between 1994 and 2000.

SENATE GOP: Largely through savings, including by curbing Medicaid and Medicare spending to 7%.

Los Angeles Times

2/2

THE FEDERAL DIARY

Healthy Cut in Premiums

By Mike Causey
Washington Post Staff Writer

Four out of 10 federal workers will pay less for health insurance next year if they stick with their current plan. Others can save money by switching to one of the dozens of plans that will cut 1994 premiums.

Blue Cross-Blue Shield will lower its high-option premium. Plans offered by GEHA, the American Postal Workers Union, the National Association of Letter Carriers and the National Association of Postmasters as well as a number of local health maintenance organizations will lower their premiums. Others will hold the line or make only modest increases.

Under a complicated cost-sharing system, the federal government pays about 72 percent of the total premium (more for postal workers under union contract). Workers and retirees pay the same premiums in the same plans, but workers' premiums are collected biweekly and retirees pay monthly.

Between Nov. 8 and Dec. 13, workers and retirees can pick their 1994 plan. They can join any plan they are eligible for (locally there are about 20 plans), and they can't be rejected for any reason.

During open season, we will have a series of columns rating "best buys" for singles, couples, retirees and people with special medical problems or who are seeking dental coverage. Starting today and continuing for the next few days, we will run the 1994 premiums for fee-for-service, HMO and special plans.

Fee-for-Service Plans

- Blue Cross-Blue Shield's high-option single plan will cost $74.02 a pay period next year, a drop of $4.63. The family high option will be $158.42 biweekly, a decrease of $7.94. The standard option will keep its single rate at $20.86; the standard family option will go up $2.69 to $46.37.
- The Alliance Plan single premium will be $40.18, an increase of $3.29 a pay period. The family plan will cost $84.11, up $8.92.
- American Postal Workers Union will cut its single premium $4.87, to $21.88 a pay period for nonpostal workers who join the plan. The family plan will be $46.83, a decrease of $6.68.
- GEHA will lower its single premium $1.77, to $25.51 biweekly. The family plan will cost $51.64 biweekly, a decrease of $1.82.
- The Mail Handlers plan single high option will cost nonpostal workers $19.31 biweekly next year, an increase of $1.09. Its high-option family plan will be $42.97, an increase of $2.36. The single standard plan will cost $14.35, an increase of 69 cents a pay period, and the family plan will be $31.14, an increase of $1.48.
- Nonpostal workers who choose to join the Letter Carriers plan will pay $22.05 for single coverage, a drop of 72 cents a pay period. The family option will drop 20 cents, to $47.11 biweekly.
- The Postmasters plan will charge $76.66 for its single high-option plan, a decrease of $6.19. Its family high option will be $166.80, a decrease of $11.36. The single standard will be $21.76, a decrease of $7.60. The family plan will cost $47.04, down $16.13.

Buyout Watch

Vice President Gore has told the Democratic leadership that he wants quick approval of a plan that would give U.S. agencies authority to offer selected workers buyouts and early retirement.

Agencies could pay people to quit or retire. Buyouts would be an amount equal to their severance entitlement or $25,000, whichever is less. Agencies would have to pay 9 percent of the employee's total salary into the civil service retirement fund if the worker took either regular or early retirement.

Agencies could offer early retirement (either with or without buyouts) to workers age 50 with 20 years of service, or any age with 25 years of service. Civil service pensions would be trimmed 2 percent for each year the retiree is under age 55.

Senate Okays Arts Money

$823 Million Voted Over Helms's Opposition

By Jacqueline Trescott
Washington Post Staff Writer

After what is now a perennial debate about government funding of the arts, the Senate yesterday passed by voice vote legislation giving the three federal cultural agencies and other public institutions $823 million for next year.

And once again, Sen. Jesse Helms (R-N.C.) took on the role of main critic. He introduced an amendment to kill the National Endowment for the Arts late Tuesday night, but it failed on an 83-15 vote.

Then yesterday he tried to propose that NEA grants only go to nonprofit groups, dropping the often-controversial individual fellowships. "I never heard a symphony orchestra that offended anybody," said Helms. That effort was trounced 65-30.

In another amendment, Helms argued for a different distribution of the funds, saying that "NEA is not supporting the arts all across the nation in an equitable manner. Rather, it is funneling most of the money to the big cities—where it is often used to help impose or promote a liberal, immoral, pro-homosexual and perverse culture on the rest of the country."

Sen. James Jeffords (R-Vt.), co-chairman of the Congressional Arts Caucus, led the challenge of Helms and said his colleague was misrepresenting the facts. During the debate Helms had displayed a photo by Joel-Peter Witkin that showed two male cadavers kissing. Jeffords said that although Witkin has had four NEA fellowships, the work displayed by Helms was not created while Witkin was receiving that money. "Suddenly, I realized that they were reaching," said Jeffords. "There is no evidence, no recent evidence, that the NEA has been approving grants that have resulted in offensive materials."

NEA was the only agency that had a significant drop in its funding from what the White House had originally requested. In July, the House voted to reduce the proposed appropriation by 5 percent. However, the Senate Appropriations committee restored 2.5 percent, leaving the agency with $170.2 million.

As it stands, the Smithsonian Institution would receive $342 million, the National Endowment for the Humanities $177.4 million, the National Gallery of Art $54.7 million, the Institute for Museum Services $28.7 million, the Holocaust Memorial Museum $21.6 million, the Kennedy Center $20.6 million and the National Capital Arts and Cultural Fund $7.5 million.

The funding is contained in the Interior Department bill and now goes to a House-Senate conference committee.

The debate contained clear signals that actress Jane Alexander is an acceptable choice for many senators to lead the NEA. Even Helms, who said he had not met the nominee but "unless I learn something about her I do not now know, it is my intent to support her nomination when it comes up in the Senate. I confess that Dot Helms and I may have become initially attracted to Ms. Alexander because we chose, years ago, to name our first daughter Jane Alexander Helms—using Dot's middle name and mine."

Then the chief adversary of the NEA promised Alexander a grace period of "at least a year or so in which she can concentrate on upgrading the quality of art supported by the American taxpayers."

52

^BC-OLIPHANT-COLUMN op-ed editors
^Clinton health plan will help, not hurt, small business
By Thomas Oliphant
Boston Globe
WASHINGTON Mandate, schmandate.

Of all the health care absurdities being spread around here by the status quo's shameless defenders, none is more preposterous than the false alarm that more than a million people could lose their jobs because President Clinton is trying to put small business in a regulatory vice of death.

The truth is that the nearly gestated Clinton plan constitutes a luscious opportunity for a minority now at a competitive disadvantage (small businesses that offer their workers no health insurance and are thus bailed out by all taxpayers) to join the more competitive majority (those that do have health coverage).

Far from the ``mandate'' that the anti-anything crowd screams about, the president's proposal is more accurately an economy-strengthening means of gradually correcting a serious problem in the business world.

It is, for example, no accident that adult Republicans like Sen. John Chafee, R-R.I., while making clear their opposition to the placing of onerous, unfunded burdens by government on the private sector, have also said they do not consider the president's proposal as it affects employers to be, as negotiators everywhere say, a ``deal-breaker.''

In part, they say this because they are aware that the Clinton plan is likely to so fully fund the mandate as to eliminate any rational basis for major complaint, much less gridlock-seeking opposition.

Having just studied a purloined, 240-page copy of the president's plan as it stood in its final draft, the notion of a burdensome mandate on small business is indeed ridiculous. A few facts:

It helps to remember that for the ultimate small business, the entity run by the self-employed individual, every cent that is paid as premiums for the individual involved and his or her family would be tax-deductible. In addition, 80 percent of the average premium (representing the employer share) would be kept equal to that contributed by all area employers for workers with the same family status, and would furthermore be capped as a percentage of self-employed income.

As for small businesses with 50 or fewer employees, caps and subsidies are the rule for the phased-in requirement to participate in the new national system, based on the average wages paid within the firm. Thus, if the business' average wage per full-time worker were less than $12,000, the owner's contribution would be capped at 3.5 percent of his total payroll cost.

This cap would then gradually be raised. With an average wage of $15,000-$18,000, it would be 4.4 percent; above $24,000, it would reach the maximum of 7.9 percent of payroll applicable to all employers. The difference between the cap and the actual cost of the business' health insurance would be made up by the government.

Moreover, it's vital to remember that Clinton proposes the gradual integration into a new system of both workers' compensation insurance (one of the largest migraines afflicting business today) and automobile insurance, offering firms a much nicer overall environment as the program takes effect.

And finally, it's equally vital to remember that a national health program that gradually makes coverage universal and controls private and public costs more effectively is going to strengthen the economy, increase business cash flow, and leave consumers with more money to spend on something more productive than exorbitant insurance premiums.

For all that, a sliding scale of subsidized small business health insurance premiums (3.5-7.9 percent of payroll) is a bargain, especially as it enables smart business people to correct current competitive disadvanta suffered by those that offer no health plans.

Even among the smallest firms with just a handful of workers, a sligh

jority already offers health insurance, and many that don't will tell you
ey wish they could because they know it is tougher to find and keep
gh-quality employees.
The squawkers on behalf of today's business deadbeats conveniently neglect
e fact that, as things stand today, uncovered workers will get health care
they need it, with the cost borne by all taxpayers
n effect, a form of welfare for the recalcitrant minority of small
sinesses.
The Clinton notion for individuals has always been, properly, that
sponsibility must accompany opportunity. It should apply to business as
ll, and in his health plan the president has a way of doing it that will
lp, not hurt, the country's economy.
X X X
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Dallas Morning News 10/14

HEALTH CARE

Health care alliances better run by private sector

A centerpiece of leading health plans Congress will soon consider is the creation of health care alliances, which offer a sizable weapon in the battle against rising health care costs. By joining together large numbers of consumers, most of whom would be drawn from small businesses, alliances create a large purchasing unit which insurers and health providers cannot ignore.

That's why the health plans offered by President Clinton, a group of House Democrats led by Rep. Mike Andrews of Houston and Jim Cooper of Tennessee, and a GOP Senate coalition led by John Chafee of Rhode Island each stress creating health care alliances. What's significant, however, is that the House Democratic and Senate Republican plans rely upon the *private* sector, not the state, to manage health alliances.

That's an important distinction from President Clinton's proposal, which would have state governments create and manage alliances. During a time in which all levels of government are trying to hold down bureaucracy's costs, and some bloated state governments are trying to privatize services, why add another layer of government?

By contrast, consider the Andrews model, which was released on Wednesday. It would rely upon efficiencies of the private sector to drive health care alliances.

A Dallas health care co-op, for example, would initially be established by the state. But the health insurance purchasing group would soon be turned over to the private sector, where health care firms with an expertise in data processing would gather information on various insurance options and present eligible plans to alliance members.

The advantage of the Andrews model is that the alliance's daily work of reviewing insurance options and collecting premiums from employers and/or employees would be managed by entrepreneurs who have a financial stake in its clean, effective functioning. Better that approach than creating another level of government, which would not have the built-in motive to function efficiently.

If all this health alliance talk is confusing, think of the co-ops as health care's equivalent of a farmers market. The alliance's managers certify who can sell their services to consumers shopping at the health care co-op. But consumers would make the actual insurance choice, which, under a private sector-run co-op, would likely include more options.

Health alliances are an important, market-oriented means to combating high health care costs. But their operation is best left in the hands of private sector professionals.

From Boston Globe Page 23

US Somalia envoy stays on in hope of hostage progress

By Gretchen Lang
SPECIAL TO THE GLOBE

MOGADISHU, Somalia – The US special envoy, Robert Oakley, postponed his departure yesterday, hoping that negotiations to free two captive soldiers would soon bear fruit.

Oakley, who is on assignment for President Clinton, met with representatives of the clan leader Mohamed Farrah Aidid to discuss the release of a US helicopter pilot and a Nigerian soldier.

"I believe their release will be an encouraging sign," Oakley told reporters, "but there will be no bargaining, no ransom. We're not paying money for prisoners."

Last night, Aidid's Somali National Alliance had not released a statement on the talks.

Chief Warrant Officer Michael Durant of Berlin, N.H., was captured Oct. 3 after his helicopter crashed during a search and seizure mission. At least 18 US soldiers died in the battle that followed between US Rangers and Aidid's militia.

Four days later, Clinton announced he would send another 1,700 ground troops to Somalia and station another 8,600 Marines offshore. The troops will be under US command.

Oakley said yesterday that he had been asked to return to Somalia, where he previously served as the US ambassador, to jump-start talks with Aidid. He said he was enlisting the help of the Ethiopian and Eritrean governments in the quest for a solution.

"Aidid feels he should be president of Somalia," Oakley said, "and there are others who agree. He's not alone."

Oakley denied pushing the United Nations aside at the bargaining table, saying the United States is "in no way replacing the UN."

But implicit in Oakley's arrival is the notion that the UN has failed to find a political solution to the conflict.

"There has to be a political solution and there is none," one US military official said. "That's why Oakley's back."

For the fifth night, guns were silent in Mogadishu as Aidid's call for a cease-fire continued to hold. Oakley said UN missions in the field have been suspended.

Remedy for Clinton: For a change, support your friends, make a stand

Steve Daley

WASHINGTON—President Clinton has shown a willingness, even an eagerness, to make enemies of his friends.

Since taking office, Clinton has made a habit of testing those who backed him, particularly liberals who were skittish about his insistence he was a "new Democrat."

Sure, he kept his campaign promises to the liberals on abortion. He installed a few of them in his Cabinet and made a pass at lifting the ban on gays in the military.

But he flip-flopped on his campaign view of Haitian refugees, pulled away from a pledge to boost the minimum wage, withdrew the nomination of Lani Guinier to the Justice Department, made a rousing get-'em-off-welfare speech recently in Milwaukee and hired a Reaganite publicity agent, David Gergen, to guide him through the policy shoals.

Clinton's lurch to the center—if that's what this mixed-up confusion is supposed to be—is unsightly, but it's a political calculation. It'll work or it won't, and the polls will decide.

Part of what makes Clinton's presidency so disappointing is his unwillingness to confront his real adversaries. He simply hasn't shown an instinct for facing down his critics, except those who provided him with the electoral base for beating George Bush.

Clinton is as respectful as an altar boy to Texan Ross Perot, who has taken on trashing the Clinton presidency as a vocation. But when it suits his purpose, the president casts off the the civil rights establishment or feminist groups and calls it "principle."

In Congress, Clinton and his minions work like carpenter ants making deals and accommodations with erstwhile allies like Sens. David Boren of Oklahoma, John Breaux of Louisiana, Sam Nunn of Georgia and a gaggle of conservative Democrats in the House.

Breaux and Nunn insist they are merely trying to help the new president, but there are legitimate questions these days about how much more help the Clinton administration can stand.

The president compromised the life out of his Btu energy tax, for example, passing out exemptions to his pals among the moderate Democrats. When liberals squawked that the Oil Patch senators and their bosses in the energy lobby were getting more than their share, the administration came back with the standard "new Democrat" re-

Where are you (liberals, blacks, feminists, environmentalists) going to go?

Making your message resonate through all segments of society is a worthy goal, but Clinton ought to be prepared to reward loyalty and call naysayers to account.

Clinton's problem is that he appears soft as a grape when challenged by anyone but the left wing of his own party. He's losing fights and earning no credit for the defeats.

The most recent indignity involves an Air Force major general who allegedly insulted Clinton with talk of "gay-loving" and "womanizing" during a speech in the Netherlands last month.

That's a violation of the Uniform Code of Military Justice, folks, but instead of yanking the general's epaulets, the White House and the military launched an investigation. Press secretary Dee Dee Myers announced the administration would have a report from the Air Force "by mid-June."

That brand of passivity is the curse of an administration that will not recognize a friend, punish an adversary or seize an advantage.

A Wall Street Journal/NBC poll last week delivered little good news to the president, but there was a shaft of light or two to be found in the data.

Despite all the talk of a failed presidency, 53 percent of those surveyed still said Clinton's election reflected "a change for the better."

Sixty percent of those asked said Republican opposition to Clinton's economic plan was entirely political, while 68 percent said they preferred an energy tax (Clinton's notion) to cuts in Medicare and limits on cost of living increases for Social Security as a means of cutting the deficit.

Those numbers offer evidence the game is hardly up for Clinton, but he must become aggressive.

Sack the Air Force general. Pick a fight with Perot by exposing the fraud in his deficit-reduction package and inside his United We Stand America cult.

Call up Boren and suggest to him the next time he wants a road or a building or a federal judge in Oklahoma he can call up his Kansas neighbor, Senate Republican leader Bob Dole.

Choose a Supreme Court nominee and stand by him or her, whatever the Republicans or the Democratic hand-wringers on the Senate Judiciary Committee say.

Go on television and remind voters they said the election was supposed to be about deficit reduction and health-care reform.

It's against his centrist instincts, but Clinton might consider digging in on a position. It might earn him some respect.

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PHOTOCOPY PRESERVATION

All we need is a little leadership

Clarence Page

WASHINGTON—Some people have such a nice way of telling you you're full of prunes that you almost believe them.

Almost.

One turns out to be Michael Lerner, editor-publisher of Tikkun magazine and chief prophet of the "politics of meaning," a line of thought that has gossipy Washington all abuzz because it has caught the eyes, ears and perhaps heart of Bill Clinton and Hillary Rodham Clinton.

Now he was calling to win mine. Lerner was upset that one of my columns had referred to his philosophy as apparent "psychobabble."

"I have enough respect for you and your work that I felt I had to give you a call," he said, touching all the right buttons in my heart. "I think you have unintentionally misunderstood and, as a result, misrepresented the politics of meaning."

Actually, I intended not to poke fun at Lerner's politics of meaning, but rather at Mrs. Clinton's rambling attempts to articulate it in New York Times and Washington Post interviews and in her April 6 speech on the topic in Austin. Fortunately, Lerner, 50, a veteran of progressive movements in the '60s, does a better job of explaining it.

The "politics of meaning," he says, are politics that address our psychological, ethical and spiritual needs, not just our social and economic concerns.

Liberals unintentionally helped Republicans drive a wedge between themselves and working- to middle-class voters. While conservatives as varied as Ronald Reagan, Nancy Reagan, Pat Robertson, Dan Quayle and Rush Limbaugh directly and, in my view, inadequately addressed the family-wrenching problems of drugs, divorce, abandonment, delinquency, welfare and crime as matters of spiritual decay, liberals tended to speak of them almost exclusively as matters of economic distress to be solved by government programs.

Common sense should tell us that the problems are a complex combination of both. The touchy questions of personal responsibility, growth and security do not naturally take care of themselves, even in the most utopian social engineering schemes. The Clintons know it, although, like most liberal leaders these days, they have been reluctant to talk much about it.

The result, he says, is a loss of public faith and trust even among working-class Americans who clearly had benefited from earlier liberal reforms and programs.

"Today people relate to the Democrats sort of like the way they relate to insurance agents," Lerner said. "As if the Democrats provide a valuable service, but don't necessarily win your confidence."

This must change, says Lerner. A politics of meaning, articulated persuasively and followed resolutely, might not solve all of Clinton's popularity woes, but it won't hurt him or his wife in the arduous process of getting their co-presidency on the right track.

"It is not Clinton's leftward drift that has failed him," Lerner said. "It is his failure to address fundamental issues that touch people's lives with meaning and purpose, like the decline in important traditional social and spiritual values that have created crises in modern family and community life."

That's why Lerner founded Tikkun, which means "to heal, repair and transform the world" in Hebrew, as a progressive Jewish alternative to the conservative Jewish Commentary in 1986, the heyday of Reaganism.

When Lerner met Hillary Clinton at a White House lawn reception for Jewish leaders, he discovered the Clintons were regular readers of the magazine.

Mrs. Clinton quoted liberally from Lerner in her Austin speech: "We realize that somehow economic growth and prosperity, political democracy and freedom are not enough." And, "We lack meaning in our individual lives and meaning collectively, we lack a sense that our lives are part of some greater effort."

Unfortunately, once she has raised the right questions, she doesn't carry us much farther along the path to the right answers. Unlike Lerner, she wanders rhetorically, as if she either is not sure of her ground or fears being bashed by cynical journalists (ahem!) who lie in wait whenever politicians try a bit too hard to sound like clergy in search of their inner child.

The result, so far, has sounded, unfortunately, like psychobabble, as if she's on a spiritual quest the rest of us aren't so sure we want to join.

It does not have to be that way. Conservative critics say all the Clintons have to do to rediscover spiritual values is go to church. But the Clintons, who have been going to church all their lives, have a golden opportunity to bring the church's important values (Hillary Clinton speaks appealingly of a political morality based on the Golden Rule) out to the streets in the manner of Martin Luther King Jr. and countless other liberals of the spirit who moved humanity in the past.

If they can reconnect liberal politics with the spiritual insecurities felt by the many Americans who tell pollsters they are dissatisfied with the way the country is going, they can build the kind of unbeatable coalitions Democrats have enjoyed in the past.

But, first, they must believe it themselves and articulate it persuasively. Margaret Thatcher, who effectively gave her own meaning to the politics of meaning, called it "the politics of conviction." She got that exactly right.

It is also called "leadership."

Party loyalty loses out to committee clout

David Broder

WASHINGTON—Ralph M. Hall represents the east Texas territory that once was the home of the late Speaker Sam Rayburn. But Hall is a very different breed of politician from Rayburn, who constantly identified himself as "a Democrat without prefix, suffix or apology."

The difference defines the difficulty the Democrats face

under those members who ignored the pleas from their

utopian social engineering schemes. The Clintons know it, although, like most liberal leaders these days, they have been reluctant to talk much about it.

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The difference defines the difficulty the Democrats face in governing.

Where Rayburn preached the virtue of party loyalty, Hall, a deep-dyed conservative, bolts the party with impunity. In the last Congress, Hall voted more frequently with the Republicans than the Democrats on issues where the party majorities took opposing stands. A few years ago, he even abstained when the House was electing Tip O'Neill as Speaker.

Thirty-two years ago, when President Kennedy faced serious problems in Congress, Rayburn took on the conservative coalition of Republicans and Southern Democrats, and "packed" the Rules Committee to improve chances of getting Kennedy's bills to a vote. By contrast, Hall voted with the conservative coalition 92 percent of the time last year. And last month, when President Clinton was desperate for help in passing his budget, Hall once again joined the Republican opposition.

Yet Hall, by virtue of 12 years' seniority, is chairman of the House Space Subcommittee and uses that leverage to steer millions in funds to his own state.

Hall is far from alone in his double life, enjoying the perks and power that accrue to him as a member of the majority party while defying that party and its president as he pleases.

On May 27, when President Clinton's tax-and-spending plan survived by a scary 219-213 margin, strenuous lobbying by the White House and Democratic congressional leaders produced the hairline victory over unanimous Republican opposition. What made it close was 38 of the 257 House Democrats broke ranks, among them Hall and 10 other subcommittee chairmen.

Their ditching the party position fueled strong resentment, especially among the 64 freshman Democrats who have none of the political security these chairmen enjoy.

Rep. Leslie L. Byrne, a freshman from Virginia, circulated a petition asking for a meeting of all House Democrats to consider stripping the 11 subcommittee chairmen of their posts. To her surprise, the petition quickly gathered 81 signatures—among them nine chairmen of full committees. It is rare that the "old bulls" turn on each other, but Byrne told me, "I didn't have to seek out signers; they sought me out."

When the caucus of all House Democrats met last week, House Speaker Thomas S. Foley (D-Wash.) and other top leaders postponed action on Byrne's petition, promising to find other remedies. In a statement to his district, Hall gloated that "this cuts the legs out from under those members who ignored the pleas from their districts" and supported the energy tax "that the administration has apparently abandoned."

But his aides said that while Foley argued publicly that members should not be punished "for one vote," he was as frustrated as anyone that Hall and eight of the other 10 defecting chairmen vote regularly with the conservative coalition opposing Democratic policies. Foley wants to discipline them without making them martyrs back home. One way might be to force caucus elections of all subcommittee chairmen, as already is the case for chairmen of full committees and key subcommittees.

This conflict between the autonomy of individual members, representing the interests of their constituencies as they see fit, and the responsibility of a political party to deliver on its campaign promises and support its president is built into our scheme of divided government and decentralized politics.

In parliamentary systems like Great Britain's and Canada's, the governing party can bring real pressure on legislators to support it on crucial votes. But in this country, nominations are made in primary elections where the national party has little influence. And efforts to "discipline" members for their votes often backfire.

Ten years ago the House Democrats disciplined another Texan, Phil Gramm, bouncing him off his prized committee assignments for collaborating actively in the passage of the first Reagan budget. Gramm resigned from the House, ran for and won his old seat as a Republican, moved on to the Senate and now is aiming for the GOP presidential nomination.

There have been other examples of backfiring disciplinary moves, but, as the Brookings Institution's Matt Pinkus points out, the last 30 years have seen the "institutionalization of the prevailing view that committee chairmanships—and now subcommittee chairmanships as well—are leadership positions to be awarded by the caucus," with loyalty to party positions as one of the important criteria.

In the closed-door debate, members told me, there were impassioned arguments for both individual autonomy and party loyalty. Byrne told me she was "very well satisfied" with the outcome. "We talked about our responsibility to each other and to the country," she said. "Somebody's got to govern around here, and I think the message was sent that if you're in a leadership position, you have to lead."

In our highly individualistic politics, it's never easy to instill a sense of party loyalty. Byrne and her allies are trying.

Charles Krauthammer is on vacation.

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PHOTOCOPY
PRESERVATION

First lady ready to present plan to committees

By Judi Hasson
USA TODAY

When first lady Hillary Rodham Clinton testifies before five congressional committees this week, she'll face questioning from five of the most powerful men on Capitol Hill:

▶ **Rep. Dan Rostenkowski,** D-Ill., 65, chairman of the tax-writing House Ways and Means Committee, which will have control over how the new health system and parts of Medicare would be financed.

In a bow to his stature, the panel is her first stop today. But Rostenkowski faces legal problems that may blunt his effectiveness. A federal grand jury is looking into allegations he or someone from his staff converted stamps from the House post office into cash. He has denied wrongdoing.

If indicted, he'd have to step aside as chairman and be replaced by second-in-command, Rep. Sam Gibbons, D-Fla.

Ranking Republican Rep. Bill Thomas of California will lead his party's questioning.

▶ **Rep. John Dingell,** D-Mich., 67, chairman of the House Energy and Commerce Committee, which handles insurance, Medicare, Medicaid and other health issues except financing. The committee's hearing is this afternoon.

Dingell is used to being in the hot seat. His committee handles up to 40% of all House bills and has the largest budget and staff. He says, "I'm going to do everything I can to move (Clinton's health proposal) with deliberate speed."

Ranking Republican is Carlos Moorhead of California.

▶ **Sen. Edward Kennedy,** D-Mass., chairman of the Senate Labor and Human Resources Committee, which has a Wednesday morning hearing.

For 25 years, health reform has been at the top of Kennedy's personal agenda. Long before it became a campaign issue, Kennedy was pushing for national health coverage and a system that included everyone.

His committee doesn't have jurisdiction over financial issues, but it is responsible for a myriad of health issues — employer mandates, public health, preventive health and research. And Kennedy's own interest in the subject will make him a major player.

The committee's ranking Republican: Sen. Nancy Kassebaum of Kansas.

▶ **Rep. William Ford,** D-Mich., 67, chairman of the House Education and Labor Committee, which holds a hearing Wednesday afternoon.

Like Dingell, he represents thousands of Michigan autoworkers with rich health-care coverage whose future benefits will depend largely on what happens with health-care reform. A long-time supporter of reform, his committee will be looking at retiree benefits, workers compensation and mandatory employer contributions to health insurance.

His GOP counterpart: Rep. Bill Goodling of Pennsylvania.

▶ **Sen. Daniel Patrick Moynihan,** D-N.Y., 66, chairman of the Senate Finance Committee, which has jurisdiction over financing. It holds a hearing on Thursday. Moynihan already has indicated he doesn't like Clinton's proposal.

The proposal relies on achieving deep savings in Medicare and Medicaid to finance a big part of it.

Although he has called Clinton's financing outline a "fantasy," Moynihan has been a long-time supporter of reform.

His GOP counterpart: Sen. Bob Packwood of Oregon, facing an ethics investigation over sexual harassment charges.



By John Duricka, AP

SHARED AGENDAS: Sen. Edward Kennedy, shown with Hillary Rodham Clinton earlier this month, is a health-reform backer.

Reader questions answered

Q: I'm a self-employed convenience store owner. I do not have insurance for my employees. I pay approximately $5,000 a year for my own insurance, and that's just for myself, my wife and two children. When I have insurance for my employees, will I be able to include myself, and will it be anywhere from 3% to 8% of the payroll, or will my insurance be in addition to the employees' insurance?

— Steven Miller, Harrisburg, Pa.

A: Yes, you'd be able to include your own coverage with that of your workers. It's likely the cost of your family's insurance would drop because, as a small firm with low-wage workers, you'd probably qualify for employer subsidies to pay for the group's coverage. Generally, employers would pay 80% of insurance costs for their workers. The amount would be capped at 7.9% of payroll, but subsidies could knock that down to as low as 3.5%.

Q: My daughter goes to day care four days a week in somebody's home. Do we have to pay a part of the baby sitter's coverage?

— Kim Romberg, Newport News, Va.

A: No. The day-care operator is a contractor, not your employee. She'd be considered self-employed and would have to pay for her own coverage. She'd get a 100% tax deduction and might be eligible for subsidies. If you employed someone in your home, such as a baby sitter or a cleaning person, you'd have to pay for his coverage — pro-rated based on the numbers of hours he worked for you. And both you and your worker would probably qualify for subsidies.

Q: What happens to insurance agents?

— Craig Stinger, Sioux Falls, S.D.

A: In each state, consumers would have the option of at least three health insurance plans offered through state networks by traditional insurers. The insurance industry predicts that many smaller insurers would go out of business in the new, cost-conscious marketplace, but large insurers would continue — except they would do business with networks of consumers, not with individuals.

Q: What does this particular health plan do for the illegal immigrant?

— John Carson, Sequim, Wash.

A: Nothing. Illegal immigrants would not be covered. But hospitals that now care for many illegal immigrants in emergency rooms would get a subsidy to encourage them to keep providing emergency care.

Q: Eight years ago, I had open-heart surgery — triple bypass. I have not had any problems since. I cannot buy insurance anywhere because of a pre-existing condition. Is (the plan) going to help me?

— Joseph Presta, Hobe Sound, Fla.

A: Yes, it would. No one would be able to turn you down, and you wouldn't have to pay excessive rates. Even among critics of Clinton's plan, the idea of guaranteeing affordable coverage to all is a goal of any reforms.

Q: Is this medical plan going to cover dental? Are we going to have a choice of plans, and can you change plans at any point once we begin on the plan?

— Sherry Baumener, Phoenix

A: If you have dental coverage now, you wouldn't lose it. But if you're without dental coverage, you'd have to wait until the year 2000. Children's dental care through age 18 would be covered immediately. Plan changes would be allowed once a year.

— Compiled by Judi Hasson and Judy Keen



By Eriko Sugita, Reuters

U.N. MEETING: Japan Prime Minister Morihiro Hosokawa, right, meets U.N. President Samuel Insanally.

Poll: Japan's image improves in USA

By Richard Benedetto
USA TODAY

Nearly two of three Americans have a generally favorable opinion of Japan, and most rate the Far East power the USA's most important trading partner.

But there's still worry about the high U.S. trade deficit with Japan — $28.6 billion in the first six months of 1993, a USA TODAY/*Sankei Shimbun* poll has found.

A solid majority of Americans — 64% — want the new Japanese government to give closing the trade gap high priority.

However, fewer than one in three Americans — 29% — follow political news from Japan closely, and only 1% could name the new prime minister, Morihiro Hosokawa.

Hosokawa met with President Clinton Monday at the United Nations.

Overall, 44% of Americans rate U.S.-Japanese relations good or very good; 46% say only fair.

That's up from last year, when only 26% rated relations good or very good, and 50% said fair. Japan came in for a lot of bashing during the 1992 presidential campaign.

Phillip Grub of George Washington University credits Clinton's trip to Japan in July, and his appeal directly to the Japanese people on trade, with raising U.S. hopes:

"It provided a relatively strong degree of expectations for positive results." But there's still a wariness of Japanese investment in U.S. business and real estate; 58% of those polled say it's mostly bad.

And only 32% say the opening of Japanese auto plants in the USA, employing Americans workers, has caused them to view Japan more favorably.

"All the negative numbers come from Americans' pessimism about their own economic condition," says Melana Zyla of the conservative Heritage Foundation.

Other findings:

▶ 85% favor attacking the trade deficit by increasing Japanese consumer demand for U.S. products.

▶ 77% say to press Japan to import more U.S. goods.

▶ Only 46% favor retaliation by raising tariffs on Japan goods sold in the USA.

The nationwide poll of 1,009 adults, taken Sept. 21-23, has an error margin of 3 percentage points.

A[illegible]he U.N., 'hard [illegible]ues[illegible]ions'

Clinton makes call for change

By Adam Nagourney
USA TODAY

UNITED NATIONS — President Clinton on Monday used his first address to the General Assembly to paint a picture of a post-Cold War world where the United States remains a dominant force but holds less responsibility for preserving world order.

Clinton, in a speech that seemed less grand than promised by his advisers in recent weeks, offered his clearest description yet of when the world needed to intervene in trouble spots, and what needed to be done now to deal with potential threats to global order.

But Clinton grew murky when discussing exactly what role he saw the United States playing in world disputes.

"The United States intends to remain engaged and to lead," he said. "We cannot solve every problem, but we must and will serve as a fulcrum for change and a pivot point for peace."

And even as he spoke of the United States as a world leader, he devoted much of his speech to pleading for a reduction in U.S. payments to the United Nations and the adoption of new restrictions on deploying U.N. peace-keeping forces.

Aides later said the call for restrictions grew in no small part from frustration over U.S. immersion in Somalia.

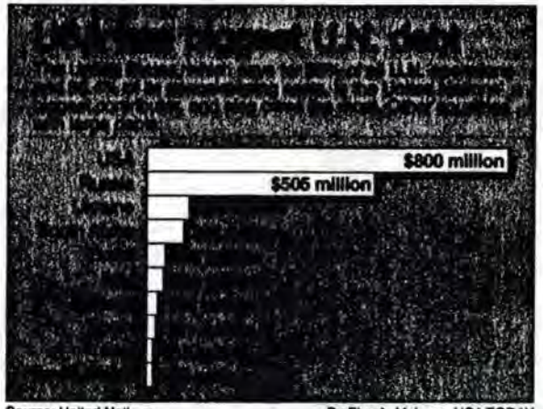
Clinton said the United Nations should not commit troops unless it was clear there was a real threat to international peace, that the mission has a clear objective and end point, and it was determined how much the mission would cost.

"From now on, the United Nations should address these and other hard questions for every proposed mission before we vote and before the mission



By Marty Lederhandler, AP

TAKING A BOW: President Clinton acknowledges applause Monday after making his first speech to the U.N. General Assembly. The president was not specific about the U.S. role in global disputes.



Source: United Nations

By Elys A. McLean, USA TODAY

The speech to the 48th General Assembly was billed by Clinton's aides as the president's first real effort to describe his view of world affairs.

It was watched with particular interest because Clinton has always paid more attention to domestic affairs than international affairs.

The speech came in the midst of a month in which the president has rigorously tried to keep his attention focused on health care, trade and cutting government spending.

The speech was the result of weeks of work and seemed to represent a struggle by Clinton between competing forces: the desire not to cede U.S. status as the world's dominant democracy, the reality of U.S. economic problems, and the emergence of other powerful democracies.

Clinton, who was politely received, noted he was the first U.S. president born after the United Nations was founded.

And he noted that he was the first president to start his term at a time after the Cold War, which he said forced nations to both reassess their relations with one another and to begin to deal with new threats.

"The superpower standoff that for so long stymied the United Nations' work almost from its first day has now yielded to a new promise of practical cooperation," he said.

He said the most immediate threat to the new world order was the spread of nuclear, biological and chemical weapons.

Clinton said he was taking a number of steps to restrict them, including a ban on the production of highly enriched in production of weapons.

"If we do not stem the proliferation of the world's deadliest weapons, no democracy can feel secure," Clinton said.

Beyond that, though, Clinton said he thought the most important thing was building up democratic markets to produce a strong world economy.

At the same time, Clinton offered strong and specific language about the operations of the United Nations itself.

He said the organization should take a page from what his administration has done, with the "reinventing government" task force headed by Vice President Gore, and seek to cut costs by doing such things as appointing an inspector general.

"The time has come to reinvent the way the United Nations operates as well," he said.

And Clinton complained that the U.S. contribution to the United Nations was too high.

"The assessment system has not been changed since 1973, and everyone in our country knows that our percentage of the world's economic pie is not as great as it was then," Clinton told the assembly.

"Therefore, I believe our rate should be reduced to reflect the rise of other nations that can now bear more of the financial burden."

Aides later said he wanted the rate reduced from 30.4% to 25%, with such countries as Japan and Germany making up the difference.

> "The United States intends to remain engaged and to lead. We cannot solve every problem, but we must and will serve as a fulcrum for change and a pivot point for peace."
>
> — President Clinton

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Hillary Clinton's opening brief

A new dimension has been added to American politics with the sterling performance of Hillary Rodham Clinton before members of Congress on health care reform. As point person for the proposal advanced by President Clinton, she has moved into new territory for the nation's first ladies, past and future.

It is also notable that she charted the course herself. Her testimony yesterday was distinguished by its thoroughness and depth – as will be testimony by members of her health care task force and others in the administration.

During hearings over the next two days, Mrs. Clinton's testimony will continue to stand out in the extent to which it is informed. The American health care system, in all its strengths and flaws, has never before been so totally analyzed as by the task force led by Hillary Clinton and directed by Ira Magaziner.

Seven months of fact-gathering and comparative analysis – not by subordinates but by the architects themselves, President and Mrs. Clinton – went into the preparation of the proposal. Their extraordinary grasp of detail made possible the president's virtuoso performance in Florida at a mock town meeting and hers on Capitol Hill.

They have brought a lawyerly degree of preparation to support their case for health reform. They have learned all there is to know about it, marshaled their best arguments, measured the opposition and played to the jury of the public.

Her readiness was deftly illustrated when she noted for Rep. John Dingell of Michigan, chairman of the House Energy and Commerce Committee, that it was his father who in 1943 introduced the first health legislation ever put before Congress.

Viewers may want to catch Mrs. Clinton's testimony today before Sen. Edward Kennedy's Labor and Human Resources Committee or tomorrow before the Senate Finance Committee chaired by Sen. Daniel Patrick Moynihan. It is setting a new political pace.

Health Care Testimony From the Top

First Lady Explains Clinton Proposal to Two House Committees

By Dana Priest
Washington Post Staff Writer

A1

In historic testimony before two House committees, First Lady Hillary Rodham Clinton yesterday presented a skillful explanation and defense of the White House health care plan to members clearly concerned about whether it is workable.

For four hours, without once consulting notes or the nine aides who sat behind her, she worked her way through a thicket of diplomatically expressed criticism of nearly every aspect of the plan—its financing, proposed cuts in Medicare and Medicaid, the new bureaucracy it would produce, the possibility of health care rationing, the effect on jobs, and whether it is too complex and contains too much or too little government regulation of doctors, insurers and drug companies.

"You're making a winning statement showing up here by yourself," said Rep. Cliff Stearns (R-Fla.). But with a proposal to limit premium increases, he said, "aren't you going to make patients get less care?"

No, Clinton replied, the plan would cut waste and

HEALTH, From A1

fat from the system and not affect health services. "There is no discernable difference in quality," she said, "between high-priced and moderately priced care."

The sometimes technical and obscure nature of the discussion, however, did not overshadow the uniqueness of the performance. She is the third First Lady, preceded only by Eleanor Roosevelt and Rosalyn Carter, to testify before a congressional committee. But Hillary Clinton is the first to take the role of lead-off witness on an issue as pivotal to the success of her husband's presidency as health care reform.

Her answers and conversations with members were laced with recollections of her father, who died last summer, tributes to members' parents and a reality check she half-jokingly called "the mother test"—whether mothers would see the plan in their interest.

"If we can't pass the mother test, we're not going to be able to succeed, are we?" she said, responding to concerns by Rep. Fortney "Pete" Stark (D-Calif) that his mother worries about the effect of the proposed $124 billion in Medicare cuts.

The testimony yesterday before the Ways and Means and the Energy and Commerce Committees was a ceremonial kick-off to months of hearings on the plan, including three more this week. But it was so full of details that the timing light on the witness table blinked red almost every time another member asked a question and she answered it.

"Let me begin by asking the chairman if I can have more than a minute to respond," she said to the first question she received at 10:10 a.m., from Rep. Sam Gibbons, (D-Fla). He asked pointedly, "How do we expect to achieve national savings in this program?"

"There will be additional revenues coming from employers and employees who do not now make contributions into any kind of health insurance plan," Clinton said.

To the many health policy buffs in the audience, the only new tidbit of information in the hearing was Clinton's statement that 10 percent to 12 percent of Americans, mainly young, healthy workers, can expect to pay more for health care coverage under the administration's plan.

"I want to be honest about it, there are some people who will have to pay more," Clinton said near the end of the second hearing. "Yes, you will pay a little more now, but as you age . . . you will have the benefit" of guaranteed health care.

Members' questions were wide ranging and, for the most part, critical of particular elements of the plan. Sometimes Clinton responded by stating the administration's desire to be flexible on certain things. At other times she corrected members' information, and occasionally she stood firmly behind a White House's position.

"I'm troubled by one aspect, the reliance on a tax on tobacco" to fund parts of the program, said Rep. Lewis F. Payne Jr. (D-Va.). "It's a fundamental question of fairness about singling out one product to bear the burden."

"The president will keep an open door," Clinton said, "but there will be a tobacco tax as part of this legislation."

"There seems to be an inordinate amount of government regulation and micromanagement," said Rep. Michael A. Andrews (D-Tex.). "Your [health insurance] premium caps may well cause providers to game the system to get around the caps."

"This is one of the great theoretical debates we will have in the coming months," Clinton responded, launching into a defense of the plan.

If the breadth of members' concern was a preview of how the plan will be received and dissected by Congress in the coming months, so was it also a look at the demands Clinton will face as the plan's chief saleswoman to Congress.

Shortly after his election, President Clinton appointed his wife to head a 500-person health care task force, which spent seven months designing and justifying legislation that some members consider to be the most complex and far-reaching legislative package since the New Deal.

Hillary Clinton, a lawyer who headed her husband's educational reform efforts when he was governor of Arkansas, quickly became the administration's most popular advocate for health care reform and diplomat to Congress.

"In the very near future, I think the president will be known as your husband, people will say, 'Who's that fellow,' " said Rep. Dan Rostenkowski (D-Ill.). "If there was any doubt about whether the president should have appointed her, there's no doubt about it any longer."

Overnight, Hillary Clinton's activism updated the First Lady's role to one that many women believe more accurately reflects the status of women in American society.

But for Clinton herself and for some of the older members of Congress who addressed her yesterday, it was clear that adopting a new role does not mean altogether shedding an older one.

"I'm here as a mother, as a wife, as daughter, a sister, a woman," Clinton began her testimony before the Ways and Means Committee. "I'm here as an American citizen concerned about the health of her family, the health of her nation." Only once, and then parenthetically, did she also refer to herself as "a woman in the workforce."

The Energy and Committee Committee set out an ornate teapot for her afternoon appearance before its members. When she ended her testimony before the Ways and Means panel, Rostenkowski, the gruff Chicagoan known for his practical deal-making skills, kissed Clinton's cheek before she left the room.

IN THE LOOP

A Lower Profile for Justice Thomas

By Al Kamen
Washington Post Staff Writer

Look for Justice **Clarence Thomas** to take a lower profile in his off-the-bench activities. Thomas, who has been criticized for skirting judicial ethics rules by his public appearances before conservative groups, has decided not to attend the national convention of the conservative Concerned Women for America on Friday, according to Supreme Court press officer **Toni House**.

Thomas wrote CWA president **Beverly LaHaye** on Sept. 24, declining the invitation, House said.

Last spring Thomas had declined an invitation to attend. Pressed by LaHaye, he agreed to go but said he would not give a speech—just that he would be happy to stop by and shake some hands at a reception, House said.

Thomas then learned the group was announcing that it was presenting him with an "American Patriot" award and that he was going to "share a challenging message from his heart exclusively for CWA," House said, quoting from a CWA publication. Thomas asked the court's in-house counsel for an opinion of the ethical questions involved, she said, and was told his attendence would "create an appearance problem."

The judicial ethics code, which the justices voluntarily abide by, says that, in making speeches and the like, justices should avoid being seen as promoting an organization and its objectives, especially if that organization takes positions on matters before the court, which CWA has done.

Canon 5 of the code says, "A judge should regulate his extrajudicial activities to minimize the risk of conflict with his judicial duties."

It was not clear yesterday whether CWA was searching for another patriot.

Klein Draws Much Mention

■ The White House is moving slowly to name a successor to former deputy White House counsel **Vince Foster**. The name most often heard in the corriders as a possible replacement is longtime Washington attorney **Joel Klein**.

Klein, known to the Clintons for many years, is said to have impressed administration folks recently with his work on the nomination of Supreme Court Justice **Ruth Bader Ginsburg**.

Taking Names at the BIA. . .

■ The Bureau of Indian Affairs (BIA), always at the top of any list of awful federal agencies, is trying to turn the corner under **Ada Deer**, the assistant secretary for Indian affairs in the Interior Department.

But like many top presidential appointees, she is still struggling to get pivotal positions filled. At a House subcommittee hearing this week on longstanding problems with the Indian trust funds, witnesses pointed out that innovative projects and task force deadlines are slipping because BIA has not filled its chief financial investment and accounting posts.

"Old-line bureaucrats" at BIA were also accused of sandbagging Deer's efforts. As **Elouise C. Cobell**, chair of the Intertribal Monitoring Association on Indian Trust Funds of Browning, Mont., put it:

"For every hour we spend working on ways to improve the management of Indian trust funds, we spend 10 or 20 hours fighting off the efforts by the bureaucrats to undermine our efforts and to prevent real progress from being made."

Rep. **Bill Richardson** (D-N.M.), chairman of the House Natural Resources subcommittee on Native American affairs, asked Cobell to submit the names of the alleged bureaucratic villains to his staff. "We are very upset with these periodic efforts to stall reform," Richardson declared.

Fraser Still in Opposition

■ Former United Auto Workers president **Donald Fraser** says that, despite his glowing remarks here last week about how great the North American Free Trade Agreement would be for America, he still opposes NAFTA.

Fraser, who spoke last week at Georgetown Law School, says he also mentioned in his speech the short-term job losses NAFTA would cause. He said his continued opposition was based on concerns about those jobs. Coulda fooled us.

It's Official. . .

■ President Clinton yesterday said he would name Polish-born **Nicholas Rey**, an official with Integrated Control Systems Inc. and a descendant of **Mikolaj Rej**, known as the father of Polish literature in the 16th century, as ambassador to Warsaw.

Career Veterans Affairs official **Raymond J. Vogel** can soon kiss that $148 per diem goodbye. As noted in this space last week, Vogel, who runs a VA medical center in Florida, has been collecting the stipend because he had been "detailed" here since Feb. 10 as acting undersecretary for benefits, drawing a salary of $115,584 a year.

Clinton said yesterday he would officially nominate Vogel for that job, which means, when he is confirmed, no more per diem.

Richard Sorian, former executive editor of a weekly newsletter on federal health policy and the author of a book called "The Bitter Pill," has signed on to be a senior speechwriter for **Donna E. Shalala**.

West Virginia health care official **Sally K. Richardson** has been named director of the Medicaid Bureau in the Health Care Financing Administration. The bureau provides health care service to 31 million Medicaid recipients at a cost to the federal government and the state of more than $120 billion.

Also, **Antonio J. Califa**, chief legislative counsel for the American Civil Liberties Union here, has been named director of the Transportation Department's office of civil rights.

Clinton has nominated **Theresa A. Tull**, a career Foreign Service officer now in the bureau of East Asian and Pacific affairs, as envoy to Brunei.

The White House

Health Care Reform Today

October 29, 1993

◆ Under the President's plan, 60% of all Americans will pay the same or less for the same or better benefits. **It's that simple -- 6 out of 10 Americans or 109 million people will pay the same or less for the same or better benefits.** And, the number of Americans who will benefit from this plan will increase quickly as reform is implemented and further savings are realized

◆ 22% to 25 % will pay more for a better package of benefits. These 40 million Americans are the underinsured -- people who are currently only paying for catastrophic insurance or a "bare bones" package of benefits. And, under the Health Security Act, the comprehensive benefits package is that...comprehensive. That includes a strong preventive care package.

◆ 15% to 18% will pay more as a result of community rating. These are 31 million people, mostly young and healthy, whose insurance companies now offer artificially low rates because they typically have low health care costs. But if they get sick or have a catastrophic injury, they often find their premiums skyrocketing. Over the long run, all these people will benefit from health care reform and from the fact that premiums cannot rise unchecked.

◆ There was a typographical error in the table of contents in the legislation delivered to Capitol Hill. There are no sections reserved for later legislative language. The bill delivered is the complete contents of the President's Health Security Act of 1993. Any accusation or statement made otherwise is done so knowing full and well that it is inaccurate.

◆ Today, First Lady Hillary Rodham Clinton will be in Kansas City attending Midwest Summit on Health Care. Hosted by Senators Dole, Kassabaum, Danforth and Bond, the First Lady will give the luncheon address.

◆ First Lady Hillary Rodham Clinton on the "Health Security. The President's Report to the American People.": "We want people to become informed. In order to rebut the kinds of attacks, misinformation, advertising campaigns that will be stirred up the next months, we all have to be better educated. We have to know what we mean when the President says we will guarantee security and here's how we will do it, and what will be in the comprehensive benefits packages."

Essay

WILLIAM SAFIRE

The Fault, Dear Brutus, Is Not . . .

. . . in Clinton, but in ourselves.

WASHINGTON

When Joe Louis was heavyweight champion of the world, he was fed a succession of pipsqueak challengers — Lou Nova, Buddy Baer, Two-Ton Tony Galento — until whoever faced him became known as "the bum of the month."

Today, the global superpower has been faced with the likes of the Serb Karadzic, the Somalian Aidid and the Haitian Cédras, but those local bums have been belting the musclebound champ all over the ring.

Ringside reaction: blame the President. The old Bush-Baker-Scowcroft team complains of a lack of leadership. This from the outfit that built up Saddam Hussein, derided Yeltsin as a buffoon while trying to save Gorbachev, pretended Bosnia did not exist and assigned the secretive Jonathan Howe to Somalia.

Dolorous legislators are using the moment to snatch more of the war power from the President. Senator Phil Gramm seizes on the picture of an American body being dragged through the streets to say the Africans committing the atrocity "don't look hungry to the people of Texas" — ignoring the fact that those same food-stealing thugs are the cause of, not the victims of, Somali starvation. By treating Texans as such fools, Mr. Gramm removes himself as a serious candidate for national office.

We, the media, hoot at the President for demeaning American power by entering the arena with such puny pugilists. We fault him for not narrowly limiting the missions; for not foreseeing setbacks before we do; for making the American military look like a pitiful, helpless giant; or for putting the flower of our youth needlessly "in harm's way".

I popped Bill Clinton early and often for meekly going along with John Major's terminal timidity in Bosnia. Even now, as shelling of Sarajevo resumes, our President's refusal to put the "special relationship" on the line to arm Muslims and to airstrike the Serbian artillery is dismaying.

But the problem in using American power, and in defining America's interest, is not President Clinton's seeming discomfort with foreign affairs. At the core of our new impotence is the unwillingness of too many Americans to expend blood and treasure in the establishment of order that protects self-rule beyond our borders.

That inclination to begin charity at home, to treat as patronizing "the white man's burden" and to decry the role of "world policeman" has a long tradition here. What is new is the way so many opinion leaders have let the responsible dog be wagged by the emotional tail.

Why? Because the only violence on television we are not inured to is real violence. When Colin Powell saw our "turkey shoot" of Saddam's Republican Guard on live television, he called off the war a day too soon. Pictures of the Kurdish exodus, the Somalian starvation, the Bosnian rapine awakened the world conscience; but when the picture of one dead hero in the streets of Mogadishu was seen, the cry went up to "bring our boys home."

They're not "boys"; they are men and women who volunteer to be hired and trained to kill other people when necessary to defend our national interests, our citizens and — yes — our democratic ideals. In Somalia, they were neither humanitarians nor nation-builders; they were an armed force sent to establish the order necessary to stop local bandits from continuing to cause mass starvation.

But when the battered face of an American prisoner is featured on the covers of Time, Newsweek and U.S. News; when the families of casualties are interviewed on television every morning; when a drumbeat of "we're outa there" can be read on oped pages and heard on radio talk shows; when this revulsion at the cost of intervention reaches the halls of Congress and is played back on C-Span — how is any American President to assert power?

By doing it with grim efficiency, that's how, and by simultaneously explaining its importance; and ultimately by being successful. Regarding the bum of the month in Haiti: instead of floating out the U.S.S. Charlie Rangel, it would help to have a C.I.A. capable of training Haitians in covert action to put the elected President in office. (This time, air cover.)

The goal of intervention anywhere is not to get out; it is to establish order, or to right a wrong, and then to get out. In this, Clinton's instincts are good. He has earned a hearing and a helping hand. □

A Billion Here, a Billion There

By Uwe E. Reinhardt

Clinton's spending cuts will work.

HEALTH CARE SECOND OPINIONS
An occasional series.

PRINCETON, N.J.

The Congressional Budget Office forecast last spring that, at current trends, the United States will spend 19 percent of its gross national product on health care in the year 2000, up from 14 percent today. "Impossible!" shouted America's pundits. That level of health spending, they said, would bankrupt the country.

This fall, President Clinton proposed to bring that projected growth down to "only" 17 percent of the G.N.P. by the year 2000. "Impossible!" shouted America's pundits. Such a steep decline in spending would lead to rationing of care, they argued.

While Americans are thus meandering from despair over the prospect of deprivation at 17 percent to angst over financial collapse at 19 percent, no other industrialized nation would even contemplate spending as much as 17 percent of its G.N.P. on health care, and none of them spends even 10 percent today.

Why, then, should President Clinton be made to show 17 percent is an implausible goal? It is the President's critics who should demonstrate that it is unattainable.

Let us examine the projected cuts in spending on Medicare, the health insurance program for America's elderly. For that program, the President would allow annual spending to increase from $128.8 billion in 1993 to as much as $207.8 billion in the year 2000. That represents an average annual compound growth rate of 7.1 percent. Can America's physicians really look the taxpayer in the eye and argue that, even accounting for inflation, for $207.8 billion they could not treat the elderly properly in the year 2000?

To put that question in perspective, consider some fascinating data published in The New England Journal of Medicine on March 4, 1993. The authors of an article on Medicare spending in cities found that, in 1989, after adjusting for differences in age and gender, Medicare payments for doctor's care, per beneficiary, varied from lows of $822 in Minneapolis, $872 in San Francisco and $954 in New York City to highs of $1,493 in Detroit, $1,637 in Fort Lauderdale and $1,874 in Miami.

Should not America's physicians, and the legislators from the high-cost states, be made to defend these differentials to the tax-paying public? Suppose Congress arbitrarily slashed Medicare reimbursements for Miami physicians by a global 20 percent. Even after this budget cut, Miami physicians would still be absorbing 57 percent more Medicare dollars per beneficiary than would their colleagues in New York, and over 80 percent more than their colleagues in Minneapolis.

Consider another point. Many critics argue that the 37 million currently uninsured Americans could not possibly be accommodated at spending levels of "only" 17 percent of the G.N.P. Oddly enough, some of the same critics also assert that these Americans merely lack health insurance, not health care, for they allegedly receive adequate treatment at the expense of paying patients to whom the cost of that charity care is shifted.

But if the uninsured already get the care they need, why should insuring them all of a sudden break the national bank? On this point, too, opponents of the President's health care plan should try harder to get their stories straight.

The Clinton Administration's proposal is complex enough to offer any would-be critic many targets of opportunity. It is puzzling that the spending forecast is chief among them. Sure, the President could explain his forecast better than he has so far; the secrecy surrounding the basis of his numbers is puzzling. But the burden of proof on this issue ought not to rest with the President. It rests on the shoulders of his critics, for it is they who have much explaining to do. □

Uwe E. Reinhardt is professor of political economy at Princeton.

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TODAY's NEWS

Payroll cap would mean big business "windfall" at expense of small employers, Sen. Coats asserts Oct. 15; early retiree provision criticized . . . . . **Story below**
White House health bill might permit greater number of fee-for-service plans, HHS' Feder tells Ways and Means/Health Subcommittee . . . . . **Page 2**
Bard to pay $61 mil. in plea agreement with Justice Department; firm acknowledges 391 violations of law in connection with angioplasty business . . . . . **Page 4**
Nonprescription product prices decline 0.4% in September as overall medical care inflation totals 0.4% for month — CPI data . . . . . **Page 4**

WHITE HOUSE 7.9% HEALTH CARE PAYROLL CAP WILL PRODUCE "INCOME SHIFT" from large to small employers, Republican Sens. Dan Coats (Ill.) and Judd Gregg (N.H.) asserted during the Senate Labor Committee's Oct. 15 hearing on health care reform and its potential impact on business. According to the President's reform proposal, all employers "will be required to pay no more than 7.9% of payroll for health coverage" while "firms with fewer than 50 employees will be eligible for caps varying from 3.5% to 7.9% of payroll, depending on the employer's average wage."

Coats, the chief sponsor of a Senate GOP reform bill that emphasizes individual medical savings accounts and does not include provisions related to employer contributions, asserted that large corporations with high health costs would experience a "windfall" as a result of the payroll cap, while smaller and more efficient companies would suffer. Noting that Ford Motor Company currently contributes 20% of payroll to health costs, Coats told Ford Executive VP Peter Pestillo that General Mills, which spends under 5% of its payroll on health care, "is going to pay part of [Ford's windfall] by moving their payroll tax...to 7.9%. That's a nice cost shift for you."

Responding instantly that "the senator's time has expired," committee Chairman Edward Kennedy (D-Mass.) maintained that the payroll cap "doesn't require them to go up to the 7.9%." Companies that keep health costs down "can keep the savings," he added. "It would be useful to understand what the Administration's bill is really all about," Kennedy said, clearly addressing Coats. When the Indiana Republican reminded him that the White House proposal has yet to arrive on Capitol Hill, Kennedy answered: "I imagine we'll get it a good deal before we get the Republican plan."

Insisting that small businesses would suffer as a result of the proposed "income transfer," Sen. Gregg asserted that "small, job-creating entities" will "transfer their profitability" to large, unionized companies, which

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"are big and can probably take care of themselves." Such a policy "is unfair on its face" and will effectively "stick them [small businesses] with the bill," he complained. "Is this appropriate social policy?"

However, Kennedy defended Ford once again, telling Pestillo that "you're doing your fair share while others haven't done their fair share and now they're being asked to do it. That's evidently bothering some people." In a similar vein, Sen. Paul Wellstone (D-Minn.) maintained: "I don't know what the senator from Indiana exactly means by way of incentive." Reducing corporate payroll costs allows businesses to increase productivity, he explained, "so frankly I don't have any problem with this working out well."

Coats also attacked the Clinton plan's provision for providing government contributions to pay for the health care coverage of early retirees. "You're looking a potential savings of a billion dollars," he told Pestillo, whose corporation has endorsed the President's bill. "That's a great incentive to support the [White House] plan, and I don't blame you." However, referring to recent news reports that the Administration is retreating from the early retiree proposal and other provisions, Coats asked, "Are you sure you want to be as definitive as you are at this particular point?"

Kennedy interjected: "Just before you answer that, I'd like to be accurate," noting that the Administration has publicly denied that it has backed off its early retiree proposal. "I think our witnesses should be entitled to the facts," he added. Kennedy also contended that grassroots support for health care reform was essential, noting that failing to pass legislation would put increased pressure on legislators to implement caps on Medicare and Medicaid. "If this thing [reform] doesn't go forward," he predicted, entitlement caps "are going to whistle through...It's important to understand that we're all in this together."

ADMINISTRATION HEALTH REFORM BILL MAY ALLOW MORE FEE-FOR-SERVICE PLANS, HHS Principal Deputy Assistant Secretary for Planning and Evaluation Judy Feder testified the first day of an Oct. 14-15 hearing before the House Ways and Means/Health Subcommittee. Feder stated that the Administration has been concerned that administrative costs could rise if alliances offered multiple fee-for-service plans. But in response to questioning from Rep. Sander Levin (D-Mich.), she said that more plans "would not be a problem" as long as all conformed to an "absolute" requirement for community rating.

A Sept. 7 outline of the Administration's proposal states that "through the competitive bidding process, an alliance may limit to three the number of plans that pay any willing provider on a fee-for-service basis and have no network of providers operating under a contract with the plan." Furthermore, it says that alliances may obtain a federal waiver that would allow them to not offer any fee-for-service plans if an applicant fee-for-service plan was not "financially viable," if there is "insufficient provider interest," or if there is "insufficient enrollment."

The HHS official also told committee members that final legislative language for the Clinton health reform plan will attempt to achieve "a reduction of some of the regulatory authority" of the alliances, which Ranking Republican Bill Thomas (Calif.) characterized as "macro gatekeepers" that will essentially control the operation of all plans offering health coverage. The objective "is to have the alliances operate as purchasing pools to facilitate the operation of the market," Feder said.

In response to a question from Subcommittee Chairman Pete Stark (D-Calif.) on the power of alliances to adjust premium payments made to health plans based on the risk of its covered population, Feder conceded that the science of risk adjustment is in its infancy. "In the early years, it will be necessary to rely heavily on a reinsurance" mechanism, she said. Under President Clinton's plan, states would propose risk adjustment mechanisms in plans submitted to the National Health Board, which in turn would oversee research and demonstration projects aimed at developing a sophisticated risk adjustment system. Current models take into account factors such as age, gender, health status and services to disadvantaged populations.

Regarding the establishment of an interim national risk pool, Feder commented that the "general intent" would be for HHS to expand existing state pools and Medicare contractors in order to "provide stability of coverage at a time of transition" for vulnerable, sick individuals. Currently, about 26 states operate risk pools, which are funded through higher-than-average premiums and assessments on insurers. The Administration

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proposes to assess self-insured plans as well, and projects that the national risk pool would be largely self-funded, with marginal start-up costs required to expand existing state-run programs.

The White House bill also would propose to limit premium increases in the transition period, estimated to be two to three years. The draft outline states that "premium increases that exceed a prescribed percentage are subject to prior approval by state insurance regulators." In testimony submitted to the subcommittee the week of Oct. 4, the Health Insurance Association of America opposed the provision, stating that it would "establish de facto premium caps" that could hinder "insurers' ability to charge rates sufficient to cover the real costs of serving their enrollees."

On the second day of the hearing, the White House proposal to pick up 80% of premium costs for early retirees was discussed. Feder told the subcommittee that there "may well be a maximum income eligibility" to qualify for the subsidy. One "ceiling" figure that has been considered, she said, is $100,000. The Administration has estimated the cost of the early retirees program at $4-6 bil. per year.

Health Care Financing Administration chief Bruce Vladeck testified that once state alliances were operational, individuals who became eligible for Medicare would be given the option of remaining in an alliance. If they choose to do so, "the Medicare program will make a fixed per-capita payment to the alliance," Vladeck said. "It is likely to be equivalent to what it would have paid if the beneficiary had enrolled in a Medicare risk plan." The HCFA administrator noted that premiums for individuals over 65 in accountable health plans would likely be "substantially" higher than those for younger enrollees.

Vladeck refuted an assertion by Rep. Nancy Johnson (R-Conn.) that the Administration's plan could "hurt access and cut quality" in the Medicare program, arguing that private-sector cost controls in the legislation would gradually eliminate the cost differential between public and private-sector programs. Feder added that the Administration is "seeking a scorable mechanism" for limits on annual premium increases, an idea that Stark opposes. Premium caps "will become the floor in a New York minute," the California congressman said.

In discussion of the subsidy program for small low-wage businesses and individuals, Vladeck acknowledged that discounts will be based on "self-reporting" to alliances. Should tax returns subsequently document underreporting, then alliances, with the authority of "state police powers," would be responsible for collecting the additional monies, Feder added.

Final legislative language for the Administration's bill has not yet been sent to HHS for review. Agency officials are now predicting that Congress will not receive the bill until the end of October or early November. A Senate managed competition bill sponsored by Sen. John Breaux (D-La.) also is expected to be introduced within two weeks. Staffers say the bill is likely to be similar to legislation introduced in the House by Reps. Jim Cooper (D-Tenn.) and Fred Grandy (R-Iowa), though not necessarily identical.

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BARD PLEA AGREEMENT WITH JUSTICE DEPARTMENT CALLS FOR $61 MIL. PAYMENT in fines and civil damages, the firm announced Oct. 15. The settlement, which is still subject to approval by the U.S. District Court in Boston, follows a federal grand jury investigation of the company's angioplasty business. The investigation was prompted by FDA allegations that, prior to 1991, Bard and its USCI angioplasty division, based in Billerica, Massachusetts, intentionally violated federal law.

Bard said that the firm also could be subject to administrative sanctions. In addition, Chairman and CEO George Maloney and "several former employees" have been indicted in connection with the investigation. Maloney is leaving Bard to prepare his defense; William Longfield, president and chief operating officer, will assume his responsibilities.

Under the terms of the agreement, Bard has acknowledged 391 criminal violations, including "mail fraud, false statements and the shipment of adulterated products." Specifically, the firm admitted that it made changes in FDA-regulated devices without agency approval, conducted clinical tests of FDA-regulated devices without approval, and provided false information to the agency.

Bard withdrew its angioplasty catheters from the U.S. market in 1989 and 1990, primarily because FDA said the firm had modified angioplasty products without gaining premarket approval. Around the time of the product withdrawals, FDA also seized one model catheter, saying that the firm failed to report 229 complaints, as required by the medical device reporting regs.

Bard subsequently pursued marketing approval for most of the withdrawn catheters and completed the process approximately one year ago with clearance of the ***Solo***. The company maintained in the Oct. 15 release that "Bard and USCI products, including all angioplasty products, have received all necessary FDA approvals."

Since 1989, according to the company, Bard has taken several steps to prevent a recurrence of the violations that led to its legal difficulties, including: audits of operations; reorganization and expansion of regulatory compliance processes; restructuring of management; and "extensive and ongoing training for employees in complying with all FDA and other regulations." The plea agreement "provides for additional corrective actions and other internal steps, one of which is the hiring of a senior official with responsibility for regulatory and medical programs," the release states.

Bard said it will "make a provision" for the $61 mil. payment in its third-quarter results, scheduled to be released on Oct. 19. The firm is "reviewing the appropriate tax and accounting treatment of the fine and damages." The agreement calls for the sum to be paid in three installments: a $30.5 mil. payment "shortly after court approval" and two annual payments of $15.25 mil.

NONPRESCRIPTION DRUGS AND SUPPLIES PRICES FALL 0.4% DURING SEPTEMBER, according to Consumer Price Index figures released Oct. 15 by the Labor Department's Bureau of Labor Statistics. The decline is the largest since a 0.7% decrease in OTC drug prices in October 1992.

Overall medical care inflation was 0.4% in September, matching the figures for June and July but doubling August's level of 0.2%. By comparison, consumer prices were unchanged in September after increasing 0.1% in July and 0.3% in August. Although medical care inflation totaled just 1% during the third quarter of 1993, it is still running at two and one-half times the rate of the overall CPI, which was up 0.4% for the three months.

Medical commodity prices advanced at a five-month low of 0.1% during September. Within the nonprescription products component, prices for internal OTC products fell 0.5%, the largest drop since a decline of 1.1% in October 1992. OTC equipment and supplies costs also were down for the month, declining 0.1%. Prescription drug prices were ahead 0.4% in September after increasing 0.5% in each of the preceding three months.

Prices for all professional medical services rose 0.3% for the third month in a row, as the cost of physician services increased 0.4%. Hospital costs advanced 0.5% in September after rising 0.3% in July and 0.2% in August. Within the hospital component, prices for inpatient services rose at a four-month high of 0.7%, while outpatient costs increased 0.5% after rising 0.2% and 0.3% in the previous two months.

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that. On the other hand, a wholesale switch of the federal budget to a biennial cycle at this juncture would be unwise. These comments on biennial budgeting are discussed in more detail in the attached analysis.

Questions About Consolidation Proposals

The National Performance Review recommends consolidating 55 programs with funding of $12.9 billion into six block grants and also allowing localities to consolidate federal grants they receive of less than $10 million, with simple notification to the federal government. While there are some issues concerning the specific programs appropriate to include in the block grants, these proposals have attractive features.

The Review also includes a third proposal, however, that raises troubling questions. That proposal would authorize states to consolidate larger programs of their choosing into block grants, subject to federal approval. In return, the federal government would reduce funding for state administrative costs in operating these programs.

The Review says the details of this proposal would be developed in the future, so it is difficult to know how it would work and which programs it would encompass. If the proposal turned out to encompass basic safety net programs for poor children and their families and poor elderly and disabled people, it could cause serious problems. If some states were to consolidate one or more of these programs with other programs and to shift funds from the safety net programs to middle-class constituencies — or from programs providing basic benefits to the poor to programs that had more clout because they were run by providers that had a powerful state-level lobby — the result could be a substantial weakening of the safety net and potentially an increase in poverty. The Clinton administration might contend it would not approve consolidation requests of that nature, but such pledges would not bind subsequent administrations.

Serious questions would also arise concerning the possible consolidation of means-tested entitlements programs into block grants with fixed funding levels. The costs of such entitlements in any state automatically rise and fall as the state's economy declines or grows. (When unemployment increases in a state, so does the cost for free school lunches, food stamps, Medicaid, and AFDC in the state.) Merging such programs with non-entitlement programs into block grants whose funding levels are fixed — and do not fluctuate with the economy — would risk causing too little assistance to be made available in states whose economies weakened, while channeling excessive funding to states whose economies improved.

Since the specific proposal recommended in the National Performance Review has not yet been developed, it cannot be determined at this time whether the proposal will have these problematic features.

Hillary's Hope: Have GOP Liberal, Will Travel

Everyone's trying to be polite, but the whispering here is that President Clinton's health plan is already terminal. Maybe that explains why liberals suddenly love John Chafee.

Hillary Clinton can't seem to talk to the Rhode Island Republican enough. She calls him her "counselor and adviser." She's made a highly publicized visit to Providence, at his invitation, and will join the senator today at another health forum in Missouri. Other liberal Democrats are taking her cue: Tom Daschle (S.D.) and Harris Wofford (Pa.) hit the Senate floor last week to torch alternatives offered by Republican Phil Gramm (Texas) and Democratic Rep. Jim Cooper (Tenn.). But they cooed over Mr. Chafee's plan.

Everyone agrees John Chafee is a swell guy, but this love-bombing also has a sneakier purpose: Liberals hope he'll give their ideas political CPR. Mrs. Clinton can see support ebbing as Americans learn more about her 1,336-page "simplified" system. She's struggled to get even 30 Senate co-sponsors, as such moderate Democrats as Nebraska's Bob Kerrey and Connecticut's Joe Lieberman have just said no. (Mr. Lieberman, I'm told, had to endure a "very unfriendly" phone call from the president himself.)

So the real fight is over the "compromise." The Hillary fallback is to lure Mr. Chafee, and a few other Republicans, into accepting the principles of her plan, if not all the details. Thus would she gain bipartisan political cover, block a Senate filibuster and slip socialism's nose under the tent. Walter Zelman, one of her main social engineers, has told colleagues that this outcome would let him build the plan slowly in future years.

The irony of Mr. Chafee's new political leverage is that, at 71 years of age, he's just about the last of the Rockefeller Mohicans, the wealthy Northeast liberals who once ruled the GOP. The party has since moved South, West—and right. This shift cost Mr. Chafee his Senate leadership post in 1990—a defeat that friends say still rankles him.

"One vote—and one of my votes was in Europe," he says of that 22-21 loss. "It certainly showed the power of the conservatives." Liberal Democrats hope Mr. Chafee will now take revenge, especially because credit for health reform would help his re-election bid next year.

Potomac Watch

By Paul A. Gigot

In an interview this week, Mr. Chafee sounded tougher than that. "The regulation in the Clinton program is extreme, and deeply disturbing," he says. He doesn't want to coerce employers into supplying health insurance. And he deplores the "automatic uncontrolled spending" in the plan. (My favorite: The plan would pay for "health education classes," including "smoking cessation, nutrition counseling" and "stress management"—which sounds like an Oprah entitlement.)

But then Mr. Chafee adds, ominously, "I think the differences can be reconciled." This is the rub, and the reason many Republicans are nervous, because some differences can't in fact be split. If employers are forced to pay for insurance, that's a defeat for individual responsibility. Price controls either exist or they don't. Both sides can't win.



Sen. Chafee

And don't be misled by "universal coverage," the Clinton mantra. What they really mean is that government (Congress, no less) should establish the same health-care benefit for everyone (a gigantic new middle-class entitlement). The Chafee plan also falls for this line, as if a 50-year-old couch potato should have the same insurance as a 25-year-old who rides his motorcycle without a helmet. As the former head of the National Institutes of Health, Bernadine Healy, recently told Republican senators, there are better ways to make sure everyone has access to health insurance. Mr. Chafee could be seen "fidgeting in his seat" as she talked, say witnesses.

The good news is that most of the Chafee plan is better than this, and even Mr. Chafee admits he's "not a solo operator." His plan has 23 co-sponsors, some of whom say they signed up to show Mr. Chafee he needn't join Hillary to get credit for health reform. "My goal is to expand the center," says Sen. Bob Bennett, a freshman Republican from Utah who has endorsed both the Chafee and Gramm plans. He expects that enough Republicans and Democrats will stand firm, forcing the Clintons to realize they must drop the socialist trappings to pass a bill.

Mr. Bennett's confidence derives from an understanding that the world has changed from the 1960s. The Clinton political model is Medicare, but that passed in an era when Americans trusted both government and their president more than they do now. Even Joseph Califano, a father of Medicare, said recently that "the federal government has a much more difficult time doing things in an area like this efficiently than the private sector." The world is embracing open markets, not expanded government.

The old Rockefeller Republicans believed their only political choice was to side with the left. But today history is moving in the other direction, which is why the Clintons pretend their plan is somehow about "competition." Americans want health reform, but not at the expense of their freedom or a stifled economy. This time Mr. Chafee and his allies could hold the high ground of principle and political advantage, if only they'd seize it.

Lawmakers Question Agencies' Ability To Regulate the Derivatives Market

By KENNETH H. BACON
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Members of the House Banking Committee expressed skepticism about the ability of federal agencies to regulate the fast-growing derivatives market and suggested that new laws may be necessary.

Officials from six financial regulatory agencies voiced confidence that they're on top of the increasingly popular products and have adequate regulatory authority. Derivatives are financial instruments that banks, brokers and their customers used to defray the risk of changes in interest rates, stock prices, foreign-exchange rates and commodities prices.

'Deja Vu, All Over Again'

But members of the banking panel reminded the regulators that they had heard the same assurances a decade ago as thrifts and banks were changing in response to the deregulation of interest rates. "Oh my God, this is deja vu all over again," said Rep. Marge Roukema (R., N.J.). "We're still paying for the S&L debacle."

Rep. Jim Leach of Iowa, the panel's ranking Republican, said, "There is no escaping the circumstance that derivative activities in the '90s must be examined in the context of the decade of the '80s, when America overleveraged itself with junk bonds, junk real estate and junk S&Ls." Rep. Joseph Kennedy (D., Mass.) added, "I think the basic concern is that this is simply another Wall Street-developed house of cards."

Yesterday's hearing was the panel's first on the use of derivatives by banks; legislation, if any, will be a long time coming. But several members mentioned areas where they believe legislation may be necessary. Committee Chairman Henry Gonzalez (D., Texas) noted "the absence of standardized and adequate disclosure of bank derivative activities" and said Congress should mandate improved disclosure.

Impact on Earnings

The comptroller of the currency, Eugene Ludwig, agreed that current reporting requirements aren't adequate. He said that regulators are looking at ways to require banks and other dealers in derivatives to reveal more information about the impact of their activities on their earnings. This will lead to "increasing market scrutiny of derivatives activity," he said.

Rep. Leach said that derivatives activities by banks and brokers are regulated at the federal level, but that insurance companies, which also participate in the booming market, are largely exempt from federal scrutiny. "Maybe Congress should address that issue, and I suspect it might," Mr. Leach said. Insurance companies are regulated primarily by state agencies.

Rep. Richard Baker (R., La.) suggests that stop-trading orders, or "circuit breakers," should be used during periods of unusual turbulence in the derivatives markets. Such a move would expand the use of circuit breakers, which exchanges currently use to regulate the large over-the-counter market for derivatives.

Theoretical Risk

Members of the panel repeatedly mentioned the complexity and size of the derivatives market. Mr. Gonzalez said the theoretical risk of loss that some big banks face exceeds their capital several times over. According to figures supplied by the comptroller of the currency, Chemical Banking Corp. is the largest bank dealer in derivatives with $2.11 trillion of the instruments outstanding. The bank's "worst case" exposure to loss is $31.89 billion, or 2.68 times its capital.

Bankers Trust New York Corp., the second-largest bank dealer with $1.8 trillion of derivatives, faces a theoretical exposure that is nearly six times its capital, the figures show. Mr. Ludwig stressed that losses of this size could occur only in the highly unlikely case that all customers defaulted on their obligations. Even if this happened, the amount of loss could well be overstated.

The financial industry is generally united behind the position that the current combination of self-regulation and government supervision provides enough protection against widespread losses from derivatives. There is a fear that legislation would slow the development of products that are marketed primarily as ways to hedge and reduce risk.

Andrew Hove, acting chairman of the Federal Deposit Insurance Corp., said there is a considerable amount of self-policing, because institutions won't make commitments with parties that lack financial strength. "The combination of sound institution management, market forces and appropriate regulatory supervision under existing guidelines sharply reduces the likelihood" of significant damage to the banking industry, he said.

Health plan FACTS

HMO flexibility

Health maintenance organizations will be allowed the flexibility to either require that most care be given within their networks or to reimburse clients for some of the cost of services provided outside the system.

Hillary welcomes 'vigorous' debate

THE WASHINGTON TIMES

Text of remarks yesterday by first lady Hillary Rodham Clinton in the Capitol's Statuary Hall, where President Clinton delivered his health care plan to Congress.

I come to the podium, really, to thank all of you. I want to thank the speaker and Majority Leader [Richard] Gephardt, Minority Leader [Bob] Michel. I want to thank Majority Leader [George] Mitchell and Minority Leader [Bob] Dole. I want to thank all of the members in both Houses and their staffs for an extraordinary amount of work, advice and counsel, and I appreciate beyond being able to express, the strong commitment that so many of you bring to this debate.

This will be for the next month an opportunity for all of us to work together, to go beyond politics as usual, to make it clear to the American people that this president and this Congress hear them and are committed to solving their problems in a very real way.

This bill is the result of literally thousands of people, many of whom are in this room and represented here, but many who are not, who are all over this country, who have shared their stories, who have written letters, who have buttonholed their members of Congress or a Cabinet secretary to talk about what needed to be done.

What we have attempted in this bill is to put in one place comprehensively the pieces of the health care plan.

If we had attempted to merely repeal pieces of other legislation or make amendments to them, or if we had decided that we would not include in this such matters as public health which are critical to a reformed health care plan, we would have been able, of course, to produce a smaller bill that would have not had quite as many pages, but which would not have had in one place everything that you will have to consider as you move forward.

We have also made decisions that some matters belong in this bill, such as the benefits package. Others who have alternatives have determined that that is something that should be left to a later day and a body other than this Congress. We've put it into this bill.

I don't know how many thousands of pages would be replaced or repealed with the passage of a bill with these features covered in it, but it would go into the tens of thousands.

We are trying to have a document with the presentation of this bill that will give us a framework off of which to work.

I especially want to thank the members of the Cabinet who are here and their extraordinary staffs for the analytical work that has been done to prepare this bill, and we offer the services, as would be obvious, to work with members of Congress and committees to analyze other bills and alternatives with the same level of analytical dimension and economic analysis as has been brought to this bill, because if we are to have the kind of honest and open debate that we know we need, we have to hold every possible proposal and plan to the highest level of scrutiny to determine what it would really mean and how it would really work in the lives of Americans.

That's what we owe the American people. That's what we have attempted to do in this bill, knowing we have literally no pride of authorship on many of the details and technical aspects of it. That we leave to the legislative process, with whom we look forward to working.

But we do have a historic opportunity. Many of you, Republicans and Democrats, who have worked and worried over health care for years, have told me that the one thing that stood in the way of your being able to do whatever it is you thought was best was you did not have a president committed to seeing that through.

I can tell you we have a president committed to seeing that through.

And what this president and I and all who have worked on this look forward to is a vigorous, honest debate that sheds light and not just heat, and which is rooted in what is really happening in our country. And I am absolutely confident that if we do that, then in this Congress, in this next year, we will meet again to sign the kind of bill that the majority of us will be proud to have been a part of.

The Washington Times THURSDAY, OCTOBER 28, 1993

Religious freedom bill passed by Senate

By Larry Witham
THE WASHINGTON TIMES

The Senate passed a bill yesterday that would protect religious practices from unjustified government restrictions and extended that right to prisoners by rejecting an amendment that would have excluded them.

By a 97-3 vote, the Religious Freedom Restoration Act moved closer to becoming law after a three-year delay over abortion and prisoners' rights.

The bill seeks to override a 1990 Supreme Court ruling that allows the government to restrict sincere religious practices without showing a "compelling interest" in restricting the practices.

But the key language in the bill states that the government can restrict religious practices only if the state shows "compelling government interest" and applies the "least restrictive means" if some limit on the practices is deemed necessary.

The House bill was passed unanimously earlier this year. The Senate bill has a small technical difference, but supporters said yesterday that the House is likely to adopt it by voice vote in the next several days.

President Clinton supports the bill, as has Attorney General Janet Reno, despite warnings from some state attorneys general, correctional officials and lawmakers. They said the law would prompt prisoners to make specious religious claims.

The amendment to exclude prisoners from the law's coverage was introduced by Sens. Harry Reid, Nevada Democrat, and Alan K. Simpson, Wyoming Republican. It was defeated by a vote of 58-41.

Mark J. Pelavin of the American Jewish Congress said passage of the exclusion amendment would have opened the bill to more attempts to limit its coverage for certain groups or circumstances.

The effort to pass the bill began in April 1990 after the Supreme Court's "peyote case" ruling, which rejected an American Indian's claim to use the illegal hallucinogen for a religious ritual with impunity.

The court's majority opinion reversed a legal tradition established in 1972, saying that government did not need to show a "compelling interest" to restrict religious practices.

Since then, more than 60 religious and civil libertarian groups have backed the bill — perhaps the most diverse coalition yet on a religious issue, said Forest Montgomery, legal counsel for the National Association of Evangelicals. The coalition includes the American Civil Liberties Union, the Traditional Values Coalition and every major church.

Last year, the bill was delayed by amendments to ensure that abortion was not made a religious right free of government restrictions.

The U.S. Catholic Conference and pro-life lawmakers dropped their opposition when the bill's accompanying legislative report made it clear the act did not suggest that abortion is a religious freedom.

Supporters of the bill say it will deter government abuses. In at least 50 cases, they said, local governments have used the 1990 ruling to restrict sincere religious practices.

Time to try something new: Enter drug court

By Kristan Melzian
THE WASHINGTON TIMES

The District's new "drug court" program was unveiled yesterday with lots of official support. Federal, court and city leaders applauded the initiative as a way to break the cycle of crime in the city by treating drug addicts in custody.

The officially named Drug Intervention Program got a boost from Attorney General Janet Reno on a Sunday news interview program. And yesterday, she was among a half-dozen officials in the juror's lounge at D.C. Superior Court who endorsed it.

"Violence on the streets of America is a priority with the American citizens and we need to do everything we can about it," said Miss Reno, who started the nation's first drug court when she was Dade County's top prosecutor in South Florida.

Miss Reno sat next to D.C. Mayor Sharon Pratt Kelly at the news conference. Also present were Fred Ugast, chief judge of D.C. Superior Court, who will retire this month; Lee Brown, director of the Office of National Drug Control Policy; U.S. Attorney Eric H. Holder Jr.; and Lisa Scheckel, acting director of the Center for Substance Abuse Treatment.

Mrs. Kelly didn't linger long at the gathering. But Jay Carver, director of the Pretrial Services Agency, stayed behind to answer questions about the $5 million, five year demonstration project.

He said the program, to begin Monday, will annually treat about 600 people arrested for felony drug possession who test positive for drugs.



Photo by Tracy A. Woodward/The Washington Times
Mayor Sharon Pratt Kelly and Attorney General Janet Reno

Three judges now handle such cases. As part of the program, two judges will have computer screens at their benches. They will be able to access up-to-date treatment and drug-test results on each defendant standing before them.

The computers will show whether the defendant has tested positive since he or she began the program and whether the defendant has been consistently appearing for treatment.

The defendants, who must appear about once a month in court for status hearings, will be tested for drugs twice a week.

Treatment will begin after arrest and continue until sentencing, which could be delayed until a person is fully treated. It will include group therapy and individual counseling, plus acupuncture — the ancient Chinese practice of inserting needles in the body at designated sites. This method is believed effective in reducing the craving for drugs.

"Outpatient defendants who are having trouble adopting to less-restrictive outpatient treatment could be moved to an inpatient facility or we could intensify treatment," Mr. Carver said. The Department of Corrections has an inpatient facility available in Northeast. The outpatient treatment will be at 400 F St. NW, just a block from the courthouse.

"This Drug Intervention Program is an all-out effort to break the vicious cycle of drugs and crime," he said.

Last month, 61 percent of 15-year-olds entering the juvenile court system tested positive for drugs, according to Mr. Carver.

"We know that by virtue of an arrest, the criminal justice system can exercise a great deal of influence over a person," he said. "The court can encourage and even compel drug treatment. It can require drug testing. And, it can use its broad powers to sanction or punish violations of its orders."

"This is the first step in breaking an all-too-common problem we see here everyday — drug use," said Judge Ugast.

Miss Reno said failure can be expected by some defendants, but they should not be forgotten.

"If you have cancer, you get treatment and it can go into remission. If the cancer comes back, you don't stop treating it," she said. "Treatment, education and prevention are absolutely as critically important as our law enforcement efforts."

Federal drug czar Brown said it still is not clear to what extent the drug court program will reduce jail population, court overload or savings to taxpayers.

> ■ "You don't have to be a rocket scientist to figure out we have a serious problem in our nation and the community."

"But, we clearly know the magnitude of our loss now," he said, noting that about $170 million now is spent on alcohol and drug abuse.

"We cannot afford *not* to treat those who need it," he said.

Before leaving, Mrs. Kelly said the court system is overloaded so it's time to try something new.

"You don't have to be a rocket scientist to figure out we have a serious problem in our nation and the community," she said.

Drug courts are being used or formed in about 25 cities and counties. Most, including the District's program, were modeled largely on the one in Dade County, which includes Miami.

LOS ANGELES TIMES / WASHINGTON EDITION
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But Why Is It So Darn Complex?

Simplistic health care reform just can't be done

Fools rush in where angels fear to tread. That wise and lovely old line comes to mind just about every time the subject of President Clinton's health care reform comes to the surface—as it did Wednesday when the Administration dropped its long-awaited legislative package on Congress. All 1,342 pages of it.

The complexity was inevitable, as was the enormity. The two simplest options were either unavailable or impossible. One was to leave the current system alone and let it evolve willy-nilly. The other was to go off 180 degrees in the other direction and graft a large, European- or Canadian-style government-as-Big-Doctor system onto U.S. society.



Clinton plan rests on universal coverage, cost control.

The latter was politically unacceptable—it would have about as much chance of getting through Congress as a "Packwood for President" resolution. And as for the former, the question before the House and Senate is this: Does the current system provide what Americans want? Are we really happy with what we have now?

President Clinton's answer is negative; his is the correct judgment and has been all along. Even if the existing system does offer the best health care in the world for those who can afford it, America pays too much for it. Even then, too many Americans are cut out of the system.

But how to make it better?

The President knows that the hugely complicated draft he sent to Congress will go through many permutations before anything becomes law. He's not troubled by that. Already he has signaled his flexibility—almost anything is negotiable. And that's not such a bad idea.

The reason is that the President's approach embraces two principles for which there is considerable public support. One is that more people should be brought into a system of more or less comprehensive coverage not only for reasons of social justice but for reasons of public health: 37 million Americans without health care coverage constitute a health menace not only to themselves but to others in the community. It's just not a healthy situation.

Neither is the current system one of robust *fiscal* health. Price-is-no-object health care may be fine for the sultan of Brunei, or of Beverly Hills; but most Americans must live within a strict budget, and health care costs are rising faster than any other single category of national expense.

This is the bedrock reality on which the Clinton reform is grounded. The President indicates that he is willing to negotiate on almost every issue except universality of coverage and cost control. If Clinton doesn't lose sight of these guiding principles, his health care reform stands a chance of success. Indeed, it would deserve to succeed.

LOS ANGELES TIMES / WASHINGTON EDITION
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'ClintonCare': a Catastrophe for Economics

■ Captive consumers, absence of competition—sounds like health care on the cable-TV model.

President Clinton likes to describe his health-care plan as a bold reform that takes on big business in the name of consumers. But a careful reading of the draft plan tells a different story.

In fact, ClintonCare looks a lot like two familiar government schemes that benefit well-connected or incompetent businesses at consumer and taxpayer expense. If you love your local cable monopoly and enjoyed the savings-and-loan bailout, you'll adore ClintonCare.

The centerpiece of the plan is the system of "regional health alliances." An alliance may be a state agency or a nonprofit corporation overseen by the state. The government-appointed alliance board determines which insurance companies and HMOs can offer health plans in your area. Employers and self-employed people pay premiums to the local alliance, and (declares the draft plan) "it is the obligation of every eligible individual to enroll in a health plan."

The regional alliance resembles the local cable franchise—a government-created monopoly through which consumer services flow. "States may establish one, and only one, regional alliance in each area." Like a cable company's, the alliance's prices and services are tightly regulated. Consumers have "choice" among health plans offered through the alliance, just as they can choose whether to buy Showtime or HBO. But the number of plans is limited, and most are nearly identical in what they offer. The regional alliance has no competition and thus no incentive to give good service or add new options. The consumer's only escape is to move to another region and hope that the alliance there is better.

Each insurance plan must provide a standard benefit package and price its premiums within a narrow range based on a "target" established by a National Health Board. If premiums are too high, they have to be "renegotiated" or reduced via an "assessment" (a.k.a. a tax) on the high-priced plans. The Clinton draft doesn't specify what happens if no company will offer services at the approved premium.

ClintonCare also creates a medical version of the savings-and-loan fiasco: It encourages insurance companies and HMOs to bid low for customers, then guarantees them a bailout if they go belly-up, whether because of incompetence, bad luck or fraud.

'ClintonCare creates a medical version of the savings-and-loan fiasco: It encourages insurance companies and HMOs to bid low for customers, then guarantees them a bailout if they go belly-up.'

It's quite likely that at least some companies will overpromise, only to discover that they can't cover their expenses at the premiums they charge. And even if they do charge premiums that look sufficient, they may not be able to collect. The Clinton draft declares that "health plans may not terminate, restrict or limit coverage for the comprehensive benefit package for any reason, *including non-payment of premiums.*" (Emphasis added.) Why pay when you can get the same care for free?

If your health plan fails, you needn't worry, says the Clinton draft. Your doctor can't come collecting, and the hospital can't discharge you. But ClintonCare doesn't make the doctors work for free, at least not forever. It covers their bills by taxing the surviving health plans.

Under normal circumstances each plan will pay into a "guaranty fund" very much like the deposit insurance that gave us the S&L crisis. In addition, if a health plan fails, "the state may assess . . . other plans within the alliance to generate sufficient revenue to cover outstanding claims against the failed plan." In both cases, good plans subsidize bad ones.

It's not hard to picture the race to fail first. And, as plan after plan exits the market, the survivors look more and more like suckers—unless they can renegotiate to offer less service at higher prices, a tactic not unknown among regulated monopolies. For patients, there is no escape.

Two years ago, I was very glad to move from one cable franchise to another, so that I could finally program my VCR to tape on more than one channel. But putting up with a lousy cable monopoly wasn't exactly a matter of life and death. Putting up with a lousy health alliance could be.

The Washington Post

AN INDEPENDENT NEWSPAPER

√ The President's Health Care Plan

PRESIDENT CLINTON has now converted his health care plan to a bill and sent it to Congress. The 1,342 pages of legislative language hardly make the subject simpler. In fact, it remains an elaborate answer to just two basic questions that push in opposite directions. One is how to extend basic coverage to the seventh of the population that at any one time is uninsured—and by the way, what is basic coverage? Should it be a Chevy or Cadillac? The second question is how to pay for the coverage and at the same time restrain the rate of rise of national health care costs, which now eat up about $1 of every $7 Americans spend.

The answers to these two questions drive most else. There is now an array of such answers before Congress. They vary mainly according to how large (or open) a role they assign to government. On the one hand, there's pressure to minimize the government role. On the other hand, there's doubt that coverage will ever be universal or costs contained unless the government intervenes.

At one extreme in Congress is the so-called single-payer plan—you might call it Medicare for the entire population—in which the government would raise, through taxes, enough money to pay for basic health care for everyone. At the other end of the spectrum are plans that mostly tinker with the present system. Mainly backed by conservative Republicans, these tend to involve such steps as tax subsidies to help the poor buy more insurance, paid for in part by cuts in Medicare and Medicaid, and some insurance market reform to make it easier for those who find it hard to get insurance now. The conservatives make the usual point that the system isn't all that broke and doesn't need all the fixing the Democrats propose.

In between are the president's plan and a number offered by moderates of both parties. His tends to be somewhat more statist than theirs. To a large extent, what you find this New Democrat doing is federalizing the health care system by another name. He would begin by providing generous universal coverage. They would go slower, and not guarantee it, if at all, until it was clearer the money was available. He would finance it largely through an employer mandate—a premium that every employer would have to pay for every employee but that would be paid off budget; it would not be a part of the federal accounts. They don't like the mandate idea, but don't like most of the other proposals for raising the necessary funds either.

He would also raise a lot of money through an elaborate system of cost containment about which they are also skeptical. In the first instance, he would rely on structured competition among providers to hold down costs and make the health care dollar go farther. The competitive structure would be backed up by a national health care budget and what would amount to spending caps. He thinks he can save enough through cost containment to avoid a major tax increase. The idea is that projected Medicare and Medicaid costs would fall enough to pay most of the extra federal cost of covering the uninsured.

Others think this is pie in the sky, and maybe it is. That's one of the judgments the next few months of hearings should help us all make. If it's thought that he's wrong, there will have to be either a larger tax or something less than the universal coverage or level of benefits he proposes. There's a fundamental judgment to be made as well as to the efficacy of various cost containment devices. But Mr. Clinton has already performed a huge service and achieved a great advance that should not go unobserved as the debate begins. The health care system cannot be allowed to go on gobbling dollars while bypassing as large a share of the population as it has. Mr. Clinton with his proposal has not only acknowledged that himself but forced the country to acknowledge it. He's taken the risk of making something happen.

In Scope and Vision, Health Plan Defines Clinton Presidency

By Steven Pearlstein and Dana Priest
Washington Post Staff Writers

NEWS ANALYSIS

Nothing the president has done—or is likely to do—better defines aspirations of the Clinton presidency than the massive health care plan delivered to Congress yesterday.

Woven through the 1,300-page health plan is a liberal's passion to help the needy, a conservative's faith in free markets and a politician's focus on the middle class.

But what is most Clintonesque about the health plan is its complexity, its sheer ambition, its determination to make government, as President Clinton said in his Inaugural Address, a place for "bold, persistent experimentation."

"It's not a cautious plan," said John Rother, chief lobbyist for the American Association of Retired Persons, who supports the plan's general direction. "It pushes the boundaries of what is thought to be doable."

While "expertise" has taken on a negative connotation in recent years, it remains a point of pride with Clinton that the health plan has had more input, and been reviewed by more policy analysts, than any legislation in modern history. The group assembled around the health care issue resembles former defense secretary Robert S. McNamara's "whiz kids" at the Pentagon during the Kennedy administration.

Every page of the plan the health policy makers came up with is infused with their faith—critics might say conceit—that government can again become an active, effective agent for change, capable of solving the most intractable problems.

The most Clintonesque part of it is the apparent belief that an army of policy wonks can predict what would happen under a program that would change one-seventh of the economy, which, after 30 years of experience, tells us we can't do," said Joseph A. Califano Jr., whose own idealism crashed into reality during his tenure as Jimmy Carter's top health official.

Clinton and his team have been selling health reform as an elixir for America. Their pitch is that it will not only extend health care to the poor and control costs but also guarantee financial security, raise wages, reduce the federal budget deficit, make U.S. firms more competitive and cure your lumbago.

The essence of the plan is a shotgun marriage between the most cherished ideas of left and right—a third way that Clinton has been trying to blaze.

On the one hand, the plan not only relies on the existing free market in health care services but also takes steps to instill price and quality competition among providers where it does not now exist.

On the other hand, the plan establishes an elaborate new framework of government rules, sanctions, incentives and price controls that would govern everything from the forms used by hospitals to the number of brain surgeons trained in each state every year.

Clinton calls this marriage "managed competition," but to many it sounds like an oxymoron.

"He is driven by the political identity he wants to have of a centrist new-style Democrat, not an old-style tax-and-spend Democrat," said Drew Altman, president of the Kaiser Family Foundation. "It's a mission he is on."

"It's trying to take the best of both worlds, but it's a straddle, and I'm not sure it works," said Rep. Dave McCurdy (D-Okla.), a onetime political ally of the president. "Certainly from a political standpoint, it's a very hard sell."

The complexity is largely the result of Clinton's insistence on charting this middle course between the political shoals of "big government" and unfettered markets.

Early on, a number of Clinton advisers favored simplifying the way Americans pay for health insurance by imposing a payroll tax that would enable everyone, working or not, to pay for a health insurance policy of his or her choice. The payroll scheme was favored by Sen. Edward M. Kennedy (D-Mass.), the Senate's leading health care advocate, as well as organized labor.

Clinton decided against it, according to aides, because it smacked too much of traditional liberal instincts toward taxes and big government. Congress's refusal last spring to pass the president's broad energy tax stiffened Clinton's reluctance to propose an even bigger and broader tax. Additionally, a health care tax levied as a percentage of wages would have involved a massive redistribution of income from the upper middle class to the poor and working class.

At the same time, Clinton was unwilling to abandon all progressive ambitions for health care change. As a result, the plan seeks to achieve through the back door some of the same results a payroll tax would have achieved more directly.

To avoid a broad "tax" to pay for health insurance, the Clinton proposal is built, instead, around a mandate that all businesses pay 80 percent of the cost of a health policy for all employees based on benefits typically offered by Fortune 500 companies.

Laid over the mandate is an elaborate and expensive system of government subsidies and price caps. The unemployed and working poor would pay no more than 3.9 percent of their income for their share of health insurance coverage, while business contributions would be capped at between 3.5 percent and 7.9 percent of payroll, depending on size.

And to assure those concerned that this subsidy program doesn't turn into a blank check drawn on the Treasury, the administration this week proposed to cap the cost of the program—a fiscal circuit-breaker that would force Congress to deal with a runaway new entitlement by raising taxes, raising premiums or reducing health benefits.

Administration officials implicitly acknowledge the complexity of some of their policy prescriptions. But Ira Magaziner, the president's top health care adviser, reminded reporters that the complexity of the current system "defies human imagination."

The subsidy cap, like managed competition and mandated benefits, derives from Clinton's determination to steer clear of traditional liberalism—or at least the vocabulary associated with the liberal agenda.

Clinton aides note, for example, that the low-income subsidy program is not a "discretionary" budget item that would be up for review every year, but argue that neither is it an open-ended entitlement program.

Similarly, in a system of managed competition, they describe the government's role not as "regulator" but as "market maker." The employer mandate is not a tax—it's a "responsibility all employers have to their workers."

"What they did was to take the form of managed competition and filled it up with content that looks a whole lot like a Canadian-style government system," a Clinton adviser said this week, deviating from the official White House line.

While there may be some double-talk in all this, those who know the president best said it is less calculating, if no less worrisome: It reflects an unshakeable confidence that he can reconcile the seemingly irreconcilable, and please almost everyone.

"What you have to remember about Bill Clinton," said Paul Greenberg, who as editorial page editor of the Arkansas Democrat-Gazette followed Clinton's 10 years as governor, "is that he thinks all problems can be solved with painless sacrifice."

THE WASHINGTON POST THURSDAY, OCTOBER 28, 1993

open market.

Tennessee Democratic Representative Jim Cooper who has introduced a bill setting up smaller health care alliances, said Clinton had moved in the right direction, but made it clear he was sticking with his own plan.

Republican Senator John Chafee, a Rhode Island moderate who is a leader on health care reform, called Clinton's plan ``massively expensive.'' He has introduced an alternative plan requiring all consumers to buy their own insurance.

``Entitlements in every instance cost a lot more than we ever thought they would, that is a given. There is no way in the world to end an entitlement,'' Chafee said.

Conservative Republicans were more strident.

``He's trying to sell socialized medicine ... it's a bad product,'' said Texas Republican Senator Phil Gramm.

Liberal Democrats who are pushing an alternative that would make the government the sole insurer, praised several changes in Clinton's plan, including one that would cap the amount individuals would have to pay for health insurance.

REUTER

BC-HEALTH-HILLARY (SCHEDULED)

HILLARY CLINTON BASKS IN GLORY AT CAPITOL

By Steve Holland

WASHINGTON, Oct 27 (Reuter) - In a U.S. Capitol chamber where five presidents took the oath of office, Americans saw history again Wednesday -- validation of Hillary Rodham Clinton as the most powerful first lady ever.

The occasion in Statuary Hall was delivery to Congress of President Clinton's Health Security Act, which would bring the most sweeping change in U.S. social policy since Franklin Roosevelt's Social Security system of guaranteed lifetime pension benefits in 1936.

Bill Clinton sat back and beamed as speaker after speaker praised the paramount role Mrs. Clinton, who turned 46 Tuesday, played in taking the complaints of Americans about the current system and grinding them into reform proposals.

``Not in our history has a first lady led such an effort so energetically, so thoughtfully, with such knowledge and understanding,'' said Senate Majority Leader George Mitchell.

Statuary Hall, lined with larger-than-life statues of American historical figures, was the site of the presidential inaugurations of John Adams, James Madison, James Monroe, Andrew Jackson and Millard Fillmore.

``So first ladies have been in this room before,'' said House Speaker Thomas Foley. ``But none has ever brought such an important product and result of her

REUTER

BC-HEALTH-CONGRESS (SCHEDULED)
LAWMAKERS PREDICT CHANGES IN CLINTON HEALTH PLAN
By Sue Kirchhoff

WASHINGTON, Oct 27 (Reuter) - President Clinton failed to win over critics of his sweeping health care plan Wednesday, despite weeks of fine tuning and scores of changes.

Some key Democratic supporters of the plan were angry about a provision of Clinton's revised plan that would cap insurance subsidies for low-income Americans, while conservative Republicans attacked it as socialized medicine.

``I think it (subsidy cap) undermines the credibility of the administration's promise of universal coverage, insurance that will always be there, because it won't be there if they run out of money,'' said California Democratic Representative Henry Waxman of California.

``They've made a lot of changes in their bill to accommodate people who are still against them,'' he said.

Senator Jay Rockefeller, Democrat of West Virginia, praised the bill and said he had no doubt Congress would provide enough money to cover benefits for all Americans.

At a Capitol ceremony Wednesday morning, the president and first lady Hillary Rodham Clinton delivered a 1,336-page bill setting out the details of the health reform plan and making a number of changes in financing and coverage.

The bill would limit the amount the government can spend to pay for health care coverage for the poor, small businesses and early retirees. If the health care system runs out of money, Congress would have to raise taxes, cut benefits or take other action to raise the money.

It requires firms to subsidize insurance for their employees and would force most consumers to buy insurance through state health care alliances, which are essentially purchasing cooperatives.

Clinton said he was open to negotiations, but said any final package must provide universal insurance coverage, telling lawmakers: ``I will not support or sign a bill that does not meet that criteria.''

Democratic Congressional leaders praised Clinton's speech and predicted health care reform would pass next year. Even before the president spoke, however, Republicans made it clear they wanted reform, but could not accept his plan.

Further, conservative Democrats and moderate Republicans, whom Clinton hopes to attract to his plan, said that even with the changes the White House plan relied too much on the government and not enough on the

efforts and work, none has had so large a role in the public policy of our country as the person I'm proud to introduce now, the first lady of the United States, Hillary Rodham Clinton.''

Mrs. Clinton came to Washington hoping to emulate the social activist role played by Roosevelt's wife Eleanor.

When Clinton announced last February that Mrs. Clinton would lead the health reform effort, some conservatives felt she was going too far beyond a first lady's traditional role.

Recalled Foley: ``Some criticised his judgment in taking so central an issue to his administration and to the country's future and (putting) it in the charge of the first lady ... Nobody questions that judgment today.''

Mrs. Clinton spread the credit around, saying the health reform bill was the work of ``literally thousands of people.''

Speaking without notes as is her fashion, she seemed relaxed and self-assured in a chamber long dominated by men. Clinton himself looked emotional at seeing his wife of 18 years, his companion through various political campaigns, take center stage.

The first lady told the gathering that ``we have literally no pride of authorship on many of the details and technical aspects'' of the Clinton bill.

``What this president and I and all who have worked on this look forward to is a vigorous, honest debate that sheds light -- and not just heat -- and which is rooted in what is really happening in our country,'' she said.

REUTER

BC-TURF national editors:WA

Health-care debate turns into turf battle

By Steve Goldstein and Jodi Enda

Knight-Ridder Newspapers

WASHINGTON In this turf-conscious town where being a player means everything there is no loop every member of Congress would rather be in now than health-care reform.

As interest groups have lobbied for and against President Clinton's health plan, a crucial battle has raged behind the scenes among congressional committees claiming control of parts of the legislation.

The ``Me'' Generation is being heard from in the House and the Senate.

It's me, said Rep. John D. Dingell, D-Mich., chairman of the House Energy and Commerce committee.

It's me, chorused Rep. William D. Ford, D-Mich., who runs Education and Labor.

It's Means, clamored Ways and Means boss Dan Rostenkowski, D-Ill.

The reasons? The usual: Money and power.

Most everyone believes some form of health-care reform

will be enacted. That means this bill will affect future jurisdiction of committees over health-care law.

``In Washington, jurisdiction equals power,'' a Democratic House staff person said. With that power comes what lobbyists euphemistically call ``campaign support.''

``Whatever committees get pieces of this bill, depending what industries (are) influenced, those industries are going to go nuts throwing contributions at that committee,'' said Sara Nichols, health-care lobbyist for Public Citizen, a government watchdog group.

Campaign contributions from health care and insurance companies surged 30 percent in the first six months of 1993 over the same period last year, according to the Center for Responsive Politics, a non-profit research organization.

Historically, Senate Finance Committee members have received contributions averaging $542,000 from health and insurance firms since 1979. The average contribution to a member of the Senate Labor Committee was $369,000.

But money can't buy everything. It's nice, but ego gratification is even nicer.

``The overriding thing is that everyone wants to control the debate,'' said Michael Podhorzer, who has been tracking health-care reform for Citizen Action, a Washington public interest group.

Sen. Edward M. Kennedy, D-Mass., chairman of the Senate Labor Committee, has managed to split primary jurisdiction for the bill with Finance Committee chairman Daniel Patrick Moynihan, D-N.Y.

Kennedy scheduled at least 29 hearings on the legislation before Thanksgiving, nearly one-third of which have already been held.

In the House, the picture is a lot fuzzier and the infighting a lot fiercer.

On Oct. 7, Dingell wrote to House Speaker Thomas S. Foley, D-Wash., urging him to take control of the debate. But Dingell also believes his committee, which oversees consumer affairs and public health, deserves a major share of responsibility for the bill.

Since Dingell's letter, Rostenkowski has asserted his Ways and Means committee ``probably has the largest of obligations'' in health-care reform because of its tax provisions.

Ford, meanwhile, cites the precedent that health-care reform bills with employer mandates and purchasing cooperatives were referred to Education and Labor.

The latest power play came from the House Banking Committee, which has a subcommittee on economic growth and credit formation. That panel claims ownership of any government price controls.

So many committees. But only one bill.

And it will be held by congressional leaders for a week to 10 days while jurisdiction is settled. It is during this period that the committee chairmen are likely to work

Ready, Aim, Reform

Now that President Clinton has finally submitted the details of his massive plan to overhaul the nation's health care system, the legislative and political challenges that confront Capitol Hill lawmakers—especially Democrats—seem steeper than ever before.

BY RICHARD E. COHEN

Despite the jam-packed schedule of its first 10 months, the showdown that's likely to determine the legacy of the 103rd Congress has barely begun. Now that President Clinton has finally submitted the details of his massive plan to overhaul the nation's health care system, the scale of the legislative and political challenges that confront Capitol Hill lawmakers—especially Democrats—has become all the more apparent.

But some of the fizz has faded from the champagne that figuratively accompanied the ceremonial-like launching of Clinton's plan. Following his national televised address to Congress on Sept. 22 and Hillary Rodham Clinton's testimony to five congressional committees the next week, lawmakers complained that they were forced to postpone their formal review of the proposal because they needed more details—an assertion disputed by Administration officials.

Whatever the cause and effects of the delay, it fostered extensive discussions about the features that were already known. The skirmishing has brought to the surface and reinforced several unpleasant realities—probably unavoidable, in any case—that lawmakers will face as they handle the bill during the next year. Many Members, no doubt, have gained a better appreciation of the enormity of the task ahead and the huge stakes that are riding on it.

"Unlike other issues, I will have to explain it to every one of my constituents," said Rep. James A. McDermott, D-Wash., the chief sponsor of a Democratic alternative to Clinton's plan. "This is an issue you cannot finesse." For many Members, he added, this will be the most important vote of their careers.

The most obvious challenge is the extraordinary complexity of the issue—and of Clinton's proposal. Although White House aides say that they hope to keep the debate as simple and straightforward as possible, the depth and breadth of the plan will test the ability of Members to handle sweeping legislation that accounts for 14 per cent of the nation's economy and that directly affects the life of every American. Probably no other recent measure fits that description.



John Eisele

Rep. James A. McDermott, D-Wash., sponsor of a Democratic alternative to Clinton's plan "This is an issue you cannot finesse."

THE LONG ODDS AGAINST REFORM

Since 1948, when Harry S Truman advocated the enactment of an insurance system to "protect all our people equally . . . against ill health," each Democratic President, as part of his domestic agenda, has called for a sweeping plan to overhaul the nation's health care system. To date, only Lyndon B. Johnson succeeded. A brief review of the proposals—and what happened to them—illustrates the long odds against passing such legislation and offers little comfort to President Clinton.

"The electoral outcome of 1964 guaranteed the [next year's] passage of legislation on medical care for the aged," Theodore R. Marmor, a political scientist at Yale University, wrote in *The Politics of Medicare* (Aldine Publishing Co., 1973). Marmor cited three key factors: the Democrats' gain of 32 seats in the House, which pushed their control of the chamber to 295-140; Johnson's landslide victory over Republican nominee Barry Goldwater; and Johnson's promise of Great Society reforms, in contrast with Goldwater's alternatives of local and private initiatives.

At best, only the final factor applies this year. House Democrats, who lost 10 seats last year, have only a 258-175 majority. (The Democrats' 56-44 control of the Senate is 1 fewer than in 1992 and 12 fewer than in 1965.) In contrast with Johnson's 61 per cent of the vote, Clinton won 43 per cent. Although Clinton campaigned forcefully for universal health care coverage last year, he didn't provide specifics.

Two other features of the 1965 enactment of medicare underscore other obstacles that face Clinton and his party this year. Democrats moved quickly to pass the medicare bill (Johnson signed it on July 30, 1965, at Truman's library in Independence, Mo.), but the legislation had a lengthy history, including the passage in 1964 of a relatively weak House bill and a stronger Senate version (which had been championed by Sen. Albert Gore, D-Tenn., the father of the current Vice President). Although Democrats in the Senate and House worked actively to prepare health care legislation in 1991-92, they couldn't agree on a version for floor action in either chamber.

In addition, compared with this year's maneuvering, debate on the 1965 medicare bill was a relatively simple matter procedurally, with jurisdiction lodged solely in the House Ways and Means and Senate Finance Committees. (The week after the 1964 election, Ways and Means chairman Wilbur D. Mills, D-Ark., said for the first time that his panel would consider a comprehensive medicare bill.) In the spring, Republican alternatives were defeated, 191-236 in the House and 26-64 in the Senate.

The two other Democratic Presidents fared less well. On Feb. 9, 1961, John F. Kennedy asked Congress for a bill that would finance medical care for the aged through social security. The bill was more limited than a version that the Senate narrowly rejected amid the 1960 fall campaign. Democrats lost 19 House and 2 Senate seats in that election, leaving Kennedy with majorities slightly larger than Clinton faces. After extensive legislative maneuvering in 1962, his plan was defeated narrowly in Ways and Means and on the Senate floor. Subsequent changes in Democratic Caucus rules have made House committees more responsive to the will of the party's majority.

Like Kennedy, Jimmy Carter came to the White House with a slender victory. But he waited until 1979—halfway through his presidency—to request legislation that would limit escalating hospital costs. In 1978, Democrats had lost 6 House and 3 Senate seats, leaving them with controlling majorities of 276-159 and 59-41. In the House, Carter's plan was soundly defeated by a coalition of moderate Democrats and Republicans. Rep. Richard A. Gephardt, D-Mo.—then an obscure second-termer—led the opposition, a decision he recently called a mistake.

A half-century of political experience in the health care arena offers some sobering lessons. Even though the earlier bills were "massive departures from the status quo," they targeted limited segments of the population, said Thomas E. Mann, the director of governmental studies at the Brookings Institution. Since those debates, "new layers of public and private entities have added to the technical complexity" that Congress faces, and virtually every American would be affected by Clinton's bill. "I don't know if any political institution," Mann said, "can deal with problems of this magnitude."

The mission is all the more difficult procedurally because the increasingly balkanized House and Senate must contend with the jousting and jealousies that result from overlapping committee jurisdictions and competing chairmen. Those fights have already started and are likely to continue.

Despite the extensive sales effort by the President, his wife and their allies, even their congressional partners acknowledge that the bill will undergo major change before it can be enacted

Capitol Hill lawmakers will be tackling an issue that accounts for 14 per cent of the nation's economy and directly affects the life of every American.

next summer or fall. Although the President will undoubtedly claim credit for propelling the debate and for whatever results from it, the ultimate version of the bill may bear little similarity to the proposal over which the White House has labored for months.

"It is still a work in progress," said Rep. Ron Wyden, D-Ore., an activist on many health care issues. "Much will have to be changed as it is held up to the prism of the real world."

Unlike other major bills, lawmakers will find it difficult simply to close the doors and unveil a deal in several months. Because of the measure's visibility, Americans will intensively monitor the legislative contest. That's ominous for an institution that has dismally low public approval ratings and has become accustomed to operating outside the public's view in preparing legislation.

Whatever the outcome and despite many lawmakers' professed desire for less partisanship, their handling of the bill will have palpable political consequences in the 1994 elections and beyond. Given the long history of the health care debate, they also recognize that the time for action is now and that another opportuni-

ty may not come again soon. *(For a history of major health care legislation, see box, p. 2582.)*

Democratic leaders on Capitol Hill have already shown that they're anxious about the implications of how they respond, or fail to respond, at each step of the exercise. Even before the fine print of Clinton's proposal had been released, for example, two of his key allies—Sens. Thomas A. Daschle, D-S.D., and Harris Wofford, D-Pa.—called reporters around a table to skewer the chief alternative proposals. They harshly criticized the plan introduced by Reps. Jim Cooper, D-Tenn., and Fred Grandy, R-Iowa—the only proposal with broad bipartisan support, including the backing of 28 mostly conservative-leaning Democrats whose votes are likely to be needed for the bill's passage. (In the Senate, three Democrats and a Republican have sponsored a similar bill.)



Richard A. Bloom

Sen. Thomas A. Daschle, D-S.D., one of President Clinton's key allies on health care reform "We will focus our efforts nationwide and coordinate with advocacy groups to get visibility."

Cooper's bill provides "rock-bottom, Wal-Mart coverage," said Daschle, who allowed in an earlier interview that he was "puzzled by the lack of media interest in the competing bills." In a Senate speech later that day, he grouped Cooper's plan with a more limited proposal by Sen. Phil Gramm, R-Texas, in failing to meet several tests for adequate reform.

Although he lamented what he described as Daschle's harsh tone and erroneous claims, Cooper said that the criticism was "the highest compliment to be paid in politics." In an interview, he added, the Clinton allies "are envious of our bipartisan popularity. . . . They want to cut us off at the knees or else, they fear, we'll control the debate." Other Democratic sources said that Clinton and his allies ought to have spent more time rallying support for the Administration's plan.

The multifaceted political context for Clinton's bill could prove every bit as important to the outcome as its substantive provisions.

Members from both parties, senior and junior, have become increasingly likely this fall to challenge the President on a range of high-profile issues, including foreign policy, international trade and budget priorities. Although Clinton has frequently prevailed, the process and results have revealed his progressively weaker hand in dealing with Congress.

Even during his first six months in office, Clinton had his problems, such as the Senate's defeat of the Administration's economic stimulus bill and the razor-thin victories on its deficit reduction package. Recent events suggest that Clinton has lost whatever deferential benefit of the doubt lawmakers initially grant to a new President and that it is unlikely he can magically recapture it, at least in the next year.

The prospects for the health care plan are by no means entirely bleak. The well-received performance of the two Clintons when they unveiled the plan in late September showed the natural ebb and flow of relations between the White House and Congress. And many Democrats have acknowledged that they'll be in big political trouble if they fail to pass a bill next year.

Even key Democrats agree, however, that the lengthy negotiating and deal cutting required to pass such a sweeping bill will require the kind of sustained and skillful commitment to legislative detail and ego stroking that's normally the domain of congressional leaders and power brokers, not Presidents.

That responsibility will rest chiefly with House Speaker Thomas S. Foley, D-Wash., and the two Majority Leaders—Rep. Richard A. Gephardt, D-Mo., and Sen. George J. Mitchell, D-Maine, both of whom have had extensive experience on the issue and are committed to achieving a resolution.

"My role in this effort is not to sell the Administration's program," John D. Dingell, D-Mich., the chairman of the House Energy and Commerce Committee, recently told a National Press Club luncheon. "I am not, by training or temperament, a salesman. . . . My job is to enact the President's plan."

As the earlier deficit reduction bill showed, however, even the most junior lawmaker can influence the details and outcome of major legislation when so much is on the line for all players.

"Virtually every Member wants to be involved," said Sander M. Levin, D-Mich., who's been a House Democratic conciliator on the issue. "Health is a different sort of issue than the budget. It absorbs the attention of the entire [Democratic] Caucus." Although the result is more difficult to manage internally, the more widespread interest by Members—including by many Republicans—creates added propulsion, Levin said.

DELAYED HANDOFF

With Clinton's submission to Congress of the plan's actual legislative language, his allies hope to ignite public enthusiasm—again. But it's doubtful that they can generate the momentum and national focus that accompanied the initial launch. In any case, they've failed to use the September-November period as fully as they'd hoped to educate the public and develop support for the proposal.

Insiders differ on the extended impact. "Despite caution from Members, the Administration continues to set deadlines that they don't meet," McDermott said.

THE PATCHWORK QUILT

Some of the most important decisions on the handling of President Clinton's plan to overhaul the nation's health care system will be made even before the measure is sent to House and Senate committees. The parliamentarian's ruling in each chamber will determine which committee has full—or, in some cases, shared—control over which parts of the bill.

In assigning a bill to a committee, the parliamentarian cannot act until the measure is formally submitted to the House or Senate clerk. In this case, however, portions of Clinton's proposed legislation have circulated among top congressional aides for several weeks. The parliamentarians—in consultation with House Speaker Thomas S. Foley, D-Wash., and Senate Majority Leader George J. Mitchell, D-Maine—are expected to decide about a week after submission of the measure. "Until this is resolved, our ability to move the bill is limited," said John D. Dingell, D-Mich., the chairman of the House Energy and Commerce Committee, who is among those most interested in the expected ruling. Committee chairmen and aides occasionally have fiercely contested these referrals.

Based on precedent, it is likely that the following House and Senate committees will receive key parts of Clinton's plan. In the House, some issues have shared jurisdiction.

Issue	House Committee	Senate Committee
Taxes	Ways and Means	Finance
Medicare	Energy and Commerce; Ways and Means	Finance
Medicaid	Energy and Commerce	Finance
Use of general federal revenues, public health	Energy and Commerce	Labor and Human Resources
Insurance	Energy and Commerce	Commerce, Science and Transportation
Employer benefits, labor-management	Education and Labor	Labor and Human Resources
Malpractice	Judiciary; Energy and Commerce	Judiciary; Commerce, Science and Transportation
Federal employees	Post Office and Civil Service	Governmental Affairs
New agencies	Government Operations	Governmental Affairs

"That raises questions about the substance. . . . Ira Magaziner [who directs the White House health policy team], to an extent, let the President down."

Arguing that such delays are routine, however, Democratic leaders contend that the significance of the five-week drafting period has been overblown by the news media, interest groups and congressional foes. The criticism has been "ill-founded and inappropriate," Gephardt told the House in mid-October. "I think that the Administration should take the time, as they are, to make sure that the legislation is correctly drawn."

Oddly, given the recent congressional pressure to get moving, lawmakers are at least partly responsible for the White House's decision to abandon its initial intention to send the plan to Congress last spring. Except for Mitchell, who had hoped to finish work on the health care issue this year, top Democratic leaders and most chairmen worried that such a step might muddy the water for the economic package.

With Congress planning to adjourn by Nov. 22, the result is that virtually the entire health care debate will be compressed into a single year. It has not been uncommon in recent years for complex bills, such as tax reform and clean air, to require two years of drafting and discussion. Adding to the difficulty is that many Democrats want to complete the bill before next year's August recess so that they can avoid the partisan aspects of a preelection debate.

Democratic congressional leaders and their aides, who were gratified by the early reaction to Clinton's plan, have spent months preparing a game plan. "Until Thanksgiving, we will be in a post-launch period," Daschle said. "We will focus our efforts nationwide and coordinate with advocacy groups to get visibility." As co-chairman, with Mitchell, of the Senate Democratic Policy Committee, Daschle has overseen the message and selling of the health care plan and has chaired meetings nearly every week with leading Democratic Senators. Their immediate goal, he said, is to shape next year's national debate, when they hope that health care will not be blurred by several additional issues with which Members have grappled this fall.

Daschle meets frequently with his counterparts in the House and with Administration officials. Although Magaziner and his chief working partners lack much congressional experience, the six-member team that's responsible for the White House's lobbying strategy on the proposal is more politically attuned. They are led by Steve Ricchetti, a senior aide in the White House's legislative affairs office and a former executive director of the Democratic Senatorial Campaign Committee. "The bill is a large undertaking, but not so complex as to be unmanageable," he said. "Many Members already know a lot about both the politics and the substance of health care."

The other designated Administration lobbyists on health care are Jacob Lew of the White House staff, who was a top House leadership aide; Melanne S. Verveer, Hillary Clinton's deputy chief of staff; and three officials of the Health and Human Services Department: Jerry D. Klepner, the assistant secretary for legislation and previously a top lobbyist for organized labor, and Chris Jennings and Karen Pollitz, both ex-Senate aides.

LEADERSHIP'S MANAGEMENT

After a dozen years during which Democratic congressional leaders spent much of their time framing responses to Republican Presidents, their main role has become providing advice and support to the White House. The two sides have been in frequent contact on their health care strategy. *(For a report on how the White House and congressional leaders get along, see NJ, 6/12/93, p. 1392.)*

As is always the case on high-profile issues, however, the leaders can't afford to be ahead of their rank-and-file Members. With the intense public interest and consequences, lawmakers have been wary about choosing sides on specific details of Clinton's plan. The forthcoming recess may be an advantage, Levin said, by giving them more time to discuss the health care proposals with constituents before Congress starts its formal work on the plan early next year.

In addition to developing momentum and seeking to keep Clinton's plan on track, House and Senate leaders have the task of refereeing disputes among the key committees with jurisdiction over various health care issues. These assignments are relevant for several reasons, not least

because many Members and their aides are struggling to enlarge their piece of the action.

Turf conflicts are often arcane and may be overstated, in a sense, because legislation inevitably must receive majority support; some of the key deals are likely to be made outside the committee process, either under leadership supervision or under pressure from Members. But the internal tensions also have lasting impact because of the precedents that are established along the way—for example, in setting rules for the future oversight and modification of whatever Congress enacts.



John Eisele

Rep. Jim Cooper, D-Tenn., the co-author of a bipartisan alternative to Clinton's plan "A lot of folks will prefer Clinton Lite. Our plan takes a lot of the calories out of Clinton's plan."

Dingell, who's long guarded his committee's territory with particular zeal, complained in a letter to Foley in early October that there was "no coherent procedural strategy." At a subsequent meeting with the key chairmen—Dingell; William D. Ford, D-Mich., of Education and Labor; and Dan Rostenkowski, D-Ill., of Ways and Means—Foley told them that he would address their concerns by convening another such meeting within days after Clinton's actual proposal went to Congress.

Even though key Democrats and their parliamentary experts had seen and reacted to some draft White House language before its recent formal submission, they couldn't decide how to divvy it up until they received the final version. Administration aides say that they complied with the congressional leaders' request to ignore jurisdictional ramifications as they drafted their proposal. The turf topics are further complicated because of major differences in how the House and Senate divide health-related issues. *(See box, p. 2584.)*

However Clinton's plan is split among the committees, House and Senate leaders will seek to coordinate the work of the panels during the next several months. Foley has directed that the top House aides working on the bill meet weekly to share information, and he plans to meet twice a month with the chairmen. Close observers have speculated that Gephardt will seek to nudge the players toward a consensus. In addition to Daschle's efforts in the Senate, John L. Hilley, Mitchell's chief of staff, consults frequently on health care issues with his counterparts at the Senate's two key panels, Finance and Labor and Human Resources.

The leaders must tread carefully so that they do not overshadow the committee chairmen. Although the chief health policy aides to Gephardt and Mitchell closely monitored the Administration's bill drafting, for example, their activities were kept under wraps.

COMMITTEE CLASHES

Procedural clashes take on added importance in the debate over health care reform because of conflicting policy views among committees and their chairmen. The usual demands of politics and personal travails add to the complexity of managing the health care bill.

In the House, early moves indicated that Dingell—who has been the most enthusiastic in embracing Clinton's plan—is in the strongest position of the three chairmen to influence the outcome. Partly because his father was the initial House co-sponsor in the 1940s of the first major national health care bill, he's maintained a long-standing interest in the issue and has pledged to do whatever is necessary to pass a bill.

During 13 years at the helm of Energy and Commerce, Dingell has worked aggressively to extend its reach. He also has the apparent cooperation and enthusiasm of his occasional foe, Henry A. Waxman, D-Calif., who chairs the Health and the Environment Subcommittee. Of the three committees, many health care lobbyists say, Energy and Commerce is the one most open to compromise.

Although influence is not necessarily a zero-sum game, Dingell may also benefit because Rostenkowski has been increasingly distracted by a lengthy federal grand jury investigation of his office and personal finances. Several sources close to the Ways and Means chairman have told reporters in recent weeks that it has been difficult to get him to focus on major issues, including health care and the North American Free Trade Agreement. Given his traditionally strong leadership in resolving differences among its members, the panel may be in a weaker position to assert itself.

The problems may bear extra significance because—apart from Rostenkowski—Ways and Means has been a center for Members supporting a government-financed single-payer health care plan. In addition to McDermott, the lead sponsor, Health Subcommittee chairman Fortney H. (Pete) Stark, D-Calif., and Sam Gibbons, D-Fla., who sits next in line to be Ways and Means chairman, are advocates of a single-payer system.

McDermott said that his plan—which has 89 co-sponsors, all Democrats—will gain support "if people see that Clinton's proposal, with all of its Rube Goldberg stuff, can't fly." (The companion bill in the Senate has five co-sponsors.) But Cooper, who sits on the Energy and Commerce Committee, warned that the 1992 election, in which both Clinton and President Bush endorsed a managed care approach, showed that "most Americans



Richard A. Bloom

John D. Dingell, D-Mich., the chairman of the House Energy and Commerce Committee "I am not, by training or temperament, a salesman. . . . My job is to enact the President's plan."

will reject government takeover of health care."

Administration officials say that despite competing pressures in the House from the McDermott and Cooper alternatives, their own proposal will retain center stage. "The President's bill will be the vehicle that drives the health care debate," Ricchetti said. *(For a report on legislative scenarios, see NJ, 10/16/93, p. 2506.)*

The role of the Education and Labor Committee remains uncertain, if only because it had not been much of a player on health care until Clinton developed an employer-based financing mechanism. The extent of its involvement may depend on how effectively its members master the technical issues and assert a role. *(See NJ, 9/25/93, p. 2325.)*

Democrats on the Education and Labor Committee are more liberal than their counterparts on the other two key panels. There has also been speculation about the possible retirement of chairman Ford, who faces a potentially stiff reelection battle. The three chairmen, like their two chief Senate counterparts, are all in their 60s.

The Senate chairmen—Edward M. Kennedy, D-Mass., of Labor and Human Resources, and Daniel Patrick Moynihan, D-N.Y., of Finance—have promised to work together on the bill. But they have significantly different perspectives on health care policy. And they also may face a challenge in keeping cooperation between their hyperactive committee staffs.

For more than two decades, Kennedy has been the Senate's leading advocate of a broad national health care bill and has held extensive hearings on the subject. Like Dingell, he was quick to embrace Clinton's plan. The Democrats on his committee are disproportionately liberal, but, as his supporters are quick to note, Kennedy has attracted Republican support within the panel on several key bills this year; Moynihan was unable to do the same thing when the Finance Committee handled Clinton's economic package. *(For a report on Kennedy, see 7/24/93, p. 1867.)*

Moynihan, on the other hand, is broadly versed in social policy from his academic and government work but has had less of a stake in health care issues. He has also made clear that he wants to build a bipartisan approach, which has long been the tradition at his committee, of which he became chairman this year. With several key committee Republicans and at least two Democrats who have sought the middle ground on health care, Moynihan may have no choice.

THE POLITICS

Looming over these ideological, procedural and personal differences is a political imperative: Members of both parties are keenly aware of the potential adverse consequences if they do not get health care reform right.

With the public wanting some change and Democrats clearly accountable for what happens in Washington, the burden on them is especially heavy. "Need plus expectation equals action," Levin said.

Recalling the 1989 repeal of the previous year's law for federal coverage of the cost of catastrophic illnesses, Cooper added that Democrats need to pass a bill that not only is "good" but is "perceived as a good bill back home."

Achieving that goal will require the accommodation of most interest groups and political views, Cooper added. "A lot of folks will prefer Clinton Lite," he said. "Our plan takes a lot of the calories out of Clinton's plan."

Grandy, who is Cooper's chief Republican cosponsor, said that he hopes to be an active participant but that House Democrats might be able to pass a bill without GOP support. "That's terribly risky for them," he said. "But I wouldn't put it past them."

Unlike in the House—where most Republicans have signed on to a measure backed by their party's leaders—in the Senate, 23 Republicans have co-sponsored a bill introduced by John H. Chafee, R-R.I., that Daschle and other Democrats have said has some features comparable to Clinton's plan.

Whether anywhere near that number of Republicans might vote with the Senate's Democrats on a bill, however, is an open question. Some Democratic strategists say that they would be pleased to have as few as a half-dozen GOP supporters. In any case, the 56 Senate Democrats will probably need at least 60 votes to force a conclusion to the debate.

Some Capitol Hill insiders, pointing to a recent poll in *The Washington Post* that weighed public opinion on how Clinton and Congress had been handling the issue since his Sept. 22 speech, have complained that the news media have raised unreasonable expectations for congressional action on the health care bill. "The public doesn't care about legislative drafting," an aide said.

As Congress delicately ventures into the fray, however, many Members probably agree with Dingell, the old warrior who has seen it all during his 38 years in the House.

"I have no doubts that a bill will become law," Dingell said. "But we have been grinding our teeth while we wait." ■

An Industry in Pain

The pharmaceutical industry, buffeted by marketplace changes and unprecedented political pressure, is far from united as it heads into the mother of all lobbying battles.

BY PETER H. STONE

Within an hour after President Clinton unveiled his health care reform proposal to Congress on the evening of Sept. 22, Rx Partners, a coalition of six major drug companies, had a squad of company executives available for interviews with television stations around the country. The next morning, three of the executives held a Washington press briefing at which they warned that Clinton's plan, notwithstanding some positive aspects, could pose serious problems for their industry.

It wasn't until 2 P.M. that day that the Pharmaceutical Manufacturers Association (PMA), the industry's leading trade group, called its own press conference to respond to the President's plan. The PMA, which in the past had tried with little success to get industry executives to speak at its press conferences, featured two of the executives that Rx Partners had brought to town.

The PMA's game of catch-up was emblematic of tensions within the association and the industry it represents. The pharmaceutical lobby, long known as one of Washington's richest and most powerful players, is slowly fracturing.

The drug industry is facing unprecedented political pressure to control prices. And marketplace changes—particularly the growth of bargain-minded managed care health plans and the rising popularity of cheaper generic drugs—are making the industry more competitive. In a move that was widely seen as a harbinger of more change, Merck & Co. Inc., the nation's leading drug maker, last summer spent $6 billion to acquire Medco Containment Services Inc., a firm that provides drugs at low prices by mail.

These upheavals are having ripple effects on the Washington lobbying scene. Many drug firms have expanded their Washington lobbying operations and have sometimes staked out their own positions on key issues at the expense of industry unity. Merck, for example, has doubled the size of its Washington office in the past few years and now has more lobbyists than does the PMA. Some PMA member-companies have grown impatient with the group's seeming inability to achieve consensus and respond promptly to policy initiatives.

Changes in the market and the political climate have created "insecurity" in the industry, said G. Kirk Raab, a PMA board member who is president of Genentech Inc., the California-based biotechnology company. "Each company is more independent as to what it needs to do to survive."

"Five or six years ago they were largely united," said Rep. Ron Wyden, D-Ore., an industry nemesis. "Their mantra was, 'Regulation is bad, speedy access to drugs was good,' and they all chanted in unison. Today you have a situation where, if there's not fratricide, there are very significant differences."

Early this year, the PMA appointed a committee of five top industry executives to review the group's mission and how well it functions. This month, the committee hired McKinsey & Co., the management consulting firm, to do a sweeping review of PMA operations and, among other things, to look at how other trade groups handle internal disputes.

Such tensions couldn't come at a worse time for the $65 billion-a-year prescription drug industry. After years of being pilloried in the press and in Congress for high drug prices—which, during much of the 1980s, rose at twice the inflation rate—the industry now faces a withering attack from the Clinton Administration.

The President's health care reform plan wouldn't impose direct government price controls, the industry's worst nightmare. But it is likely to cause problems for an industry that's already in turmoil.

In the past year, drug companies have slashed their work forces by about 25,000 people; the industry estimates that the value of its stock has plummeted by about $90 billion because of fears about the impact of health care reform. Once-robust drug company profits have declined during the past year or two with the advent of managed care plans that buy drugs in bulk and can bargain for lower prices.

Some analysts see a potential windfall

for the industry in an Administration proposal to provide universal insurance coverage for prescription drugs. It is estimated that such a move could generate as much as $10 billion annually in new revenues for drug companies.

But drug companies say they can't stomach provisions of the Clinton plan that would require companies to pay rebates on medicare patients' drugs and that would establish a national board to investigate "unreasonable" drug prices. *(For details on how the Clinton plan would affect the industry, see box, p. 2528.)*



Susan M. Muniak

Pharmaceutical Manufacturers Association president Gerald J. Mossinghoff
Some members are impatient with the group's seeming inability to reach consensus.

The drug industry still wields plenty of clout. It has battalions of well-connected lobbyists and makes hefty campaign contributions. To buttress its lobbying, the industry underwrites research by academics, accounting firms and think tanks, whose findings have backed up industry arguments on such issues as the high costs of research and development and the benefits of using drugs to avoid costly hospital stays.

"The drug companies lobby on 15 different levels," said a congressional aide who has dealt with them for years. "They have lobbyists, consultants, friends in high places and Members that they own. They come at you with a multitiered attack. Every time you turn the corner, there's another lobbyist."

The PMA, which includes more than 100 pharmaceutical companies and has a $22 million annual budget, plays down divisions between its members. Rather than seeing Rx Partners as a rival, PMA leaders insist, they view the new group as a useful supplement to their lobbying efforts.

In the fight over health care reform, the PMA is banking on a national advertising campaign that it started last year, touting the benefits of prescription drugs, and a lobbying blitz on behalf of the North American Free Trade Agreement (NAFTA) to generate goodwill for the industry outside of Washington and in the Administration.

Some industry lobbyists say that the PMA is well prepared to weather the coming storm. Stephen R. Conafay, a Washington lawyer with the Cleveland-based firm of Jones, Day, Reavis & Pogue who lobbies for Upjohn Co. and Genentech, notes that the industry has already been through some tough fights that have prepared it for the coming battle.

"It's just like being in Vietnam," said Conafay, who was a platoon leader during that conflict. "After you've been through one firefight, you're a little more defensive and aggressive at the same time."

SCARE TACTICS?

Until a few years ago, the idea of the drug industry losing a major lobbying fight seemed farfetched. During the 1980s, Republicans in the White House were generally sympathetic to industry positions on regulatory battles. And industry lobbyists usually presented a united front in Congress, enabling them to fend off price control efforts, regulatory fees and cuts in drug companies' treasured tax breaks on manufacturing operations in Puerto Rico.

One of the industry's most impressive wins was in 1989, when it helped torpedo the medicare catastrophic insurance law that Congress had passed a year earlier. Although the law expanded coverage for prescription drugs, it encouraged substitution of generic drugs—a move that industry leaders feared might be the opening wedge for government price controls.

The PMA hired the Washington consulting firm of Bonner & Associates to develop a nationwide grass-roots lobbying drive against the law. Bonner helped orchestrate protests from senior citizens and others, generating so much pressure on Congress that the law was repealed.

The industry has built support in Congress by lavishing campaign donations on Democratic and Republican Members who serve on key committees and who back the industry's legislative agenda. The industry has also contributed heavily to Members from states where large drug firms are based, such as New Jersey and Indiana. From early 1983 through May 1993, political action committees (PACs) operated by drug companies and industry trade associations contributed $9.8 million to congressional candidates, according to a recent study by the lobby group Common Cause.

In the Senate, leading recipients of drug industry contributions included Dan Coats, R-Ind., who received $141,750 during the period; Frank R. Lautenberg, D-N.J. ($119,650); and Orrin G. Hatch, R-Utah ($106,510). The leading beneficiaries of industry largess in the House included Charles B. Rangel, D-N.Y. ($94,086); Thomas J. Bliley Jr., R-Va. ($87,800); and Ways and Means Committee chairman Dan Rostenkowski, D-Ill. ($70,727).

But the 1980s also brought changes to the health care business that caused companies to adopt differing marketing strategies—which, in turn, affected the industry's unity and clout in Washington. Managed care plans, which buy drugs in large quantities and therefore have more leverage to bargain, began to spread; some drug companies decided it made better business sense to accept the cheaper prices and try to make up the difference by expanding the volume of their business.

Cheaper generic drugs also began to rapidly gain popularity—spurred in part by the managed care business—and several drug companies positioned themselves to tap that market by setting up their own generic drug units. Merck, for example, last year launched a subsidiary, West Point Pharma, to market generic versions of its drugs. And in early October, generic stocks soared when Hoechst Celanese Corp. offered $546 million for a 51 per cent stake in Copley Pharmaceutical Inc., a small generic drug company.

The industry's current divisions were foreshadowed in a 1990 lobbying fight over legislation by Sen. David Pryor, D-

FILLING CLINTON'S PRESCRIPTION

President Clinton's health care reform proposal could cause serious headaches for the pharmaceutical industry, according to industry leaders.

The industry is pleased that the plan would guarantee prescription drug coverage to all Americans. And it is delighted that the medicare program, which now offers very limited drug coverage, would pay about 80 per cent of the costs of prescription drugs for the nation's 72 million elderly and disabled people.

But the industry is troubled by other parts of the Administration initiative. While the plan doesn't impose direct price controls, the industry says that it could lead to indirect controls, impeding research and development efforts on such major health problems as cancer and AIDS.

Heading the industry's list of complaints is a proposal that would require drug companies to give the government a 15 per cent rebate on drugs purchased by medicare. Analysts estimate that such rebates could run as much as $2 billion a year. "It's an extremely large hit on the bottom line," Pharmaceutical Manufacturers Association president Gerald J. Mossinghoff said.

Drug companies already complain bitterly about a similar rebate requirement that Congress established in 1990 for medicaid drug purchases. The medicaid rebates are estimated to cost the industry $1.5 billion a year.

Some industry analysts, however, say that revenues from the expansion of insurance coverage for prescription drugs would more than offset the rebates. John Coster, an aide to Sen. David Pryor, D-Ark., has estimated that industry revenues would climb by $6.1 billion-$10.4 billion annually.

"This will pose a tremendous windfall for the industry," said Dan Durham, a lobbyist for the American Association of Retired Persons. But, he said, the industry "will go to great lengths to convince Washington policy makers that there won't be any windfall."

Industry officials also worry because Clinton's proposal calls for most Americans to join managed health care plans that typically buy drugs in large quantities, giving them considerable leverage to bargain over prices and to demand cheaper generic drugs. Analysts estimate that prices of prescription drugs sold to nongovernmental health plans would drop by 15 per cent.

Another sore point is Clinton's proposal to set up a National Health Board that could investigate "unreasonable" prices. The board could, for example, require a company to bring in its financial records if its price for a particular drug is higher in the United States than in other countries. The industry worries that this could lead to "blacklisting" of drugs by the board.

The industry strongly opposes Clinton's proposal to allow the Health and Human Services Secretary to bargain down prices of new or "breakthrough" drugs before medicare agrees to pay for them. If companies objected to this arrangement—which industry officials liken to a public utility-style pricing board—doctors would have to get special permission from the government before prescribing such drugs for medicare patients.

Biotechnology companies, relatively new players in the drug business, say that the recent talk about health care reform and the threat of price controls has started drying up new capital on Wall Street—a major concern for biotech firms that still have relatively few products on the market.

G. Kirk Raab, the president of Genentech Inc., the California-based biotech firm, cited a recent study by the accounting firm of Ernst & Young showing that more than half of the larger biotech companies have only enough capital on hand to sustain their operations for about two years.

Ark., that aimed to force drug companies to cut their prices on sales to the medicaid program, which provides health care for the impoverished. The Pryor bill required drug companies to furnish state governments, which administer medicaid, the same type of information that they routinely provided to other bulk purchasers that negotiated discounted prices.

Critics say that the PMA initially attempted to use racial scare tactics to oppose the measure when it retained Vernon E. Jordan Jr., a Washington partner in the law firm of Akin Gump Strauss Hauer & Feld, to lobby against the Pryor bill. Jordan, a former head of the National Urban League, used his cachet with minority groups to get some of them to oppose the bill by arguing that it could lead to states' buying lower-quality drugs, which could mean "second-class medicine" for indigent blacks.

"I must say they played the race card, and I think that was very unfortunate," Pryor said in an interview. "I don't think they got too far with it."

"I think that most staffers were shocked at the volume of letters they were getting from black and minority groups, given Pryor's stellar record on race and civil rights," a congressional aide added.

But some companies, realizing that they were not making much headway with Pryor, proposed what they thought was a less onerous approach. Merck and a few other firms suggested that they would either offer medicaid the lowest price that they made available to other customers, or pay medicaid a rebate of at least 10 per cent. Pryor recrafted the legislation based on that proposal.

But many PMA members didn't want to make concessions; its board of directors was badly polarized, and no consensus could be reached at a crucial point in the fight. "The split was deep enough and wide enough that the PMA decided to take no position," Gerald J. Mossinghoff, the PMA's president, said. "We didn't play on the medicaid rebate. That was one of the most frustrating parts of my career."

Eventually, Congress passed legislation requiring drug makers to give medicaid rebates, akin to the discounts that they gave other large wholesale customers. The final version did not include tougher provisions that Pryor had sought to spur the use of less costly generic drugs. Still, the rebates have cost the companies about $1.5 billion a year.

Meanwhile, drug companies were facing fire from consumer and congressional critics over fast-rising prices. Pryor hammered away at the fact that U.S. drug prices were among the world's highest; in Europe, consumers pay about 50 per cent less for drugs than in this country. And groups representing the elderly focused on how more and more older people had to skimp on meals and other necessities to pay for their drugs.

Drug makers are facing pressure from retailers, too: A group of drugstores recently sued some major drug companies, alleging that they had violated antitrust laws by denying the stores the same big discounts that managed care plans and mail-order drug distributors get.

In the early 1990s, Pryor and Rep. Henry A. Waxman, chairman of the Energy and Commerce Subcommittee on Health and the Environment, held a series of hearings that started to chip

away at some of the industry's oft-repeated justifications for high prices.

Industry leaders have long trumpeted the large sums that drug companies put into research and development of new products. But Pryor has countered that much of the money has been spent on products that are virtually identical to existing drugs. The Food and Drug Administration has estimated that only 40 per cent of the new drugs approved in 1992 represented major advances over existing ones.

Critics have also noted that drug companies often spend more on marketing and promotion than on research. This year, for instance, industry R&D is estimated at about $10 million, but Wall Street analysts say that drug companies may spend $11 million on promotion and marketing.

And some Members have pointed out that the government often pays for drug research. For example, the National Cancer Institute financed the research that yielded Taxol, a drug for ovarian cancer that comes from the Pacific yew tree's bark.

"The pharmaceutical industry has consistently justified their high prices on the grounds of R&D," Waxman said in an interview. "This is discredited when we learn about R&D advances not financed by the companies but by the government."

The industry suffered a major lobbying loss earlier this year when, as part of the budget reconciliation bill, Congress eliminated about 50 per cent of a tax break that drug companies had long enjoyed for their manufacturing operations in Puerto Rico. According to the General Accounting Office, the tax break saved the industry an estimated $10 billion from 1980-90.

Congressional sources say that drug companies did not present a unified lobbying front on the tax measure. A sign of the industry's differences was that four companies banded together to hire former Rep. Beryl F. Anthony Jr., D-Ark., now a Washington partner in the Chicago-based law firm of Winston & Strawn, to help lobby the Administration.

GIRDING FOR BATTLE

Now the Administration has launched what promises to be the mother of all battles for the drug industry. In February, the President went on the attack, accusing the industry of profiteering at the expense of consumers. He and his wife, Hillary Rodham Clinton, have kept up a steady barrage of criticism, lambasting the industry for being greedy.

Drug industry lobbyists say that the industry was caught off guard by the ferocity of the onslaught. "The environment in Washington in February was pretty heat-intensive," said Kurt Furst, the director of G.D. Searle Co.'s Washington office. "It's amazing when the President of the United States focuses his attacks on you."

The PMA was initially immobilized, according to some industry lobbyists. Mossinghoff seemed to be depressed about the attacks from the Administration, a lobbyist said, and was "having difficulty focusing." Mossinghoff, a Republican and a former commissioner of patents who assumed the reins at the PMA in 1984, had long depended on the kindness of the White House as his ultimate weapon. With an unfriendly face in the White House, Mossinghoff and the PMA seemed stunned.

Drug company lobbyists have complained that the PMA is frequently hamstrung because it has a 33-member board of directors representing diverse segments of the industry. Divisions within the board on policy issues frequently reflect differences in the companies' pricing strategies. Some of the lobbyists blame Mossinghoff for ineffective leadership, but others say that the fault lies with the drug companies for not giving him enough power.

Early this year, some PMA member-companies decided that the time was ripe for forming a new lobbying group. Led by Searle, five other drug companies—Bristol-Myers Squibb Co., Hoffmann-La Roche Inc., Eli Lilly & Co., Upjohn Co., and Warner Lambert Co.—joined to form Rx Partners in February.

The new group retained the Washington public affairs shop of Powell Tate for about $3 million to run a public relations campaign and to train drug company executives in dealing with the news media. A kind of SWAT team was set up to coordinate opposition to possible government price controls. Its efforts included regular breakfast briefings for reporters and visits to editorial boards. Mark Novitch, the vice chairman of Upjohn's board, and Leigh Thompson, the chief scientific officer of Eli Lilly, have been two of the primary industry spokesmen.

In addition, the companies launched a grass-roots campaign using the services of Beckel Cowan, a Washington political consulting firm that, like Powell Tate, is a subsidiary of the Washington lobbying firm of Cassidy and Associates. The grass-roots effort emphasized reaching community leaders such as bankers, university scientists and venture capitalists to make them aware of the industry's concerns. Several company executives were also tapped to help out by spreading the anti-price control message in their communities.

Mossinghoff said that he doesn't view Rx Partners as a threat. "We totally welcomed Rx Partners," he said. "I think they've been very successful. It wasn't a mystery to us that getting company people involved [in lobbying] was good, but we just had not been able to do it for some reason."

In comparison with Rx Partners, the PMA was slow in responding to Administration attacks. In April, it launched a grass-roots campaign, dubbed "We Care," aimed at mobilizing employees of PMA member-companies to preach the anti-price control gospel to Washington policy makers.

The PMA also retained John W. Leslie Jr., a former aide to Sen. Edward M. Kennedy, D-Mass., and a partner in the public relations firm Robinson, Lake/Sawyer Miller in New York City, as a special consultant. The PR firm, which received about $500,000, helped train drug companies to set up employee phone-bank operations. Mossinghoff estimated that 200,000 letters and calls have been made by industry employees to Members of Congress since the program began. Leslie is continuing to advise the PMA.



John Eisele

Rep. Ron Wyden, D-Ore., an industry critic Reform could yield a windfall for some firms.

At about the same time Rx Partners was born, several leading members of the PMA decided that an in-house commit-

tee should conduct a sweeping review of the trade group. The committee, which has met periodically since early this year, includes top executives from such companies as Genentech, Glaxo Inc., Merck, Searle and Warner Lambert, and has used Washington representatives of these firms to help assess the PMA's health.

According to an industry source, the committee was inspired in part by dissatisfaction with Mossinghoff's leadership. The group, he said, is about evenly split between those who want to change the current management and those who think it's a risky time to change leaders but who still favor making some other organizational shifts.



Genentech Inc. president G. Kirk Raab
At the PMA, inaction may be worse than discord.

Raab of Genentech, who serves on the committee, said that some members of the panel have raised concerns about the PMA's current management, but he minimized that element of the review. "I and others felt that we should study and evaluate the priorities of the organization," Raab said.

Raab added that officials of McKinsey, the management gurus retained to help with the study, will talk to heads of individual companies to get their views on what ails the trade group and why it has trouble taking action. Inaction, he said, is "sometimes more dangerous" than making moves that could anger some board members.

Mossinghoff also played down the possibility that the review might pose a threat to his leadership. "McKinsey will look at other heads of associations to see how they do it," he explained. "It's partly a benchmarking process. There's nothing I know that can't be made better, and that's what McKinsey's looking at."

A POSTER CHILD?

Industry insiders say that the PMA has made some tactical blunders that have hurt the industry's image in the health care reform debate. For example, the PMA earlier this year proposed a plan that would have limited average drug price increases to no more than the annual increase in the consumer price index. But the Justice Department recently rejected the plan, saying that it would violate antitrust laws.

"From a policy point of view, it was disastrous," an industry leader said of the proposal. "Do you need to talk to [other drug companies] to lower prices? That raises suspicions. I think it was a PR gaffe as well as a policy gaffe."

Mossinghoff said the PMA was sorry that it did not get a favorable ruling but would not fight the decision.

The PMA is continuing an ambitious national advertising campaign, costing about $7 million annually, that it started last year to strengthen its hand in the health care reform debate. The basic message of the advertisements is that prescription drugs save lives and are reasonably priced in comparison with soaring hospital costs.

The ads also note that the industry is changing considerably and that some high drug prices have fallen. They point out that the industrywide price increases this year have averaged a little more than 3 per cent and that 17 drug companies this year have pledged to keep average price hikes in line with the consumer price index.

The industry also hopes to gain political mileage in the health care debate by helping the Administration press for approval of NAFTA. With the U.S. drug industry making about 50 per cent of its sales in other countries, PMA officials say, supporting NAFTA makes good business sense as well as political sense. "Trade is an area where we're viewed as a true ally to the Administration," Mossinghoff said. When the battle is joined on health care, that alliance could be "very beneficial," he added.

The PMA is planning a joint pro-NAFTA advertising effort with such trade groups as the Chemical Manufacturers Association and the American Electronics Association. The PMA probably will tap its grass-roots network of drug company employees to lobby Congress for NAFTA, too.

In the meantime, the PMA has expanded its lobbying arsenal for the health care fight. It recruited former Sen. Paula Hawkins, R-Fla., to work with R. Duffy Wall, a longtime Washington lobbyist for the PMA.

For extra ammunition, the group has commissioned two studies from major accounting firms. Arthur Andersen & Co. is doing a study on the financial tradeoff between two elements of the President's health care proposal: extending medicare drug coverage and requiring drug companies to pay rebates on medicare drug sales. Price Waterhouse is doing a report on the costs to the industry of recent legislative defeats, including the loss of the Puerto Rico tax breaks and the discounts on medicaid drugs.

But critics say that the industry will have difficulty maintaining a unified front.

Wyden predicts that some big companies, such as Merck, that have begun moving into discounting and generic drugs will realize that the President's plan could be a cash cow for them. That could lead to divisions when it comes time to lobby on details of the plan—for example, on measures to spur the use of generics. The President's plan calls for increased use of generics, but the specifics have not been worked out.

"I think there's a small band of manufacturers who think there's going to be a new day, and [they] wonder, 'Why do we go in there fighting and screaming all the time?' " Pryor said.

Some Members of Congress and industry insiders expect that the PMA will focus heavily on the Clinton plan's effect on biotechnology because that fledgling industry has a relatively good reputation on Capitol Hill and is perceived as being on the cutting edge of America's competitiveness fight.

That strategy could backfire, though. "PMA and drug lobbyists know they can't win on the merits and are now trying to set biotech up as a poster child," Wyden said.

But with attacks on the industry continuing, the PMA and its allies are going to need all the goodwill they can muster. And so far, Administration officials don't seem impressed with much of the industry's lobbying efforts. "I think they're making a strategic mistake in being so openly critical of the plan," said an Administration official involved in the health care reform effort. "They're not known for their lobbying finesse, but their lobbying grotesque. They're like a bull in a china shop." ■

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(ATTN: National editors) (Includes optional trims)
Bentsen Sought Health Care Figures Before Endorsing Plan (Washn)
By James Risen= (c) 1993, Los Angeles Times=

WASHINGTON Treasury Secretary Lloyd Bentsen told first lady Hillary Rodham Clinton in early October that he was reluctant to testify in support of the administration's health care plan until White House health care officials released crucial information to the Treasury Department for review, Bentsen said in an interview.

Bentsen said Mrs. Clinton, who is in charge of health care policy for the administration, quickly agreed. The material, including the draft of the health care legislation to be sent to Congress, arrived at the Treasury Department the next day, allowing the department's economists and analysts to begin developing more accurate cost estimates than had previously been generated.

In going to Mrs. Clinton directly, Bentsen effectively circumvented the health care task force and senior White House health care adviser Ira Magaziner. Although senior administration officials have sought to downplay the significance of Bentsen's maneuver, his action appears to offer a glimpse inside the long-simmering struggle for influence over the health care plan between the administration's economic advisers and their health care counterparts, led by Magaziner.

Some senior administration officials said that reports of tension between the administration's health care and economic advisers over how to pay for the plan have been exaggerated by the news media. Some acknowledge that such frictions did cause problems earlier, yet they stress that senior economic advisers now feel more comfortable with the plan, especially since they have pushed for and won significant changes in recent weeks.

Officials said that by the time Bentsen talked to Mrs. Clinton in early October, the Treasury Department had received tentative cost estimate data but had not seen the final draft of the legislation, which Treasury officials needed to determine whether their earlier economic and cost assumptions were accurate.

``One of the reasons I refused to go to the Hill and testify was that we had not had a chance to look at the numbers to my satisfaction,'' Bentsen said. ``And so I went to the first lady.''

With new cost estimates finally available, Bentsen last week agreed to testify. Until then, Deputy Treasury Secretary Roger Altman had largely been handling the issue.

Yet even now, Bentsen, the administration's chief spokesman on economic matters, seemed hesitant in an interview to offer more than a mild endorsement for the plan. He said merely that the plan is the ``best effort of a lot of people.''

Bentsen was also reluctant to place blame for the delay in providing the information needed by the Treasury. ``I did not know the reason why we had not received the information,'' Bentsen said. ``For whatever reason, we had not received it.''

Bentsen aides, apparently worried that reports of his reluctance to testify could make it seem that Bentsen was rebelling against the administration's plan, sought to dismiss the incident. ``I think it was just the result of a lot of people working incredibly long hours, and getting too busy,'' said one.

(Begin optional trim)

The administration is clearly sensitive to reports of internal conflict between its economic and health care advisers, especially since most of the criticism of the Clinton plan has focused on how the administration plans to pay for it.

``I think what we had was a very interactive process, and on different issues there were different views, and it was not always the economic people against the health care people,'' observed one senior White House adviser. ``We had a lot of people at the table, and the consequence was that we wound up with a better product.''

Yet some economic policy-makers have complained that Magaziner, working out of the White House, had operated in a secretive manner for months, and was often reluctant to share information with other departments in an apparent effort to control the health care debate within the administration.

``What was happening was that one person was trying to keep the whole plan in his head,'' noted one administration official. And Magaziner would occasionally become irked when economic advisers would raise questions about the plan in private meetings.

For example, sources said that when Laura D'Andrea Tyson, chairman of the Council of Economic Advisers, asked in one meeting about the health plan's impact on job creation, Magaziner became upset that she had raised the issue in front of other officials without checking with him first.

(End optional trim)

The plan has been significantly altered in recent weeks at the prompting of the administration's economic advisers, who were concerned over whether Magaziner had developed a realistic mechanism to pay for the plan.

Bentsen said, for instance, that he insisted late in the decision-making process that the plan include limits on subsidies for small businesses and low-income workers. He also said that he asked that the final cost estimates sent to Congress include a 15 percent reserve, or margin of error, just in case the administration's forecasts were wrong. ``The president readily agreed with me on that,'' Bentsen said.

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ing Proposal

...ton Health Plan: Push Competition, Be Ready to Regulate

Comprehensive Care Scheme Will Set Terms of a Battle Not Soon to Be Resolved

Strong Arm of Government

By RICK WARTZMAN and HILARY STOUT
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – President Clinton's ambitious health-care proposal promises to rely on the unseen hand of the marketplace, but its real power stems from the strong arm of government.

As outlined in a 239-page draft circulating in Washington, the Clinton proposal is a sweeping yet intricate blueprint for overhauling the country's nearly $1 trillion health system. Through new requirements on employers, the plan would guarantee a comprehensive package of health benefits to all Americans while taking unprecedented steps to halve the projected growth rate in national medical spending by the late 1990s.

The president's remarkably exhaustive proposal is only the opening shot in what is sure to be a long and arduous political struggle; Congress is certain to make major changes. And controversy is building over how the plan is to be paid for. Yet Mr. Clinton's plan clearly establishes the terms of the debate to come – a debate that lawmakers and interest groups agree stands the best chance in decades of eventually yielding a system that delivers high-quality, affordable medical care to everyone.

One mark of the momentousness of the Clinton proposal is that even such interest groups as the American Medical Association – which has stymied numerous efforts to revamp the health system since the 1930s – and the American Hospital Association are treating it with respect. "It is certainly a step in the right direction," says James Todd, executive vice president of the AMA.

The plan, which was devised under the supervision of Hillary Rodham Clinton, aims to stimulate "market forces so that health plans and providers compete on the basis of quality, service and price."

But looming over the new system would be tough new federal and state powers. At the very heart of the plan by which Mr. Clinton would finance the system lies a government mandate: the stipulation that every business pay at least part of health-insurance premiums for its employees, even those who work as little as 10 hours a week. Mr. Clinton's advisers say that is the fairest, most efficient way to ensure that everyone contributes something to the new system, but many small businesses, in particular, bristle at the concept.

At the same time, a presidentially appointed National Health Board would set strict budgets that, in turn, would cap the amount private health insurers could charge. The plan would also set up new bureaucracies in every state that could limit enrollment in high-cost health plans and, in some cases, approve how much a doctor could charge for services.

The government's reach would extend into some narrower areas, too. For instance, a special national advisory council for medical schools would determine the appropriate number of training slots for each specialty. Attorneys' fees in malpractice cases would be limited to a maximum of one-third of an award.

White House advisers say that many of the controls are merely a "backup mechanism" in case the plan's spurring of the market is not as effective as anticipated. "The government is going to set the standards, guarantee high-quality, affordable care, and then get out of the way," White House health adviser Ira Magaziner maintained at a briefing for journalists yesterday afternoon.

Many experts, though, predict that the controls will quickly become the driving force. "That's where the real action is," says Frank Sloan, a health policy and economics professor at Duke University. "The rest of this stuff is rhetoric."

Ted Marmor, a health and welfare

Please Turn to Page A7, Column 1

Continued From First Page

expert at Yale who has read the draft of the proposal Mr. Clinton plans to unveil officially Sept. 22, says that "what they're trying to do is talk right and go left all at the same time." Supporters don't think that is necessarily bad. Nearly every other nation regulates medical prices in some way in order to provide health coverage to all citizens. Moreover, backers argue that the current U.S. system is such a mess – what with 37 million people uninsured, health-care costs the world's highest (and rising at more than twice the rate of inflation), and an increasingly fearful middle class – that only the muscle of the federal government can fix it.

A Rejected Approach

In addition, the degree of government control in the plan is far less than it might be. Early in his deliberations, despite considerable pressure from some members of his own party, Mr. Clinton rejected the most rigid regulatory structure of all: a so-called single-payer system, under which the government would pay all medical bills. Also, the proposal seeks to cut red tape in many areas, lifting some regulatory burdens on medical labs, doctors and hospitals.

But Mr. Clinton's proposal would still place government in a position of vast power over an area that touches every person and business. The prospect terrifies some. "There's an exorbitant amount of hidden government control," complains Mark Ugoretz, president of the Erisa Industry Committee, which represents large corporations on benefits matters. "We do not view that as reform. We view that as a step backward."

Some also worry that the particular blend of ideologies is the worst of both worlds: It lacks the simplicity inherent in a single-payer system while containing enough regulation to potentially undercut the forces of competition.

"This makes both conservatives and liberals unhappy," says Rep. Jim Cooper, a Tennessee Democrat who champions a pure, market-oriented "managed competition" health plan. "You can't have a sausage product when it comes to health care."

The Clinton plan – the final details of which are still subject to change – would guarantee all citizens and legal residents of the U.S. a uniform package of health benefits, including coverage of hospitalization, home health care, prescription drugs, some mental health services, dental and preventive care. No one could be denied or lose this coverage, even if he or she became sick or unemployed, moved or switched jobs.

Every employer, from the smallest corner grocer to the largest corporation, would be required to pay on behalf of its workers at least 80% of the average price of the benefits package offered in its region. Employees would pay the rest, unless the employer chose to pick up all or part of their share. The federal government would offer financial assistance to low-income and unemployed people as well as to small, low-wage businesses. Although the price of the federal benefits package would vary widely throughout the country, administration officials estimate the average in 1994 would be $1,800 for an individual policy and $4,200 for a family.

Coverage would be purchased through state-established "health alliances," representing most employers and individuals in a geographic area. The alliances would amount to giant insurance-buying pools, linking large numbers of consumers so they would have greater clout in the marketplace, while also spreading their risk widely. The entire system would be "community rated," meaning that insurers would no longer be allowed to charge people with pre-existing conditions, such as cancer and AIDS, more than they charge others.

Each year, the alliances would collect money from employers and individuals and contract with health plans – be they health maintenance organizations, fee-for-service plans or hybrids – that met federal standards. Once a year, everyone in the alliance would enroll in the plan of his or her choice.

To help them decide, alliances would publish information on the cost of the various plans and list the doctors and hospitals participating in each. The alliances also would issue annual "quality performance reports" on each plan.

Companies with more than 5,000 employees would be allowed to form their own "corporate alliances." But they would have to provide the same federally guaranteed benefits package and meet virtually all other government guidelines.

Overseeing the entire system would be a National Health Board, with seven members appointed by the president. It would have several responsibilities, the most important – and potentially most intrusive – of which would be setting the budgets, in the form of "premium targets," for the regional alliances.

The budgets would be unbending. The average bid submitted by health plans seeking to do business with an alliance could be no greater than the targets; if the average was higher, plans would be asked to submit new bids. If any plan persisted in trying to charge so much that it would skew the average, the alliance could simply refuse to contract with the offender. In the unlikely event that the alliances accepted a set of bids over the average, an assessment would be collected from plans and their providers to bring things back in line. In the end, according to the draft document,

The Program's Cost

Three elements of the health plan would cost about $320 billion over the next seven years. By squeezing waste and inefficiencies out of the health-care system, President Clinton believes he can pay for that while avoiding major and broad tax boosts. What isn't clear is what happens if the new benefits turn out to cost a lot more than anticipated or the savings prove elusive. Article on page A6. Related coverage includes:

THE CLINTON HEALTH PLAN

- **The administration signals it is open to negotiation over the package, A18.**
- **The role of big companies in health reform is likely to be reduced ... ... And employees of big companies won't escape the plan's impact, B1.**
- **For many small businesses, the proposal is an unexpected windfall, B1.**
- **Some common questions of consumers and companies are addressed, A6.**
- **The impact on people's day-to-day medical care is described, B1.**
- **Winners and losers under the provisions of the plan are listed, C1.**
- **Certain aspects of the proposal anger the pharmaceutical industry, A6.**
- **Medical-malpractice overhaul draws from a variety of scenarios, A7.**

THE WALL STREET JOURNAL, MONDAY, SEPTEMBER 13, 1993

...ools available to states to contain ...sts include . . . setting rates for health providers."

The administration maintains this setup isn't a form of price controls, but rather an incentive to force tough price negotiations among alliances, health plans and medical providers. Many are skeptical. "We believe this is just another way of getting at price controls," says Sen. John Chafee, a Rhode Island Republican who leads a Senate GOP health task force that will introduce an alternative health bill this week.

But some in the health industry are relieved that the proposed cost-curbing strategy isn't more stringent. The negotiating process the premium targets are intended to spark would be "a whole lot better than the government coming in and telling you what to do," says James Bentley, senior vice president for policy at the American Hospital Association.

The administration's intent in imposing these private-sector spending caps, which would work alongside ceilings on Medicare and Medicaid spending, is to bring the growth in health expenditures down to the general inflation rate plus increases in population.

The proposal also hopes to wring out waste. The White House contends the regional alliances would streamline the current system and its hodgepodge of corporate benefits managers, brokers and hospital bookkeepers who must try to make sense of more than 1,500 different insurance forms.

But some worry that hand in hand with the government's new regulatory power would come new layers of bureaucracy. The Clinton plan would establish: a staff for the National Health Board; a committee to consider the pricing of "breakthrough drugs"; a new Quality Management Council; new national and regional Councils on Graduate Medical Education; a committee to provide advice on adjusting the alliances' payments to health plans; and various other bodies. Mr. Magaziner said at yesterday's briefing that he envisions the national board functioning like a "board of directors," without much staff.

States and Alliances

Although the board would have ultimate responsibility for policing the system, much of the new power would be concentrated in the hands of the states and alliances. For example:

—A state could elect to establish its own single-payer system, in which it would contract directly with medical providers on behalf of everyone in the state.

—The alliances would have to approve all marketing materials that health plans sent out.

—The alliances could limit to three the number of health plans reimbursing providers on a fee-for-service basis.

—The alliances would bar doctors from charging patients more than an adopted fee schedule provides, a tactic known as "balance billing."

Then there's the biggest government clamp of all. If a state continually failed to "comply with federal requirements," according to the draft document, "the secretary of the Treasury will impose a payroll tax on all employers in the state" big enough to provide health coverage to all residents.

Such a measure, while reserved for the most extreme circumstances, underscores the tremendous upheaval to the system that the president is seeking. To those who favor slower, incremental change, that is just "wrongheaded," in the words of Chip Kahn, an official of the Health Insurance Association of America.

But others are convinced that a truly radical restructuring of how medical care is delivered and paid for is the only way to go. Under the Clinton plan, there is a chance for "real change to begin to happen," argues Jim Kagen, a principal at APM Inc., a New York health-care consulting firm. "And that's what we all want to see, because this chipping away for the past 10 years hasn't been real effective. This will begin to force things."

Highlights of the Proposal

■ **UNIVERSAL COVERAGE:** All U.S. citizens and legal residents would receive health-care coverage through regional,



Illustrations by Rubert Howard

state-established "alliances," even if they become sick, unemployed, switch jobs or move.

■ **MEDICARE:** Individuals 65 years and older would still be covered by Medicare, but have the option of receiving coverage through the regional alliances. High-income individuals—those with annual incomes exceeding $100,000, and couples with more than $125,000—would pay more for their Medicare benefits, though the White House hasn't yet spelled out by how much. A new prescription-drug program would be added. Spending caps would sharply limit the growth in Medicare expenditures.

■ **MEDICAID:** The money that state Medicaid programs reimburse doctors and hospitals for treating the poor would go to the regional health alliances to pay for private coverage. Spending caps would sharply limit the growth in Medicaid expenditures.

■ **EMPLOYER MANDATE:** Every employer would be required to pay on behalf of its workers at least 80% of the average



premium of the benefits package offered in its region. Workers would pay the remainder, unless the employer chose to pick up all or part of their share. The federal government would offer financial assistance to low-income and unemployed people as well as to small, low-wage businesses.

■ **CORPORATE ALLIANCES:** Companies with more than 5,000 workers would be allowed to form their own "corporate alliances." But they would be required to provide the same federally guaranteed benefits package and meet virtually all other government guidelines. If the number of employees at a company falls below 4,800, the employer must join the regional alliance.

■ **BENEFITS:** Services covered in the federally guaranteed benefits package include: hospital services, emergency services, services of physicians and other health professionals, clinical preventive services, mental health and substance abuse services, family planning services,



pregnancy-related services, hospice care, home health care, extended-care services, ambulance services, outpatient laboratory and diagnostic services, outpatient prescription drugs and biologicals, outpatient rehabilitation services, durable medical equipment, prosthetic and orthotic devices, vision and hearing care, preventive dental services for children, and health education classes.

■ **TIMETABLE:** The states must establish alliances no later than Jan. 1, 1997. Some states that have shown a good-faith effort to get up and running could be granted a grace period. Other states could come on line as early as 1995.

■ **WORKERS' COMPENSATION AND AUTO INSURANCE:** The health plans would treat work-related injuries and injuries from automobile accidents. Workers' compensation and automobile insurers would reimburse the health plans for services provided.

■ **BUDGETING AND OVERSIGHT:** A new seven-member, presidentially appointed National Health Board would set the spending budget for the regional alliances. The alliances, in turn, would contract with health plans—including

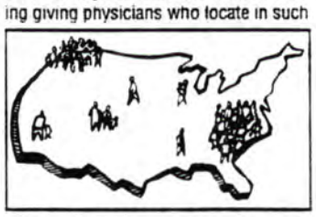


health maintenance organizations, fee-for-service plans or hybrids—making sure the average premium price in the region doesn't exceed the specified target.

■ **ANTITRUST CHANGES:** The plan would clarify antitrust rules so that physicians and other providers could negotiate effectively to form their own health networks as part of the new system. The exemption from antitrust laws currently enjoyed by health insurers would be repealed, eliminating the ability of health plans to collectively determine the rates they charge.

■ **LONG-TERM CARE:** A new long-term care program for elderly, disabled and chronically ill people would provide, among other things, expanded home and community-based services that are funded primarily by the federal government with some input from the states. Premiums for individuals would vary, depending on income. The program wouldn't be fully phased in until the year 2000.

■ **UNDERSERVED AREAS:** Health services would be expanded for rural residents through various incentives, including giving physicians who locate in such



underserved areas a personal tax credit of $1,000 a month that could be claimed during the first five years of practice. In addition, efforts would be made to expand access to medical care for inner-city residents.

■ **MEDICAL SCHOOLS:** The government would direct funding so that after a five-year phase-in period, at least 50% of new physicians would be trained in primary care rather than specialty fields.

■ **CONSUMER INFORMATION:** The regional alliances would publish information on the cost of health plans and list the doctors and hospitals participating in each one. The alliances would issue annual "quality performance reports" on each plan.

■ **CONSUMER PROTECTION:** Physicians no longer could refer patients to outside facilities in which they have a financial interest. Penalties would be stiffened for those who commit health-care fraud.

■ **STANDARD FORMS:** All health plans would adopt a single, standard claims form by Jan. 1, 1995.

2 12

Common Questions About Benefits, Personal Contributions Are Answered

By HILARY STOUT
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Here are answers to common questions that consumers and businesses may have about the new system envisioned by the draft version of President Clinton's health-care proposal:

Q: What is in the benefits package?

A: The package would cover hospitalization, emergency services, doctors' visits, preventive services (including prenatal care, childhood immunizations, mammograms, Pap smears, cholesterol screening and well-baby care), mental health services, substance abuse treatment, family planning services, hospice care, home health care, dental care (at first for children only, then for adults by the year 2000), eye care, prosthetic and orthodontic devices, prescription drugs and rehabilitation services.

There would be some limitations on the covered services. For example, the mental health benefit would be limited at first to 60 inpatient days a year and 30 psychotherapy visits annually; by the year 2000 inpatient limits would rise to 90 days and there would be no psychotherapy ceiling.

By the year 2000 there would be a federal long-term care program, subsidizing nursing home and home-based and community-based care for the elderly and chronically ill.

Q: What would I have to pay under this new system?

A: Your employer would contribute on your behalf at least 80% of the average premium for the standard benefits package in your region. You would pay the remainder, unless your employer decided to pick up the entire cost. If you chose a plan with a lower-than-average premium you would pay less than if you chose one with a higher-than-average premium.

Individuals would also be asked to pick up a portion of most doctor and hospital bills – generally 20% under a traditional fee-for-service plan that would allow you to go to the doctor of your choice, or $10 a visit if you were enrolled in a health maintenance organization or other network.

There would also be an annual deductible of $200 for each individual and $400 for each family under the fee-for-service plans. HMOs and other networks would generally have no deductibles. Each year's out-of-pocket expenses would be limited to $1,500 for individuals and $3,000 for families.

Q: What would happen if I couldn't afford my portion of the premium?

A: The administration's plan would offer federal financial assistance to low-income people and to small businesses with low average wages.

All families and individuals with annual incomes below 150% of the federal poverty line would qualify for subsidies. The amount of the assistance would vary according to income.

Employers with 50 or fewer full-time workers and an average wage of less than $12,000 would pay no more than 3.5% of payroll as their contribution toward worker premiums; the federal government would make up the difference. The scale of the employer contribution caps rises with a firm's average wage. Employers with average wages of between $21,000 and $24,000 would pay no more than 6.5% of payroll, for example. No employer would have to pay more than 7.9% of payroll, a draft of the plan says.

Q: Would my employer contribute to my health coverage if I only work part time?

A: Employers would have to contribute to part-time workers' premiums, but the contribution would be prorated according to the number of hours worked. The worker would be responsible for the rest of the premium except if qualified for a low-income subsidy.

Q: How do families with two working spouses and children get their coverage?

A: The employers of both spouses would contribute to the family's premium. The contribution would be based on a formula that depends on the average number of workers per family within a regional health alliance.

Some regional health alliances may allow spouses to enroll in separate health plans.

Q: What if I'm self-employed?

A: Self-employed people would pay both the employee and employer share of the premium—meaning all of it. But they could take a tax deduction on the entire cost. (The law now allows a 25% deduction.)

Q: Would I have to pay taxes on my health benefits?

A: Not unless your employer gave you benefits not in the fully phased-in, federally guaranteed benefits package. And, if you were receiving benefits as of Jan. 1, 1993, not included in the federal package, you could continue to get them tax-free for 10 years after enactment of the legislation. An employer could continue to deduct as a business cost all health benefits provided to its employees, regardless of whether they are in the federally guaranteed package.

Q: Would I be able to choose my doctor?

A: You could select any doctor if you enrolled in a fee-for-service insurance plan. But you would probably have to pay a higher premium for such coverage. The administration is hoping to encourage people to enroll in HMOs and other networks of doctors and hospitals, which provide all necessary care for a flat annual premium and minimal patient co-payments. Most people would also have the option of joining a hybrid plan in which patients would choose from within a network of doctors but have the option of going outside the network if they paid a greater share of the bill.

The Clinton plan would actually expand choice for many people, because it would allow them to select their own health plan. Many people are currently enrolled in the plan their employer has chosen to buy, without being given the opportunity to pick a different option.

Q: Which is the best plan to choose?

A: The regional health alliances would provide an array of information to assist consumers in selecting a health plan. They would publish information on each plan, including its price, the names of participating doctors and hospitals, the number of people enrolled, and the number of people who dropped out during the previous year. Alliances would also issue annual "quality reports" on each plan.

Q: When would I begin receiving benefits under the Clinton plan?

A: It depends on where you live. All states would be required to set up the system by Jan. 1, 1997—although six-month extensions might be granted to some. But the federal government would offer incentives to encourage states to start up earlier. Some of the benefits, such as adult dental care, wouldn't be available until the year 2000.

Q: Would everyone receive coverage under the Clinton plan?

A: Illegal aliens wouldn't be entitled to receive the standard benefits package through the alliance.

THE WALL STREET JOURNAL MONDAY, SEPTEMBER 13, 1993

Medical Industry Scrambles To Keep Up With Changes

By Ron Winslow
And George Anders
Staff Reporters of The Wall Street Journal

President Clinton's health proposal lands in the middle of a medical marketplace already reeling in response to private-sector initiatives and broad public concerns over the soaring costs of health care.

Across the country, hospitals are forging alliances with former competitors and developing new relationships with doctors in a scramble to protect their markets. The concept of "organized delivery systems" that can deliver cradle-to-grave medical services all under one umbrella organization is replacing the solo practitioner and the independent community hospital.

Meanwhile, the nation's health-insurance industry, after years of making money by processing claims, is struggling for survival as purchasers begin to wean themselves from traditional fee-for-service medicine and ask that insurers not only help finance care, but deliver it as well. And medical suppliers are bringing instruments and devices to market under fast-changing ground rules that say new products are no products unless they improve care *and* save money.

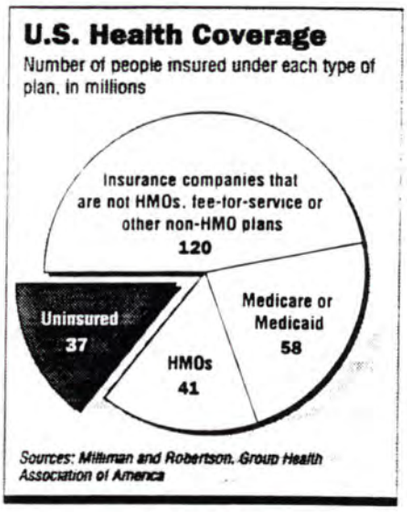
"There's no question there will be a revolution in health care, regardless of what the government does," says Jerome Grossman, chief executive officer of New England Medical Center in Boston. Among the most influential changes, says Dr. Grossman, will be a widespread switch to so-called capitation systems, which charge fixed prices for treating patients' health needs over months or years instead of the current system of charging separately for each medical service.

By proposing to pool the purchasing of hundreds of thousands of consumers into regional alliances, the plan – drafts of which were circulated last week – in the view of many experts is expected to accelerate these market forces. But coming as it does with a heavy dose of regulation and provisions for spending restraints, and facing a vetting in Congress over the next year, how the plan and the marketplace will mix is far from clear.

> "THE ERA of the solo practitioner is all but done away with,' says Alan Hillman of the Center for Health Policy at the University of Pennsylvania's Leonard Davis Institute.

"We're going to see a constant, point-by-point negotiation" as the plan works its way through Congress, predicts Dr. Grossman. "My greatest concern is that we will end up with a fragmented, chaotic program, and that all the exciting changes happening right now could be disrupted."

What follows is a sampling of the likely impact of the plan, as it currently is drafted, on some major segments of the health-care industry.



Doctors

The key to almost any health reform plan is to effectively encourage doctors to practice cost-effective medicine. Changes currently envisioned by President Clinton would compel them to join larger groups of physicians and enter more formal arrangements with hospitals, health networks or health maintenance organizations.

"The era of the solo practitioner is all but done away with," says Alan L. Hillman, director of the Center for Health Policy at the University of Pennsylvania's Leonard Davis Institute. "Individual physicians won't be able to compete with more efficient large group practices and physician-hospital organizations."

Doctors may also face greater monitoring of their work by outsiders, in the name of improving quality or avoiding overuse of services. The Clinton plan "implies considerable supervision of doctors by lay people," says Uwe Reinhardt, a health economics professor at Princeton University. "That will divert income from people who lay hands on people to people who supervise doctors."

On the other hand, doctors who give up some autonomy to join some HMOs or other group practices may reduce such oversight. A growing number of HMOs and other group practices are adopting practice guidelines for procedures and reducing "micromanagement" of doctors' decisions.

The Clinton plan – especially the controversial (and negotiable) proposal to sharply contain growth in Medicare and Medicaid spending – would squeeze physician income. Other aspects will reward and encourage primary-care doctors while reducing use of high-cost specialists.

If the plan is underfunded, as most observers now believe, "it has to translate in a very short time into a problem of physician morale," warns Edward F.X. Hughes, a physician and director of the Center for Health Services and Policy Research at Northwestern University, Evanston, Ill. "There's nothing in the organizational literature that says a successful enterprise runs well with unhappy workers."

1/2

Hospitals

Hospitals, too, would be hit by reduced Medicare spending. The American Hospital Association says about 70% of hospitals will lose money this year caring for Medicare patients.

Since the federal program for the elderly accounts for at least 40% of revenue for many hospitals, improving efficiency, both by trimming administrative costs and developing stronger relations with doctors, will be crucial to their financial health.

Indeed, a likely area of controversy for the hospital industry is how quickly the growth rate in overall medical spending can be cut. The White House plan envisions that health alliance spending will rise in 1996 by the consumer price index plus 1.5 percentage points. From 1997 onward, the administration adds, that rate will climb only in line with the CPI.

In recent years, medical spending has risen as much as eight to 10 percentage points faster than the consumer price index. The biggest share of that spending is in hospitals, and while hospital executives say they are hard at work on cost-cutting plans, they question how fast spending growth can be reined in without hurting the quality of care.

"Our expenses went up 5% to 8% last year," says the New England Medical Center's Dr. Grossman. While he believes the rate of medical spending can be slowed considerably, he suggests that it could be difficult to trim it much more than a percentage point a year.

Another dilemma for hospitals whose markets transcend state boundaries is the insistence in the plan that health alliances adhere to state borders, says John M. Eisenberg, chairman of medicine at Georgetown University Medical Center, Washington. That could cause problems for big academic research centers that count on out-of-state referrals for much of their business. And it could "inhibit rather than promote development of medical centers of excellence," Dr. Eisenberg says, where technology and expertise for high-cost, complex procedures are concentrated at a limited number of hospitals to reduce costs and improve quality.

Insurers

The Clinton plan could force hundreds of health insurers out of business but make the industry giants even bigger.

There are now more than 500 health insurers. But the Clinton plan makes it tough to continue to pay for health care in the traditional way – by having the insurance company pay for whatever a doctor or hospital chooses to bill.

Instead, it wants people to get their health care through health maintenance organizations and other networks that have doctors on contract. In that sort of arena, only big insurance companies with the resources to sign up hundreds of doctors can compete.

Not all health insurers will be hurt, however. The nation's biggest health insurers – Prudential Insurance Co. of America, Metropolitan Life Insurance Co., Cigna Corp., Aetna Life & Casualty Corp., Travelers Corp. and the nation's Blue Cross and Blue Shield organizations – could emerge stronger than ever.

Some smaller players should also survive, particularly those that specialize in niches untouched by the Clinton plan and those that insure people in rural areas not served by HMOs.

1/3

Medical Suppliers

Experts are divided about the prospects for medical-equipment makers. Robert Mann, a professor of biomedical engineering at the Massachusetts Institute of Technology, predicts that work on new devices will continue briskly despite the Clinton administration's efforts to hold down costs.

"It will be very difficult to prevent the onset of new medical technology," Prof. Mann says. Among projects that he expects to roll forward are development of synthetic cartilege and ways to deliver insulin to diabetics via slow-release patches, instead of injections. Innovators desire to come up with such breakthroughs is "insatiable," Prof. Mann contends.

But the head of a leading medical equipment company is more cautious. John Brown, chairman and chief executive officer of **Stryker** Corp., predicts that health-care providers "will force suppliers to deliver more for less. Cost will become a major issue." Stryker makes surgical equipment, artificial hips and other medical equipment.

—Greg Steinmetz contributed to this article.

THE WALL STREET JOURNAL MONDAY, SEPTEMBER 13, 1993

212

Malpractice Plan Strives to Please All

By EDWARD FELSENTHAL
Staff Reporter of THE WALL STREET JOURNAL

The Clinton administration sorted through dozens of different proposals to overhaul the medical-malpractice system — and endorsed aspects of nearly all of them.

The something-for-everyone approach includes requiring that every health-insurance plan adopt out-of-court means of resolving malpractice claims. The Clinton proposal also would put some limits on the size of jury awards and lawyers' fees. And it would promote experiments with more radical ideas, such as freeing doctors of malpractice liability if they can show that they followed prescribed practice guidelines.

Each of these proposals has been tried in some states, but no state has adopted them in tandem, as the Clinton plan envisions. The risk of such a multifaceted plan, health specialists say, is that it might create a labyrinthine bureaucracy that would increase, rather than reduce, health costs. In addition, it isn't likely fully to please two of the major lobbying groups with interests in malpractice reform: doctors and plaintiffs' lawyers.

"It's an attempt to keep as many people as happy as possible and will probably end up keeping everyone equally unhappy," said James Todd, executive vice president of the American Medical Association.

Keeping interest groups happy is especially critical in the area of malpractice reform because the issue is a political hot-button for the medical profession. Malpractice verdicts, settlements and legal costs amount to only a small percentage of the more than $800 billion the nation spends yearly on health care. But many doctors view high malpractice insurance premiums and the constant threat of liability as onerous and unfair. As a result, malpractice relief has become important as a political chip to enlist physician support for other health reforms.

At best, the President's malpractice proposal is likely to win mixed support from doctors. The proposal advocates several measures that doctors pushed for, including some limits on lawyers' fees and a provision allowing damages to be paid over a period of time rather than in a lump sum. It would also prevent injured patients from getting paid twice for the same injury — both by their doctor's malpractice insurance and by their own health-insurance plan.

But doctors lobbied especially hard for a reform that isn't included: a cap on the money that injured patients can get for their pain and suffering. Also, the proposal still would allow lawyers to take up to one-third of a total malpractice award, a more generous compensation than many states now allow. The proposal "is probably three-quarters of a loaf," said the AMA's Dr. Todd. "The disappointment is that they wouldn't go the final step and put a limit on pain and suffering awards."

The Clinton proposal also would make it more difficult for injured patients to get to court, an approach that is certain to trigger vigorous opposition by plaintiffs' lawyers and consumer groups.

First, someone claiming a malpractice-related injury would have to get an affidavit from a doctor stating that the treating physician's care wasn't up to par. In addition, a patient would have to submit the claim to an out-of-court panel, though he or she could then go to court if dissatisfied with the panel's ruling. (The proposal isn't specific about who would sit on the panels, but panels set up by state reforms typically have included both doctors and lay persons.)

"Everything that's in [the Clinton proposal] would make it more difficult for a victim to be able to recover if they've been injured," said Barry J. Nace, president of the Association of Trial Lawyers of America, in Washington. The association has long maintained that liability reform is a separate issue from health reform and that it shouldn't be included in the President's health plan.

Mandatory alternative dispute resolution adds an extra layer of bureaucracy and expense for injured plaintiffs, Mr. Nace said. And even a relatively small limit on fees, he said, will dissuade some lawyers from taking malpractice cases and will make it harder for injured people to get representation. In states without such limits, some lawyers currently take 40% or more of the injury award.

The malpractice proposal also calls for experimentation with two more radical reforms. First, it recommends the use of federal funds to support states' efforts to test so-called enterprise liability. That idea would shift liability for medical injuries from doctors to health plans, hoping to improve the monitoring of physicians' care by hospitals and health maintenance organizations. Mr. Clinton's health-care task force previously flirted with enterprise liability as an overall approach to malpractice reform, but discarded the idea in the face of opposition from physicians.

The President has endorsed a separate pilot program modeled on a novel reform under way in Maine. The program would give liability protection to doctors who follow government-prescribed checklists on how to treat patients. Once wary of state-issued checklists, physicians' groups have begun to endorse the experiments, as long as doctors have a role in drafting the guidelines. But the draft doesn't specify whether doctors would have such a role.

64

Angry Drug Makers Say Rules Would Strangle R&D

By Michael Waldholz
Staff Reporter of The Wall Street Journal

NEW YORK – Top pharmaceutical industry executives reacted angrily to aspects of the Clinton health reform proposal, saying it would create harsh price controls that would restrict research for new medicines.

"We're talking about [regulations] that could affect the very survival of an industry that used to be very successful," said Lodewijk de Vink, president and chief operating officer of Warner-Lambert Co. He said the regulations "may actually make it impossible to conduct costly, high-risk research necessary [for combating] diseases that still aren't well-treated, such as Alzheimer's disease and cancer."

In conversations with numerous key drug company executives, it was clear that the industry, long known for its fractiousness, was in unusual agreement. Some executives speculated that the Clinton health plan, as described after its draft's release on Friday, would unify an industry that has failed to effectively lobby Washington because of the companies' diverse opinions.

The officials said they opposed the plan's demand for steep discounts for drugs used by Medicare recipients. They also attacked a proposal that would allow the secretary of Health and Human Services to exclude newly developed prescription medicines from the Medicare program if the price was deemed excessive.

Those facets "are price controls, no matter what you call them," said Charles Sanders, chairman and chief executive officer of the U.S. unit of the huge British drug maker, Glaxo Holdings PLC. "They are real show-stoppers for our ability to do innovative R&D."

Drug Benefit Requirement Sought

As described in the draft of the Clinton administration's health plan, a prescription drug benefit would be a standard, required part of all insurance plans. This would extend prescription drug coverage to elderly Medicare recipients for the first time.

But in exchange, the plan would require pharmaceutical companies to discount drug prices to Medicare by about 15%, about the level companies provide states for drugs used by low income Medicaid patients. Moreover, the draft says the Health and Human Services secretary can negotiate prices of new medicines considered excessively high. It proposes that the government can exclude from Medicare coverage any new medicine whose price isn't acceptable to the secretary.

Those two regulations weren't unexpected, since the administration has been criticizing drug prices of double the rate of consumer inflation during the 1980s. But company officials had hoped the administration would allow them to restrain drug prices voluntarily since many companies have pledged to limit price increases to inflation.

Some executives said, however, that they were surprised by the draft plan since, on Sept. 2, President Clinton said it wouldn't include drug-price controls. As a result of that statement, investors bid up shares of pharmaceutical company stocks, which had dropped sharply since late 1992. Several analysts said they expected drug stocks to tumble anew as a result of the new details.

Tempered Responses

Some of the industry's most respected leaders were guarded in their criticisms, making a point to applaud what one called Mr. Clinton's "courage" in trying to extend health-care coverage to uninsured Americans while trying to contain costs.

P. Roy Vagelos, the widely esteemed chairman and chief executive of Merck & Co. said he didn't want to discuss the plan until the president released it. But, he said, the draft as described "concerns us since [it] evidences a distrust of the free marketplace which recently has been undergoing vigorous and constructive change."

Many executives pointed out that the growth of large managed-care insurance plans had forced drug makers to compete aggressively for business by giving unprecedented discounts. This has caused companies to increase price discounts to 16% on average from 4% a few years ago, several said. As a result of the voluntary price control pledges and intensifying competition, drug company profit on average is expected to rise about 10% this year, down from an average 17% in 1991.

Dr. Vagelos and others said they had hoped the Clinton plan would attack drug prices by encouraging the growth of managed-health plans. Dr. Vagelos also said he hoped to meet with the president's top health advisers, something he has been trying to arrange since early this year. Added Jerry Karabelas, president of SmithKline Beecham PLC's North American operations: "We need to have a constructive dialogue. We haven't had an opportunity to speak to anybody about these proposals yet."

The executives said they expected extension of a drug benefit to all Americans to increase pharmaceutical sales by 3% to 5%. But because Medicare recipients represent about 25% of revenue, providing a 15% discount for drugs used by the elderly would reduce total sales.

"In the next 15 to 20 years, we are looking at a revolution in the research approaches to major diseases for which we only have rudimentary treatments now," said Andrew Bodnar, president of specialty pharmaceuticals at Bristol-Myers Squibb Co. "But that's going to require investment of enormous resources. Why would you do that if you couldn't be certain that in 10 or 12 years you could recoup your investment?"

Alliances to Mean More Bureaucracy

By Greg Steinmetz
Staff Reporter of The Wall Street Journal

WASHINGTON – If President Clinton gets his way on health-care change, get ready for more bureaucracy.

Under the proposal, most people would eventually buy health insurance through purchasing groups run by the states. Experts estimate there could be as many as 250 of these – each with its own big staff – depending on how the states set them up.

The alliances will do everything from determining how much health insurers can charge to examining the solvency of health plans. They also would gather information on the performance of doctors and hospitals, analyze the data and distribute it to members.

"We are talking about new insurance departments of an incredible size," said consultant Robert Laszewski, president of Health Policy and Strategy Associates in Washington. "This is an enormous bureaucracy."

Already, some in Washington appear to be eschewing the term "alliance" and evoking images of big government by calling the groups "health insurance purchasing departments."

The president wants to hold down health-care costs by wringing administrative waste out of the system. But Mr. Laszewski and others believe the alliances will eat up a lot of the savings. "Anyone who thinks we're going to save a lot of administrative costs is kidding themselves," he said.

Under the Clinton plan, states would have the flexibility to set up alliances in various ways as long as they meet certain criteria. Some states might have a single alliance responsible for all health-care purchasing in the state, or several, each assigned to a specific region. A state might make alliances an arm of government, or it might make them independent agencies with board members appointed from the private sector.

The theory behind the alliances is simple. Currently, large employers pay less for health insurance for their workers than small businesses and individuals because they buy in bulk. By pooling small businesses and individuals together in an alliance, these groups could enjoy the same discounts. Small business and individuals now pay vastly more for health insurance than big employers. Alliances also would allow members to maintain health insurance even if they switch jobs.

Already, Florida and California have versions of alliances. Under recent health reforms in those states, employees of small businesses can join a purchasing group to buy insurance. Their workers then select from health plans that meet the standards of the purchasing group.

But those groups differ from what Clinton proposes in an important respect: Their membership is voluntary. If a small business wants to buy insurance without going through the alliance, it's free to do so. Proponents argue such outside competition is essential in keeping the alliances efficient. Competition would force alliances to be innovative and cost effective because unhappy members could quit and go elsewhere.

THE WALL STREET JOURNAL MONDAY, SEPTEMBER 13, 1993

ıueeze on Costs From All Sides Is Intend
To Deflate Charges, Avoiding Shifts of Pas

By David Wessel
Staff Reporter of The Wall Street Journal

WASHINGTON — The government's past attempts to control health costs have been likened to squeezing one end of a balloon. Squeeze inpatient costs, and outpatient costs rise. Clamp down on charges for government-insured patients, and charges to privately insured patients go up.

President Clinton's strategy is to sit on the balloon to squeeze out some of the air—and hope that it doesn't pop.

Besides requiring employers to provide health insurance to their employees, the Clinton health plan proposes new government subsidies to help companies with low-wage workers and low-income families pay for coverage and two major new government programs. One of the new programs is federally financed care at home to keep the disabled and the frail elderly out of nursing homes. The other would provide prescription-drug coverage for the elderly who are covered by Medicare.

All this will take money, of course. These three elements of plan would cost about $320 billion over the next seven years, according to "preliminary estimates" in the draft of the plan provided to members of Congress. But Mr. Clinton figures he can pay for that — with money left over to reduce the federal deficit—while avoiding any major broad-based tax increases. The only substantial tax listed is a $15 billion-a-year increase in "sin taxes," which aren't specified in the document.

At a White House briefing yesterday, administration health officials defended their cost and savings estimates and flatly denied reports that they were searching for new revenue sources. The numbers in the plan are "credible and conservative," said White House adviser Ira Magaziner, who is overseeing the health-care effort. "We stand firmly behind them," he added, though he cautioned that some figures could change slightly before Mr. Clinton formally unveils the plan.

What's Mr. Clinton's secret? It's to squeeze the waste and inefficiencies out of the American health-care system and use that money to finance expanded benefits, an approach long advocated by Mr. Magaziner. "If savings attained through effective competition and reductions in administrative costs don't achieve the spending goals," the document says, then Mr. Clinton's stringent ceilings on government and private health-care spending will. The document indicates that federal spending on Medicare, for instance, is projected to be about 10% lower in the year 2000 than the Congressional Budget Office projects, even with the new prescription-drug benefit.

What isn't entirely clear, however, is what happens if the new benefits turn out to cost a lot more than anticipated or if the savings prove elusive. The document outlines all sorts of controls that could be imposed to keep health-care spending in line, but it doesn't speculate on the political or economic consequences if the complex, $1 trillion American health-care system doesn't behave as expected, that is, if the newly guaranteed health benefits cannot be delivered for the sums provided.

If accepted by Congress, and that's a big if, the Clinton health plan would be an economic experiment of unparalleled dimensions. Based on the limited information available, it's difficult to gauge the impact on the economy.

Consider the straightforward question of whether the plan would create or destroy jobs. Forcing all employers to provide and largely pay for health insurance for their workers will undoubtedly discourage hiring, particularly of low-wage workers. But the projected increase—yes, increase—in total spending on health in the next few years could produce an offsetting increase in employment in the health industry. (The White House document projects that total private and public spending on health care would be higher than it would otherwise be each of the next four years, but would be lower in subsequent years.)

A set of tables appended to the draft gives some information on how the White House figures the plan will affect the federal budget. There are hints, though, that the figures in the document, dated Sept. 6, hadn't been vetted by budget and tax analysts in the White House budget office or the Treasury. Footnotes describe the cost estimates as "preliminary," and one major tax component is further labeled as "unofficial," an indication that it didn't come from the Treasury economists who generally make such analyses. Many of the numbers could change before the plan is formally released.

To make the numbers work, the tax increases come first, a point sure to be noted by Republicans. The increased "sin taxes," which officials say are likely to be levied on cigarettes and possibly alcoholic beverages, are assumed to kick in by January 1994 even though the new health benefits are to be phased in over the next several years. Without this maneuver, the plan wouldn't pay for itself over the next five years and would violate the deficit-reduction law Mr. Clinton just signed. If the $15 billion-a-year in sin taxes aren't approved, the plan would cause the federal deficit to grow slightly rather than shrink in the next five years.

But these taxes are a small part of the overall financing scheme. Over the six fiscal years from 1994 (which begins this Oct. 1) to 2000, the Clinton plan proposes an additional $350 billion in federal spending or tax breaks, including the subsidies to low-wage workers, the cost of the new Medicare benefits and the $2 billion-a-year cost of administering the new system.

Smaller Deductions

Over the same years, however, the plan envisions cutting $285 billion from projected increases in spending on Medicaid and Medicare as well as Pentagon, veterans' and federal employees' health benefits, primarily from squeezing out inefficiencies. It anticipates collecting $51 billion more in taxes because companies will have smaller health-care expenses to deduct on their tax returns, as well as $105 billion from the sin taxes, a category that also appears to include revenue from a 1% levy on the payrolls of big companies that decide to maintain their own health plans rather than joining the new "health alliances." The net reduction in the deficit would be $91 billion over the six years.

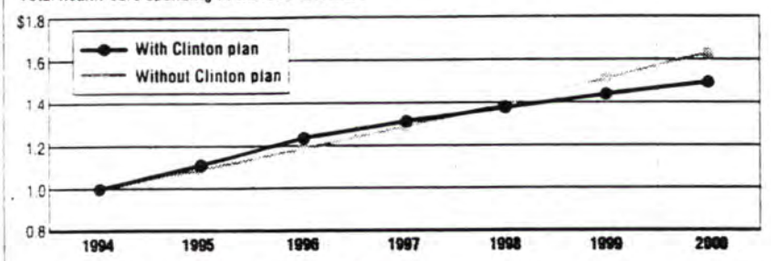
The magnitude of the projected savings from Medicare ($124 billion over the six years) and Medicaid ($114 billion) is startling, both economically and politically. It is widely acknowledged that Medicare and Medicaid pay hospitals and doctors less than it costs to provide care.

The Bottom Line

Internal White House estimates, as of last week, on how Clinton's health plan would affect all public and private health-care spending

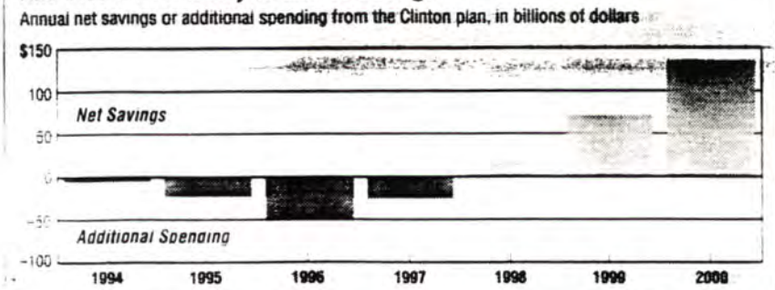
Health-Care Expenditures Would be Restrained...

Total health-care spending in trillions of dollars



And Would Eventually Result in Savings

Annual net savings or additional spending from the Clinton plan, in billions of dollars



Employers and workers pick up the difference, paying more than it actually costs to provide care. Squeezing Medicare and Medicaid harder would encourage more shifting of costs to the private sector; squeezing the private sector simultaneously is supposed to stop that from occurring. It's a neat trick – provided the balloon doesn't pop.

Congress is bound to have reservations about taking so much money out of Medicare and Medicaid. During the recent deficit-reduction debate, admittedly a different context, liberals argued that trying to get another $6 billion or $8 billion out of Medicare over five years would be devastating. If Congress balks at the spending restraints, it will have to curtail the benefits provided or turn to new taxes. In either case, the White House can blame Congress for the bad news.

Spending Ceilings

Borrowing an approach pushed by President Bush's budget director, Richard Darman, the plan would set legal ceilings on how much money could be spent on Medicaid and Medicare. Among other things, such ceilings make it more likely that the influential Congressional Budget Office will attest that Mr. Clinton's numbers add up, one of the White House's goals. The CBO hasn't, however, evaluated the numbers and is unlikely to offer Mr. Clinton an unqualified endorsement.

The savings from Medicaid, the joint federal-state program that insures the poor, appear to result from a fiat: The new regional health alliances will cover Medicaid beneficiaries but will be paid only 95% of what the state in question spent per capita "in the year prior to implementation of reform with annual rates of increase subject to the national health care budget."

The draft does, however, list 23 specific changes designed to reduce projected Medicare spending so that it comes in below the plan's new spending caps. Mr. Clinton would make individuals with incomes above $100,000, and couples with incomes above $125,000, pay more for their Medicare, but the draft doesn't say how much more. He also would make beneficiaries pay 20% of their clinical lab bills, which are now fully covered, and make them pay 10% for home health visits made more than 20 days after a hospital discharge. But the bulk of the savings are to come from altering Medicare formulas so that hospitals and many doctors get paid less than they otherwise would have received.

2/2

Comings and Goings

How Clinton's health plan would be financed, and what the money would be spent on (in billions of dollars, 1994-2000)

SOURCES OF FUNDS	AMOUNT	USES OF FUNDS	AMOUNT
Savings in Medicare	$124	Long-term care	$ 80
Savings in Medicaid	114	Medicare drug benefit	72
Savings in other federal health programs	47	Public health/ administration	29
Sin taxes	105	Subsidies for low-wage workers	169
Added taxes paid because companies have less health-care costs to deduct	51	Deficit reduction	91
TOTAL	**$441**	**TOTAL**	**$441**

Source: White House documents

Insurers Fear Price Controls May Deter Investment in HMOs

By Greg Steinmetz
Staff Reporter of The Wall Street Journal

The price-control aspects of the Clinton health plan could discourage investment into the very health networks that are essential to the plan's success, say people in the insurance industry.

The president wants to make the delivery of medical service more efficient by encouraging health maintenance organizations and other forms of managed health care. But HMOs have a long way to go before they are capable of doing all the president asks of them.

Although HMOs have existed for years, they only serve about one in every six or seven Americans. Investors presumably would pay for creating more HMOs, but only if they can earn an adequate return on their investment. The Clinton plan threatens investment returns by limiting the growth in health-care spending.

"This will stifle innovation and drive investment away," said Dr. James Mulvihill, senior vice president of health policy for Travelers Corp. Adds Charles Ronson, a stock analyst with Balestra Capital: "Assuming there's not going to be ways to get around price controls, investing in HMOs is not going to be very attractive."

The draft version of the Clinton plan stops short of telling doctors and hospitals the maximum they can charge for each procedure or service. But it does limit growth rates on insurance premiums. Insurance companies argue that puts them in the position of telling doctors and hospitals what they can charge.

By the year 2000, the annual increase in insurance premiums would be prohibited by law from exceeding the inflation rate. The amount of money at stake is huge. Health-care spending accounts for about one-seventh of the country's economy.

The administration argues that health-care companies can earn adequate returns despite the proposed changes. For one thing, the reforms will bring them more business because the plan pays for covering the 37 million people who now lack health insurance. And although the Clinton health plan forces companies to watch their costs, the administration argues cost-cutting is easily accomplished because the insurance companies are now grossly inefficient.

The insurance companies strongly disagree. "If there was so much waste and inefficiency, someone would come along and bid our brains out," said Lawrence English, president of Cigna Corp.'s health-care division.

If investors withhold the money needed to build more health networks, what would await the consumer? A possible result is poorer health care. Insurers and doctors might choose to meet cost goals by reducing expensive but necessary procedures. Patients could be confronted with longer waits and shoddier facilities.

To be sure, some investment dollars could flow into health care. But instead of attracting investment from the best companies in the health-insurance business, health care will attract money from those who want to make a quick buck, according to some health-care experts.

"There would be a lot more bucket shop entrepreneurs," said Thomas Pyle, an executive with Metropolitan Life Insurance Co. and chairman of the Jackson Hole Group, a research organization whose ideas helped influence the Clinton plan.

67

Would You Fare Better Under Health Reform?

YOUR MONEY MATTERS

THE CLINTON HEALTH PLAN

By Ellen E. Schultz
And Georgette Jasen
Staff Reporters of The Wall Street Journal

What would the Clinton health plan mean for you and your family?

The answer depends a lot on what kind of health coverage you have now.

Clear winners would include the millions of people currently without health coverage, including part-time workers and those who work at small businesses. People near or in retirement, the disabled, the unemployed, dependent students and independent contractors would also stand to gain.

But the plan could be a mixed blessing for people already covered in the workplace. While they would gain increased security in the event of unemployment or a job switch, they could end up paying more, and facing new restrictions.

Among other proposed changes, the Clinton plan would repeal a major benefit enjoyed by employees at many companies who use pretax dollars to pay for some of their health-care premiums and for unreimbursed medical expenses. And if an employer is offering richer benefits, with more dental, mental health or medical coverage than would be mandated under the basic federal package, the value would—after a 10-year grace period—count as taxable income to the individual.

Of course, there is enormous uncertainty about the fate of the sweeping health-care overhaul proposed in a 239-page draft making the rounds in Washington. Numerous changes are not only possible but likely, as health-care consumers and others weigh in with their views.

"It's political dynamite to tax health benefits. So this is a delayed fuse," says Frank McArdle, partner and manager of research group Hewitt Associates.

Under the administration's draft proposal, all Americans would have health-care coverage. The basic choice would be between a health maintenance organization, a fee-for-service plan, or a combination plan.

But how the proposal would actually work, and how much an individual or family would have to pay, would depend not only on which option you selected but also on such things as your employment status, the size of your employer and income.

Here's how the plan would affect different groups of people:

Corporate Employees. The estimated average premium cost for individual coverage under the proposal would be $1,800, and $4,200 for family coverage. Employers would be required to pay a minimum of 80% of the premium cost for a mandated package of benefits. The employee would be required to pay as much as 20%, probably through payroll withholding.

In addition, employees would be responsible for out-of-pocket costs, which could include $10 per visit to an HMO, or 20% co-payments plus annual deductibles under a fee-for-service option. These out-of-pocket costs would be capped at $1,500 a year for individuals and $3,000 for a family.

An employee opting for a high-cost plan that offers more choices and additional services than the minimum mandated under the Clinton proposal could end up paying more than 20% of the premium cost. It works like this: Let's say the annual premium for family coverage is $4,500, compared with the $4,200 average. The employer would be obligated to pay $3,360, and the employee could pay as much as $1,140, more than 25% of the annual cost.

A few things could also add to an individual's costs. In addition to ending the ability to pay for certain expenses with pretax dollars, the plan wouldn't permit employees to opt out of coverage. So those who currently have the option under corporate "flex" plans to receive only catastrophic coverage would no longer be able to do so.

Small Business Employees. People working for small businesses are likely to have better health-care coverage than they have now, since many small businesses currently don't pay for health insurance for employees, or require employees to pay a significant share of the cost for coverage that is limited compared with big-company offerings.

"Those who have never had [coverage]

Please Turn to Page C18, Column 3

What to Do Now

Whatever happens to President Clinton's proposed health plan, many employers are already increasing deductibles, co-payments, and the percentage of premiums employees have to pay for medical coverage, and that trend is likely to accelerate. As a result, here are some things employees should consider doing now:

- Have medical and dental appointments this year. Your share of the costs will almost certainly increase next year, and some coverage may be cut back.
- Sign up for tax-deferred medical savings accounts. While these would be repealed under the proposed plan, they would be in effect next year and can save you hundreds of dollars.
- File claims immediately. Many companies are installing cutoff points that disqualify you from getting reimbursed if you don't file in a timely manner.
- Before getting costly care, double check with your benefit office to see if it's still covered, and if it requires prior approval. While many plans are implementing changes next year, many have already installed further limits, which employees may be unaware of.

How Would You Fare Financially Under Clinton's Plan for Reform?

Continued From Page C1

will have it now," says Joel Kavet of benefits consultants William M. Mercer Inc. in Stamford, Conn., "and employees of small companies will have coverage on a par with IBM."

Still, critics of the Clinton plan contend that employers who have to pay more for health-care coverage will seek to pay less for other things. "Pay raises are going to be constrained, they're going to have to lay people off," predicts Hal Daub, director of federal government affairs for accountants Deloitte & Touche and a former Republican Congressman from Nebraska. "After a while, people are going to say [they] had a better deal the other way."

Self-Employed. Self-employed individuals would have to pay both the employer and the employee portions of the health-care premium. They would pay the same rates as large corporations, which would be lower than current premiums for individual coverage. Still, some people would pay more than they do now because they would be required to pay for at least the basic minimum coverage.

Currently, the self-employed may be covered under a spouse's plan at work or they may opt for a policy that is limited to hospitalization or catastrophic illness and costs significantly less than the comprehensive plan proposed in President Clinton's draft plan.

But their total health-care costs could be lower with the coverage under the Clinton plan. An HMO, for instance, might give more coverage than they have currently at lower cost. What's more, it would be easier to get coverage. Currently, many insurance companies are reluctant to write individual policies and such policies can be quite costly. People with health problems often can't get coverage at all.

"The situation of being left alone to buy your own care won't be as hideous as it is today," says Mr. Kavet of Mercer. The total cost of the premium could be tax-deductible for the self-employed under the Clinton plan, compared with 25% now.

Independent Contractors. Independent contractors who earn more than 80% of their annual incomes from one employer would be covered as an employee of that employer. This provision is intended to prevent employers from classifying workers as independent contractors to avoid paying their health premiums.

Part-Time Workers. People who work more than 30 hours a week would be entitled to full medical benefits, while those who work 10 hours to 30 hours would be entitled to coverage on a pro-rated basis. This would be a clear boon to many part-time workers who currently have little or no medical benefit.

Mr. McArdle of Hewitt believes this would raise costs for companies with large pools of currently uncovered part-time workers, which may lead them to increase overtime for full-time workers, shift jobs offshore, or automate.

Retirees. Retirees would be among the biggest winners under the proposal. At a time when employers are increasingly cutting health-care coverage for retirees, these individuals often find themselves without medical coverage or with exorbitant costs until they reach age 65 and qualify for Medicare.

Under the proposal, employers that provide health coverage to retirees would pay 20%, and "regional health alliances" would pay the remaining 80%. If an employer doesn't offer coverage, individuals would pay 20% and the regional alliance would pay the 80%.

But Mr. McArdle thinks early retirements would increase by a third, since the Clinton plan would provide people with security they now lack. This would be a boon to companies that are downsizing, and to companies with large retiree health obligations, such as automotive and steel companies, since they could shift most of their costs to the regional alliances.

Medicare Recipients. Individuals over age 65 would continue to enroll in the Medicare program, but the federal government would increase premiums for individuals with incomes of more than $100,000 and for couples with incomes above $125,000.

Unemployed Workers. A person who is laid off or fired would be covered by a spouse's plan. If single, or if the spouse is also unemployed, the worker would be covered by the regional alliance. Some larger employers would be required to continue to pay their share of the health premium for six months.

Low-Wage Workers. Employees who couldn't afford to pay their 20% of the health insurance premium may qualify for government subsidies. The subsidies would kick in if family income fell below 150% of the poverty level, based on a sliding scale.

People who now receive Medicaid, the federal health system for the poor, would instead join a regional health alliance. If employed, their employer would pay part of their premium; if unemployed, the government would pay the costs.

Disabled Workers. Disabled individuals in the workplace would find relief under the plan, since they could not be excluded from coverage or be forced to pay higher premiums. The plan would also encourage the nonworking disabled to move back into the work force, since they would not jeopardize any benefits they were receiving under Medicaid or Social Security.

More important, the proposal would provide employed individuals who require assistance with daily living a tax credit for 50% of their costs, up to $15,000 a year. This could include home help, communication and mobility services, work related support services, and assistance with life skills, including money management services.

Injured Workers. The plan would continue to provide workers' compensation for employees who become sick or injured on the job. The big difference is that employees would receive care under the same regional alliances that provide their health coverage. Further, the plan would prevent doctors from charging injured workers more than their insurer would reimburse.

Students. Under the Clinton proposal, dependent full-time students would be enrolled under the regional alliance where they attend school, and their parents' plan would pay the premiums. Independent students would enroll in the regional alliance where their school is located.

U.S. Charges Three Men With Bid to Sell Fake Bond

By a WALL STREET JOURNAL Staff Reporter

COLUMBIA, S.C. – The U.S. Attorney's office said two Japanese men and one American were arrested for allegedly trying to sell a $500 million fake Japanese bond.

Motokichi Muto, 66 years old, of Japan, and Yuji Hitomi, 45, and Douglas T. Wright of Las Vegas, Nev., were arrested Sept. 2 and charged with wire fraud and conspiracy. The U.S. Attorney's office in South Carolina said the men were arraigned on charges that they attempted to sell the forged bond to an undercover federal agent in Columbia.

The Japanese government earlier this year issued a warning about the rise in attempted sales of forged certificates for government bonds. The U.S. Attorney's office said Mr. Wright was released on a $25,000 bond, but that the two other men are still detained because of concerns they may flee the country. The maximum penalty each defendant faces is a $250,000 fine and/or a five-year prison term.

The attorneys for Messrs. Wright and Hitomi couldn't be reached for comment. Creighton Coleman, Mr. Muto's counsel, said his client contends the bond isn't a forgery and that if it is, he didn't know about it.

Forging of National Medical Reform Promises To Be an Open, Substantive, Bipartisan Debate

By GERALD F. SEIB
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The health-care policy bazaar is about to open.

His new reform plan finally in hand, President Clinton is preparing to embark on a no-holds-barred campaign to convince Americans they need to perform surgery on their health-care system. The essence of the coming onslaught is summarized in the second sentence of the 239-page draft of the plan: "Americans lack security."

But behind this blitz will lurk a strikingly different political reality. Even as it sells its package, the administration is signaling the path is open to negotiation, compromise and change. That will produce a far different political dynamic than what occurred during the summer budget wrangling; the debate promises to be marked less by pure partisan posturing and more by substantive give and take.

THE CLINTON HEALTH PLAN

"We know from the beginning that this is going to have to be an inclusive process," says George Stephanopoulos, a senior adviser to Mr. Clinton. "This is going to be a true debate."

Republicans sense the difference and are reacting accordingly. Whatever complaints they register about the Clinton plan in the next few weeks – and there will be many – Republicans are going to be as eager as Democrats to tell voters they produced health-care reform by the 1994 congressional elections.

"I think it's terribly important that we move ahead with this health-care reform," stressed Rhode Island Republican Sen. John Chafee yesterday on ABC-TV's "This Week with David Brinkley." Sen. Chafee, the GOP's congressional point man on health care, called the Clinton plan "a good basis on which to proceed," but added: "It's obviously going to be changed."

Months of Debate

Few administration officials would disagree with that prediction. In fact, the administration's internal timetable acknowledges that there will be extensive negotiation. Though Hillary Rodham Clinton, the prime author of the administration plan, declared in at least one late-summer meeting with lawmakers that she wanted a vote by Christmas, administration aides privately acknowledge that the votes will come next year, after detailed hearings by a series of congressional committees.

The administration's goal is to use these months of debate to conduct a kind of national seminar on health care. Its purpose will be to convince Americans of the wisdom of the Clintons' overall approach, which includes a package of guaranteed benefits for all citizens, mandatory employer coverage of many premium costs, and regional alliances to help employers get a better deal in buying health-care coverage.

"I think there's going to be a space for consideration of the health-care plan, which will be less fractious than for the budget plan," says Stanley Greenberg, the president's pollster. "I think it will get a hearing for several months."

In fact, a period of debate may be needed by the administration to win over a skeptical public. A new Time magazine/CNN poll indicates that only 15% of those polled had "a lot of confidence" in Mr. Clinton's ability to reform the health-care system, and only 19% said they thought the quality of health care would improve under his plan.

Above all, the administration's campaign will stress the word "security." Administration advisers sense that, however satisfied they may be with their current coverage, middle-class Americans are increasingly haunted by the fear they will lose health insurance if they switch jobs or are laid off, or simply because their employers find it too costly to continue. The security not to worry about such things is what Mr. Clinton will be selling.

Medicare, Medicaid Clampdown

Indeed, the Clinton plan itself will be called "The American Health Security Act of 1993." To dramatize the point, Mr. Clinton may hold up a so-called health security card during his nationally televised speech to Congress unveiling his proposal on Sept. 22. The Democratic National Committee already has printed thousands of bumper stickers with the slogan: "Health Care That's Always There." Former Ohio governor Richard Celeste has been brought on board to run a campaign along that theme.

While that campaign unfolds, the administration expects to be negotiating the details. Already, for example, the White House has hinted it is prepared to compromise over one of the plan's most controversial elements: the proposal to wring $238 billion out of projected costs in Medicare and Medicaid spending by the year 2000.

Critics call those estimates wildly unrealistic, or charge they can be achieved only by sharply curbing benefits for senior citizens and the poor. Authors of the Clinton plan defend their projections, but also say they are flexible.

The administration even appears to have set up some tradeoffs by which the Medicare and Medicaid clampdown can be eased. For instance, the Clinton plan calls for using the $124 billion in savings from projected Medicare costs to help pay for long-term care and Medicare drug benefits. If Congress wants to ease the pressure on Medicare, it could choose simply to shrink those plans for long-term care and drug coverage.

A 'Basis for Agreement'

The overall Clinton approach is sure to be hit from both the right and the left. On the left, liberal Democrats will complain that a far simpler and fairer way to ensure coverage for all Americans is to establish a so-called single-payer program in which the government pays all health bills, regardless of how the system is financed. On the right, conservatives will attack the requirement that all employers buy health coverage for their employees and the establishment of new quasi-governmental health "alliances" to provide health coverage.

But in the center, Republicans and Democrats aren't as far apart as the early rhetoric will suggest. A group of moderate Republican senators, for instance, plans to unveil its alternative health plan Wednesday, and it actually will be similar to the president's approach in many respects. Like the administration's plan, it will include aspects of a managed-competition approach, in which the government tries to steer the health system in ways that will generate more cost-producing competition among providers and health plans.

Significantly, this Republican alternative won't have the mandate that employers pay much of the cost of insurance or the government-set lids on the cost of insurance premiums found in the Clinton plan. But the Republican approach will call for a mandate on individuals, who would be required to find some health coverage much as auto owners now are required to buy auto insurance, and offer tax credits to help the poor get coverage. And like the administration's plan, it will call for a standard benefits package for all and health alliances to pool individual and small-business insurance buying power.

Those kinds of similarities are what President Clinton hopes to expand in the coming debate. "The basis for agreement is there," maintains Paul Ellwood, co-founder of the Jackson Hole Group, the organization of health analysts that created the managed competition theory. "I really think that the various plans are close enough together that it's going to be possible to negotiate the differences."

New Health Proposals Are Expected to Alter Visits to a Physician

Continued From Page B1

the disabled, as an alternative to nursing homes.

For people under 65 with chronic illnesses, the new bill is a mixed bag. It provides significant outpatient benefits for mental health and substance abuse treatment, but only 60 days a year of inpatient treatment. It will cover costs of people participating in government-approved investigational trials of new medicines but may draw the line at more speculative treatments.

As people try to sort their way through the new system, at least they should have lots of data to help them. The Clinton plan calls for states and health alliances to gather information on quality of care by different plans and to make that data freely available. That information could let consumers pick the health plans that, for example, had the highest vaccination rates, the best survival rates after heart surgery or the fewest complications associated with maternal deliveries.

The working-group draft of the Clinton plan leaves unclear exactly how information will be disseminated. But David Weltman, a Boston lawyer who focuses on health issues, speculates that by the end of the decade, the names of the best- and worst-performing doctors will become a regular feature of local television stations' evening news.

Visits to Doctor's Office Will Be Different

By George Anders
Staff Reporter of The Wall Street Journal

What's a family to do? You have quit your job at Ennui Industries and are starting over as a self-employed consultant, hoping that you still can find full health coverage. You think you are healthy, but you want a checkup. Your spouse has a weird rash and wants to see the best dermatologist in town. Your parents can't care for themselves anymore, your kids need vaccinations, and your half-brother Bob just had a relapse of his chronic illness.

Many of these everyday medical situations are likely to play out differently if President Clinton's proposed American Health Security Act is voted into law. Parts of the family profile above are whimsical, but the objective is serious: to show how the administration's new health plan – or any other system of coverage – would affect people's day-to-day care.

In most cases, based on a draft of the plan, the new system would let more people enjoy broader medical coverage. There is likely to be a price, though: People will have to surrender some freedom to pick their doctors and hospitals if they want low-cost coverage. People who opt instead for maximum freedom of choice almost certainly will pay extra.

The most sweeping change under the Clinton plan, as it is currently drafted, would be to provide uninterrupted coverage for people even if they switch jobs, move or lose a job. That new "portability" of health insurance will have considerable political appeal, observes Princeton University health economist Uwe Reinhardt.

To make uninterrupted coverage a reality, every American would get a new "national health security card." Holders would show these cards to newly formed regional health alliances, which would amount to buying cooperatives that would offer members a choice of actual health-insurance plans.

People who move to new states would use these health cards to affiliate with a new alliance and health plan; people who switch jobs within the same region would probably keep the same alliance and health plan.

'Fee-for-Service' Option

Cardholders would need to choose a health plan before they could start seeing doctors. One set of choices would involve prepaid, managed-care plans with their own networks of doctors and hospitals, much like current health-maintenance organizations. There also would be a "fee-for-service" option, which would allow members to use any doctor or hospital, and then be reimbursed for services on a case-by-case basis.

White House aides have contended for months that the health-alliance system won't tilt in favor of either managed-care or fee-for-service plans.

But outside experts expect the managed-care option to be considerably cheaper for members, and thus to gain favor. In the past few years, California has offered its state employees a similar choice between cut-price managed-care plans and a fee-for-service plan that runs about $130 a month extra. Some 60% of the state employees have opted for the managed-care plans, compared with about a 40% enrollment rate for HMOs in the rest of the state, and about 20% nationwide.

Picking a Physician

People who enter a managed-care network for the first time, in response to any incentives imbedded in the Clinton plan, are likely to find several big changes in their medical treatment. First, members will be directed to pick a regular, primary-care physician, who will be their first point of contact whenever care is needed.

These doctors emphasize preventive care. In fact, the Clinton plan calls for cholesterol checks every five years for adults, a host of vaccinations for infants, Pap smears every three years for women, and mammograms every two years for women over 50. All those services, and associated checkups every two to three years, would be fully paid for by the health plans.

At the same time, though, it is likely that primary-care doctors will try to prevent excessive use of specialists. Someone with a rash, for instance, couldn't start visiting dermatologists on his or her own in most managed-care plans. Instead, he or she would need to see the primary-care doctor first, who would decide whether the condition was easily treatable or required a specialist's attention.

"This is going to require a degree of discipline that people aren't used to," says Michael Dukakis, the former governor of Massachusetts, who recently has been studying health-care issues. "Millions of Americans make their own diagnoses and then go from doctor to doctor. They're spoiled."

Greater Role for Nurses

In some cases, people may find that a visit to the doctor actually becomes a visit to the nurse. The Clinton plan calls for doubling the number of nurses graduating each year in two high-skill areas and suggests that nurses may play a greater role in providing primary care to patients.

For the elderly and chronically ill, the Clinton plan also would mean significant changes. In an effort to hold down costs of the Medicare program for people over age 65, the new health bill opens the door for bringing more Medicare members into managed-care groups. It also envisions a greater role for home-based care of

Please Turn to Page B2, Column 4

Points of Change for Patients

- Everyone will be issued a national health card; this will entitle you to medical coverage offered through your local health alliance.
- You will be encouraged to pick a regular, primary-care doctor, who will be your first point of contact whenever care is needed.
- If you are in a managed-care program, high-priced specialists will be largely off limits unless your primary-care physician refers you to one. Shuttling from specialist to specialist will be discouraged.
- Preventive care will become more common. Healthy people will get cholesterol screenings, Pap tests, smoke-ending classes and the like—generally with your health plan picking up the tab.
- Data on doctors' past treatment records will become public. Finding out which physicians do especially well—or badly—may be as simple as checking your local newspaper or TV station.
- Highly trained nurses may take over some of the primary-care duties now performed by doctors.

THE CLINTON HEALTH PLAN

Major Employers Fear New Restraints

Companies Fret Over Controls, Increased Costs

By RON WINSLOW
Staff Reporter of THE WALL STREET JOURNAL

After working more than five years to control health costs, big employers that have led health reform face new government rules that could tie their hands.

Business coalitions that in many communities have pioneered the collective-purchasing strategy at the heart of President Clinton's health-reform plan will likely be forced out of business if certain features of the proposal become law.

Even big companies like **General Electric Co.**, which because of its size has been able to negotiate to keep its health costs down, would find its bargaining position diminished by the plan's huge, government-administered purchasing alliances, says Robert Galvin, manager of health-care service at GE in Fairfield, Conn.

These are just a couple of the possible consequences for employers that emerge from Mr. Clinton's 239-page blueprint for overhauling the health-care system.

Revamping ERISA

The sweeping proposal affirms and expands America's longstanding reliance on employers to finance the purchase of health care for their workers. And by providing for generous coverage for all Americans, it addresses the plight of millions without health insurance.

But the plan proposes to revamp the Employee Retirement and Income Security Act, or ERISA, which has long exempted large multistate employers from adhering to state health-care laws – a development that could subject major companies to a confounding array of new state regulations.

In particular, states for the first time are expected to be able to levy, in effect, a health-care tax on large corporations that choose to purchase care on their own; the tax would be a way for the states to help finance coverage for the poor and uninsured.

"What we see in the plan is that most of the incentives seem to be budget controls rather than incentives to control quality," says Mary Jane England, president of the Washington Business Group on Health, a health-policy group representing about 200 major U.S. companies. While she lauds the plan's features for revamping the health-delivery system, she says, "We don't believe the only way to control costs is to set budgets."

And companies fret that they will bear the brunt of paying for reform, amid widespread skepticism that the plan can be financed, as proposed, through savings from federal medical programs for the elderly and the poor and through sin taxes on tobacco and alcohol.

'Enormous Threat'

"We may be on the right road, but if the system doesn't control itself, where are we going to get the money?" asks Kathryn Abernethy, practice leader for health care at benefits consultant Towers Perrin in Washington. "Business is the first place they go. It's an enormous threat."

As proposed, the plan requires employers to provide coverage for at least 80% of a standard package of benefits for their full-time employees, and a pro-rated share of the package for part-timers who work less than 30 hours a week. For companies with less than 5,000 employees, the premiums will be paid to state or regional purchasing alliances that will negotiate contracts with local health plans. Employees would choose their health plans through the quasi-public alliances rather than through options offered by their companies as is generally the current practice.

Companies with more than 5,000 workers will be allowed to opt out of the alliances and operate as their own "corporate alliance" as long as they follow rules established for the government-sanctioned purchasing groups. The 5,000-employee threshold has already provoked enormous debate, and many observers believe the ultimate number in any plan approved by Congress will be perhaps 1,000 or even lower.

How the plan affects individual companies depends largely on the makeup of their work force and their current health-benefits policies. "For some companies this will be a devastating financial loss and result in dramatic changes in employment and compensation policies," Ms. Abernethy said.

Potentially Huge New Costs

Big retailers such as **Sears, Roebuck & Co.** and service companies such as **Marriott Corp.**, both of which hire large numbers of part-time workers who have little or no

Please Turn to Page B2, Column 5

Continued From Page B1

coverage, will face potentially huge new costs. Small businesses that currently don't provide any coverage will be required to contribute, although at subsidized rates in many cases.

But the Big Three auto makers, as well as other industrial concerns that complain that the cost of providing health care to their huge retiree populations undermines their competitiveness, could get a windfall. The plan anticipates the government will bear much of the cost premiums for early retirees.

Thus, in the short term, at least, the plan appears to rearrange rather than rectify differences in the impact of health costs on the financial health of companies and industries.

For large employers who choose to purchase care on their own, the plan appears to offer an ingredient that many business leaders consider important – the ability to negotiate premiums based on the experience of their employees. Presumably, that would enable companies with healthier workers to negotiate savings that wouldn't be available through government-administered alliances, where premiums would be the same for every consumer served by the alliance.

But with those huge alliances dominating the market, GE's Dr. Galvin, among others, worries that individual companies' clout will diminish and health plans won't have much reason to offer them a better rate.

In addition, the likelihood that the ERISA exemption will be weakened may help discourage big companies from going it alone. The plan offers flexibility to states in determining how the regional purchasing alliances will operate, raising the possibility that corporations with employees in several states would have to follow different rules in different locations. "If you're a multistate employer, it's going to look like a bewildering patchwork quilt of requirements," says Towers-Perrin's Ms. Abernethy.

Of course, some companies, both large and small, are likely to welcome the chance to unload the headache of managing health benefits onto the state-sanctioned alliances. But many large employers who have the option to stay out probably will, at least initially, Ms. Abernethy says. For one thing, once companies choose to use the new alliances, it is almost impossible to get out. For another, these companies are convinced they can do a better job than a quasigovernment organization managing programs they believe are critical to maintaining a productive work force.

At **DuPont Co.**, which launched an overhaul of its benefits plan a year ago to move most of its 66,000 employees and 75,000 retirees into managed-care networks, the prospect of increased state authority over health care poses the daunting possibility of having to deal with 50 different health plans. But for now, "we want to run our own plan the way we have been," says Bruce W. Karrh, vice president, integrated health care.

At **Xerox Corp.**, which is considered to operate one of the nation's most innovative health-benefits plans, Helen Darling, manager of health-care strategy and programs, says: "We're assuming we'll still be allowed to pick and choose as long as we meet minimum standards, which we do anyway."

But she also worries that a new regulatory apparatus will emerge to oversee the operations of corporate purchasers. "We may have to create a paperwork system to document that we're doing what we're doing," she says.

Meantime, business coalitions in such communities as Memphis, Tenn., and Minneapolis, that have made headway both in saving money and helping to develop a more cost-effective health delivery system won't be able to act as purchasing alliances, under the plan.

In Memphis, for instance, the 50-member Memphis Business Group on Health, in a contract with Baptists Hospital, has held average annual health-cost increases to about 6% over the last five years, compared with a national average of about 15%.

At a meeting in Seattle in July, Sean Sullivan, executive director of the National Business Coalition on Health, an umbrella group for business coalitions, urged the administration not to institute a policy that would dismantle coalition efforts. "Please don't break what we're fixing," he said, "while you fix what's still broken."

Goodyear Joint Venture in India

AKRON, Ohio – **Goodyear Tire & Rubber Co.** said it formed a joint venture with an Indian company, Ceat Ltd., to make tires in India. The venture, in which the two will be equal partners, is subject to approval by the Indian goverment.

Ceat, based in Bombay, has annual tire sales of $250 million and produces tires at three plants. Goodyear, which has operated a tire plant near New Delhi for 30 years, reported revenue in India of $88 million last year.

Small Business Sees Burdens Getting Lighter

By Udayan Gupta
And Jeanne Saddler
Staff Reporters of The Wall Street Journal

For many small businesses saddled with escalating health-care costs, President Clinton's health-care package comes as an unexpected windfall.

Business owners express predictable skepticism about how the proposals would be financed and worry about the bureaucratic controls that would encumber them with yet more red tape.

But many business owners say the provisions of the plan might actually offer them significant relief from the costs they are paying now. And many concede that an overhaul is overdue.

"We're already paying top dollar for our health coverage," says Roger Longman, managing partner of **Windhover Information** Inc., a South Norwalk, Conn., health-care information publisher. With 15 employees, Windhover lacks the resources to command generous terms with insurers. Buying through a regional-health alliance of the sort outlined in the proposal "has to reduce our costs," Mr. Longman says.

Likewise, Jay Edward Jones, president of **Technical Land Consultants** Corp., an engineering and survey firm in Youngstown, Ohio, also with 15 employees, crunches the numbers in Mr. Clinton's plan and says: "I'll take it."

Mr. Jones voices distrust for many existing government social-welfare programs. "You don't get anything for free," he says. But he compares the $429 he pays each month for an employee's family coverage with as little as $420 a *year* under the Clinton package. Contributions of companies with 50 or fewer employees would be capped from a low of just 3.5% of payroll if wages average less than $12,000 a year.

New York entrepreneur Gregory Baxter points out that under current conditions, surges in health-care costs can come out of the blue, playing havoc with profits and planning. He should know: The cost of health-care coverage at his **Stirling Windsor Capital** Corp., a New York investment boutique, rose 70% on Aug. 1 because of a new state law that mandates expanded employee coverage, he says.

Indeed, even as big businesses have been making strides toward controlling health-care costs through collective-pur-

Please Turn to Page B2, Column 5

Small Businesses See Burdens Lightening On Costs of Coverage

Continued From Page B1

chasing agreements and other initiatives, most small businesses have been handicapped by their size.

Now, their size gives them an edge, rather a disadvantage, over the giants. In the draft version of the Clinton plan, the smallest of them will get subsidies to help pay for the true cost of coverage. Moreover, they will be handed a mandated mechanism for banding together in large groups with more negotiating clout than ever.

Lower Average Premium

Anne-Marie Corner, head of **Biosyn** Inc., a Philadelphia biomedical research and development firm, also likes the look of the Clinton plan. It projects an average premium for a standard benefits package of $1,800 a year for individuals — compared with the $2,400 her company now pays for "the most basic policy" that she can find.

"Anything that would guarantee buying into a pool at reasonable rates would be beneficial," Ms. Corner says.

Of course, not every business owner is happy with Mr. Clinton's initiative. Keith Klingenberg, president of **TLC Group Inc.**, a transportation and warehousing company in Zeeland, Mich., insists his company "can manage health care better than any sort of mandated government program."

The federal plan, he notes, foresees an average premium of $4,200 a year for families. "My costs are now just a little over $2,000 for family coverage," he says. "And my plan is more inclusive." TLC Group wouldn't benefit from a small-business ceiling on premiums because his workers number more than 300 and most of them—including truck drivers—earn more than $40,000 a year.

Mr. Klingenberg estimates that the Clinton proposals, if enacted as they now stand, would double his company's health-insurance costs to $1 million, slashing profit margin. "This isn't expense control. It's just another shift of government responsibility onto the backs of small business," he says.

Moreover, a huge number of small businesses would be adversely affected because they don't currently offer any health-care benefits at all. Mandated coverage would add an expense that they can ill afford, and some small-business advocates claim many of them would have to shut down.

The National Federation of Independent Business, which has long opposed any requirement to force employers to provide coverage, estimates that only about 25% of companies with five or fewer employees now provide health insurance.

In spite of the promise of breaks for the smallest employers, John Motley, the NFIB's chief lobbyist, wonders how long-lasting they would be. "If there are [small business] subsidies, how long will they be in place?" he asks. "If there's a cap on a small company's health-care premium, is it a one-year or a three-year cap?

"The plan is shaping up to be so heavy, so expensive and so radical, it'll have a very difficult time passing Congress," he adds. "I predict they'll have to fall back on a less radical plan."

Being Small Pays

Contributions for employers with 50 or fewer employees are capped at a lower level, based on the average wage of the firm.

AVGERAGE WAGE PER FULL-TIME EQUIVALENT WORKER	CAP ON EMPLOYER CONTRIBUTIONS AS PERCENTAGE OF TOTAL PAYROLL
Less than $12,000	3.5%
$12,000 to $15,000	3.8
$15,000 to $18,000	4.4
$18,000 to $21,000	5.5
$21,000 to $24,000	6.5
Greater than $24,000	7.9

NOTE: Employers with more than 50 employees pay no more than 7.9% of payroll.
Source: Draft of administration health plan

The biggest beneficiaries could well be small, fast-growing businesses that now have to pay dearly for health-care coverage as they compete for high-level talent.

'Competitive Tool'

A comprehensive health-care package is "a competitive tool," says William Munier, chief executive officer of **QSM Inc.**, a Boston start-up that markets clinical cost-and-performance measurement systems. In attempting to provide such coverage, QSM and others find themselves placed in high-risk groups, paying premiums much higher than big companies do. Moreover, a single accident or catastrophic illness sometimes can trigger a sharp premium increase, or even lead to a denial of full coverage.

Under the proposed plan, QSM, which has about 15 employees, should come out ahead, says Mr. Munier. Even though the exact details of how the government will manage this program and what it might pay are still unclear, the proposed plan certainly "levels the playing field between large and small companies," he says. Furthermore, the plan's mandate to all employers that they provide at least 80% of total the cost of coverage "brings a consistency and equity to workers at small companies," the entrepreneur adds.

Small-business advocates say they are crossing their fingers and hoping that Congress can come up with a reasonable plan. But they have their doubts.

"I wouldn't reject this [Clinton plan] out of hand," says Donald Jonovic, president of Family Business Management Services, a Cleveland consulting firm. But he adds: "Even where the government is helping, you know where the paperwork is going to fall. We also know that once these things get started, the hidden costs start to skyrocket."

Robert Wieler, a Dallas business consultant who does work for the National Association for the Self-Employed, says Mr. Clinton is on the right track by organizing businesses into regional groups.

But he, too, opposes mandatory employer participation, worrying that the extra cost will destroy marginal businesses and cost jobs. He predicts it will take the country at least five years to adjust to a major health-care overhaul. The question is, he says: "Can a small business make it through that transition period?"

No Immunity: Changes to Hit Every Size Firm

By GREG STEINMETZ
Staff Reporter of THE WALL STREET JOURNAL

If you think that because you work for a big company you escape the impact of the Clinton plan, guess again.

The draft version of the plan explicitly says companies with more than 5,000 workers don't have to join the new regional alliances that would be created to buy health insurance. Instead, each company could form its own corporate alliance, provided they meet almost all federal standards, including the mandated government benefits package.

But big companies can voluntarily join the alliances, and the plan provides plenty of reasons to volunteer, such as possibly imposing higher costs for going it alone. About 35% of the work force works for companies with more than 5,000 employees.

For workers, the move into a health alliance could mean either joining a fee-for-service plan or a a health-care network such as a health maintenance organization. And although the out-of-pocket costs for employees could stay the same, the workers, rather than their employers, would become responsible for picking a health insurer. They would then get to choose from an array of health plans offered by the alliance.

Most big companies cover their employees through some form of self-insurance. Although Aetna Life & Casualty Co., Metropolitan Life Insurance Co. or some other health-insurance company administers the insurance program, the company absorbs the risks and pays the bills. Large companies have found self-insurance cheaper than buying an insurance plan.

But while the Clinton proposal allows business as usual, it abolishes many of the motives to self-insure, such as the avoidance of state-mandated health benefits. And companies that continue to self-insure would suddenly find themselves operating under a whole new set of rules. Their insurance plan, for instance, would have to meet tough solvency rules.

The Clinton plan gives a host of incentives for employers to join the alliances, including subsidies to employers, such as auto makers, whose health-care costs exceed a certain percentage of their payroll

Please Turn to Page B3, Column 5

No One Is Immune; Firms of Every Size To Be Hit by Change

Continued From Page B1

expenses. "That's going to create a very substantial redistribution of the cost burden," said Paul Cooper, vice president for health policy at Prudential Insurance Co. of America. Joining an alliance would also allow big employers to escape a possible surcharge on payrolls assessed on companies that go it alone.

Even a large employer that is dead set against joining a health alliance could end up in a state-run system. The Clinton plan gives states the option of having their health alliances act as the sole payers of health care. "Vermont has talked about it and New York would certainly be a possibility," Mr. Cooper said.

EC Will Urge U.S. 'Flexibility' On Farm Aid

France's Fierce Opposition To Subsidy Cuts Spurs Meeting in Washington

By CHARLES GOLDSMITH
Staff Reporter of THE WALL STREET JOURNAL

ALDEN BIESEN, Belgium — The European Community, faced with fierce French opposition to an EC-U.S. accord on farm subsidies, sent its top officials to Washington to urge the U.S. to show "flexibility" in interpreting the crucial agreement.

Ending a two-day meeting at a remote castle surrounded by apple orchards, EC foreign ministers sought to draw a distinction between "renegotiating" the Blair House accord — which the U.S. has dismissed as unacceptable—and finding some refining language that meets France's unrelenting opposition to the subsidy-slashing deal reached in November.

"We don't believe it should be renegotiated, but what can be done to clarify it is another question," said British Foreign Secretary Douglas Hurd. "France has a first-class political problem, and there's a tradition in the community that when a member state has a first-class political problem, others listen and try to help."

EC Commission President Jacques Delors and Belgian Foreign Minister Willy Claes, whose country holds the rotating EC presidency, were to meet today with U.S. Secretary of State Warren Christopher. The two had been invited to Washington for the signing of the Israel-Palestine Liberation Organization peace agreement. "I am going to ask for some flexibility from the Americans," said Mr. Claes.

Separately, a scheduled meeting in Washington is expected to take place between Sir Leon Brittan, the EC's foreign trade commissioner, and U.S. Trade Representative Mickey Kantor.

Global Pact at Risk

France's threat to veto the Blair House accord, which could derail six-year-old efforts to reach a world trade deal, has dominated EC politics for the past three weeks. While there was no substantive change of position at the foreign ministers' "informal" weekend retreat in eastern Belgium, the meeting's tone indicated grudging acceptance that the French veto threat is real—and that Washington should be clearly told that a global accord under the General Agreement on Tariffs and Trade is imperiled unless *something* is done to make the package more acceptable to the French.

"The veto threat is very serious, and I did not hear any minister take the question lightly," said Mr. Delors.

"We are seeking ways in which to be helpful to a member state that has a real problem, while at the same time living up to an international agreement," added the Danish foreign minister, Niels Helveg Petersen.

No one predicts that will be easy. The foreign ministers went out of their way to play down expectations that any new breakthrough will emerge this week in time for a much-ballyhooed "jumbo" meeting of EC foreign and farm ministers on Sept. 20 in Brussels. The foreign ministers meet Oct. 4-5 in Luxembourg.

Several ministers, including Mr. Claes, also said it could be pointless to have a special EC summit if the community was still squabbling over GATT. The summit is tentatively set for Oct. 29, assuming Germany overcomes a court challenge and becomes the last EC nation to ratify the Maastricht treaty. But a GATT brouhaha would only underscore the community's divisions at a summit designed to showcase its new Maastricht-era unity.

France Decries Blair House

Echoing the French government's battle cry of recent weeks, Foreign Minister Alain Juppe said, "We are firmly decided not to accept Blair House as it is."

The accord calls for a 21% reduction in the volume of subsidized farm exports over six years. Several possible "clarifications" are being discussed within EC circles: Push the bulk of the cuts from the start of the period toward the end, known as "backloading" in GATT jargon; allow an "aggregate" subsidy cut rather than singling out products; and exclude some EC stockpiles. Mr. Delors also suggested that strengthened EC trade defenses such as antidumping duties — as urged by France earlier this month—might be an important part of any GATT-related package.

Another option discussed by the foreign ministers — who met just 12.4 miles from the now-famous Dutch town of Maastricht, where the European unity treaty was signed—calls for some type of French "opt out," along the lines of Denmark's exemption from the Maastricht treaty's key elements. But several officials, including the Danish minister, said there are key differences between the two situations in that Maastricht involves EC "institutional" issues, while Blair House and GATT concern international agreements.

'Witnessing history'

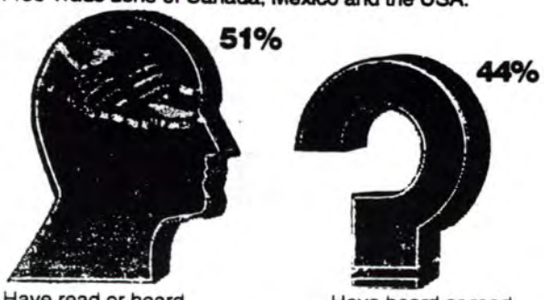
World to watch PLO, Israel sign agreement today

USA SNAPSHOTS®

A look at statistics that shape the nation

NAFTA, a mystery to many A1

What Americans say they know about the North American Free Trade zone of Canada, Mexico and the USA:



Have read or heard something about it

Have heard or read nothing about it

Source: June 24 CBS/*New York Times* poll

By Chris Fruitrich and Suzy Parker, USA TODAY

By Lee Michael Katz
USA TODAY A1

Israel and the PLO today set aside decades of hostility by signing an accord that may lead to peace in the Mideast.

Today's White House ceremony, a once unimaginable event, will be witnessed by PLO Chairman Yasser Arafat and Israeli Prime Minister Yitzhak Rabin.

"We hope to achieve very soon real peace," said Arafat.

Rabin said he looks "forward with great hope, but we are not ignorant or blind to the difficulties."

The networks and CNN will broadcast live at 11 a.m. ET.

The agreement being signed today provides for Palestinian autonomy in the West Bank and Gaza Strip — captured by then-general Rabin in the 1967 Arab-Israeli War.

The prospect of peace has not quelled the violence in the occupied territories: Four Israelis and three Palestinians were killed there Sunday.

And there are still issues dividing Israel and the Palestine Liberation Organization.

Arafat has called the agreements the "first step" on the "road leading to an independent Palestinian state with Jerusalem as its capital."

But Rabin, on NBC, said "I can assure Chairman Arafat that the Palestinian flag will not be over Jerusalem."

Still, optimism abounds.

"I feel like I am witnessing history," said Palestinian spokeswoman Hanan Ashrawi.

The pact will be signed by Israeli Foreign Minister Shimon Peres and PLO official Mahmoud Abbas, who took part in the secret negotiations.

Arafat, under White House orders, won't carry his trademark .38 caliber revolver.

And a Rabin-Arafat handshake is still uncertain.

President Clinton presides; presidents Carter and Bush are expected, as are 3,000 guests.

Health plan debate off to brisk start

By Judi Hasson and Judy Keen
USA TODAY A1

The White House went on the offensive Sunday to sell its health-care reforms.

Aide Ira Magaziner set the stage, warning opponents will try to undermine the plan.

President Clinton will unveil his proposal Sept. 22, but bootleg copies last weekend got the debate off to a premature start.

"There's going to be a lot of scare tactics used by people . . . essentially trying to almost blackmail us," Magaziner said.

Foes will argue, "If you don't keep paying for all this waste and all this fat then everything's going to be terrible, and there will be long lines and your grandmother won't be treated," he said.

"Here's the bottom line: The government is going to set the standards, guarantee high-quality affordable care, and then get out of the way."

Most people — 56% — expect the plan to boost costs; 35% expect services to get worse, a *Time*/CNN poll found.

Only 19% said care would improve. Margin of error for the poll of 1,108 adults: 3%.

Others said it won't work:

▶ Bill Gradison, president of the Health Insurance Association of America: "There's no way we're going to have low-cost health insurance in a world of high-cost medicine."

▶ AMA's Nancy Dickey sees "a bureaucrat telling me which health care is good or bad."

▶ Pam Bailey of Health Care Leadership Council, an insurer, drugmaker and hospital group, says "It adds up to a government-run health system."

1/13

^bc-health-hillary - a2213
^(ndy) (ATTN: National editors) (Includes optional trims)
^Hillary Clinton Clearly in Charge of Health Care Reform (Washn)
^By Susan Page= ^(c) 1993, Newsday=

WASHINGTON Democratic congressional leaders streamed out of the closed-door meeting headed one way; Hillary Rodham Clinton swept out headed the other, with Health and Human Services Secretary Donna Shalala half-jogging to keep pace and a retinue of White House aides trailing behind.

There was a determined smile on her face, but Clinton just had been given a political bruising by Democratic committee chairmen over the administration's plan to help finance its health-care package by squeezing billions from Medicaid and Medicare. A few hours later, she met privately with Republican congressional leaders who warned that the proposed health-care overhaul went too far and cost too much. The next morning, on Friday, she was at George Washington University pitching the administration's approach to a skeptical group of state legislators and college students.

Since the inauguration in January, the first lady has been immersed in behind-the-scenes deliberations to devise the president's blueprint for the nation's $900 billion-a-year health care system, arguably the most ambitious revision of government social policy in American history.

Now, with formal release of the package just days away President Clinton will unveil it Sept. 22 using the most dramatic forum at his disposal, an address to a Joint Session of Congress Hillary Clinton now becomes the lead congressional negotiator making last-minute adjustments, the head cheerleader generating public support and the chief political strategist for a plan that she has shaped.

``I think it bears her stamp, and even more the president's stamp, which is what she would say,'' Shalala, a long time FOH (Friend of Hillary), said in a telephone interview last week. ``She's put her own imprint on it in the sense that there's a lot of prevention, lots of focus on children. The dental care for kids that's very much Mrs. Clinton.''

White House officials describe Mrs. Clinton as the administration's driving force on the issue, with a command of details, an intense focus, a shrewd political sense and the clout of the presidency behind her.

^(Begin optional trim)

That is not standard first lady stuff.

No other presidential spouse has ever filled such a critical policy role not Nancy Reagan, though she had influence on top appointments and scheduling; not Rosalynn Carter, who caused public consternation by sitting in on Cabinet meetings but acted largely as an advocate for mental-health programs; not even Eleanor Roosevelt.

``President (Franklin D.) Roosevelt would send Eleanor out to be a spousal trial balloon (on an issue), but she never got to sit in the Oval Office and decide which congressmen were going to be called,'' said Lewis Gould, a University of Texas historian who is editing an encyclopedia on American first ladies to be published in 1995. ``She would bug the president and say, `You ought to do more on civil rights, Franklin,' but she was not a player in the sense that when the doors were closed, she was saying, `Let's change Clause 2 in the legislation.' ''

Instead, Hillary Clinton's responsibility is equivalent to FDR appointing Mrs. Roosevelt to chair the Joint Chiefs of Staff during World War II. The president has put Mrs. Clinton in charge of one of the chief issues on which his presidency will be judged. Whether that ultimately is seen as brilliant or foolhardy will depend largely on what happens next.

^(End optional trim)

``The proof is in the pudding here,'' said Dr. Irwin Redlener, chief of community pediatrics at the Montifiore Medical Center in New York and a key adviser to Clinton's health-care task force. ``If in the next six to twelve months we have passed health reform legislation, then everything will be looking pretty rosy. If there's some disaster,'' he went on, ``there will be a lot of Monday-morning quarterbacking.''

The first lady's aides deny she brought an ideological agenda to the task, but her attitudes clearly have been fundamental to the administration's approach: a belief in an expansive role for government; a suspicion of insurance companies and pharmaceutical manufacturers, and a commitment to universal coverage.

When some children's advocacy groups including the Children's Defense Fund that she once chaired suggested it might be more realistic to seek incremental change, at first proposing universal coverage for children but not adults, she rejected the idea. She wanted a ``bigger vision,'' she told them.

But when Tipper Gore, wife of Vice President Al Gore and a member of the Health Care Task Force herself, argued at length for ``parity'' in coverage of mental illness with physical ailments, Clinton eventually overruled her. Too expensive, she judged.

And senior administration officials say she has strained her relationship with Shalala though Shalala denied that by deciding over the Cabinet secretary's objections to propose $238 billion in Medicare and Medicaid savings. The alternative of higher taxes was even less palatable, Mrs. Clinton decided.

``I think she is the ultimate realist,'' a White House aide who has worked closely with her said. ``People have this vision of a crazed left-wing ideologue, but that's completely wrong. She is hard-headed, pragmatic and as realistic as anybody I've ever met.''

With her intelligence, her lawyerly ability to speak in full paragraphs and her obvious access to the president, she can be intimidating. ``If you're going to come up with foolish ideas, I would not want to have them presented to the first lady because she'll see through them very quickly,'' said Ron Pollock, director of Families USA, an advocacy group.

She also is famously suspicious of the media, insisting at first that even the names of Health Care Task Force members not be released a decision White House officials now call a public-relations disaster and a mistake.

And some administration officials with competing views and priorities grumble that she and top health-care staffer Ira Magaziner have at times used her closeness to the president to promote their policy views. Treasury officials have complained that their concerns about the health care plan's impact on the economy have yet to get a full hearing. They also say Mrs. Clinton's focus on health care has prompted White House neglect of work needed on behalf of another difficult legislative battle this fall, ratification of the North American Free Trade Agreement.

``They're giving us short shrift,'' complained Rep. Jim Kolbe, R-Ariz., leader of a bipartisan coalition backing NAFTA. ``Health care is not going to be acted on this year. This should be ^the issue in the fall.'' But White House communications director Mark Gearan demurred, ``There's always competition for the president's time.''

At the George Washington University speech, Mrs. Clinton likened the effort on health care ahead to the tortuous Middle East peace process that led to last week's stunning breakthrough. ``Who would have even dreamed that

The Cost of Health Care Reform

IN TRYING to sell its reinventing government and health care plans, the administration needs to be careful not to destroy a major asset. The asset is its credibility in making budget estimates. When the president named the leading members of his economic team last year—Lloyd Bentsen as Treasury secretary, Leon Panetta and Alice Rivlin as budget officers—he sent a message. The message was that in his administration the basic budget estimates would be honest. The deficit would no longer be a political toy. They would treat neither the estimating process nor the programs that depend upon it with contempt, as had his two predecessors. His nominees were his handshake on that.

That seriousness of purpose helped the president in the budget debate. There were lots of battles over the numbers the administration used in describing its program. What was the proper baseline or starting point to use in calculating how much new deficit reduction the president was proposing? Was it a $450 billion plan or a $500 billion plan over five years, and how did the savings divide between tax increases and spending cuts? How should a hybrid proposal like the one to reduce the net cost of Social Security by subjecting a larger share of benefits to the income tax be classified, as tax increase or benefit reduction? There were disputes as well about the likely effects on economic growth of some of the administration's proposals. But at some basic level even opponents agreed that the president's plan was real in that it would achieve about the amount of deficit reduction the administration said it would. To beat it, the opponents had to come up with one that was equally real, and they couldn't. That above all was why he won.

The claims that are being made for the reinventing government plan, or some of them, are much less solid. The overselling has already weakened the plan, not strengthened it. The debate has shifted in part from the ideas in the plan, which are generally good, to the savings estimates, which are exaggerated. Even administration allies say the plan is overblown. Among their fears: That Republican and other critics will take the president up on the estimates and try to hold the administration to savings that the plan can't support.

The reinventing government issue is less important than the one with regard to health care. The health care plan involves the possible restructuring not of a list of government programs but of a seventh of the economy. The administration has lately seemed to be saying in its zeal that it will be possible to achieve great gains in health care reform at minimal cost. At the federal level, the background briefers suggest, reform will not require a major tax increase and, indeed, will help to produce a major spending cut. The cut in existing health care costs will be so large that it will help not only to finance universal health care coverage but also to reduce the deficit—and all without a reduction in existing health care *benefits*.

Will it really be that easy? To get to universal coverage the administration would for the first time require employers to help pay the cost of a basic insurance package for all employees. The requirement won't show up in the federal accounts as a payroll tax but standing alone would have the same effects; it would depress both employment and wages. To ease these effects on smaller businesses and lower-paid workers particularly, the administration would provide subsidies. It would subsidize coverage for the rest of the uninsured as well—those not covered by current government programs who are not in the workforce. To finance the subsidies, the administration would basically try to suppress all health care costs by imposing, not price controls, but payment controls. It would limit annual increases in both private health insurance premiums and public payments through Medicare and the system for the non-elderly needy with which it would replace Medicaid. The bet is that a reorganized health care industry would be able to provide the same quality of care it does today to more people for less money. A further and in some ways bigger bet is that Medicare and Medicaid are as squeezable as the private health care system. Not everyone thinks they are. If they aren't, the president's financing plan falls flat; the government would not be able to cut them enough to recover its costs.

We don't know enough at this point to say either yes or no. What we do know is that, on this one, the president needs to make sure. To underfinance this plan—to err on the sunny side in making the long-term estimates in order to win some short-term support—would be a huge and tragic mistake. The president can't afford to give the green-eyeshade people a veto over health care reform. But this is one on which he can't afford to succumb to temptation, either.

MONDAY, SEPTEMBER 13, 1993 THE WASHINGTON POST

Haiti's Policemen

AS HAITI'S EXILED President Jean-Bertrand Aristide prepares to return home, the level of political violence and repression there is rising. The complicity of the police has been demonstrated by two spectacular crimes in the past week—both clearly intended to intimidate Mr. Aristide's supporters. The first was at Port-au-Prince's city hall, where the mayor, Evans Paul, is an ally of Mr. Aristide. The mayor, like Mr. Aristide, was legally elected but kicked out in the soldiers' mutiny two years ago. Although he was reinstated a few days ago by the legal government that has now taken office, that government still does not have control of the country.

Mr. Paul was able to reenter city hall briefly, perhaps because he was accompanied by foreign diplomats. But as he left, the people who have been running it in his absence—and who are no friends of his—set upon his supporters. They killed at least one and injured others while the police, as usual, stood idly by.

Several days later a squad of armed men with walkie-talkie radios—obviously plainclothes police—invaded a church service, hauled out a prominent Aristide supporter and shot him dead in the street. That service, incidentally, was a commemoration of the incident five years ago when similar gunmen burst into another church service and killed 11 people in an attempt to assassinate Mr. Aristide, who fortunately escaped.

Under the agreement negotiated between President Aristide and the commander of the army two months ago, Haiti now has a legitimate prime minister and cabinet. Mr. Aristide himself is to return home at the end of next month. But the soldiers correctly see Mr. Aristide as a threat to their traditional prerogatives, which include preying on civilians and beating or killing those who get in their way. The police are currently part of the army.

The United States and the United Nations, as godparents to this agreement, have already sent in monitors to report abuses. Next they will send experienced policemen from other countries to retrain and reorganize Haiti's force. For the first time in the country's history it is to be separated from the military and put under civilian control. But it won't be easy to ensure that the new police force is not filled with the same thugs who have dominated it in the past. One human rights organization, Americas Watch, has usefully suggested at least publishing the names of candidates for the new force to permit public challenge before they go into the retraining program and get badges. The army is also to be retrained, as well as reduced in size and moved out of the cities. The more immediate concern is the police.

Haiti is one of many places around the world where the U.N. is engaged in establishing order and respect for law to countries in which effective government has collapsed. Haiti is one of the simpler cases. Unlike El Salvador, there's been no civil war. The level of weaponry is much lower than in Somalia, let alone Bosnia. But it's also closer to the United States than the other places gripped by civil violence. As Americans have already seen, they cannot insulate themselves from Haiti's troubles.

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The Warning Shots in Miami

The story was shocking and the specific circumstances unusual. But did the slaying of another German tourist in Miami last week really warrant the universal attention it received? Americans are murdered every day in Florida, yet few of these crimes make the front page and prime time. Is the critical difference, then, the class and race of the victim?

It is a hard question, and a good question. The other murder victims in Miami — black, white and Hispanic — fail to get such attention because their fate is, sad to say, commonplace in this increasingly violent society. Killing a tourist is not. The murder of a tourist — and the shocked reaction in his homeland — thus forces us to stare at the larger, bloody landscape: an America that has reverted to a frontier society where "hunters" — to use Florida police terminology — roam the highways to rob and gun down tourists.

•

Henry Cisneros, the Secretary of Housing and Urban Development, uses even stronger language. He speaks of a "Clockwork Orange" society, after the Stanley Kubrick film that depicts a Britain terrorized by marauding youngsters. In Detroit recently, a mother using a bank teller machine was killed by a 9-year-old boy. "And the 9-year-old," Mr. Cisneros adds, "doesn't show any comprehension, even as to what has happened."

Gang wars and random shootings attest to a society in profound disarray. Worse, we take its coarsened standards almost for granted. An obvious cause is the desperation of a jobless underclass, and Mr. Cisneros is right to say that "we either address these problems, or we will increasingly be engulfed by them."

Yet in the case of the slain German tourist, shock has an additional explanation. Every murder is a tragedy, but the killing of a visitor, who comes with expectations of safety, carries a special stigma. Hence the attention when a Japanese youth was killed in Louisiana last Halloween because he did not understand the word "freeze." Hence the anguish in New York three years ago when a visitor from Utah was killed in a midtown subway station as his parents looked on.

In Florida eight foreign tourists, five of them Germans, have been killed by highway "hunters" since last October — this despite special measures instituted by police. At risk in these crimes are not just lives and a tourist industry. They grievously injure America's reputation and affront universal codes of decency to visitors.

The Florida killings are like a shot in a crowded theater, in which nobody is safe. Police measures alone are not enough. The guns need to be swept from America's streets. And Mr. Cisneros correctly talks of housing, jobs and capital to head off lives of crime.

If the warning shots in Miami and other cities are ignored, the virus will spread, spawning 9-year-old killers and mocking America's welcome to strangers.

RU-486: When?

RU-486, the French-manufactured "abortion pill" which should be available here in about two years, has been used safely by thousands of Europeans. Furthermore, the fact that it can be administered in a physician's office and not in a clinic vulnerable to blockades and bullets permits the procedure to be what it should be: a very private decision between a woman and her doctor.

It is also a pill that may have far wider application — provided its manufacturer, Roussel-Uclaf, is willing to brave America's anti-abortion activists. A recent study by a National Academy of Sciences panel found great potential in antiprogestins, a class of drug used in RU-486. "There appear to be a lot more uses for these drugs than simply as abortive agents," the panel's chairman, Dr. Leslie Z. Benet, said last week.

Such as: a treatment for endometriosis, a runaway growth of the tissue lining the uterus, which affects 10 to 12 million American women; for breast cancer, which is diagnosed in 175,000 every year, and for fibroid tumors, the most frequent reason for surgery in premenopausal women. *If*, that is, the potential uses of RU-486 are researched as aggressively as they deserve.

For years Roussel-Uclaf and its German parent company, Hoechst AG, refused to test RU-486 in the United States for fear of American boycott of their other pharmaceuticals. That the most prominent supporters of anti-abortion activists were two successive Presidents only strengthened the companies' timidity. But with a pro-choice President in the White House, Roussel finally agreed on a contract with a research group that will attempt to win Federal approval for RU-486 as an abortifacient and find an American manufacturer and distributor. But so far, it will do no more.

That means RU-486's potential for treating certain medical disorders will remain unexplored as long as its manufacturers remain reluctant to make the pill available to American researchers for clinical testing. Once again the reason is fear of backlash — the kind reflected in a comment from Richard D. Glasow, education director of the National Right to Life Committee, who said the new study "merely recycles exaggerated claims for the nonabortion uses of RU-486."

He also called the research on RU-486 "fragmentary and inconclusive." It is, and will remain so unless Roussel overcomes its fears; unless an American pharmaceutical company then steps forward to conduct trials, and unless Americans realize that, when it comes to RU-486, the anti-abortion activists' "pro-life" agenda is cruelly anti-women.

The Cost of Health Care Reform

IN TRYING to sell its reinventing government and health care plans, the administration needs to be careful not to destroy a major asset. The asset is its credibility in making budget estimates. When the president named the leading members of his economic team last year—Lloyd Bentsen as Treasury secretary, Leon Panetta and Alice Rivlin as budget officers—he sent a message. The message was that in his administration the basic budget estimates would be honest. The deficit would no longer be a political toy. They would treat neither the estimating process nor the programs that depend upon it with contempt, as had his two predecessors. His nominees were his handshake on that.

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Will it really be that easy? To get to universal coverage the administration would for the first time require employers to help pay the cost of a basic insurance package for all employees. The requirement won't show up in the federal accounts as a payroll tax but standing alone would have the same effects; it would depress both employment and wages. To ease these effects on smaller businesses and lower-paid workers particularly, the administration would provide subsidies. It would subsidize coverage for the rest of the uninsured as well—those not covered by current government programs who are not in the workforce. To finance the subsidies, the administration would basically try to suppress all health care costs by imposing, not price controls, but payment controls. It would limit annual increases in both private health insurance premiums and public payments through Medicare and the system for the non-elderly needy with which it would replace Medicaid. The bet is that a reorganized health care industry would be able to provide the same quality of care it does today to more people for less money. A further and in some ways bigger bet is that Medicare and Medicaid are as squeezable as the private health care system. Not everyone thinks they are. If they aren't, the president's financing plan falls flat; the government would not be able to cut them enough to recover its costs.

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Names & Faces

Ms. Money Bags Winfrey

■ Talk show diva **Oprah Winfrey** has dethroned comedian **Bill Cosby** on the Forbes list of highest-paid entertainers.

Winfrey's 1992 earnings of $46 million and her estimated '93 take of $52 million catapulted her to the top and makes her the first woman to lead the list, which is ranked by two-year grosses and appears in the magazine's Sept. 27 issue.

Steven Spielberg's success with "Jurassic Park" helped him secure second place with earnings of $72 million over two years, followed by Cosby, the rock band **Guns N'Roses**, musician **Prince**, "Peanuts" illustrator **Charles Schulz**, actor **Kevin Costner**, the band **U2**, country musician **Garth Brooks** and magician **David Copperfield**.

Falling from grace were **Madonna** (from No. 8 to No. 15) and **Michael Jackson**, who fell six spots to land at No. 12.

Skins Sighting

■ Sighted at yesterday's Redskins-Cardinals game at RFK Stadium: First Daughter **Chelsea Clinton**. There she was, with one of her friends in tow, in Section 320, Row 5, but with no immediately recognizable Secret Service agents. But you *know* they had to be there. The two girls wolfed down french fries while watching Washington's 17-10 loss.

Chelsea: What a game!

The **President** and **Mrs. Clinton**, however, had a ball of their own when they made a brief surprise appearance yesterday at a wedding being held on the upper terraces of a Potomac River restaurant, where they were having brunch.



Oprah Winfrey: The richest of them all.

As she arrived the president asked the bride, Karen Paterson of Alexandria, if she would care to pose with him for a picture; after the ceremony, he posed for more photos as onlookers applauded.

Is She or Isn't She?

■ Rumors continue to circulate that **Princess Anne**, sole daughter of England's **Queen Elizabeth**, is expecting her third child early next year.

The People tabloid newspaper ran a five-page "world exclusive" report yesterday that said the 43-year-old princess is three months pregnant.

Anne married **Cmdr. Tim Laurence** in December; she has two children (Peter, 15, and Zara, 12) from her previous marriage to Capt. Mark Phillips.

"We are not prepared to discuss possible pregnancies," a Buckingham Palace spokesman said.

Michael Hits Moscow

■ The Asian itinerary of his "Dangerous" world tour completed, **Michael Jackson** arrived at Moscow's Sheremetyevo airport yesterday to face the reality of international celebrity preferences..

Gone were the 30,000 fans and the throngs of Japanese who followed the singer around in taxis. In Moscow, the welcome wagon amounted to about 250.

"Siberia loves you, Michael," read one hand-written banner.

Economic hardships and fears that the performer would postpone or cancel his show (as he did at earlier venues) have hindered ticket sales for Jackson's Wednesday concert at the 75,000-seat stadium in Luzhniki.

End Notes

■ At the Venice Film Festival on Saturday, American director **Robert Altman's** "Short Cuts" shared the Golden Lion prize for best film with "Trois Couleurs: Bleu" by Poland's **Krzysztof Kieslowski**. **Steven Spielberg** took home the lifetime achievement award . . . The **International Chili Society's** 23-city "Chili Across America" tour starts at the Capitol today in an effort to have the mushy brown stuff named "America's Official Food." And in honor of the signing of the Middle East peace accords, symbolic matzo balls and shish kebab will be added to a large pot of chili on the Capitol's front steps.

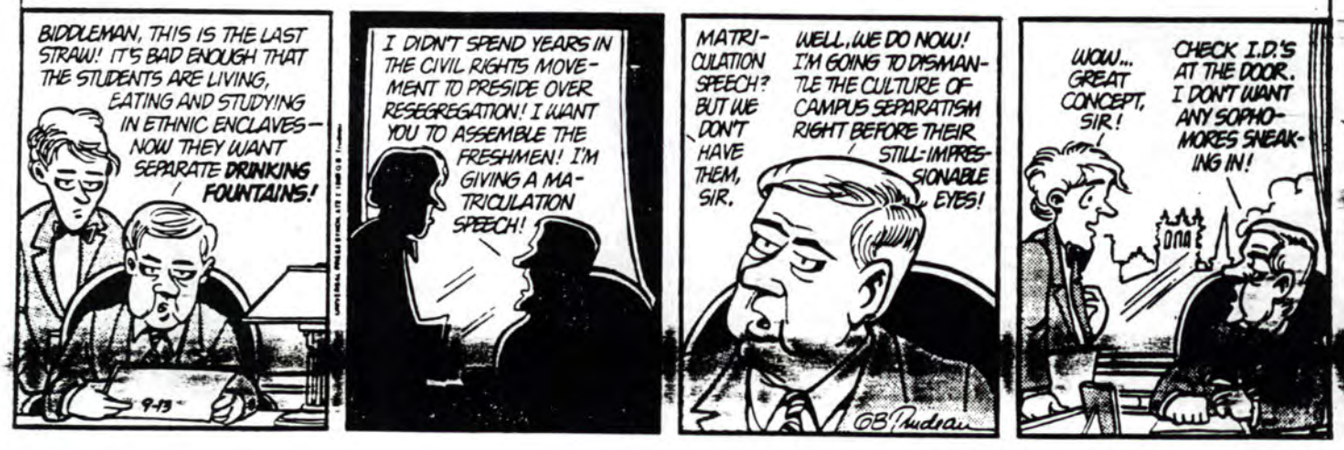


Spielberg: Venice accolades.

—Compiled from staff and wire reports by Meredith Fisher

DOONESBURY

By G.B. Trudeau



House Passes Clinton Budget Plan by 2 Votes

By Eric Pianin
and David S. Hilzenrath
Washington Post Staff Writers

The House last night voted 218 to 216 to approve President Clinton's budget package, setting the stage for a final showdown today in the Senate on the heart of Clinton's economic agenda.

In a Rose Garden statement, Clinton thanked the House for "breaking gridlock tonight and entering a new era of growth and control over our destiny." He said the action was an important "first step," adding, "The margin was close but the mandate is clear."

The president and his aides had lobbied frantically for the House victory, but more work remains for them today when the Senate votes on the plan. Sen. Bob Kerrey (D-Neb.), who voted for an earlier version of the plan when it passed the Senate by one vote, was undecided yesterday about whether to continue to support the president, despite intense pleading from the White House.

Republicans hammered away at the program throughout the day, portraying it as a recipe for economic disaster. But Democrats, fearful that the success of Clinton's administration may be riding on the outcome, rallied in the final hours to deliver the razor-thin victory.

The outcome of the vote was in doubt until the final seconds, when Rep. Marjorie Margolies-Mezvinsky (D-Pa.), who has consistently opposed Clinton's budget proposals, and Rep. Pat Williams (D-Mont.) cast the votes that put the Democrats over the top.

Republicans were united in their opposition and 41 Democrats joined them in voting against the bill, including one committee chairman, Rep. G.V. "Sonny" Montgomery (D-Miss.), who heads the Veterans Affairs Committee. When the House first approved the plan May 27, the vote was 219 to 213 with 38 Democrats deserting the president.

House Speaker Thomas S. Foley (D-Wash.) and Majority Leader Richard A. Gephardt (D-Mo.) took the floor in the closing minutes of the debate to signal that members were facing possibly the most im-

See BUDGET, A12, Col. 1

portant vote for Democrats for years to come.

"We must go beyond our individual interests, our individual concerns, our own pride and sense of infallibility . . . and go for a common purpose and a common result," Foley told his cheering troops.

Summoning Democrats to face up to a massive deficit that he laid at the feet of two former Republican presidents, Gephardt described the economic crisis as "a dagger pointed at our economic heart."

"This plan, while not perfect, is good," he said.

To win the contest, Clinton had wooed moderate and conservative Democrats with a promise to seek additional spending cuts after Congress completes work on his budget package.

The agreement was announced by Foley and Office of Management and Budget Director Leon E. Panetta several hours before the vote.

"We're close, but not quite there," Panetta said before the vote. "It's high anxiety."

Rep. Timothy J. Penny (Minn.), a conservative Democratic leader who helped engineer the agreement, said that without it the president's package probably would have faced rejection in the House.

As part of the deal, the administration promised to introduce legislation this fall that would have the effect of lowering the 1994 federal spending ceiling by $5 billion to $10 billion and implementing the recommendations from Vice President Gore's National Performance Review to streamline government. The legislation also would give lawmakers the opportunity to propose additional cuts in discretionary and mandatory spending, beyond the $255 billion in spending reductions proposed in the budget package.

Also, Clinton and the Democratic leadership promised members votes on a proposed balanced-budget amendment to the Constitution and on legislation designed to discourage the growth of entitlement programs.

The entitlement restriction, first proposed by Rep. Charles W. Stenholm (D-Tex.), was dropped from the budget package because of parliamentary obstacles in the Senate. Clinton signed an executive order on Wednesday to achieve the same goal, but congressional Democrats want to make it a law.

Administration officials were optimistic that the last-minute deal would help seal a victory for the president in the House, but they were far less sure it would be enough to keep Kerrey from jumping ship and opposing the bill.

Kerrey, a maverick Democrat and Clinton rival during the 1992 campaign, has derided the president's plan as a tepid stew that does little to address the nation's economic and deficit woes. As the House and Senate prepared for final action late yesterday and today, the former Nebraska governor has surfaced as the wild card in the congressional deliberations.

Forty-nine of 56 Senate Democrats are firmly backing the budget package, including Sen. Dennis DeConcini (D-Ariz.), who announced his support Wednesday.

If it could gain Kerrey's support, the White House would have 50 votes, which, when coupled with a tie-breaking vote by Gore, would assure the administration a one-vote margin of victory.

Kerrey remained out of public view throughout the day amid growing frustration at the White House over his vacillation. Administration officials said it was not clear what it would take to satisify the Nebraska senator. "It's unlike DeConcini, who knew what he wanted," one official said.

Beth Gonzalez, Kerrey's press secretary, said the senator "doesn't want to do anything he regrets," but added that he does not see a threat to Clinton's presidency if the reconciliation bill fails in the Senate today. "I don't think he sees that at all," she said.

Panetta told reporters early yesterday that Kerrey has concerns about health care and about the reorganization of government, ideas he put forward during the presidential campaign. But mainly, he said, "he is interested in creating some kind of focal point" for applying further spending restraints.

At the White House, Clinton spent most of the day in the Oval Office, working the phones along with his congressional liaison, Howard Paster, and senior adviser George Stephanopoulos. One senior official estimated the president made more than 40

See BUDGET, A13, Col. 1

1/2

House Democrats Voting 'No' on Budget Plan

Following are the Democrats who voted against the budget plan last night; those who also voted against it May 27 are noted with an asterisk:

Alabama—Browder*
Arizona—Coppersmith*
Arkansas—Thornton
California—Condit*, Dooley, Lehman*
Florida—Hutto
Georgia—Deal*, Rowland*
Illinois—Lipinski*
Indiana—Long*, Roemer*
Kentucky—Baesler*
Louisiana—Hayes*, Tauzin
Minnesota—Minge*, Peterson
Mississippi—Montgomery, Parker*, Taylor*
Missouri—Danner*
New Hampshire—Swett*
New Jersey—Andrews*, Klein*, Pallone*
Ohio—Mann*, Traficant*
Oklahoma—Brewster, English*, McCurdy
Tennessee—Clement*, Lloyd
Texas—Chapman*, Edwards*, Geren*, Hall*, Laughlin*, Stenholm
Utah—Orton*
Virginia—Pickett*
Washington—Inslee

Democrats who voted against the measure May 27 but who supported it last night were:

Skelton (Mo.), Maloney (N.Y.), Holden (Pa.), Margolies-Mezvinsky (Pa.), McHale (Pa.), Johnson (S.D.), Sarpalius (Tex.), Wilson (Tex.).

FINAL

Clinton Woos Last-Minute Votes With Pledge of More Cuts Later

BUDGET, From A12

calls, mostly to House members but also to a few senators, including Kerrey.

The frantic endgame, with Cabinet secretaries and even First Lady Hillary Rodham Clinton making phone calls to lawmakers, was reminiscent of the last House vote on the budget package, in which the administration was still scrambling to nail down the necessary votes as the roll call commenced. "It feels to me exactly like last time," one senior official said.

Despite expressions of confidence by administration officials that they had the required number in the House, "the ones we thought were leaning yes have been harder than we thought" to sign on, the official said.

"We're going to sweat more bullets and get it done but at the last possible minute, they won't let this thing go down."

In the end, the key to victory was making several key converts while holding down last-minute defections.

Rep. Bill Sarpalius (D-Tex.), who voted against the bill the first time, switched and supported it last night after talking twice with Clinton and repeatedly with Energy Secretary Hazel R. O'Leary. Sarpalius is worried that a nuclear weapons complex in his district might be closed and raised his concerns with the president.

Others, like freshmen Reps. Ron Klink (D-Pa.) and Eric D. Fingerhut (D-Ohio), both of whom had reluctantly voted for the plan in May, flirted with voting against the bill late yesterday afternoon before being on the receiving end of a White House full-court press.

The package, the product of months of intense haggling and compromise, would raise taxes on wealthy Americans, corporations and motorists, slow the growth of spending for medical programs for the elderly and poor, and provide significant tax credits for the working poor.

Democrats say the legislation would achieve $496 billion in projected deficit savings over five years, through a combination of $255 billion in spending savings and $241 billion in revenue increases.

"No one is suggesting that this plan is a panacea—it is not a cure for all of our economic ills," said Rep. John Lewis (D-Ga.), in defending the plan against a barrage of Republican criticisms. "But, when we pass this plan, it will be a major step down a very long road toward getting our economic house in order."

House Budget Committee Chairman Martin O. Sabo (D-Minn.) told his colleagues that the package "represents the opportunity of a lifetime to turn this country around."

However, Republican critics insist that many of the savings claimed by the administration were achieved through budgetary gimmickry and by claiming savings that were already mandated under the 1990 budget agreement.

The Republicans took turns yesterday bashing the plan, one they claimed would strangle the economy and wipe out many small businesses with a raft of new taxes.

"It is a tax-and-spend bill, pure and simple," said Rep. Jim Bunning (R-Ky.). "It won't reduce the deficit, but it will injure the country and decimate the economy. It's a job-killing bill from the word go."

The Democrats lashed back, charging that the Republicans were more interested in distorting the contents of the package and humiliating Clinton than in seriously working to reduce the federal deficit.

"They claim to care about working families, when they are really out to protect their wealthy friends," said Rep. Eliot L. Engel (D-N.Y.).

Clinton's package is faring poorly in some of the polls, and House Democrats backing the president were feeling the heat.

Rep. Charles Wilson (D-Tex.), who announced Wednesday that he was switching his vote to support the package, said that he has received a rash of negative calls from constituents. "We've had some threats, some really violent calls," he said. "One of them just said I better not show my face back in my home town again."

The bill would raise income taxes for the top 1.2 percent of taxpayers, increase taxation of Social Security benefits for the top 12.8 percent of recipients, raise taxes on corporations with taxable income of more than $10 million, increase the federal gasoline tax by 4.3 cents per gallon, and tighten some tax breaks, such as the deduction for business meals.

The growth in spending on Medicare, Medicaid, veterans programs, agricultural programs, federal retirement benefits and other programs would be restrained.

But wage subsidies for the working poor would be expanded, and funding for food-stamps and child immunizations would be increased. Tax incentives would be created to encourage business investment in nine depressed urban or rural areas to be designated. Small businesses would be able to claim larger tax deductions for equipment purchases, and people who buy newly-issued stock in small and medium-sized businesses would get a 50 percent cut in the capital gains tax if they hold the stock for at least five years.

Government spending would increase from $1.5 trillion in the first year to almost $1.8 trillion in the fifth year. Most of the spending cuts the bill calls for are actually reductions in the spending increases that would otherwise occur automatically.

Staff writers Dan Balz and Ruth Marcus contributed to this report.

FINAL

Clinton Health Plan Moves Toward Bipartisan Accord

Broad-Based Tax Scrapped, Medicare, Medicaid Caps Set in Bid to Woo GOP

By Hilary Stout
Staff Reporter of The Wall Street Journal

WASHINGTON – New details of President Clinton's health plan outlined by administration officials over the weekend show a package taking shape that moves toward compromise with Republicans.

The plan the president hopes to unveil Sept. 22 won't include a controversial broad-based tax increase but will contain strict spending caps on the big medical entitlement programs, Medicare and Medicaid. That's a far more palatable mix to the GOP than some measures considered earlier, including a new payroll tax.

Sharp disagreements remain, however. Many Republican legislators already are vowing to fight the administration's requirement that all employers pay for much of the cost of their employees' health care. And they are likely to oppose Mr. Clinton's proposal for a strict cap on the annual growth in private health-insurance premiums, contending such a measure interferes with market forces. Moreover, by moving toward the middle, the administration is certain to spark opposition from liberal Democrats, many of whom are upset about the call for deep cuts in the growth of Medicare and Medicaid.

But the plan taking shape in the White House is beginning to suggest the outlines of a bipartisan compromise on health care that could emerge from Congress sometime next year. "I think there's going to have to be a lot of posturing, positioning and political dancing to get to the point where moderate Republicans and Democrats can sit down and work with each other," said Thomas Scully, a former Bush administration budget and health official. "But I think that will happen."

In an appearance Sunday on NBC-TV's "Meet the Press," Sen. John Chafee, who leads a GOP health task force in the Senate, said he opposes the mandate requiring employers to contribute to their workers' health premiums but that it wasn't "a deal-breaker."

"We've made great efforts not to draw lines in the sand and say we're absolutely not going to do this, this is nonnegotiable," the Rhode Island Republican said. And he added, "I believe that, not in this calendar year but next year, in 1994, we're going to arrive at a consensus."

The consensus may be easier to reach in the Senate than in the House, where moderates must deal with the extreme wings of both parties. Some 88 House Democrats have signed on to a bill establishing a Canadian-style system where the government pays most health bills, while many House Republicans are steadfastly opposed to any form of employer mandate. "Small employers cannot afford to do that," declared GOP Rep. Dick Armey of Texas on "Meet the Press" Sunday. "How have you served employees and the small mom and pop entrepreneur when you've driven them out of business?"

Administration officials said the president has made tentative decisions on all the major elements of his health-care plan, including setting a federally guaranteed benefits package for all Americans that covers most medically necessary services. Beginning tomorrow, he and Hillary Rodham Clinton would consult extensively with lawmakers from both parties and, aides said, could revise the proposal based on those conversations.

According to senior administration officials, here are the major elements of the Clinton health plan so far:

Benefits Package

All citizens and legal residents of the U.S. would be guaranteed coverage for hospitalization; emergency services (including emergency-room care and ambulance services); physician services; preventive care (including child immunizations, prenatal care, mammograms, cholesterol screening, well-baby care and, eventually, adult physicals); dental care for children (adult dental care by the year 2000); eye care; prescription drugs; rehabilitation services, and some mental-health services.

At the outset, mental-health services would be limited to 60 inpatient days a year (30 days for each episode of illness) and 30 psychotherapy visits a year. In 2000, the limits on inpatient care would ease to 90 days a year and the ceiling on psychotherapy visits would be lifted. (Aside from psychotherapy, there are no initial limits on outpatient mental health services.)

Also by 2000, a separate long-term care program offering nursing home and home- and community-based care would be phased in on a sliding scale fee based on ability to pay.

Administration and outside actuaries estimate that if all of Mr. Clinton's proposals took effect in 1994, the cost of the benefits package would be $1,800 for individuals and $4,200 for families. The price would vary by state and region.

Under a fee-for-service option, where enrollees go to the doctor of their choice and are billed for each service, patients generally would be required to pay 20% of the bill, while insurance would cover 80%. Annual deductibles are $200 for individuals and $400 for families.

The same benefits package would be available through a variety of health maintenance-style plans, which require patients to choose from within a network of doctors and hospitals. HMO plans won't have deductibles and would generally require patients to pay $10 for each visit. The prescription drug benefit would have a $250 deductible and a 20% copayment under the fee-for-service plan, and the HMO option would require a $5 copayment for each prescription and no deductible.

Please Turn to Page A10, Column 1

Continued From Page A3

There will also be a third, hybrid option that incorporates features from both the HMO and fee-for-service plans. Enrollees could select doctors and hospitals from a network and pay the lower copayments of the HMO plan. But they could seek treatment outside the network, by paying the greater out-of-pocket fees under the fee-for-service option.

Financing

The package would be paid mostly by the nation's employers, from the largest Fortune 500 company to the smallest Laundromat. All employers would be required to pay on behalf of each worker at least 80% of the average premium for a health plan in their region. The rest would come from individual contributions and from the government.

Small businesses and firms with low average wages would receive subsidies from the federal government to help pay the premiums. Employers with fewer than 50 workers and average annual wages of less than $24,000 would be required to contribute no more than 3.5% of their payroll. Firms with more than 50 workers but with average annual wages of under 24,000 would have a ceiling of somewhere between 7.5% to 8.5% of payroll on their premium contributions.

The government would pay for the subsidies with funds from three sources: Revenue from increased taxes on cigarettes, and possibly alcohol, expected to be $12 billion to $16 billion a year; an estimated $19 billion in annual savings from Medicare and Medicaid as some people now covered by those programs begin getting insurance from their employers; an eventual $15 billion in tax revenue gained as new medical cost controls allow corporations to channel money they would have spent on health care into wages and profits, which are taxable.

The administration is also counting on substantial savings in Medicare and Medicaid through the spending caps to help fund prescription drug coverage for the elderly, health premiums for low-income people and a new long-term care program.

Cost Controls

Starting in fiscal 1996, which begins Oct. 1, 1995, a budget would take effect limiting the rate of increase in private health insurance premiums and federal spending on Medicare and Medicaid, the public health programs for the elderly, disabled and poor. By 1998 or 1999, officials said, the caps would be lowered to the annual rate of increase in the Consumer Price Index plus the rate of growth in the population, and possibly an additional percentage point. However, administration officials haven't specified how they plan to meet those tight caps.

Tax Cap

Employers would be able to deduct the cost of the standard benefits package, which their employees would receive tax-free. But employer-provided benefits beyond those in the federally guaranteed package won't have a tax advantage.

Unions have vehemently opposed any taxation of health benefits, but this so-called tax cap is so narrow that it is likely to affect very few people. It won't take effect until after 2000, when the benefits package is fully phased in. Moveover, any existing employee benefits plans will retain their tax-exempt status for eight to 10 years. And the tax advantage will be retained if employers choose to provide first-dollar coverage for the standard benefits package, that is, if they pay all the premiums plus the copayments and deductibles.

However, if a company buys its workers a supplemental policy covering services not in the standard benefits package, such as cosmetic surgery, in-vitro fertilization or adult eyeglasses, it won't be able to deduct the cost and its employees would have to pay tax on the value of the benefit.

1/2

58

Another Try: Clinton Plan to Improve Government Has Better Odds Than the Many Previous Efforts

Continued From First Page

and businesspeople by, for instance, speeding up the mails and tax refunds and generally cutting down on paperwork.

—Eliminate certain government offices, such as the President's Intelligence Oversight Board and the Defense Department's Uniformed Services University of the Health Sciences.

The immensity of the streamlining task can hardly be exaggerated. Of the nation's 20 largest organizations ranked by cash flow, nine are federal agencies, including the top three: the departments of Health and Human Services, Defense and Treasury. And, of course, the U.S. government is the nation's biggest single employer, with roughly 4.4 million people, or nearly 4% of the total work force.

But the government is way behind in its management systems, and the Gore team at least took a stab at figuring out how things work in the corporate world. In the weeks leading up to today's launch, for instance, management guru Tom Peters spoke to a rally of Labor Department officials, and Energy Department managers trekked to a Motorola Inc. facility in Schaumburg, Ill., to learn a few things.

Nevertheless, legions of skeptics don't expect the report to bring much change. "I just don't have a whole lot of confidence at this point in what they're doing," says John DiIulio Jr., one of the authors of a Brookings Institution report casting doubt on the effort's chances of success. In a classic deployment of measured think-tank rhetoric, the study finds it preferable to speak of "evolution" rather than "reinvention" when reforming government.

And tough litmus tests will be applied to judge how much reinvention is really happening. For example, longtime reform champions will watch to see whether federal-employee unions are confronted with any serious efforts to force the firing of underperforming workers. One encouraging sign is the unanimous support shown so far by major public-employee unions. Another test will be whether any duchies in Congress are challenged and whether powerful Democratic chairmen are threatened with the loss of pet programs.

Earlier Undertakings

Indeed, attempts to imbue the federal bureaucracy with bottom-line efficiency are hardly new. The forebears to Vice President Gore's panel include two commissions headed by former President Hoover in the late 1940s and early 1950s; a reorganization under President Carter in the late 1970s; and a private-sector panel headed by W.R. Grace Chairman Peter Grace in the early 1980s. Most of these efforts—even when enacted into law—brought little change.

But advocates of the plan to "reinvent" government say that there is more support than in recent memory to press for bold change and that that support is bipartisan. "I think we can work together," says William Roth, a Delaware Republican who provided some input to Mr. Gore's panel and is expected to be a key ally. Unlike the Reagan-era Grace commission, which many Democrats in Congress suspected was aimed more at indiscriminately terminating government programs than improving them, this time "what we're really trying to bring about is better service to the people," Mr. Roth says.

Other Republicans take a wait-and-see attitude about whether to support the plan, but they are clearly leaning toward doing so. "I would say 80% of it sounds very good," says House Minority Whip Newt Gingrich, but "they've got to be willing to look at some Republican ideas."

Some liberal Democrats probably will balk at parts of the plan that they think go too far. Others from across the political spectrum who favor more radical surgery will complain that it doesn't go nearly far enough, declining as it does to ax any major agencies or programs. And its proposed creation of new government bodies, such as a National Partnership Council on labor-management relations, raises the possibility that rather than reduce government bureaucracy, it might add to it.

Clinton's Attitude

But one Democrat unafflicted by doubts is President Clinton. Long an avid reader of corporate-management-reform books, he sees a continuing effort to reorganize the government as essential to his administration's success. "President Clinton believes government should be an active force in people's lives," says Paul Begala, one of his senior advisers. But Vice President Gore said in the interview, "Government as it is currently organized is a very poor instrument to use and all too often fails to perform as it should."

That is why, though today's report will claim that its recommendations will save $108.6 billion over the next five years, some Clinton aides think the president has gotten too carried away portraying the effort as principally a way to make good on his summertime promises to find more budget cuts. These aides think it is more important to convince people that government can become more competent. So today's report will target some of the episodes that sow public doubts: U.S. marshals in Atlanta paying $40 to professional landscaping firms to mow the lawns of houses they seize from drug dealers because teenagers can't make formal bids, and the National Highway Traffic Administration and the Government Printing Office spending $20,000 wrangling over the "look" of driver-safety literature without actually producing any.

Raw politics is part of this calculation, for Mr. Clinton and for his party. "If Clinton is going to expand his political base, he will have to do so with the Perot voter," says Al From, a leader of moderate Democrats. "Reinventing government is an important part of that."

The initiative also is a major political opportunity for Mr. Gore, who, despite much advance publicity, hasn't been a highly visible player in the Clinton White House. That will change today. "It may be the biggest job ever given to a vice president," says Democratic Rep. Jim Cooper of Tennessee.

Varied Impact

The Gore report offers a vast array of proposed changes in government operations. Some of them, such as adopting a two-year budget cycle, cut across all federal agencies; others, such as ending the Government Printing Office's monopoly by allowing private companies to compete with it for government printing contracts, would mainly affect just one.

Some of the recommendations are politically touchy because they would take benefits away from people outside government. The Agriculture Department, for instance, would reduce the number of department outlets (there are an average of four in every county in the U.S.). Similarly, the report recommends eliminating subsidies to honey, wool and mohair producers, payments that have withstood years of ridicule by previous administrations.

In other cases, the loudest criticism will come from inside the executive branch itself. Transportation Department officials still express skepticism about a move to privatize the air-traffic-control system. And White House officials, fearing a backlash from agriculture interests, removed from an earlier draft a proposal that would have limited price-support payments to $50,000 a year per farm family.

To many, the report represents an important departure from past attempts. "It does clearly state that the failure has been the failure to measure performance," says Charles Peters, editor of the Washington Monthly and a longtime critic of government bureaucracy, "as distinguished from looking at whether there's fraud, waste and abuse."

But Mr. Peters faults what he terms the report's "gutlessness" on the issue of federal employee job protections. The report does advocate giving employers more authority to hire and fire, shortens required notice of termination to 15 days from 30 and decentralizes management authority. But these amount to "changes around the edges," according to Sen. John Glenn, an Ohio Democrat who heads the Government Affairs Committee. (Mr. Gore disagrees, saying the changes will be "very extensive.")

Even the administration's management chief acknowledges grounds for skepticism about instant turnarounds in government performance. Phil Lader, a deputy director of the Office of Management and Budget, keeps a painting on his office wall that he says describes his job. It depicts a man hanging by his fingertips as he struggles to scale a sheer cliff. "Nobody is more cynical about overnight changes than I am," Mr. Lader says. But he adds: "It's different this time around."

212

57

Health Care Benefits

All U.S. citizens and legal residents

WHAT YOU GET	WHAT YOU PAY — FEE-FOR-SERVICE (HIGH COST-SHARING)	WHAT YOU PAY — HMO (LOW COST-SHARING)
Annual deductible	$200 for each individual; $400 per family	None
Emergency services	20%	$25 for each visit (waived in genuine emergencies)
Hospitalization (Private room only if medically necessary)	20%	No charge
Preventive services (Includes: mammograms, child immunizations, cholesterol screening, pelvic exams, prenatal care, children's physicals)	No charge	No charge
Prescription drugs	$250 annual deductible, plus 20%	$5 for each prescription
Mental health/substance abuse (Initially includes: up to 60 days inpatient hospital care per year, 30 days per episode of illness; up to 30 visits psychotherapy; no limits on other outpatient services. Beginning in the year 2000, 90-day limit on inpatient care and no limits on psychotherapy)	One-day deductible & 20% for hospital care; 50% for psychotherapy. After year 2000, 20% copay for first 12 psychotherapy visits	No copayment for hospital care. $25 for each visit for psychotherapy
Dental care (Initially preventive care for people under 18; in 2000, adult preventive care, some restoration and orthodontia only to avoid reconstructive surgery)	20%; $2,500 lifetime out-of-pocket on orthodontia	$10
Eye care (Routine eye and ear checkups; eyeglasses for children)	20%	$10 for each exam
Hospice (Hospital alternative for terminally ill)	20%	No charge
Outpatient physican, occupational and speech therapy (Only to restore function or minimize limitations resulting from illness; reassessment after 60 days)	20%	$10 for each visit
Long-term care (Phased in between 1996 and 2000. Includes skilled nursing home stays up to 100 days and home health care, which is reassessed after 60 days)	Sliding scale copayments equalling on average 20% of the cost	

Source: Administration officials

Clinton Health Plan Is Moving Toward Bipartisan Compromise

THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 7, 1993

Health Alliance

Most everyone would buy their coverage through newly created regional networks in each state, which would represent all the individuals and businesses in an area. Health plans that meet federal standards would be able to compete for the business of those enrolled in the alliance. The alliances would collect contributions from employers, employees and subsidies from the federal government. Each individual and family would then be able to choose a health plan listed with the alliance. Large corporations, probably those with more than 5,000 employees, would be able to form their own "corporate alliance," but they would have to adhere to the same federal guidelines and offer the standard benefits package.

Timetable

The plan would be phased in state by state, with an absolute deadline of Dec. 31, 1997, assuming the plan is enacted by the middle of next year. Each state would be required to guarantee universal coverage under the federal guidelines. After a state sets up health alliances, businesses would have to meet the requirement to provide health insurance and the spending caps would begin taking effect. Administration officials believe some states, such as Hawaii, Florida, Minnesota, Vermont and Washington, would probably be able to come into the system in 1995. These states have already been developing plans for universal health coverage.

Shaky Recovery Prompts Search For Stimulus

Clinton Advisers Consider Proposals That Avoid Widening the Deficit

By David Wessel
And Lucinda Harper
Staff Reporters of The Wall Street Journal

WASHINGTON – Faced with an economic recovery more shaky than hoped, several of President Clinton's top advisers are looking for ways to stimulate the economy without widening the deficit.

Officials from the president's Council of Economic Advisers and the Labor Department are engaged in what council member Alan Blinder called "internal brainstorming . . . that may or may not lead anywhere." The suggestions range from accelerating federal spending on certain national programs to targeting discretionary program funds into specific regions such as Southern California and south Florida.

Clinton administration officials hope to assemble a list of proposals in the next month or so, then put forth the best of those to the National Economic Council, which would make recommendations to the president.

The team was put together three months ago to study possible stimulative moves. "We have a recovery under way in the national economy. That's the macroeconomic picture," Labor Secretary Robert Reich said yesterday. "But the question we have been asking is: 'What are the microeconomic things we can do?' "

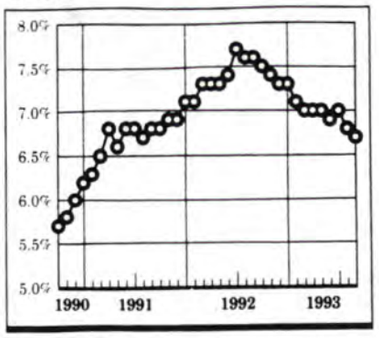
In Homestead, Fla., Mr. Clinton was asked about a report in yesterday's New York Times that his administration was considering steps to boost the economy. The president replied: "Anything I can do to stimulate the economy I will."

The latest evidence that all isn't well with the economy came Friday when the Labor Department said that employers cut 39,000 jobs in August. Although the economy is growing faster than previously estimated, the Commerce Department's latest revised data show that hiring isn't keeping pace.

Health care has become so costly, employers say, that they are shying away from adding permanent workers. Big companies, still trimming down, continue to lay off thousands. Other companies, impassioned about staying competitive, are increasing productivity by investing heavily in equipment rather than new workers. To make matters worse, defense business is drying up, forcing contractors to lay off workers.

Unemployment Rate

In percent



In another suggestion that things might not pick up soon, the Commerce Department said an index designed to predict future economic activity dropped 0.1% in July after rising 0.1% in June and falling 0.4% in May.

Factories, construction companies and government agencies all shed workers in August, the Labor Department said Friday. And the service industries, which have been the primary source of job growth during the recovery, added only 34,000. However, the unemployment rate, which is based on a survey of households, declined to 6.7% from 6.8% in July. Financial markets responded to the disappointing report by pushing interest rates down sharply.

As for the possible stimulus plan, both Mr. Reich and Mr. Blinder emphasized that no proposal is certain. "Any administration considers many ideas that it never embraces and it should be understood that all of this is in the early thinking stages," Mr. Blinder said.

Because of various laws and the nature of government spending, the president's ability to accelerate spending, particularly from one fiscal year to the next, is very limited, as President Bush found last year when he tried moves similar to those Mr. Clinton's aides are pondering.

Mr. Clinton tried unsuccessfully early this year to persuade Congress to cut taxes and increase spending temporarily to stimulate the economy, and the administration has no interest in reopening that question. Indeed, the White House now is emphasizing its plan to offer Congress a new package of spending *cuts* next month and its determination to shrink the federal work force.

The administration is planning to ask Congress to extend a federal program that provides unemployment benefits to workers whose state benefits have run out. Without congressional action, the program will expire early next month. The last time Congress extended the program, it didn't legislate offsetting spending cuts in other programs, but it isn't clear Congress will be willing to do that again – or if the administration will even ask it to do so.

What makes the slow job growth particularly disheartening and enigmatic is that the economy has been gaining momentum. Recent government revisions have shown

Please Turn to Page A10, Column 5

Continued From Page A2

that the recovery has been stronger than first believed. A new analysis by the Council of Economic Advisers, completed after the Commerce Department revised its growth estimates but before Friday's employment report, shows that if the economy were behaving as usual it would have created about 450,000 more jobs than it has.

Even with the new report, the pace of job creation has been stronger in the first half of 1993 than it was in the second half of 1992. So far this year, the economy has produced an average of 149,000 jobs per month. In 1992, it produced 80,000 jobs a month.

Manufacturers are the most resistant to taking on more employees. "We are operating under very tight controls and under the assumption that we are still in a recession," says Sheila Weidman, spokeswoman for **Georgia-Pacific** Corp., the big forest-product company. Some factories are still slashing their work forces. Richard Berner, chief economist for Mellon Bank in Pittsburgh, says that manufacturing employment is down more than 780,000 jobs since the trough of the recession in March 1991. And since the peak in manufacturing employment, which was in 1989, manufacturers have shed more than 1.8 million jobs, or 9% of their work force.

EMPLOYMENT

Here are excerpts from the Labor Department's employment report. The figures are seasonally adjusted.

	Aug. 1993	July 1993
	(millions of persons)	
Civilian labor force	128.4	128.1
Civilian employment	119.7	119.3
Unemployment	8.7	8.8
Payroll employment	112.3	110.3
Unemployment:	(percent of labor force)	
All civilian workers	6.7	6.8
Adult men	6.4	6.5
Adult women	5.7	5.8
Teen-agers	18.2	18.2
White	5.9	6.0
Black	12.5	12.9
Black teen-agers	31.4	35.6
Hispanic	9.7	10.9
Average weekly hours:	(hours of work)	
Total private nonfarm	34.7	34.5
Manufacturing	41.5	41.4
Factory overtime	4.2	4.0

LEADING INDICATORS

Here are the net contributions of the components of the Commerce Department's index of leading indicators. After various adjustments, they produced a 0.1% decline in the index for July and a 0.1% increase for May.

	July 1993	June 1993
Workweek	.15	–.15
Unemployment claims	–.10	.03
Orders for consumer goods	–.12	.04
Slower deliveries	–.01	–.08
Plant and equipment orders	–.03	.14
Building permits	.12	–.02
Durable order backlog	–.01	–.11
Materials prices	.01	–.03
Stock prices	–.01	.03
Money supply	.03	.07
Consumer expectations	–.21	.07

The seasonally adjusted index numbers (1982=100) for July, and the change from June, are:

Index of leading indicators	151.5	–0.1
Index of coincident indicators	126.9	–0.2
Index of lagging indicators	104.4	0.6

The ratio of coincident to lagging indicators was 1.22, down from 1.23 in the previous month.

However, some analysts cited several mitigating factors in the report. For one, average weekly hours for production workers rose 0.2% during August, which suggests increased production. In addition, the number of jobs created in July was revised to 211,000 from 162,000.

Also, while the Labor Department's survey of 300,000 business payrolls showed the economy losing 39,000 jobs, the survey of 60,000 households found a big gain of 409,000 jobs. While the household survey was used to calculate the unemployment rate, the broader business survey is considered more reliable. Alan Levenson, economist with UBS Securities in New York, says the two figures usually track more closely and "it is reasonable to expect a reconvergence at a monthly average job gain of roughly 170,000," which would be more in line with the first half of this year.

All figures have been adjusted for normal seasonal variations.

–Kevin G. Salwen contributed to this article.

Congress is back in busyness

Full agenda brings fear of overload

By Richard Wolf
USA TODAY

President Clinton and Congress, back after a month of vacation and looking for bipartisan cooperation, are likely to face more legislative logjams.

There are plans to increase spending and cut spending. To reform political campaigns and reinvent government. To take a bite out of crime and a whack at welfare. To expand trade to Canada and Mexico and health care to Americans.

Not since 1988, when a Democratic Congress forced a lame-duck Republican president into a series of political compromises, has the in-box been so full of proposals.

"It will be a very, very busy fall," says House Speaker Thomas Foley, D-Wash. "We're going to try to do a lot."

The activist agenda has been thrust upon Congress by President Clinton, fresh from his budget victory and a Martha's Vineyard vacation. In rapid succession, Clinton plans to unveil his Big Three proposals:

▶ Today, a plan to save $108 billion by eliminating jobs and improving government efficiency, quarterbacked by Vice President Gore.

▶ Next week, a free-trade agreement with Mexico and Canada, originally championed by George Bush but opposed by many Democrats.

▶ The following week, a sweeping reform of the health-care system, heralded by first lady Hillary Rodham Clinton.

"Is this an ambitious agenda? Yes," says communications director Mark Gearan. "But the president did not run to keep the seat warm."

Already, Clinton allies are warning of legislative overload, just as they did earlier this year when his deficit-reduction plan was in jeopardy.

"The caution light has not gone unnoticed at the White House," says House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., whose panel has jurisdiction over trade, health and welfare. "We've got to center our focus on one thing at a time."

Rep. Richard Armey, R-Texas, chairman of the House Republican Conference, says Clinton has "a wealth of . . . opportunities that may be more than he can handle."

Democrats also face a task they were able to avoid in passing the five-year, $496 billion deficit-cutting deal with only Democratic votes. To pass the trade pact and make inroads on health-care reform, Clinton must cajole Republicans.

"We're prepared to help, but I think he's going to have to stop all the 'gridlock' talk," says Senate Minority Leader Robert Dole, R-Kan. "The budget fight's over. We've got to move on to the next issue."

House Minority Leader Robert Michel, R-Ill., wrote Foley last week urging bipartisan cooperation on spending cuts, even though the GOP voted en bloc against the deficit package. "Count us in," Michel says.

Clinton apparently plans to do that. Even before the final vote was cast on the budget plan last month, the president was talking about the need for bipartisanship. That's why he appointed former Republican representative Bill Frenzel on Friday to help lobby for the trade agreement.

"Everybody's glad that we've laid that foundation (with the budget vote) and laid it behind us," says senior adviser George Stephanopoulos. Citing an "unprecedented lack of cooperation" from Republicans on the budget, he says, "Part of that was our fault and our responsibility."

To keep several legislative balls in the air simultaneously and work effectively with both parties, Clinton must resurrect the moderate image he cultivated during the campaign.

And Senate Majority Leader George Mitchell, D-Maine, says Republicans will have equal incentive to get off the sidelines.

"The Republicans are as uncomfortable with the partisanship as we were," he says. "I think there's a political risk for them in opposing everything."

Sen. John Danforth, R-Mo., who railed against Clinton's partisan approach to the budget, says most Republicans will be cooperative on the key trade and health-care issues that will dominate the fall.

"One position would be to be purely opportunistic and hope the president makes mistakes," Danforth says. "But I don't think that's a winner as far as the public is concerned, and I don't think it's responsible as far as governing is concerned."

The president will have problems with fellow Democrats on virtually every major issue likely to surface this fall:

▶ Democrats cannot muster half their House members for the trade deal because of arguments it will cost jobs. Chances of passage this fall are less than 50-50; to win, Clinton must share credit with the GOP.

▶ The partisan breakdown over health care is murky, with some Democrats and some Republicans likely to oppose employer mandates, sin taxes and Medicare cuts. A vote is unlikely this year.

▶ While Gore's National Performance Review and efforts to cut more federal spending will be popular among moderates, the efforts could anger liberals and those who say the proposals reduce Congress' power of the purse. More than half the proposals require congressional approval.

The next Big Three could include military cuts, crime control and welfare reform, all of which will have liberal and conservative critics and a core of moderate support.

The lone issue that appears isolated from bipartisanship is campaign finance reform, with both parties favoring policies believed to work in their favor.

While some lawmakers fear that the agenda is too large, others insist there's no need to focus on one issue at a time.

"All the things we've got in front of us have to be done," says Rep. Barbara Kennelly, D-Conn., a top-ranking woman in Congress. "We are well-paid, and we can work hard."

Contributing: Adam Nagourney, William M. Welch

▶ Health proposals, 7A

Checking in on south Florida



By J. Scott Applewhite, AP

STOPPING TO LISTEN: President Clinton visits the senior community center Sunday in Homestead, Fla., fulfilling a campaign promise by touring areas hit by Hurricane Andrew last year. Clinton pledged to continue support, saying, 'We are in this for the long run.'

> "It will be a very, very busy fall. We're going to try to do a lot."
>
> — Thomas Foley, House speaker

MORE WASHINGTON
▶ Reinventing government, 1A, 7A, 11A
▶ Health care, 7A, 10A
World news: 2A, 7A

Senate votes on Elders today

Nominee expected to get OK

By Mimi Hall
USA TODAY

Surgeon-general nominee Joycelyn Elders is expected to receive Senate confirmation today, but not without an all-day debate over her record and her rhetoric.

The Senate plans to set aside eight hours to discuss Elders' positions, including her support for abortion rights, childhood sex education and condom distribution in schools.

The debate also may touch on Elders' role in a dispute over mismanagement of an Arkansas bank, her husband's failure to pay Social Security taxes for a nurse who cares for his elderly mother and charges of salary double-dipping.

Critics also will take aim at her take-no-prisoners style of promoting causes and lashing out at her opponents.

"Reckless" is the word Sen. Don Nickles, R-Okla., uses to describe Elders' style.

Such charges have made Elders uncharacteristically quiet — even apologetic.



By Matt Mendelsohn, USA TODAY

ELDERS: Eight hours of debate scheduled on nominee

As a result, even Nickles, who has led the charge against her, "anticipates confirmation" by the Senate today, says aide Brook Simmons.

Elders comes to today's vote with solid backing from the White House and the support of scores of medical groups, including the politically powerful American Medical Association.

But Nickles is insisting on a debate, "to make sure his colleagues understand where Dr. Elders stands," Simmons says.

The vote will cap months of fighting over the nomination of Elders, 59, a sharecropper's daughter who was appointed by then-Gov. Clinton to be public health director of Arkansas.

Conservative and religious groups have blasted Elders as a radical out of touch with "mainstream America."

Liberals have hailed her as an unapologetic health-care maverick who has tackled tough issues like teen pregnancy and the spread of AIDS.

Former first lady Rosalynn Carter wrote recently she has "come to admire (Elders') strong vision, her strong voice and her unwillingness to bend for political convenience."

But last month, after Baltimore Archbishop William Keeler complained to Clinton about Elders' remarks, she apologized for calling the Catholic Church "a celibate, male-dominated church."

"I never meant to malign or blaspheme the Catholic Church," Elders wrote Keeler. "If my statements caused any offense, I sincerely apologize."

In interviews, Elders says she has been misunderstood.

Of the 24 school health clinics she established in Arkansas, only four provide condoms and students need parental permission to get them, she says.

"I'm not about abortion," she says. "I'm about health care and about having every child . . . a planned, wanted child."

She's tried to quell concerns on other points:

▶ She quit as Arkansas health chief after disclosures she was accepting a federal government salary for consulting work. Although not illegal, some called it unethical.

▶ She defended her decision not to disclose reports of defects in condoms being dispensed at Arkansas school health clinics. Calling attention to a few defects, Elders said, would have undermined public confidence in condoms when their use is crucial.

▶ Her husband, Oliver, paid $15,300 in back taxes for his mother's nurse.

▶ A Senate inquiry into mismanagement at the National Bank of Arkansas while Elders served on its board of directors found no wrongdoing by her.

Today's hearings are going to be "a lot of theater," says Leslie Harris of People for the American Way, a liberal group backing Elders. But "I think she's going to be confirmed by a substantial margin."

▶ Today's debate, 10A

Playing patch-up with health care, government

Benefit-rich likely won't be penalized

By Judi Hasson
USA TODAY

President Clinton's health-reform plan is expected to guarantee that workers won't be taxed on benefits they currently enjoy.

Under plans designed by Clinton's health advisers, employees of companies that provide a rich package of benefits will be allowed to keep them without paying a tax penalty even if they exceed benefits in his health plan.

"We have a provision that protects all people who have comprehensive benefit package today," says White House health adviser Paul Starr.

Employees don't pay taxes on health benefits now.

Under the plan Clinton is expected to outline Sept. 22, workers would be taxed in eight to 10 years on benefits that exceed the basic package of benefits that will be guaranteed to all Americans.

But Starr says the basic benefits plan is expected to be comprehensive by the year 2002, covering virtually all services now offered in plans negotiated by labor unions and provided by other firms.

Says Starr: "This will have very little tax consequence. This is not a way to raise money for the program."

Although benefits such as dental care won't be covered right now, adults will have dental coverage by the year 2000.

Under the plan, employers would register what's in their health plans in 1993, exempting the coverage from taxes.

But even with a comprehensive benefits package that Clinton advisers have begun to outline, opposition is likely.

"When my constituents look at what's going to happen to Joe and Mary Brown and their two children who have Blue Cross and Blue Shield, they'll decide Clinton's plan is not what they want," says conservative Sen. Phil Gramm, R-Texas. "Under Clinton's plan, they will end up paying more and getting less."

Taking aim at some of the comprehensive mental health provisions expected to be offered, Gramm says: "Why should an old-maid school teacher, who doesn't drink, pay for someone else's drug or alcohol treatment?"

Mindful of GOP concerns, Clinton sent a letter Sept. 2 to Senate Minority Leader Robert Dole, R-Kan., and House Republican Leader Robert Michel, R-Ill., inviting them to join in consulting on reform.

Senate Majority Leader George Mitchell, D-Maine, says support won't be unanimous, but "the American people will demand action on health care and hold accountable those who seek to prevent it."

Sen. Edward Kennedy, D-Mass., a health reform advocate, says it will take bipartisan support to get the overhaul passed. "This issue has a velocity which you rarely see."

But former GOP health adviser Deborah Steelman predicts the package is up for grabs. "The executive branch won't pass this bill, Congress will. I do see some kind of health reform in 1994. What it will look like may or may not resemble this package."

Insurers, for one, are raising flags.

The Coalition for Health Insurance Choices, an umbrella group formed to make insurers' concerns heard, launches a $1 million television ad campaign Wednesday opposing aspects of Clinton's plan.

"Having choices we don't like is no choice at all," it says. "If we let the government choose, we lose."

Former GOP congressman Willis Gradison, now president of the Health Insurance Association of America, which represents 270 companies, warns Clinton's plan could force many insurers out of business.

"We're being told: 'Here's the minimum benefit package you must provide. Here's the maximum premium you can charge.' ... It's a weak reed on which to build a national plan."

Counters Chrysler Corp.'s Walter Maher: "Health reform is a good deal for any business which currently offers health benefits. Odds are that you are going to save money."

▶ Congress returns, 4A
▶ Editorial, 10A

Analysts skeptical of 'reinventing'

By Richard Benedetto
USA TODAY

President Clinton has held out the promise his plan to "reinvent government" will save billions of taxpayer dollars.

Analysts are skeptical.

"You can get better service delivery, and some savings. But you won't get huge savings of that magnitude," says Gerald Garvey of Princeton University, co-author of *Improving Government Performance*.

Congress also is leery:

▶ Senate Minority Leader Robert Dole, R-Kan., says he is "willing to take a look," but "I'm not certain what that's all about. Nobody's ever told us."

▶ Rep. John Conyers Jr., D-Mich., whose committee oversees government operations, will study the proposal. "Like a steamship in open water the government can't be expected to turn around on a dime."

Efforts to streamline the federal bureaucracy and cut waste, fraud and abuse are nothing new. The plan put together by Vice President Gore is the 11th attempt this century.

The last, the Grace Commission report issued in the Reagan years, claimed to have found hundreds of ways to save billions of dollars. Now, it's mostly gathering dust.

While many recommendations can be enacted by Clinton's order, others require congressional approval — and lobbying will be fierce.

A huge obstacle is federal employees' unions, who see themselves as easy targets.

The Senior Executives Association, representing 3,000 top federal managers, is already demanding a meeting with Clinton and Gore. "We reluctantly conclude that career executives and managers have a dysfunctional relationship with this administration," says Carol Bonosaro, its president.

▶ Unveiling today, 1A
▶ Gore spells it out, 11A

Presidential temper gets public display

By Judy Keen
USA TODAY

HOMESTEAD, Fla. — President Clinton's temper was on display here Monday, when he was challenged by a man while touring areas devastated last year by Hurricane Andrew.

After a meeting with community leaders, Clinton was shaking hands with people who had waited up to three hours in sweltering heat. A young man who would identify himself only as a "disgruntled American voter" asked the president, "Do you really think the country can tax and spend its way into prosperity?"

The question, a favorite of radio commentator and Clinton nemesis Rush Limbaugh, irritated Clinton.

He in turn asked the man to name one country that had prospered by cutting taxes and increasing spending. "Name one," Clinton demanded at least three times.

The president twice started walking away, then reversed direction to confront his accuser again.

"Not Germany, not Japan," Clinton said angrily. "You name one."

"Name one country that borrowed and spent itself into prosperity and went from a $1 trillion to a $4 trillion debt," Clinton challenged again.

Then Clinton asked, "One fact question. Did the last two presidents or the Democratic Congress recommend the largest amount of spending and the biggest deficit in the last 12 years?"

"Answer: the last two presidents," Clinton said.

As Clinton walked away, the man rebutted: "No, Bill. The Democrats did. The Democrats did."

The plan

White House advisers say the health plan President Clinton is expected to propose later this month is open to negotiation. The latest thinking:

WHO PAYS

▶ Workers, employers share premium costs. Employers pay 80%, employees 20% (or less if a less expensive health plan is selected).

▶ Average yearly cost — split by employer and employee — would be $4,200 for families, $1,800 for individuals. Costs would vary by region.

▶ Jobless adults would be covered by a government fund pooled from savings within system and "sin tax" increases.

▶ Retirees would be covered by Medicare, but states may later fold Medicare into overall care.

▶ No penalty for two-worker families. Each employer would share cost of family policy.

▶ Self-employed would get a 100% tax deduction for cost of buying insurance.

▶ Part-time workers would pay a prorated premium, with difference subsidized by a federal pool.

▶ In 2002, employees would have to pay taxes on benefits exceeding the basic package.

▶ Maximum employer contributions would be capped at 7.5%-8.5% of payroll for big firms and 3.5%-7.5% for low-wage firms whose workers earn $24,000 or less per year.

▶ New taxes being considered on cigarettes and possibly alcoholic beverages.

A LOOK AT THE PLAN

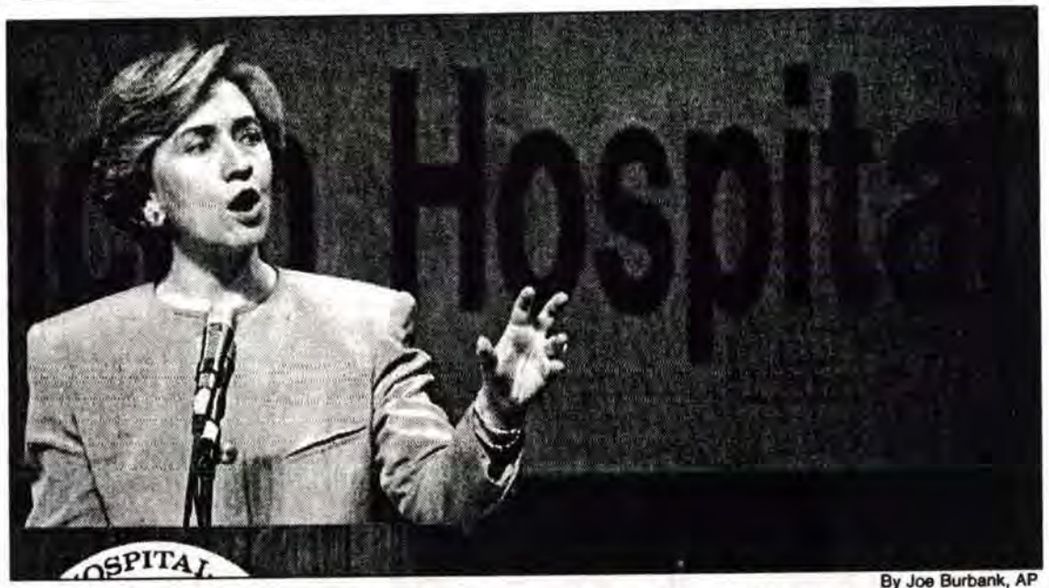
▶ Workers could choose among a variety of health plans, including health maintenance organizations or fee-for-service doctor networks.

▶ Under fee-for-service plans, consumers would have an annual $200 a person, $400 family deductible. After deductible, co-payments would be 20% per service, up to an annual maximum of $1,500 per person or $3,000 per family.

▶ HMO co-payments $10 a visit.

WHAT'S COVERED

▶ Preventive services, including well-baby, prenatal and 70-75 screening procedures, such as mammograms, pap smears and cholesterol. Regular age-appropriate physicals.



By Joe Burbank, AP

HEALTH TALK: Hillary Rodham Clinton talks about health-care reforms to hospital industry leaders in Orlando, Fla. She led the panel responsible for sketching the basics of the plan, to be unveiled Sept. 22.

▶ Prescription drugs: $250 annual deductible, then consumers would pay 20% in a fee-for-service plan; $5 per prescription for HMO members.

▶ Long-term care: home and community care for all ages, administered by the states, paid for by savings in the system, not premiums.

▶ Doctor and hospital services, including abortion, if medically necessary.

▶ Chiropractors, acupuncturists, physical therapists and other non-doctor services, if a health plan decides to include treatment.

▶ Dental services for children.

▶ Eye and ear exams for adults.

▶ Post-hospital care in a skilled nursing home.

▶ Until the year 2000, mental health and drug and alcohol abuse treatment would be limited to 60 days in the hospital; psychotherapy treatment limited to 30 days per year; and no initial limit on outpatient drug and alcohol treatment.

WHAT'S NOT COVERED

▶ Infertility treatments.

▶ Dental services for adults before 2000.

▶ Eyeglasses for adults.

▶ Experimental drugs unless part of clinical trial.

▶ Breast implants, unless medically necessary.

▶ Cosmetic surgery.

WHEN IT STARTS

▶ States could elect to begin the new system in 1995 but would be required to do so before 1998.

▶ Long-term care benefits would be phased in between 1996 and 2000.

▶ Mental health benefits would be offered from the start, with limitations on hospitalization and psychotherapy lifted in the year 2000.

CONTROLLING COSTS

▶ **Limits:** Clinton has ruled out price controls, but a national board would limit the amount health premiums could increase each year to the rate of growth in the economy and population.

▶ **Competition:** White House advisers say more marketplace competition would hold down costs. Health plans would compete for consumers by offering the best services at the lowest prices.

TUESDAY, SEPTEMBER 7, 1993 • USA TODAY

"It's like something has been lifted off my mind. I just always wanted to know what happened to him."

— Sarah Jean Salter, widow of Willie Edwards Jr.



By Jamie Sturterant, The New York Times

36 YEARS LATER: Diane Alexander says before he died her Klansman husband confessed to murdering a black man in 1957.

KKK confession solves slaying, stirs new debate

By Robert Davis
USA TODAY

A Ku Klux Klansman's deathbed murder confession is helping a victim's family heal but stirring controversy over the government's handling of the murder 36 years ago.

The death of Willie Edwards Jr., a 25-year old black man from Montgomery, was like many others from Alabama's violent past: unsolved and all but forgotten except by the victims' families.

Edwards was killed Jan. 23, 1957, when he plunged from the Tyler Goodwin Bridge into the icy waters of the Alabama River in Montgomery.

His death — like most of the hundreds of civil rights slayings in the past 50 years — went unsolved. In the 1970s, three Klansmen were charged, but prosecutors never made a strong enough case for trial.

Last week, Diane Alexander come forward with a shocking secret. Before her husband, Henry Alexander, died of cancer last year, she says he confessed he and three fellow Klansmen killed Edwards.

Just after Thanksgiving 1992, Diane Alexander says her husband came to her Montgomery beauty shop for a talk.

The 63-year-old plumber was dying of lung cancer. But first, he had a story to tell.

On Jan. 23, 1957, he said, three Klansmen gathered at his home in Chisolm, a Montgomery neighborhood. Then they went looking for a black truck driver who, they'd heard, had insulted a white woman.



By Stephen Conley, USA TODAY

While driving the streets, they came across Edwards in his grocery delivery truck.

They abducted Edwards, held him at gunpoint on the bridge and gave him a choice: Jump or run for his life.

He jumped. Fishermen found his body the next spring.

Henry Alexander found peace in sharing his terrible story, but the news haunted Diane, who "couldn't sleep nights" and decided to write Edwards' widow, Sarah Jean Salter, to tell what happened.



By Dan Cappellazzo, The New York Times

REMEMBERING: Sarah Jean Salter with photo of husband Willie Edwards Jr. 'I always wanted to know what happened to him.'

The note eased Salter's pain.

"It's like something has been lifted off my mind," she says. "I just always wanted to know what happened to him."

But the family — and some civil rights leaders — also say the confession raises new questions about why the Klan members have never been prosecuted for Edwards' death.

Alexander had a history of Klan violence, including bombings. He was charged with Edwards' murder, but twice an Alabama state judge refused to hear the case.

Civil rights lawyer Morris Dees contends Alexander wasn't prosecuted because he was a key KKK informer for the FBI. He wants the FBI to open files on Alexander.

"The FBI does not confirm or deny whether an individual is an informant," says John Kundts, an FBI spokesman.

But Edwards' family will press for more answers. And two other Klansmen whom Alexander said were with him could still be charged.

"After we hear from the FBI, and Mr. Dees tells us he has exhausted all possibilities, then we can lay it to rest," says Edwards' daughter, Melinda O'Neil of Columbus, Ohio.

O'Neil and one of her sisters met with Diane Alexander Saturday in Montgomery, a meeting Alexander's widow had sought to close the issue.

But while the chapter is closing for Edwards' family, the pain may just be beginning for Alexander's. His son denies the allegations, and Diane is hiding from threatening people who "didn't want Henry's story out."

The trouble was predicted.

"I told her it's just best to leave it alone," says the Rev. Lenny Bolton, a family friend who baptized Alexander. "I don't mean to paint over the bad things that have happened in the past, but ... it just opens up a can of worms. It's best to just leave this alone."

Diane Alexander is still glad she decided to apologize to Edwards' family, whom she calls "super great people."

And Salter now feels sorry for her husband's killer: "He was an old guy who lived all those years with the burden of it. I'm sure it hurt him a lot."

Nixon, Kissinger kidnap plot denied

By Sandra Sanchez
USA TODAY

A lawyer for a suspect in the World Trade Center bombing Monday denied that his client was part of a reported plot to kidnap former president Richard Nixon and former secretary of State Henry Kissinger.

The New York Times Monday reported bombing suspect Siddig Ibrahim Siddig Ali discussed abducting Nixon, Kissinger and other Americans, during secretly recorded conversations with government informant Emad Salem.

Siddig Ali's lawyer, Ronald Kuby, said his client wanted no part of the hostage-taking scheme — reportedly spearheaded by El Sayyid Nosair to win release of Muslims being held in the Feb. 26 bombing. Kuby accuses the government of trying to entrap Siddig Ali.

"Salem came to him and suggested that they kidnap Mr. Henry Kissinger, and my client said 'Absolutely not.' He rejected the idea," Kuby said. "That was the end of it."

In a May 23 conversation, reportedly after they visited Nosair at Attica state prison, the *Times* says, the pair discussed removing Kissinger's clothes during the abduction to thwart any secret homing devices he might be wearing to lead federal authorities to the captors.

Kuby would not comment on actual recorded transcripts. A federal judge's order forbids discussion of evidence while the trial is pending.

No charges have been filed in connection with the plans purportedly discussed on the tapes. Federal officials could not be reached for comment.

Ali and Nosair are among 15 men charged with conspiring to kidnap officials and bomb several New York landmarks. Nosair also has been indicted on federal racketeering murder charges.

"The government knows we can't reveal transcripts, so they leak it out just prior to the World Trade Center jury being selected in order to further poison the jury pool," Kuby said.

In August, defense lawyers also accused the government of entrapment when 40-plus secretly recorded tapes were found of Salem's meetings with government officials. "It has become almost the terrorist plot of the week," Kuby said.

Reagan-era scandal revisits courtroom today

By Debbie Howlett
USA TODAY

WASHINGTON — Deborah Gore Dean, the most recognizable figure in the HUD fraud and bribery scandal exposed during the Reagan era, goes on trial today.

A key aide to former Housing and Urban Development secretary Samuel Pierce during the Reagan years, Dean is charged with 13 felony counts of lying to Congress, conspiracy and accepting a $4,000 illegal gratuity. She faces 62 years in prison and a $3.25 million fine if convicted.

Dean, 38, lives in Georgetown, where she runs Proud American antiques.

Her father, the late Gordon Dean, was appointed by President Truman as the first head of the Atomic Energy Commission and was a prosecutor at the Nuremburg trials.

Vice President Gore is her first cousin.

Dean's trial is the result of special prosecutor Arlin Adams' 3½-year probe of bribery and fraud at HUD.

When the scandal broke in 1989, Dean testified before Congress that she was not a central figure at HUD in deciding who got federal housing grants, conceding only: "I had Pierce's ear and I used it."

When she was subpoenaed to testify again before Congress, in nationally televised hearings, she invoked the Fifth Amendment.



AP

DEAN: Indicted last year in fraud-bribery scandal

Dean, who was indicted last year by a Washington grand jury, has maintained her innocence all along.

She says Adams is trying to coerce her to testify against Pierce, generally considered Adams' ultimate target.

"They thought I wouldn't fight," she told *The Washingtonian* magazine.

In June, top HUD aide Thomas Demery agreed to cooperate with investigators in exchange for a reduced charge of accepting an illegal loan.

At the time, Adams, who does not give interviews, said in a statement the plea "advances the HUD investigation as a whole. ... This plea shows a pattern of criminal conduct at HUD during the 1980s."

Adams began his investigation in March 1990, after congressional hearings chaired by Rep. Tom Lantos. Since then, he has gained 10 convictions and $2 million in fines.

But in the only trial — all other convictions were based on guilty pleas — another top Pierce aide, Lance Wilson, earlier this year was convicted on only one of 22 felony counts of perjury, bribery and fraud.

Wilson was sentenced to six months in prison.

The defense challenged the credibility of Adams' star witness in the case, former HUD aide DuBois Gilliam.

Gilliam, one of the first convicted in the scandal, was freed from prison two years ago in exchange for his testimony. He acknowledged under cross-examination that he had perjured himself in his first trial and in testimony to Congress and federal investigators.

92

UNFINISHED BUSINESS

PHILIP R. LEE, VETERAN OF LBJ'S YEARS, REENLISTS IN CLINTON'S HEALTH REFORM BATTLE

BY DON COLBURN

Some things *have* changed. The president, of course, and the scale of the deficit and the initials of the cabinet-level health agency (HHS replacing HEW).

Back in 1965, when Philip R. Lee became assistant secretary for health the *first* time, it was mainly an advisory job and he remembers having a staff of "about six" in the old HEW North building on Independence Avenue at the foot of Capitol Hill. Now he works out of a 7th-floor suite in the massive building named for the man who was then vice president, Hubert H. Humphrey. Today, the assistant secretary for health is responsible for the entire Public Health Service, a panoply of federal bureaucracies with a total staff of 50,000 and a budget of $20 billion, including the Surgeon General's office, the Food and Drug Administration, the Centers for Disease Control and Prevention, the Indian Health Service and the National AIDS Program, among others.

Back then, Lee was Young Turk. This time around, he's old hand.

Back then, Medicare and Medicaid, the government's health care plans for the elderly and the poor, were newborns. The term HMO had not yet been coined. Robert Kennedy was a freshman senator. The Washington Senators were a baseball team. The Vietnam War was escalating. Metro wasn't even a hole in the ground.

Some things have *not* changed. The president is a southern Democrat. Health reform is at the top of the legislative agenda.

And Phil Lee is once again in the thick of the effort to reform the American health care system.

"This time, go back and do it right," Eunice Chee, his longtime assistant at the University of California, San Francisco, told Lee kiddingly last spring when he left for the nation's capital.

"It's going to happen," he said last week. "We may have to do it incrementally, but—absolutely—it will happen."

Lee met Bill and Hillary Clinton for the first time—and unexpectedly—last January. He had come to Washington as an unpaid consultant to the Clinton transition team and was meeting with Health and Human Services Secretary-designate Donna E. Shalala. Ten minutes into their discussion, Shalala told him she had been called to the White House for a meeting with Hillary Clinton. Why didn't he come along, she suggested. He protested, mildly.

" 'You ride in the car with me and you'll get into the White House, no problem,' she told me," he recalled. "And I did." Lee wound up in a two-hour meeting with both Hillary and Bill Clinton and some of their top aides.

What impressed him most about that meeting was the "absolute commitment" of both Clintons to health care reform—a political determination that he felt went beyond campaign rhetoric.

When Shalala first offered the job of assistant health secretary to Lee in January, he said no. Both he and his wife, Carroll L. Estes, director of the Institute for Health and Aging at the UCSF School of Nursing, had prior academic commitments, he wasn't interested in a coast-to-coast move and he was sure they could find an equally qualified younger person for the job.

About a month later, after James J. Mongan, dean of the University of Missouri Medical School in Kansas City, turned down the job for medical reasons, Shalala asked Lee again.

"I said, 'Give me 24 hours,' " Lee recalled. "I talked it over with Carroll, and we decided to go for it."

'Pied Piper of California'

In an administration whose campaign watchword was "change" and whose accession signaled the political coming-of-age of the baby boomer generation, Philip Randolph Lee is a throwback and elder statesman.

At 69, he's more than twice the age of White House press secretary Dee Dee Myers or senior presidential adviser George Stephanopoulos. His resumé, already impressive in 1965, now runs 16 pages. He has written or co-written 13 books and more than 100 journal articles on health care. Their titles—from "The Drugging of the Third World" to "Cardiovascular Rehabilitation" to "How Many Physicians Can We Afford?"—suggest the breadth of his expertise and interests over the past 40 years: rheumatoid arthritis, rehabilitation, prescription drug use and prices, international health, medical education, doctors' fees, abortion, stroke, AIDS.

Lee has been a trustee of groups ranging from the World Institute on Disability and the Carnegie Corp. to the Kaiser Foundation and the United Methodist Church. At UCSF, he has been chancellor, professor of social medicine and director of the Institute of Health Policy Studies, which he founded in 1972. The governor of California, the mayor of San Francisco, Congress and several U.S. presidents have called on him to chair blue-ribbon panels on such politically volatile questions as drug regulation, population control, AIDS policy and how much doctors ought to be paid.

Why Lee?

"For one thing, Phil is willing to *take* difficult jobs," said Julius Krevans, chancellor emeritus at the UCSF School of Medicine. "A lot of people duck 'em."

Krevans called Lee that rare combination: a strong-willed person with an open mind. "He's outspoken without being a pain in the butt," Krevans said. "If you disagree with him it isn't because you're evil. It's because you're incorrect."

And, colleagues say, he listens. "It's the difference between someone who's just silent while you're talking and someone who actually listens," Krevans said. "It's a rare quality, unfortunately. Phil has it."

The ability to build consensus on thorny controversies is another reason Lee has been called on so often to chair health-related task forces.

"He's an extremely creative problem solver," said Chee, Lee's administrative assistant at the UCSF health policy institute. "He has an ability to turn a problem upside down and inside out in ways you might not have possibly imagined—and then come up with not one but several solutions."

Lee's disarming style wins converts even within the pharmaceutical industry, which has taken its lumps in several of his books. "Phil is a negotiator, a very principled negotiator," said Mark Novitch, vice chairman of the Upjohn Co., who worked with Lee at the Department of Health, Education and Welfare.

"That sonofabitch could get anybody in the world to do whatever he wanted them to," said Milton Silverman, 83, a scientist and writer who has known Lee since he was a teenager. Silverman himself worked for Lee in the late 1960s at HEW and has written several books with him. "We all followed him. My late wife called him the Pied Piper of California."

Lee has "the laundry list kind of mind," said Silverman, meaning high praise. In the '60s, when he was Lee's special assistant, Silverman helped write speeches for him. The staff would type up a 15-minute draft and show it to the boss. Lee would read it and say fine—just as long as he could pass along "a few additions." "By the time we got through adding all the things he wanted to say," Silverman recalled, "we'd come out with a two-hour show."

'A Little Spectacular Hell'

Lee began his first tenure as assistant health secretary on Nov. 2, 1965, a year to the day after Lyndon B. Johnson's electoral landslide over Barry Goldwater. The appointment was hardly big news; The Washington Post took note in an inconspicuous three-paragraph item under the headline "Welfare Aides Are Sworn In."

He was 41, a prominent family physician from the San Francisco Bay Area, with a particular interest in rheumatology and rehabilitation. He told reporters, "I'm like the man in church who stood up and cried, 'Lord use me—in an advisory capacity.' "

Like his father and his three brothers and sister, he had graduated from Stanford Medical School. (In those days, it was a lot easier to get in, he noted. When Lee showed up for his interview, the head of the selection committee—an old family friend and longtime colleague of Lee's father's—looked puzzled. "Why are you here?" he asked Lee. "For my interview," Lee replied. "The interview's over," the doctor said. "That was it," Lee recalled. "He'd known me all my life.")

1/2

LEE, *From Page 9*

At HEW, Lee rapidly developed a reputation as a blunt-spoken public official and a doctor unafraid to criticize the medical profession. Columnist Drew Pearson described Lee in a 1966 "Washington Merry-Go-Round" piece as "a two-fisted physician who has brought new life to the Department of HEW."

"He played a very pivotal role in getting Medicare and Medicaid off the ground," said Upjohn's Novitch. Congress had enacted both programs in 1965, but the regulatory details and federal-state trade-offs were left largely to Lee's office.

Lee also headed the HEW Task Force on Prescription Drugs, which in Silverman's words "raised a little spectacular hell." In a poor, and Medicaid covers fewer than half of all poor Americans. Many doctors refuse to take Medicaid or Medicare patients because of the government's low payment for their care. On any given day, an estimated 37 million Americans lack health insurance.

It's no surprise that Lee is a believer in the group practice model of medical care—bringing doctors from different specialties together in one setting. He has close ties to two of the nation's oldest and most prestigious group practices, having trained at the Mayo Clinic in Rochester, Minn., in the mid-1950s and practiced for nearly a decade at the Palo Alto Medical Clinic in California, which his father, Russel, had founded in 1930.

Lee calls group practice, as pioneered by Mayo around the turn of the century, the "single most important innovation" in American health care delivery. Nearly a century later, whether it's called integrated multispecialty systems or staff model HMOs or capitated prepaid plans, "we see that as the basis for more rational allocation of medical resources," he said.

Though he has been a staunch advocate of national health insurance for a generation or more, Lee sees health care reform as a mixture of public and private initiatives. "I'm more in favor of market forces than many people involved in this," he said. Economic pressures are already profoundly changing health care delivery—virtually turning some hospitals, for example, into large intensive care units and emergency rooms with attached outpatient clinics.

Lee's work on AIDS—he headed the San Francisco Health Commission from 1985 to 1989—also convinced him that AIDS is actually "a hundred different epidemics," requiring more community-based education, prevention and treatment programs. "Top-down politics don't work on AIDS," he said. "What you can do in the South Bronx is quite different from what you can do in the Castro district of San Francisco."

2 Presidents, 1½ Mandates

Lee's negotiating skills are crucial to the Clinton administration's chances for building political consensus on health care reform. "Just having a proposal before the Congress," Upjohn's Novitch said, "isn't going to ensure that health reform will be enacted and implemented."

Two of the Clinton administration's biggest political problems, in Lee's view, are the deficit, which shadows every proposal and vote in Congress these days, and Democrats' heightened expectations of their party's first president since the 1970s.

A key difference between then and now—Lee's two stints in Washington—is in the electoral margins of the two presidents he has worked for.

LBJ had an undeniable mandate, both symbolic and real. He had won 61 percent of the vote, taking 44 states and the District. And he had the votes on Capitol Hill. The 1964 sweep had given the Democrats a commanding edge of 68 to 32 in the Senate and 295 to 140 in the House. While Lee was assistant secretary, Congress enacted more health legislation than all the previous Congresses together.

Bill Clinton's mandate, by comparison, is less than resounding. He won a plurality of 43 percent. While Democrats retain nominal control of both houses in Congress, a loose coalition of Republicans and wavering Democrats threatens to block presidential initiatives or—as in the razor-close vote on the budget—force the White House to bargain hard for votes.

"In 1965, we had a growing economy and a very large majority in the Senate and House. There was a much clearer mandate," Lee recalled. "And of course Johnson used that promptly and effectively. He kept telling us, 'You want to get as much legislation as possible passed, because Congress is going to turn against you. I don't know whether it'll be next week or next year, but it's going to happen.' And it did."

Still, Lee sees parallels between the two presidents in their political acumen and their commitment to landmark reform on a complicated gut-level issue: LBJ on civil rights, Clinton on health care. "Health care reform is almost like the Civil Rights Act was for Johnson," he said.

Lee said he would not have accepted this job if he hadn't sensed Clinton's determination to bring about what no other president has accomplished: health coverage for all Americans.

Since their first impromptu meeting at the White House in January, Lee has met repeatedly with Hillary Clinton: at Health Care Task Force deliberations, special sessions on immunization and field trips to Nebraska and Montana. He describes the First Lady as smart, analytic, "phenomenally knowledgeable" about health care—a careful listener and "a superb politician."

Despite his well-connected career and power resumé, his UCSF assistant Chee said, Lee lacks delusions of grandeur and is the kind of boss who donates frequent-flier freebie passes to his staff and answers the office phones when nobody else is around.

Even today, associates see little distinction between Philip Lee the public figure and Phil Lee the private citizen. "With Phil," said Silverman, "what you see is pretty much what you get."

For recreation, he walks and plays weekend tennis: "Never was much of a golfer." He spends as much time as possible with his spread-out family (he has five grown children by a previous marriage, one stepdaughter and five grandchildren).

And he reads. The New Yorker. Short stories by Frank O'Connor, "an old patient of mine." Biographies of Winston Churchill and Gen. Douglas MacArthur. And just about anything by the late Wallace Stegner, though "Wolf Willow" and "Angle of Repose" remain Lee's favorites. Stegner too was a patient years ago, living down the road from Palo Alto. One day he came in with a fierce sinus headache. Lee asked exactly how it felt. "It feels like someone threw a can of orange paint in my face," Stegner replied—and 33 years later, it's the best description of a headache Lee ever heard.

Lee's personal and work lives "mesh pretty completely," Chee said. He hasn't had a lengthy vacation in 30 years, since he worked at the Palo Alto Medical Clinic, which *required* him to take a month off each year.

"I know he must have taken vacations, but I can't remember him being away," said Upjohn's Novitch, who worked with Lee at HEW. "I remember him being there early and late and on weekends. I think his fun was work." ■

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TO SMALL BUSINESS' HEALTH
Palm Beach Post (PB) - MONDAY, August 23, 1993
Edition: FINAL Section: OPINION Page: 10A
Word Count: 405

MEMO:
TYPE: Editorial

TEXT:
Republican bipartisanship in health care reform draws the line at Many Small Businesses' door. So President Clinton has to take that into account. But he shouldn't forget the Other Small Businesses.

In Tulsa, Okla, last week, Republican leaders harped on small business. Senate Minority Leader Bob Dole said his party can't abide ''mandates'' - meaning ''requirements'' - on small business owners to provide health insurance for employees. ''Employer mandates would damage the economy and hurt those who need help most - new hires, small businesses and low-income workers,'' said Sen. Dole, forgetting he already declared the economy damaged beyond repair by the ''tax-and-spend budget.''

Republicans said the Many Small Businesses they mean form the backbone of the economy, create jobs, bring young people into the work force - and won't survive if Washington imposes premiums for health benefits on them.

But Other Small Businesses provide health insurance even at today's prices. As Many Small Businesses gave up health benefits because it got too expensive, the cost of caring for their workers was shifted, through insurance premiums or through taxes for Medicaid, to Other Small Businesses.

Small business, like Mom and apple pie, evokes mental images. It doesn't matter if the pie image is Dutch or deep-dish. But it does matter whether the small business of image is barely afloat, unable to take on one more cost of any kind and likely to sink no matter what happens, or is under sail and facing a gale of rising health care costs and can be stee safety.

If reform shifts costs to the businesses that dropped health insurance, or never had it, costs should be cut for those that have provided it. That will happen only if other reforms include incentives and restraints to hold down overall health costs. President Clinton suggests that all small businesses will face mandates that mean new costs for Many but lower costs for Others.

That would be better than a wash. Other Small Businesses are run by entrepreneurs who demonstrated managerial ability to provide for, and keep, the best workers. With lower health costs, they could absorb people laid off by any of the Many that are hurt by mandates. If we had to bet on which will provide the most calcium for the economy, our money would be on the Others. If we had to draw a line, we would draw it where the reform hurts them.

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DESCRIPTORS: HEALTH; BUSINESS; CHANGE; US; EMPLOYEE

risks creating "more and more factions on the Hill who become opponents of the plan" (8/27).

OPINIONS: DALLAS MORNING NEWS' Carl Leubsdorf: "One of the trickiest areas for the GOP ... may be health care. While the public favors protection of workers' insurance and extension of coverage to all, it also opposes paying more. So far, it's an issue on which the public backs Mr. Clinton over the GOP -- at least until the details become known." Leubsdorf notes Dole's calls for bipartisanship "may indicate he understands that his party has to avoid becoming so identified with negativism that Mr. Clinton can succeed in portraying it as the barrier to action that the public wants" (8/26). L.A. DAILY NEWS' Mark Lacter: "Whatever the Clinton reform package turns out to be, standardization must be addressed. That means a system in which gallstones would be diagnosed the same way in every part of the nation. No variations based on insurance requirements or doctor's whims. But with standardization comes limits, something the medical community -- not to mention the public at large -- still finds hard to accept" (8/25). PALM BEACH POST editorial notes that while Many Small Businesses would be hurt by employer mandates, Other Small Businesses that already provide coverage to their employees would benefit. POST: "Other Small Businesses are run by entrepreneurs who demonstrated managerial ability to provide for, and keep, the best workers. With lower health costs, they could absorb people laid off by any of the Many that are hurt by mandates. If we had to bet on which will provide the most calcium for the economy, our money would be on the Others. If we had to draw a line, we would draw it where the reform hurts them" (8/23).

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====== ELEMENTS OF REFORM ======

***2 FEDERAL RAID: PSYCHIATRIC HOSPITALS TARGETED FOR FRAUD**

"Federal agents across the country [8/26] raided offices and hospitals of National Medical Enterprises, one of the nation's largest hospital companies, as part of a national investigation of health insurance fraud" (Peter Kerr, N.Y. TIMES, 8/27). ABC's Diane Sawyer: "The nation's second-largest provider of health care is in major trouble with the law tonight. Just as the nation zeros in on the enormous cost of health care, the government has zeroed in on a company that may be driving those costs up by widespread fraud."

CHARGES: Sawyer: "Insurance firms have charged that ... [NME] has hit them with a billion dollars in false claims. Today government agents raided NME's offices looking for proof" ("World News Tonight," 8/26). TIMES reports the investigation "grew out of an initiative announced last year" by FBI Dir. William Sessions "to make health care fraud a top priority." TIMES: "But the raids also come at a time when the Clinton [admin.] says it is planning to make the fight against health care fraud a significant part of the package of proposals the president will announce with his health care reform package." WH spokesperson Kevin Anderson: "The reform package contains a number of very specific anti-fraud proposals that will bring the hammer down on

Medicare and Medicaid Cutback Of $238 Billion Is Envisioned

Anxiety in Congress on Clinton Health Plan Aim

A1

By ROBERT PEAR
Special to The New York Times

WASHINGTON, Sept. 8 — White House officials have told Congress that President Clinton's health plan will be financed in part by squeezing $124 billion from the projected growth of Medicare and $114 billion from Medicaid over five years, lawmakers and their aides said today.

The Administration's plans, disclosed in a whirlwind round of briefings on Capitol Hill in the last two days, dropped the White House squarely into politically hazardous territory only two weeks before the President is to unveil his health care initiative.

Medicare, which serves 36 million elderly and disabled people, is one of the Government's most popular programs, and politicians who even suggest trimming it have often paid dearly. So the idea of including Medicare cutbacks as a central component of a new national health program immediately raised doubts on Capitol Hill about whether the White House was serious in its pledge to propose a reliable method of financing its proposals.

Anxiety on Cutbacks

After the briefings this week, Congressional experts who work on health policy expressed two reactions: amazement at the complexity of the President's plan and apprehension that the proposed cutbacks in Medicare and Medicaid were politically unrealistic. Without a reliable means of financing, the Government would be forced to reduce the size of the proposed health program, raise taxes or borrow more money and thus increase the Federal debt.

"The Clinton Administration has relied too heavily on cuts in Medicare and Medicaid to finance changes in the rest of the health care system," said Representative Henry A. Waxman, chairman of the House Energy and Commerce Subcommittee on Health and the Environment.

"It's going to be politically unacceptable, and I don't think the financing proposal is very realistic," the California Democrat said in an interview. "I don't think they can make cuts of that magnitude without doing harm to Medicare and Medicaid and the people those programs serve."

Fears Are Dismissed

The Administration says such concerns are unfounded, noting that Americans of all ages would be receiving new health care benefits under the Clinton plan. "It's absurd to suggest that anyone here would promote a policy that would harm Medicare or Medicaid beneficiaries," said Ira C. Magaziner, the health policy coordinator at the White House.

Mr. Clinton intends to unveil his proposals in a speech to Congress this month. In the briefings to lawmakers this week, White House officials explained that they were counting on savings of $238 billion in Medicare and Medicaid, the programs for the elderly, disabled and poor, from 1996 through the year 2000. Those savings amount to 12 percent of the $1.9 trillion that the Government would otherwise be expected to spend on Medicare and Med-

Continued on Page A22, Column 4

icaid in those years.

The savings would far exceed the revenue the Administration expects to get for the health program from "sin taxes": $105 billion from increased taxes on cigarettes and perhaps on some alcoholic beverages. Administration officials told Congress that Mr. Clinton had not decided whether to propose new taxes on alcohol.

Federal spending on Medicare rose 13 percent last year, to $129 billion, while Medicaid grew 29 percent, to $68 billion. But the political difficulty of curbing these programs can be judged from the battle over the budget bill that Mr. Clinton signed Aug. 10. After impassioned debate, Congress agreed to cut $56 billion from the projected growth of Medicare and $7 billion from Medicaid over five years.

Such savings are achieved by insisting that patients pay higher premiums or a larger share of medical bills, while the Government limits payments to doctors, hospitals and nursing homes.

Lack of Details

While many details are sketchy, the Administration tried today to explain how it would gain further savings needed to guarantee health care for all Americans.

It assumes, for example, that the Government would be relieved of substantial Medicaid costs because employers would have to buy private health insurance for low-wage employees now on the Medicaid rolls.

In addition, the Administration assumes that if all Americans have health insurance, Medicare and Medicaid will no longer have to pay special allowances to hospitals to offset the costs of charity care. The White House also assumes that the Government can slash the rate of increase in all health spending, public and private, by imposing annual limits on such outlays.

But details of these proposals are lacking. An Administration official said of his colleagues, "They will pull up Richard Darman's old list of Medicare cuts," a reference to President George Bush's budget director, whom Democrats frequently accused of using financial legerdemain to balance the Government's books.

'An Unfinanced Plan'

"They are recycling," this Clinton Administration official said. "A decision has apparently been made to send up an unfinanced plan. They'll send up a proposal that appears to have a financing scheme, but the budget assumptions are unrealistic."

Mr. Clinton passed up an opportunity to reply to the skeptics today, in this exchange at a White House photo session:

Reporter: "Mr. President, on health care, some of the people who have been briefed, Democrats and Republicans, believe that the Medicaid and Medicare cuts are too large, too politically difficult and too nonspecific. Can you reassure them?"

Mr. Clinton: "At the appropriate time."

White House officials say the President's plan is a good deal for the elderly because it would channel Medicare savings into new benefits that would pay for prescription drugs and long-term care.

Words of Caution

Administration officials told Congress today that the prescription drug benefit would cost the Government $72 billion from 1994 through the year 2000. New coverage for long-term care outside nursing homes will cost $80 billion in the same period, they said.

Representative Ron Wyden, Democrat of Oregon, welcomed these proposals, but said the President must be careful. "Otherwise," he said, "people will feel that this is a shell game, that we are cutting basic Medicare or Medicaid in order to pay for new benefits."

Martha A. McSteen, president of the National Committee to Preserve Social Security and Medicare, sounded an alarm, saying the President contemplated "exorbitant, excessive cuts in Medicare and Medicaid."

The Administration is counting on $47 billion in savings in other Federal health programs, and $51 billion in new tax revenue, over seven years. Mr. Magaziner says the Treasury will reap that new revenue because companies will post higher profits and workers will get higher wages if the Administration can limit health costs and curb the growth of medical spending.

After reading a White House description of the President's plan, Representative Pete Stark, chairman of the Ways and Means Subcommittee on Health, said today: "I shake my head in utter wonderment. This is like cold fusion. You get all these wonderful results with no effort, no problem. There is a remarkable level of naïveté in their assumptions about what Federal and state legislators will do."

But Representative Benjamin L. Cardin, a Maryland Democrat who has been active on health care legislation, said: "I don't get shocked by the dollar amounts of savings I see in Medicare and Medicaid. For me, the issue is parity. If Medicare and Medicaid are subjected to the same type of cost controls as the private sector, then it's fair."

Clinton Rebuffs Bosnian Leader In Plea for Help

By THOMAS L. FRIEDMAN A1
Special to The New York Times

WASHINGTON, Sept. 8 — The President of Bosnia came to the White House today to appeal to President Clinton to set a deadline for the use of force against the Bosnian Serbs if they do not lift their siege of Sarajevo. But Mr. Clinton's answer was essentially that the Bosnian leader should go back to the bargaining table and cut the best deal he can, because Washington is not coming to the rescue, officials said.

Mr. Clinton explained that Washington is willing to use diplomatic and economic sanctions to keep the pressure on the Serbs and Croats to be more conciliatory at the bargaining table, aides said. But Mr. Clinton added that there is simply no support among the Western allies for an armed intervention in Bosnia at this time, and Washington is not inclined to go it alone, officials said.

Invokes Congressional Approval

The Bosnian President, Alija Izetbegovic, reportedly told Mr. Clinton that his big worry is that even if he does return to the peace talks in Geneva and strikes a deal with the Croats and Serbs — something he was not sure he could sell politically at home — the Western allies would not come to monitor its provisions and he would be left on his own.

Officials said Mr. Clinton said he is still committed "in principle" to contributing American troops to monitor a Bosnian peace settlement, provided that it is a fair, enforceable deal. But Mr. Clinton and Secretary of State Warren Christopher also cautioned that such an American commitment would have to be approved by Congress, which would not be easy, officials said.

Continued on Page A11, Column 1

Before the talks began, Mr. Clinton told reporters that he would seek the approval of Congress before agreeing to let American troops participate in a peacekeeping force for Bosnia — the first time he has ever made such a vow. Mr. Clinton also stressed that such peacekeeping forces would have to be under NATO command and not United Nations control. Because NATO's top commander is an American general, NATO control would avoid the confusion of command and control that has arisen in Somalia, where American troops are serving under United Nations command, aides said.

"If we can get the Congress to support it, I think we should join in," Mr. Clinton said during an Oval Office picture-taking session with Mr. Izetbegovic (pronounced ih-zett-BEH-go-vitch). "It has to be able to be enforced or guaranteed by a peacekeeping force from NATO, not the United Nations, but NATO."

Defining U.S. Policy

Mr. Clinton's remarks were the most definitive statement of American policy: an inching away from the hopes the Administration may have raised in July when it pressed its NATO allies to agree to use air strikes if the Bosnian Serbs refused to lift the siege of Sarajevo. The allies balked and since then the focus has been on achieving a negotiated settlement to halt the fighting without outside military intervention.

As one senior official said in a briefing for reporters after the Clinton-Izetbegovic talks, "We think now is the best moment for a negotiated solution."

Meanwhile, a tug-of-war appears to have broken out between the Pentagon and the White House over Defense Secretary Les Aspin's planned trip to Sarajevo. The Pentagon announced earlier this week that Mr. Aspin was considering a brief visit to Sarajevo as part of a three-day trip to Europe he is planning for this weekend. Mr. Aspin wanted to get a first-hand assessment of the situation there.

But White House officials said Mr. Clinton's national security adviser, Anthony Lake, was not informed ahead of time about Mr. Aspin's planned Sarajevo visit and was irate when he read about it in the newspaper. This afternoon, a senior White House official said that there was "no final decision yet" as to whether Mr. Aspin would go to Sarajevo, which could be dangerous, raise the visibility of an issue that is considered a political loser at home and possibly raise unrealistic expectations among the Bosnian Muslims.

A few hours later, a senior Pentagon official said, "it looks like Aspin won't be going to Sarajevo."

Keep Balkans on Back Burner

The White House is not eager to give the fighting in Bosnia a high-profile status at the present time. Both the White House and the State Department treated Mr. Izetbegovic's visit — which he requested — in as low a key as possible.

Before going in to see Mr. Clinton, Mr. Izetbevovic met with members of the Congressional Helsinki Commission, which monitors compliance with the 1975 Helskini human rights accords, where he explained what he wants from Washington at this time.

"The United States should put a deadline to the Serbs to remove the artillery around the city," he said. "If they don't do that, then they will have air strikes. We need the support of the U.S."

Clinton Rebuffs Plea for Support

But Mr. Clinton rebuffed such a suggestion, telling reporters: "I believe all that has to be a part of the negotiating process. I don't think that the United States can simply impose an element like that."

While Administration officials would not say so publicly, their attitude toward the Bosnian Muslims is that they should learn a lesson from the Palestinians: strike the best deal they can with their stronger foes at the peace table, because Washington and its allies are not going to commit the military resources to fundamentally change the balance of power.

Although Mr. Clinton said last week that air strikes were still an option he would consider if conditions worsen in Bosnia, the White House is now focused on Mr. Clinton's fall agenda of health care reform, the North American Free Trade Agreement and "reinventing government." Aides say he is not about to get distracted with bombing raids against the Bosnian Serbs.

No Consolation for Muslim

The State Department spokesman, Michael McCurry, said there was not much "consolation" Washington could offer the Bosnian Muslim leader.

"We can help him understand the nature of the commitments we have made," Mr. McCurry said, "and the nature of the commitments NATO has made and his — help him understand, you know, our view as it relates to the negotiations in Geneva, which is that they do need to return to the bargaining table and get an agreement."

Asked if he could spell out the commitments the United States had made as far as its willingness to send American troops to enforce a peace agreement in Bosnia, Mr. McCurry said: "I can't. I mean, there's . . . that's a question I think you've seen various senior officials in the Government address from the President on down in recent days, and I don't have anything to add to their commitment."

Mr. McCurry added: "It's not what we're prepared to do, it's what we have done, which is to urge flexibility on the part of the other parties negotiating there. We've actually acted already to, you know, in a sense, assist and improve the positions of the Muslims at the negotiating table itself."

September 1, 1993

TO: Melanne/Interested Parties

FROM: Chris Jennings

SUBJECT: Fifty Cent Per Prescription Profit Citation Made by Mrs. Clinton

Following Mrs. Clinton's presentation to the National Association of Chain Drug Stores, a number of pharmaceutical manufacturers raised major objections to the figure stated by Mrs. Clinton that pharmacists make an average 50 cent profit on each prescription they dispense. They challenged the credibility of this number. In response, I have attached a breakdown of this data that was provided by the University of Minnesota College of Pharmacy. This school and those associated with it are very well respected around the nation. As you can see, they provided a detailed breakdown of the cost components that were the basis of Mrs. Clinton's statement.

If you have any questions regarding this information, please call me at x2645.

COMPONENTS OF A PRESCRIPTION PRICE

SOURCE: Pharmaceutical Research Institute of Management and Economics (PRIME)
University of Minnesota College of Pharmacy
Minneapolis, MN

1992 Average Rx Price = $26.04

Major Components:

Manufacturer:	68%	= $17.70
Pharmacy:	28%	= $ 7.29
Wholesaler:	4%	= $ 1.04
TOTAL:		$26.04

Breakdowns:

Manufacturer = $17.70

Cost of Goods:	(30.1%)	$ 5.31
Marketing/Advertising:	(22.5%)	$ 3.98
Profits:	(13.0%)	$ 2.30
Research:	(16.0%)	$ 2.83
Taxes:	(8.4%)	$ 1.49
Distribution:	(10.0%)	$ 1.77

Pharmacy = $7.29

Salaries:	(48%)	$ 3.53
Rent:	(7.5%)	$ 0.55
Profit	(6.8%)	$ 0.50
Other Expenses:	(37%)	$ 2.70

Numbers may not add up exactly due to rounding.

Malpractice Cap Won't Be Sought

■ **Health:** Clinton will not try to limit awards for pain and suffering, sources say. But he wants a 33⅓% ceiling on contingency fees. Doctor and lawyer groups protest.

By EDWIN CHEN, TIMES STAFF WRITER

WASHINGTON—Rebuffing the nation's doctors, President Clinton has decided not to seek financial limits on damages for pain and suffering that patients may collect in malpractice cases, sources said Wednesday.

But he is proposing to set a 33⅓% cap on contingency fees that plaintiffs' attorneys may receive in such cases—a move certain to alienate trial lawyers, the sources said.

The related decisions were among the last of the major ones facing Clinton as he completes the first full draft of his health care reform proposals. And they were denounced immediately by the American Medical Assn. and the Assn. of Trial Lawyers of America, who vowed to fight the provisions.

"It's a mixed bag," a consumer advocacy group official said of Clinton's emerging proposals on tort reform, long seen as a crucial part of the President's plan to overhaul the nation's $900-billion health care system.

Clinton's tort reform provisions, sources said, would leave the way open for states to set their own limits on damages for pain and suffering—as California already does—and to reduce even further any federal cap on contingency fees. That result would be in keeping with one of the President's guiding principles: that national health care reform must give states maximum flexibility.

The President's tort reform proposals require parties to a potential medical malpractice lawsuit to attempt to resolve a dispute through non-binding negotiations before resorting to litigation, informed sources said. In addition, a so-called certificate of merit requirement would prevent a malpractice claim from moving forward to litigation until an impartial physician has agreed in an affidavit that the claim might have merit.

Also under Clinton's plan, the Health and Human Services Department would publicize the names of doctors repeatedly found guilty of malpractice, sources said. Details of this provision could not be learned.

Finally, the President intends to propose a principle known as the "collateral source rule," sources said. Under the rule, attorneys explained, when a patient is determined to have been harmed by a physician, the patient's medical insurance plan would pay first for any treatments. Only after those benefits are exhausted would the offending doctor's insurance plan come into play.

"What's not covered by the patient's own plan will be covered by the doctor's plan," one analyst said.

White House officials emphasized Wednesday that any presidential decisions on health reform should be regarded as tentative—and subject to change as a result of the Administration's continuing consultations with Congress and various industry and consumer groups. Officials pointed out that some alterations in other provisions already are being made, even as members of Congress, their staff members and representatives of interest groups are being shown the plan.

"The President has said from the beginning that we'll have serious tort reform that will focus on cutting down on frivolous lawsuits and controlling costs and promoting settlement of disputes outside the courtroom, and that is what we will call for," said Kevin Anderson, a White House spokesman for the health care issue.

Word of the proposed tort reform provisions drew sharp reaction from doctors and lawyers on Wednesday.

"We're certainly not going to sit by and watch this happen," vowed Washington lawyer Barry J. Nace, Assn. of Trial Lawyers president. He was referring to the proposed caps on contingency fees, which are paid to attorneys by plaintiffs only when a case is won. By contrast, attorneys who work for doctors and hospitals generally are paid by the hour or by retainer, win or lose.

Although Nace and other attorneys conceded that a 33⅓% contingency fee is fairly standard in personal injury cases, they said in medical malpractice cases the plaintiff's lawyer frequently gets a higher fee because such cases are complex and often require extensive preparation time, elaborate exhibits and expert witnesses.

Nace said: "If we are going to put limits on attorneys' fees, why not put limits on doctors' fees? On the salaries of CEOs of insurance companies and hospitals?"

Nace said it came as "good news," however, that Clinton does not intend to seek federal limits on damages for pain and suffering. "There's no relationship between malpractice cases and health care," he said.

Another trial lawyers' spokesman, speaking on the condition of anonymity, noted that the association gave $2.4 million last year to 383 candidates, and said pointedly: "We've worked with a lot of representatives and senators and we've also supported Clinton."

Federal elections records show that members of the trial lawyers group contributed $481,179 to Clinton last year, contrasted with $75,015 to former President George Bush.

Speaking for the nation's doctors, Dr. James Todd, AMA executive vice president, said his membership will be deeply disappointed by the absence of monetary caps for pain and suffering in malpractice cases.

The absence of such caps will be "an immediate cause for great concern," Todd said, because physicians had hoped that such limits would form "the centerpiece" of the President's malpractice reforms.

The Clinton Administration has had a difficult time developing a tort reform agenda. Initially, the Administration advanced a concept called "enterprise liability," which would relieve doctors of any direct financial liability for negligence, thus eliminating their need to purchase expensive malpractice insurance.

The White House theorized that enterprise liability would prompt hospitals and insurers to closely monitor doctors for competence while developing guidelines to curtail the costly practice of defensive medicine, in which doctors order unneeded tests and procedures as a protection against lawsuits.

But much to the surprise of Administration health policy analysts, doctors roundly criticized the untested concept. "It was something they [the analysts] never bothered to check with the political folks," one informed source said.

Physicians, who now pay nearly $10 billion a year in malpractice insurance, said enterprise liability would not limit monetary awards, would not relieve them from having to testify in court, would lead to intrusive micro-management and would encourage more lawsuits by creating a single entity with deep pockets as the unequivocal target of lawsuits.

It was then that doctors began clamoring for something akin to a 1975 California law, the Medical Injury Compensation Recovery Act, which limits non-economic damages to $250,000.

Also on Wednesday, as key members of Congress and their staffs continued getting their first glimpses of Clinton's health plan details, the President lobbied for his proposal at a meeting with congressional leaders of both parties.

Clinton expressed the hope that his plan could win support from Republicans as well as Democrats, in stark contrast to the partisanship that marked passage of his budget.

"They are different issues with different constituencies and they can be presented in a different way," he said. "I think the chances are very good."

Times staff writer Karen Tumulty contributed to this story.

SERVICE: Aid for College OKd

College Aid for Students Who Serve U.S. OKd

By ELIZABETH SHOGREN
TIMES STAFF WRITER

WASHINGTON—Adopting a measure that carries out one of President Clinton's most popular campaign pledges, the Senate gave final approval Wednesday to a domestic Peace Corps that will provide Americans with educational stipends in exchange for community service.

The Senate voted, 57 to 40, for the National and Community Service Trust Act, which now goes to the White House for Clinton's signature.

"National service will bring together Americans from a wide variety of backgrounds, expand their educational opportunity and empower a new generation to take on our nation's most pressing domestic needs," Clinton said Wednesday in a statement praising the Senate vote.

"Thousands will spend a year or two serving their country and their communities—working as teachers, as health care workers or on environmental projects—while helping to pay for school."

National service has been a popular idea because it is thought to help not only the poor, but also middle-class Americans struggling to meet the skyrocketing costs of

Please see SERVICE, A9

Continued from A1

college educations for their children.

The bill authorizes spending $300 million for fiscal year 1994 for 15,000 to 20,000 full- and part-time participants, which would make it as big or bigger than the Peace Corps was at its largest. Spending would grow to $500 million the second year and $700 million in fiscal 1996, with participation growing accordingly, although it will fall well short of Clinton's original target of 150,000 participants by the third year.

In exchange for a year of full-time work, participants will receive educational stipends of up to $4,725 a year for use for college, job training or vocational education. They also would receive modest salaries and other employee benefits.

Senate Republicans, led by Bob Dole of Kansas, fought the proposal, arguing that it is too expensive for such lean economic times.

"On the one hand, President Clinton says national service will be the centerpiece of his Administration and on the other hand that he wants to reinvent government," Dole said. "Well, we think when we talk about reinventing government we're talking about less government, less new programs."

Sen. Nancy Landon Kassebaum (R-Kan.) said it showed the Administration's failure to simplify government bureaucracy, despite the plan announced Tuesday by Vice President Al Gore to simplify the federal government and cut $108 billion over five years. "This bill is fraught with duplicative administrative structures, bureaucratic structures," she said.

But Sen. Edward M. Kennedy (D-Mass.), who led the debate on the bill, said the legislation will help encourage Americans to think in new ways to solve the chronic problems in society.

"Too many citizens, preoccupied with their own lives, assume that the challenges facing America are someone else's problem," Kennedy said. "This measure harnesses the creativity, drive and talents of our greatest national resource: Americans themselves."

The Administration hopes that the program also will serve as a laboratory for strategies for reinventing government. The program will be administered by a nonpartisan board of citizen directors called the Corporation for National and Community Service. Members will be paid but will not be part of the civil service system.

The corporation or committees set up by each state will choose programs in which national service participants will work.

THURSDAY, SEPTEMBER 9, 1993
LOS ANGELES TIMES / WASHINGTON EDITION

The Des Moines Register

Why your company pays

Employer-provided health insurance grew out of wartime price controls.

One of the tax breaks that benefits the rich in particular became law almost by accident, half a century ago. Taking it off the books is one of the objectives of the Clinton health plan — but it will take a while.

With the outbreak of World War II, America went from a sterile Depression economy to full employment almost overnight. The able-bodied who once rode the rails in search of jobs at any price found themselves holding down two jobs while a third employer tried to lure them away.

That drove up wages, of course, bringing federal wartime wage controls to curb runaway inflation. Help-starved employers, seeking ways to retain workers or entice new ones from other jobs, couldn't raise wages but they could offer a new fringe benefit: health care.

Government wage-control regulators decided that that wasn't the same thing as a wage increase, because the workers didn't collect unless they got sick. You couldn't buy groceries or make car payments with it; hence it shouldn't be taxed like wages, regulators decided.

The fringe benefit spread throughout industrial America, yesterday's inducement became today's union demand, and soon there were 1,500 insurance firms bidding for the business.

The generosity of a tax-free benefit, however, had a dark side.

Under a progressive income tax, as wages increase, so does the percentage taken in taxes. In practice, the most generous health-care fringe benefits go to the highest-paid, meaning their tax-free status provides the most benefits to those least in need. That mattered little when the tax-free policy was established during World War II. But as health-care costs rose to consume one in seven dollars spent, it came to matter a lot.

The Clinton plan, whose details are dribbling out like an IV drip, would require workers to pay taxes on any employer-paid health insurance beyond that guaranteed to all Americans under his proposed program. Employers would be denied tax exemption for that same portion.

Part of the problem with present health-care financing methods is that they are too generous with too many, leaving the impression that the service is free, and the recipient has nothing to gain by following the rules of health, nutrition and preventive medicine. Taxing this fringe like income would dispel this notion.

The rest of the proposal, unfortunately, appears to offer goodies that many economists doubt that the taxpayers can afford — such as mental-health services, prescription drugs and nursing-home coverage. An understanding of the impact of these features, only hinted at in what the administration has thus far released, must await a fleshing-out of the proposals.

The outspoken Dr. Elders

A quick civics quiz: Name any two U.S. surgeon generals, past or present.

If you only got one, the name was Dr. C. Everett Koop, and the reason is obvious. He was blunt, he trained the brightest of lights on the most critical of medical issues, and his diagnoses tended to be precisely (if sometimes painfully) accurate. He regularly offended various politico-medical groups — proving that Koop was doing his job.

That job now passes to Dr. Joycelyn Elders, who will succeed the quiet Dr. Antonia Novello as U.S. surgeon general. Criticism preceding her 65-34 confirmation vote in the Senate Tuesday centered on her outspokenness on such issues as teen sex (she favors education on sexually transmitted diseases and condom use), abortion (she's pro-choice) and health priorities (among them, infant mortality rates).

She seems at times to go out of her way and perhaps out of bounds in blistering critics, including the Catholic Church ("celibate, male-dominated") and anti-abortionists ("non-Christians" with a "slave-master mentality"). But the issues concerning the health of our younger generations beg the stimulation of public airing. Elders will provide that. She quite likely will carve a niche as memorable as Koop's.

Health savings to be used to expand coverage, not cut deficit

By Peter G. Gosselin
and Elizabeth Neuffer
GLOBE STAFF

WASHINGTON – President Clinton has decided to use much of the savings the White House has said will flow from the new national health plan to expand the plan's coverage rather than to reduce the huge federal deficit, figures released yesterday show.

Administration budget-makers projected last winter that the health proposal would reduce the deficit by more than $100 billion in the year 2000 alone. Now, the administration estimates that the proposal would cut the deficit by only $91 billion between now and the year 2000.

Clinton decided in recent weeks to use the money saved by cutting the government's tab for existing health programs to cover the uninsured and provide new benefits for the elderly without big tax increases. But congressional deficit hawks are likely to object.

The deficit reduction news was among several developments yesterday, as the White House continued a series of closed-door briefings designed to drum up support for the plan. Hillary Rodham Clinton, head of the health care task force, will meet with Democratic and Republican leaders on Capitol Hill today.

Among the developments:

■ The White House is considering increasing Medicare premiums by $20 a month for high-income seniors in 1996 to help pay for a new community and home health plan.

■ The administration estimates it will hold the increase in costs in the private health sector to a rate of 7.4 percent in 1995 and 8.5 percent in the year 2000, far less than what the increase in those rates was expected to be.

■ Doctors will not be allowed to "balance bill," or charge more than the rate approved by local health alliances, according to sources.

■ The president has decided not to seek financial limits on damages for pain and suffering that patients may collect in malpractice cases, sources told The Los Angeles Times. But he is proposing to set a 33 percent cap on contingency fees that plaintiffs' attorneys may receive in such cases.

Yesterday's new details reveal that the administration's health plan, originally cast as offering health overhaul without additional taxes, could contain mixed news for consumers, the nation's medical community and even the economy.

The administration continued to insist that its health plan will have the intended effect on the growing deficit. "With health reform the deficit keeps going down; without it it starts going back up," said Kevin Anderson, a White House spokesman.

But specialists said that using the money originally intended for deficit reduction to fund the health overhaul would come at a cost: The plan will not reduce the deficit as much as administration officials had advertised it would when they presented the federal budget.

The officials had said health overhaul offered the only hope for bringing down the deficit and keeping it down. Without it, they said, the deficit would start climbing again by the end of the 1990s.

The administration's latest numbers do show the deficit coming down as a result of health overhaul. But the numbers are far less than what they originally asserted.

According to White House figures given to Capitol Hill staff recently, after cutting the deficit $11 billion in 1994, and another $8 billion in 1995, the health plan would boost federal overspending by almost $15 billion in 1996 and 1997 and then begin cutting it again in the years from 1998 through 2000. But the grand total of $91 billion is much less than the administration's budget suggested.

"At least through the year 2000, the projected deficit reduction appears to be substantially less than what we were told when we were given the budget," said Stanley E. Collender, budget policy director for the consulting firm of Price Waterhouse.

Other aspects of the plan may offer less than the administration had originally promised.

A few months ago, White House health aide Ira Magaziner said the plan would allow doctors to "balance bill", or charge extra on top of deductibles, copayments, and insurance coverage.

Now, sources said the White House proposal will ban balanced billing by doctors. Instead, health alliances in each state will set the rates doctors can charge, the sources said.

Similarly, while the administration's plan would contain the first national attempt at providing home and community based care for the disabled and elderly, it would not be that generous and it may raise Medicare premiums.

Sources said the Clinton plan would take a major first step toward a national system of home health and community based care, helping the disabled and elderly with the cost of such services as adult day care or rehabilitation services.

To qualify, Americans would have to meet a certain level of disability. Seniors living above the poverty line would pay 20 percent of the costs. Seniors below that level would be aided by government subsidies.

Administration documents, sources said, estimate the new home health care plan would cost $28 billion by the year 2000. The plan would be phased in from 1996.

Of that total, the federal government would pay only $19 billion. The remainder would come from an estimated additional $20 per month in Medicare premiums for seniors with annual incomes of more than $125,000.

"It is among the options," said White House health care spokesman Kevin Anderson. "The president had made no decision to call for any changes in Medicare premiums."

Meanwhile, Clinton touted his health plan in a luncheon meeting yesterday with corporate executives including Henri A. Termeer, chairman, president and CEO of Genzyme Corp. of Cambridge. Termeer said after the luncheon that the president had promised that the health plan will not contain drug price controls.

White House Expects Health-Care Plan To Trim Deficit by $91 Billion by 2000

By Hilary Stout
Staff Reporter of The Wall Street Journal

WASHINGTON — Clinton administration officials estimate that their health-care plan would pare $91 billion from the federal budget deficit by 2000, even as the government spends tens of billions of new dollars each year to cover the uninsured.

Assuming the plan is enacted by the middle of next year, officials expect some deficit reduction by 1996 or 1997—primarily as new government expenses are more than offset by spending caps on Medicare and Medicaid, as well as a shift of individuals in public-health programs to employer-provided coverage.

Many economists, however, have been skeptical of the administration's claims that the government can save money right away from health-care reform. Budget analysts outside the government don't have enough data to analyze the White House estimates. But they are dubious about saving so much on Medicare and Medicaid and putting so much of those savings toward deficit reduction in the next several years. "It seems to defy gravity," said Pete Davis, a Washington-based consultant on tax and budgetary matters.

But Martha Phillips, a former House Budget Committee staff director now with the Concord Coalition, termed the administration's latest projection "ambitious but not totally without credibility, if you're talking that far out."

The $91 billion cumulative savings, while a huge sum, would be minuscule compared with the $1.062 trillion cumulative budget deficit projected by the Congressional Budget Office for fiscal 1996 through 2000. Still, it would mark a sea change in the effect of health costs on federal spending — the escalating cost of medical entitlement programs in recent years has been the biggest contributor to the deficit.

AMA's Legal Strategy

The American Medical Association is busy mapping out a legal strategy that would supplement its lobbying effort to influence President Clinton's health plan. Legal Beat, page B7.

Up to $70 Billion Price Tag

Under the plan President Clinton hopes to unveil Sept. 22, administration officials have calculated it would cost $40 billion to cover the 37 million people who don't now have health insurance. And they have estimated it would cost $20 billion to $30 billion to upgrade the health policies of the insured to the level of the standard benefits package in the Clinton plan.

Some of the costs would be borne by employers, who under the Clinton plan would be required to pay on behalf of each worker 80% of the average premium for a standard, federally guaranteed package of benefits. Much of the cost, according to officials, would be picked up by the federal government through subsidies to small businesses and low-income and unemployed people.

But administration officials claim they can wring ambitious savings from public programs and collect enough new revenue from so-called sin taxes to raise more than enough to cover the subsidies, start a federal long-term care program and add a prescription-drug benefit to Medicare.

Between 1994 and 2000, administration officials estimate the plan would save:

- $124 billion from a spending cap on Medicare, the federal health program for the elderly and disabled. Administration officials said much of that would come from reduced annual increases in payments to doctors and hospitals. They also said they are likely to propose higher Medicare premiums for well-off senior citizens. The government subsidizes 75% of the premium for everyone.
- $114 billion from a spending cap on Medicaid, the federal-state health program for the poor.

Incentive to Work

- $259 billion from a reduction in Medicaid and Medicare rolls when people who might otherwise have been covered by the programs begin receiving health insurance from employers. Administration officials contend that many people who don't look for work because they fear losing Medicaid coverage would do so because they would be guaranteed health benefits from employers. Moreover, they contend, others who are uninsured and "spend down" their assets to qualify for Medicaid would no longer be motivated to do so. A number of outsiders, including Gail Wi-

Please Turn to Page A4, Column 3

Agency and White House Differ on Deficit Reduction

By a Wall Street Journal *Staff Reporter*

WASHINGTON — The Congressional Budget Office said the new deficit-reduction law will make "a substantial dent" in government red ink — but not quite as substantial as the White House estimates.

The agency also warned that "the underlying trend of growing deficits hasn't been reversed." It says that is primarily because health-care costs are projected to keep rising rapidly. The report doesn't include the projected cost savings of President Clinton's efforts to reform health care, nor the recently unveiled plan to streamline the federal government.

The tax increases and spending restraints enacted last month, coupled with the expected improvement in the economy, will push the deficit down to $200 billion by 1998, the budget office said. A somewhat more optimistic report issued by the White House last week said the deficit would be down to $181 billion by then. Without the law, the budget office said, the 1998 deficit would have been about $343 billion.

Continued From Page A3

lensky, who during the Bush administration led the federal agency that runs Medicaid and Medicare, think the savings estimates are far too high.

- $47 billion from other public-health programs.

In addition, according to administration estimates, the government would collect in those years:

- $105 billion from so-called sin taxes on cigarettes and possibly alcohol.
- $51 billion in new income-tax revenue as savings from the new health system lead companies to channel money that would have gone toward tax-exempt health spending into taxable wages and profits.

New Congressional Budget Office projections released yesterday show that the government's two main health programs, Medicare and Medicaid, will cost about $219 billion this fiscal year. That equals about 3.5% of gross domestic product, the value of goods and services produced in the U.S. Unless policies are changed, they are projected to cost $464 billion, or 5.3% of GDP, by 2000.

Antitrust Exemption

Separately, a 250-page outline of the plan said the administration intends to seek repeal of health insurers' exemption from federal antitrust laws. The measure is contained on page 171 of the outline, which members of Congress, their staffs and selected interest group representatives have been permitted to read—but not copy — in locked or monitored rooms on Capitol Hill and at the White House.

Eliminating the exemption, created by the McCarran-Ferguson Act of 1945, "would be extremely helpful" in fostering competition among health plans, said Robert Bloch, an antitrust lawyer and a former Justice Department official who specialized in health-care antitrust issues. Such action, he said, "would expose all insurance companies' price-setting function to antitrust scrutiny."

The proposal means that health plans would lose their ability to "collectively determine rates they charge and other terms" of their relationship with health-care providers, according to the outline. The administration appears to be planning to repeal the exemption for health insurers only, not other insurance firms.

Although some large health-care insurers say they generally do not share such information with each other, the move is likely to be opposed by the industry, which has regarded its antitrust exemption as a Holy Grail. The Health Insurance Association of America declined to comment, saying it hadn't seen the proposal.

The administration also clarified its proposals on taxation of health benefits. Under the Clinton plan, employers could deduct as a labor cost any health benefits they provide their workers — even benefits that aren't contained in the standard package the Clinton plan would guarantee to all Americans.

Employees eventually would have to pay tax on any benefits they receive from their employer that aren't in the guaranteed package. But any benefits that a worker received as of Jan. 1, 1993, would continue to be tax-free for eight to 10 years after the plan is enacted. Currently, all employer-provided health benefits are exempt from employees' income.

—David Wessel contributed to this article.

AMA to Fight Limits on Doctors' Fees

By Edward Felsenthal
Staff Reporter of The Wall Street Journal

The American Medical Association has mapped out a combative legal strategy to supplement its lobbying effort over President Clinton's health plan.

The powerful physicians' group has enlisted a major Chicago law firm to explore the legal limits on various changes being considered by the administration. In a report to the AMA, the law firm, **Sidley & Austin**, has concluded that the U.S. Constitution puts tight constraints on how much the plan can limit doctors' fees or patients' access to care. Such limits, the report says, could violate the Fifth Amendment as an unfair taking of physicians' property.



The threat of legal action from the country's most important doctors' organization is certain to be an unwelcome distraction to officials still haggling over various provisions in the plan. Critics say the AMA's strategy is only the latest example of a growing problem for policymakers: the threat of litigation by advocacy groups seeking to influence legislation.

There is "a tendency to shoot from the hip with pseudo-constitutional bullets when the political tide seems to be running in a direction that you're afraid of," says Harvard Law School professor Laurence Tribe. It isn't surprising that the AMA "would try to use whatever ammunition is available," he adds.

The AMA's general counsel, Kirk Johnson, says the law firm's report wasn't meant to be a "preparation for litigation," but was simply "to help us inform the administration" about some legal issues involved in health reform. But, Mr. Johnson adds, "we would sue if we felt that. . . there was a denial of constitutional rights" and the plan was bad long-term health policy.

The 32-page report concludes that the administration can legally regulate health-care prices only if it allows doctors a fair rate of reimbursement. The report says the plan must include a way to adjust prices to take account of individual doctors' different training and skills. It also says so-called "global budgets" could be unconstitutional if they limit patients' ability to spend their own money on health care.

The Clinton proposal, to be announced Sept. 22, appears to have backed away from the idea of imposing widespread price controls on all medical care. But the AMA may sue even if the plan calls for less sweeping restrictions on patients and prices. For example, the Clinton proposal is expected to give patients the option of choosing their own doctors and paying for health care as they need it, a proposal the AMA favors. But the doctors' group remains concerned that the government will impose rigid fee schedules on such "fee-for-service" care.

Moreover, any changes Congress makes in the plan could trigger other legal concerns, the AMA's Mr. Johnson says. "It's too early to make a judgment" about whether a lawsuit will be necessary, he says.

The AMA often has turned to Sidley & Austin since the mid-1980s when the group saw that more and more health-care issues were being ironed out in the courts. The firm has handled a variety of AMA cases, from defending doctors in antitrust suits to filing briefs in right-to-die cases. But a lawsuit challenging the Clinton health proposal would be the group's biggest and most visible courtroom battle yet. The three partners who helped draft the report, Mark Haddad, Tom Merrill and Jack Bierig, are all old hands at AMA legal work. "We've used the best Supreme Court lawyers around to establish credibility," Mr. Johnson says.

The doctors' group will need more than credibility to win in court, of course. Constitutional-law specialists say many of the AMA's arguments are shaky at best. Lawyers say courts have given the government broad powers to regulate prices and to ration scarce resources.

"I wish them well," says Richard Epstein, a University of Chicago law professor. But, he says, referring to other lawsuits challenging price regulation, "show me one of these beasts that has succeeded. I think the answer is, you can't find one."

Still, the combination in court of a major interest group and a legal powerhouse such as Sidley & Austin could cause the administration considerable headaches. The government would have to fight AMA allegations that pricing decisions in the plan were irrational and unfair. In addition, even weak lawsuits can influence "the balance of power in the legislative struggle," Prof. Epstein says.

At the very least, the AMA hopes its legal strategy will give it more clout in negotiating with the Clinton administration, says Mr. Johnson. The government, he contends, would rather negotiate on the front-end than have a court evaluate a plan "that looks on its face like it's arbitrary."

Press Protection Abroad

The European Commission of Human Rights ruled that forcing a journalist to divulge a source may be a human-rights violation.

The decision—a preliminary ruling in a case involving a London journalist — could result in stronger protections for journalists throughout Europe. Although the commission ruled that it has jurisdiction to hear the claim, it didn't address the merits of the case.

The journalist, William Goodwin of the Engineer, a British trade publication, was fined £5,000 ($7,700) for refusing to identify the individual who provided him confidential financial information about Tetra Ltd., a closely held company in the United Kingdom. Mr. Goodwin had been told the company was in financial trouble and was seeking a loan. The story never appeared in print because the company blocked publication in the British courts.

Attorneys said the commission's decision establishes an important principle for journalists in the countries that have signed the European Convention on Human Rights. Geoffrey Robertson, a lawyer who represented Mr. Goodwin, said the ruling "amounts to the first time international human-rights law recognized there is a journalist's right to protect a source." In the U.S., many states have so-called shield laws that provide similar protections for reporters. The European commission's ruling apparently wouldn't apply in criminal cases.

In its decision, the commission directed the U.K. to reach a "friendly settlement" of the matter, which would likely mean changing the country's press laws, or face a trial on the issue before a commission panel. **Dow Jones** & Co., publisher of The Wall Street Journal and The Wall Street Journal-Europe, filed a brief in the case in support of the journalist.

A spokesman for the British foreign office said the government "will defend [itself] in due course."

The commission has no enforcement power other than to condemn a country for violating the human-rights accord, but that pressure generally has been sufficient to cause governments to back down from their positions.

Eric Barendt, a professor of media law at University College, London, however, said it is unlikely the British government will reach a friendly settlement and that it will be more difficult to win a final judgment against the U.K. The case could last another two to three years.

Senate Clears Way To National Service

Scaled-Down Clinton Plan Is Passed

By Helen Dewar
Washington Post Staff Writer

The Senate yesterday gave final approval to groundbreaking legislation creating a national service program, enabling President Clinton to claim fulfillment of one of his most popular campaign promises.

Although it falls short of a more ambitious initiative outlined by Clinton in his campaign, supporters said the $1.5 billion authorization for college aid in exchange for community service is sufficent to get the program off to a healthy start over the next three years.

Clinton hailed the Senate's action, calling the bill a "landmark piece of legislation" that provides "yet another opportunity for change for the American people."

An estimated 100,000 students are expected to receive educational grants of up to $9,450 through 1996 for performing two years of community service in tasks ranging from assisting teachers to working on environmental cleanup. The government would pay subsistence-level living costs while the students worked.

The White House anticipates that community service jobs authorized by the legislation will start being filled by next summer. About 20,000 participants are expected the first year.

The Senate approved the final version of the bill by a vote of 57 to 40, with six Republicans, mostly moderates, joining all but four Democrats in support of the legislation. Among Washington area senators, only John W. Warner (R-Va.) voted against the measure.

The bill cleared the House on a vote of 275 to 152 before Congress adjourned for its August recess, but the Senate vote was delayed when Republicans, who had earlier filibustered against the measure, balked at Democratic efforts to whip the bill through before the recess.

Although passage of the bill was a foregone conclusion after the filibuster was broken, Republican critics continued to criticize it as an unnecessary expansion of government that flies in the face of the Clinton administration's just-unveiled plan for cutting, consolidating and reorganizing the federal bureaucracy.

"One day after we talked about reinventing government . . . we have a whole new program on the

See SERVICE, A4, Col. 1

SERVICE, From A1

Senate floor. No wonder the American people are confused," Minority Leader Robert J. Dole (R-Kan.) said. "How many bureaucrats will be required to run this so-called volunteer program?" asked Sen. John McCain (R-Ariz.).

Democrats responded that national service is precisely the kind of federal program that a "reinvented" government envisions. "National service is our first test case of changing how government operates," said Sen. Harris Wofford (D-Pa.), who, with Sen. Edward M. Kennedy (D-Mass.), steered the bill through the Senate.

Clinton struck a similar theme in his statement, saying that the program—with its emphasis on local initiative and "entrepreneurial" quest for quality of operations—is designed "in the best sense of reinventing government."

The legislation authorizes $300 million next year, $500 million in fiscal 1995 and $700 million in fiscal 1996. Actual funding will depend on appropriations bills to be passed later this year but is expected to approximate the authorization level.

The program would provide tuition assistance of $4,725 for each of two years of community service and a living allowance of $7,400 a year while participants are on the job.

The bill creates a corporation to make grants to states, nonprofit organizations and institutions of higher learning to carry out the program and reauthorizes existing volunteer programs, including VISTA and the Civilian Community Corps.

Other volunteer initiatives would be encouraged in a variety of ways, including a doubling of funds for existing school-based volunteer service programs.

Clinton originally proposed a larger national service program, longer authorization and more generous educational stipends. He talked in his campaign of a program that would put a college education within reach of every American and in his budget earlier this year called for a five-year allocation of $10.8 billion.

But the president lowered his sights because of budgetary constraints in submitting the legislation. He had to agree to further cuts to win enough Republican support in the Senate to break the GOP-led filibuster.

The White House has said funding levels in the bill are sufficient to demonstrate that national service works.

National Service Bill Encourages Variety of Volunteer Initiatives

HOW THE PROGRAM WOULD WORK

Key provisions of the National Service Trust legislation:

- A federal Corporation for National Service would provide grants to states, public and nonprofit organizations, and colleges and universities, which would run service programs themselves or award grants to others to do so. The corporation also would provide the money for program participants to use for paying college tuition.
- Participants would receive $4,725 a year for up to two years to apply toward college tuition. They would have to complete 1,700 hours of service work in a year.
- Educational awards would have to be used within five years after service was completed.
- Participants would receive living allowances during their national service of at least $7,400 a year. Stipends could be as much as $14,800. The government would provide 85 percent of $7,400 and the service program the remainder.
- Participants would have to be at least 17 years old, be a U.S. citizen or permanent resident and have a high school diploma or agree to earn one. Graduate students could participate.
- Spending would be limited to $300 million in the first year of the program, $500 million in the second and $700 million in the third.
- An estimated 20,000 people could participate in the first year, 33,000 in the second year and 47,000 in the third year, assuming an average annual cost of $15,000 per participant.
- The program would be authorized for three years and could be renewed after that.

—Associated Press

Almost Free in South Africa

Score a victory for humanity and realism in South Africa. A breakthrough agreement was reached Tuesday to establish a Transitional Executive Council in which blacks for the first time will share a governing role with a white minority regime. Probably starting in October, President F. W. de Klerk will have to consult with blacks on the council and its seven sub-councils on organizing a new security force, punishing human rights crimes and sharing state funds, files and television.

That's change, and it puts enormous momentum behind the movement toward multiracial democracy.

All this is subject to formal approval by a white-dominated Parliament, and the pact is already being assailed as a betrayal by die-hard defenders of apartheid and black leaders afraid of submitting to democratic, secret voting. But the pact has broad public and political support, and there's every reason to assume a successful transition heading into South Africa's first truly national elections next April 27.

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In shaping this agreement, white and black South Africans have learned over a three-year period to work with, and listen to, each other. The result is a consensual spirit that bodes well for the next steps. Much credit goes to the candor, flexibility and uncommon horse sense of Mr. de Klerk and his chief bargaining partner, Nelson Mandela, leader of the African National Congress — which was banned and assailed as Communist by previous leaders of Mr. de Klerk's National Party. But just as important has been the role of ordinary South Africans, black and white, who were disgusted with the cruelties and absurdities of apartheid.

The extent of the progress can be measured by looking back. From the moment of its election in 1948, the National Party began imposing total segregation. It divided a huge black majority into separate "nations," a fiction to justify denial of basic rights. A race-obsessed regime classified its citizens into a dozen categories, including Cape Colored, Cape Malay, Griqua, Indian, Chinese, Other Asiatic and Other Colored — but only whites could vote.

"When I talk of the nation of South Africa," said Prime Minister Hendrik Verwoerd in 1961, "I talk of the white people of South Africa." This exclusionary principle extended from the classroom to the bedroom. As Dr. Verwoerd said to justify huge reductions in school expenditures for blacks, "What is the use of teaching a Bantu child mathematics?" The fruit of this ideology for whites was a privileged existence and cheap labor; for blacks, poverty and oppression.

All these attitudes persist, and still threaten the transition to democracy. Unsurprisingly, the pro-apartheid Conservative Party is hanging back from the Transitional Council. But harder to understand or excuse is the spoiler stance of the Zulu-based Inkatha Freedom Party and its leader, Mangosuthu Buthelezi. He has tacitly made common cause with white extremists who oppose any extension of the franchise to blacks. His demands for greater local rights smell like a pretext for avoiding a test at the polls of his popular standing.

Americans can play a helpful role in South Africa's transformation, first by lifting any remaining economic sanctions meant to punish the racist system that is disappearing, and then by pressing for the fullest possible participation of all South Africans in the interim regime and the April elections. South Africa now needs not just American sympathy but trade and investments to revive a stagnant private sector. This extraordinary drama is still in its first act.

A Course Embedded With Personal Tragedies

By Donnie Radcliffe
Washington Post Staff Writer

While Hillary Rodham Clinton's office logs statistics on her health care forays, it provides none on the emotional costs of living—and of others' dying. For two weeks in April her Health Care Reform Task Force virtually shut down while she kept a vigil at her dying father's bedside. After he died, there was hardly time for grieving.

Then in late July, she and the president were shattered by the suicide of deputy White House counsel Vincent Foster, their longtime friend and the First Lady's former law partner.

Coupled with the Clintons' despair was the need to know why. Sequestering herself among close friends, Mrs. Clinton looked for the answers, going beyond the rationalizations and theories that became the No. 1 guessing game around Washington. In Little Rock, Ark., there was no small amount of bitterness about editorial attacks on Foster.

"In debate class you learn to attack the idea and not the person," says a Clinton friend. "We've gotten away from that in this country. You attack the person, destroy his credibility, then hope that undermines the idea."

This same friend thought Mrs. Clinton would have one of two reactions to Foster's death, not necessarily inconsistent. "She would either withdraw or decide that this was even more of an impetus to change the way things are going. In the short term, I think she withdrew a little until she could let time heal the wounds."

In her most anguished moments, she let fly her frustrations, accumulated as well as immediate ones. Some friends feared Foster's death would become a major life setback for Mrs. Clinton, whom an intimate described as virtually "destroyed" when she reached Martha's Vineyard, Mass., in mid-August.

By then, she, like many of her Little Rock friends, had read William Styron's "Darkness Visible, A Memoir of Madness," the record of his own suicidal depression. Styron, who has a summer home on the Vineyard, says he does not know if he figured into the Clintons' decision to go there rather than Wyoming, the vacation site originally mentioned by the White House.

"I know I met her the first night she arrived, and she immediately told me she had read the book, so I guess that was somewhere high on her agenda," says Styron.

They quickly became friends, though Styron says he did not presume upon that friendship by urging her to include provisions for mental illness, specifically depression, in health care proposals. "I felt that being on vacation, she was relieved perhaps not to talk about health care. At a dinner party, someone said, sort of jokingly, 'Shall we talk about health care?' And she said, emphatically, no, which was understandable."

What they did talk about on the several occasions they were together was his book and Vincent Foster. Styron says he "got the impression the book helped her understand what [Foster] must have been going through. I felt that was my contribution."

Styron says he had "no hesitation in making it clear that to my mind, almost without any doubt, the man had suffered profound, disorienting—well, it turned out to be fatal—depression. Having been through it myself, I know the suffering he went through."

TUESDAY, SEPTEMBER 21, 1993 THE WASHINGTON POST

C. Everett Koop

A Tax That's Good for You

"Health-related taxes are different."

That's what President Clinton said in February, when he suggested a hefty cigarette tax—perhaps as much as $2 a pack—as one of the ways to pay for the health care reform that most Americans know we need. He's right.

A cigarette tax is different because it helps almost everyone. A substantial cigarette tax would benefit not only the entire nation by helping to provide more accessible health care at a lower cost, but it would also benefit particular groups; smokers would benefit because it would help them to quit; nonsmokers would benefit because the air they breathe would have less harmful smoke; children would benefit because fewer kids would get hooked on cigarettes; and—if the tax is done right—even tobacco farmers could benefit. The only real losers would be the tobacco industry, which has made its profits by lying to the American people about the dangers of smoking.

Now that the president is only a day away from unveiling his health care reform plan, the tobacco industry lobbyists are pressuring the president to back down, to settle for a cigarettes tax as low as 50 cents, and they're linking arms with tax opponents in Congress to defeat this critical part of health care reform. Now, more than ever, President Clinton needs to remember his own words—for cigarette taxes are different indeed.

Cigarette taxes are different because they are the most effective way to discourage tobacco use among young people. In Canada, where cigarette taxes have been raised to more than $3 per pack, youth smoking rates have dropped by 60 percent.

Cigarette taxes are different because cigarettes kill more than 400,000 Americans each year, and rob our economy of $68 billion a year in health care costs and lost productivity. Increasing the cigarette tax could be one of the most important public health measures this country has ever taken. Experts predict that a $2 per pack increase would persuade millions of young people not to start smoking and would help millions of current smokers to quit. About 7.6 million Americans would choose not to smoke because of the tax.

Figuring that smoking kills about a third of all those who smoke, this tax could prevent the premature death of at least 2 million Americans alive today. No other single aspect of any health care reform plan can make so dramatic a claim. Let's not lose this unique opportunity to prolong those 2 million lives just to please the tobacco industry and its friends in Congress.

Senators and congressmen should be happy to find a tax that is actually popular. Polls show that almost 80 percent of Americans—Republicans and Democrats, young and old, men and women—support a large cigarette tax. So those members of Congress elected on a "no new taxes" pledge can go along with this one; even Sen. Robert Dole, the dean of tax opposition, has singled out the cigarette tax as one he could support. Cigarette taxes *are* indeed different.

Even tobacco farmers could benefit from the new cigarette tax if it is as hefty as once planned. Most tobacco farmers know the right and smart thing to do is to get out of a business that produces disease, disability and death, and this tax can help them make the transition to the smoke-free society and smoke-free economy that lie in our future. A small percentage of the revenue from this tax could be returned to tobacco-growing states to be used to help tobacco farmers diversify. Instead of blindly opposing the $2 cigarette tax, tobacco-state members of Congress should be fighting for their share of the pie to help move their states into the economy of the 21st century.

President Clinton says he wants dialogue on the health care reform package, and that should eventually produce the plan the nation needs. But there's already one issue on which almost everyone agrees—a major cigarette tax. Let's not let the tobacco industry make victims of the public on this one. Health-related taxes are different; they're good for you.

The writer was surgeon general from 1981 to 1989.

The Capitol Climb of the First Lady

Hillary Clinton Makes the Grade As Health Plan Goes to the Hill

By Donnie Radcliffe
Washington Post Staff Writer

You might call it the first day of the rest of Hillary Rodham Clinton's political life. Never before has a First Lady been so involved in an issue affecting the lives of the American people, or had so much personally at stake.

When Bill Clinton goes public tomorrow in a nationwide speech outlining his long-awaited plan to revamp the $900 billion health care industry, Hillary Clinton's place in history will be riding in tandem with his. She has worked vigorously behind the scenes to ensure it will be a success.

The American Health Security Act is seen by some as the last great missing piece of Franklin Roosevelt's sweeping New Deal reforms of the 1930s, which included Social Security. It was Roosevelt's wife, Eleanor, more than any other First Lady, who paved the way for Hillary Clinton to reach the plateau of involvement that she has in Bill Clinton's presidency.

President Clinton gave his imprimatur by naming her head of his Health Care Reform Task Force within days of taking office. Her chairmanship expired in May, but though less visible in the media, she has continued to hammer out the details with key congressional committee members. Interviews with several of them show that it was time well spent.

Yesterday, she led a group of Cabinet officers to the Hill to explain the president's program to 320 congressmen. David Gergen, the president's chief counselor, called her work as important as that of a Cabinet secretary. "She is serving, in effect as I see it, as what a Cabinet officer would do," Gergen said Sunday on "Meet the Press." "She is an adviser to the president."

The personal sniping of earlier days—the allusions to a government headed by "Billary"—seems to have given way to bipartisan approval of Mrs. Clinton's stewardship. "When the president appointed her, there were a lot of questions about whether she'd be able to handle it. You don't hear that question anymore," Rep. James McDermott (D-Wash.), a member of the Ways and Means subcommittee on health, said yesterday.

No less a critic than Senate Minority Leader Bob Dole (R-Kan.), who has had three meetings with Mrs. Clinton, told CNN that her willingness to talk has been encouraging. "Nobody has staked out a position and said, 'Well, if you don't agree with this, then you're obstructing what we want to do or you're partisan,' " he said.

Rhode Island Sen. John H. Chafee, ranking Republican on the Finance Committee, who was in one of those meetings with Dole, says: "No one can say she hasn't reached out, explained her side or her rationale. She's put in a lot of time and effort. She's in this for the long haul."

Of course, the health plan itself has plenty of critics. Sen. Don Nickles (R-Okla.), who heads the GOP Policy Committee, said after yesterday's meeting that while his colleagues agreed with many of the First Lady's principles, "we have some concerns," particularly about the president's plan mandating all employers to help pay for insurance.

Leading lawmakers were generous with praise of Mrs. Clinton's brokering efforts—which she says demonstrates her view that "health reform is beyond politics as usual; it is not a partisan issue. There is not any one Democratic or Republican approach."

The president was also ready with praise, saying that when they started the process, he knew more about health care than she did. "Now she knows a lot more about it than I do," he said in an interview with Newsweek this week. But when there were differences among the task force members, "I made the call."

When her task force charter expired at the end of May, Mrs. Clinton seemed to drop off the media radar screen. No longer was she worthy of a daily stakeout on the Hill; a First Lady who stuck her neck out on issues was no longer a phenomenon. She'd become a fixture.

"Mrs. Clinton wasn't out there gathering information as part of the task force, but she was continuing all the consultations and outreach to Capitol Hill as before," says spokeswoman Lisa Caputo.

The summer ushered in a stepped-up social life when the Clintons invited the neighbors in for a series of small private dinners and appeared to be entertaining the world at class reunions, jazz festivals and diplomatic receptions. This more traditional role for the First Lady fueled speculation that for political reasons she was pulling back—or being pulled back from the health care issue—lest she upstage her husband.

Such is the way Washington frets whenever the visible are perceived as becoming invisible or the vocal lose their cords.

"Which is nuts," says Caputo of such speculation about Mrs. Clinton.

By July the Clintons were traveling—Toyko, Hawaii, California, Colorado—but her office offers statistics to show that she was still taking a hands-on approach. In the 200-plus days Mrs. Clinton has lived in the White House, aides say she has consulted with lawmakers more than 100 times. More than 40 meetings were held between early June and last week. She picked her appearances with care and carefully controlled media access.

Her efforts have paid off. Out of those sessions came a core of bipartisan lawmakers impressed with her understanding of health care specifics and the politics involved. "She knows where the bodies are buried, who will be for and against something. I probably shouldn't say it, but she is so smart and I like her so much that I feel like squeezing her," says Rep. John J. LaFalce (D-N.Y.), chairman of the Small Business Committee.

Those who have watched her at work day in and day out say she understands these issues in ways that are "just astounding," and she has "this extraordinary ability" to take complicated things and express them in ways anybody can understand. "She'll tell you she is not a health expert," says an aide, "but she has a grasp that is awesome."

Dole would seem to agree. "You don't pick it up on the way home," he says.

"It's wonderful to know you can speak with somebody who can give you some answers," says LaFalce. "Somebody will say, 'We can't have co-payments,' and she'll say, 'I would like that but we'll never pass a bill with no co-payments.' "

A practiced persuader from her days as head of Gov. Clinton's task force on education reform in Arkansas, she has found the long-range benefits greater if she pulls no punches.

LaFalce says Mrs. Clinton told him "well in advance" that the health care proposal would not be made public before Sept. 22, because it would have been impolitic to announce it before the budget bill made it through Congress.

It is, however, that sort of implied authority to speak and act for her husband that makes some Hillary-watchers wary, remembering Bill Clinton's campaign promise of two-for-the-price-of-one—which opponents interpreted as a co-presidency. "She's the president's wife, and that complicates it some," notes McDermott, "but not very much."

LaFalce, who has met with her a half-dozen times in recent months, also dismisses the idea. "She is not running for president or for reelection," he says. "She just wants to get the job done."

Nor does Chafee doubt her motives. That she speaks with the authority of the president "doesn't bother me at all," he says. "We have Cabinet secretaries here all the time. Maybe you can be a little more candid with a Mickey Kantor, but I treat her like a spokesman of the administration. She's spent so much time on health care that despite what she says, she's an expert. We're discussing issues here, not personalities."

What lies ahead certainly will be the defining period of her years in the White House. Congressional leaders predict it will take as long as eight months for Congress and the administration to reach a compromise on the national health plan.

Last week, Mrs. Clinton seemed to be everywhere—at forums, seminars, group briefings and press conferences, back and forth to Capitol Hill sometimes twice a day. Not since those partygiving days in June had Hillary Clinton been so deliberately conspicuous.

"*You* have the sense that she's just starting up," chided a White House aide. "*I* have the sense that she never stopped."

Regions Could Joust Over Clinton Plan

President Clinton's national health proposal is being touted for its fair treatment of all Americans. But even before a legislative package is delivered to Congress, potential regional biases in the plan are surfacing.

The mandate on employers to provide health insurance immediately highlights a regional difference. In the Northeast and Midwest, almost 70 percent of those insured already have coverage through their employer, according to a study by the Northeast-Midwest Congressional Coalition. In the South and West, roughly 60 percent of insurance coverage is through employers.

"The onus of a mandate on employers to provide health insurance coverage will be less burdensome on the Northeast-Midwest region than other regions," according to a statement from the Coalition.

Nonetheless, some in states with a high percentage of insured residents worry that they could end up indirectly subsidizing the currently uninsured from poorer states.

"In order to put all of the uninsured into one pool, we will have to pay more in and get less back," Democratic Rep. Tim Penny says of his constituents in Minnesota.

"If we are going to spread a fixed benefits pie, what happens to our area?" asks Rep. Marcy Kaptur, D-Ohio. She co-chairs the Northeast-Midwest Congressional Coalition, which has looked into the regional impact of broad changes to the nation's health-care system.

"There are so many issues and sides in the debate that the regional implications aren't the first things that come to mind. But as the debate sharpens, they will become clearer," said Paula Duggan, a senior policy analyst at the Northeast Midwest Institute, which is affiliated with Kaptur's coalition.

• Medicaid could also trigger some regional friction, in this case working to the detriment of the Northeast and Midwest. Under the current program, each state receives a level of federal reimbursement for Medicaid expenses based on a formula tied to per capita income. As a result, states in the Northeast and Midwest — where per capita income is higher — receive fewer federal dollars.

States will have a keen interest in changes to that formula or attempts to expand its use. "Medicaid right now is a tremendous bone of contention between the regions," said Duggan. "If use of that formula would be expanded, that would be of real concern." It has been extended before to determine distribution of money for welfare and foster care programs.

Some lawmakers downplay the significance of regional differences. "States will have a lot of flexibility," said Rep. Henry Waxman, D-Calif., who chairs the Energy and Commerce Subcommittee on Health.

Yesterday's Capitol Hill Hearings

Meanwhile, health-care hearings continued on Capitol Hill.

The second in a series of House Ways and Means hearings turned sour yesterday as both Republican and Democratic members of the panel's Health Subcommittee expressed frustration that the administration had not yet introduced legislative language for its health-care reform package.

Judith Feder, a deputy assistant secretary at the Department of Health and Human Services, was the sole witness and was bluntly questioned by Subcommittee Chairman Pete Stark, D-Calif., about what he regards as excessive flexibility for states under the president's proposal.

Following Stark was the subcommittee's ranking Republican, Bill Thomas of California, who pressed Feder on the range of powers of what would be called the National Health Board under Clinton's plan.

After Feder's exchanges with Stark and Thomas, Sander Levin, D-Mich., urged panel members to "discuss these points forcefully without necessarily being adversarial. . . . It seems to me that this plan is caught between those who feel it does much too little and those who feel it does much too much."

Fred Grandy, R-Iowa, who is the cosponsor, along with Jim Cooper, D-Tenn., of an alternate health-care proposal (HR 3222), complained that Clinton and others are not doing enough to encourage bipartisan cooperation on a health plan. Grandy said that, as a moderate on the issue, he and others are not being consulted enough.

There is a feeling that "we are being criticized first and consulted later," Grandy said. "I hope we can agree that there is no way a bill can pass without a bipartisan coalition that is committed to holding the center in this debate."

• At another hearing yesterday, consumer groups offered only lukewarm support for the Clinton plan.

Judith Brown, chairwoman of board of directors of the American Association of Retired Persons, said her organization, one of the most powerful interest groups in Washington, "will not support or oppose the president's plan blindly."

"We will carefully analyze the plan in terms of its effect on our members, their families and the nation," she said at a joint hearing of two Energy and Commerce subcommittees. "We will assess its status at each step of the legislative process and work to improve it."

Other consumer groups, including the League of Women Voters and the Consumer's Union, urged lawmakers to guarantee citizen participation in the debate.

"The administration of the health-care system must be a process in which citizens can express their views," said Becky Cain, president of the League of Women Voters.

• Both Jesse Brown, the secretary of Veterans Affairs and Labor Secretary Robert B. Reich also appeared on Capitol Hill yesterday to answer questions about various aspects of the president's proposal. Brown testified before a House Veterans' Affairs subcommittee; Reich was at the House Education and Labor Committee.

• A group of insurers, manufacturers and small businesses launched a campaign against Clinton's proposal to create health-care alliances. Representatives of The Coalition to Preserve Self-Insurance said the group opposes allowing the government "to interfere improperly with a business owner's right to decide how to best run his or her business."

The coalition claims that under Clinton's proposal, today's business health plans would be replaced by exclusive, state and federal government-regulated purchasing groups, called health alliances, with millions of participants. Companies would lose the flexibility to choose the plan that best fits the needs of their employees, the coalition said.

Today's Health-Care Agenda

• The House Ways and Means Health Subcommittee hearings continue, with testimony from Bruce Vladeck, head of the Health Care Financing Administration.

• Also of interest is a Senate Labor Committee hearing focusing on possible savings from the Clinton plan and a House Government Operations Committee hearing on including coverage for mammograms and Pap smears in a woman's basic benefits package.

Mfume to Battle Fazio for No. 4 Democratic Spot

The Black Caucus Chair's Entry Livens the Dec. 1994 Election For Democratic Caucus Chair

Vic Fazio, Calif., has long been considered a shoo-in to move up the leadership ladder to become chairman of the Democratic Caucus for the 104th Congress.

THE PULSE OF CONGRESS

But the race could turn into a donnybrook now that Kweisi Mfume, Md., is laying the groundwork to battle Fazio for the job, which is the No. 4 position in the Democratic leadership.

According to sources, Mfume has essentially decided to make the race but will not make a formal announcement until the end of November.

Mfume's decision will pit him against Fazio, the consummate insider who heads the Democratic Congressional Campaign Committee and is vice chairman of the caucus. But Mfume has also become a big-time player, using his chairmanship of the Black Caucus to become a power broker on almost every major issue.

Both men have been quietly feeling out members for support, although neither has been asking for commitments this far before the election, which will take place in December 1994.

Fazio has been regarded as the heir apparent to replace Steny Hoyer, who is prohibited by Democratic rules from running again. As chairman of the DCCC, Fazio has been able to help dozens of members get elected — and collected valuable chits along the way.

Fazio also took on the onerous task of chairing the Appropriations Legislative Branch Subcommittee, which forces him to defend congressional spending.

But Mfume could throw a curveball into Fazio's coronation. The Black Caucus numbers 38 House Democrats — support that rivals Fazio's California delegation base, which includes 30 Democrats.

Most blacks within the California delegation would support Mfume, said one lawmaker. The Hispanic Caucus is also likely to side with Mfume.

Although Mfume's entrance into the race will make it lively, members still rate Fazio the front runner. "I wish [Mfume] would run for vice chairman. If anyone has earned anything around here, its Vic," said Barney Frank, D-Mass.

Regarding Two Henrys With A Large Grasp on Housing

Two of the nation's most important figures on housing matters just happen to be veteran San Antonio politicians named Henry.

But Rep. Henry B. Gonzalez, chairman of the House Banking, Housing and Urban Affairs Committee, and Henry G. Cisneros, secretary of Housing and Urban Development and a former San Antonio mayor, may not be on the same track this year.

One example of this, observers say, is legislation Cisneros has requested that would — among other things — give HUD more flexibility to dispose of apartment buildings that have fallen to the government through foreclosures.

Cisneros has called it HUD's "most pressing matter." Taking that cue, the bill was introduced in the Senate in July and a mark-up is scheduled there for Oct. 19.

Yet comparable legislation has not yet been introduced in the House; Gonzalez is said to still be "reviewing it."

Gonzalez' hesitation may partly reflect concerns he has about the bill. It may also be a matter of circumstance. Gonzalez has expressed an interest in handling most housing matters next year, when Congress considers a large-scale housing reauthorization bill.

But several housing observers point to broader differences of opinion between the two. Cisneros quickly ran into a Congressional buzzsaw in February by suggesting that several housing programs be consolidated into a block grant program.

Observers also say that the two have had what has been diplomatically called a "frank" exchange of their differences through correspondence, in which Gonzalez has allegedly complained of a lack of courtesy on HUD's part.

These differences did not keep Gonzalez from shepherding through the House the legislation to help improve low-income housing and aid the homeless Cisneros had originally sought from appropriators. What happens to the broader bill Cisneros now seeks remains to be seen.

What If . . . the Senate Filibuster Became a Chapter in History

The Senate filibuster — the symbol of both power and gridlock — will go by the wayside if Rep. Barney Frank, D-Mass., has anything to do with it.

When the House considers recommendations to overhaul congressional procedures — most likely not until next year — Frank said that he will offer an amendment to eliminate the filibuster, which allows one or more members to talk legislation to death, unless 60 members vote to cut off debate.

When members of the Joint Committee on the Organization of Congress began their work, House and Senate lawmakers agreed not to delve into each other's business. But Frank said that agreement did not apply to him.

Frank is tapping into long-standing House bitterness about the filibuster. "I have never had something so enthusiastically received," said Frank.

Frank has checked with the parliamentarian to make sure it was within the rules for a House member to offer an amendment altering Senate operations.

But will the Senate go along? Not if Robert Byrd, D-W.Va, — protector of the Senate rules — has anything to do with it.

Quick Insights

- ***Scandal's Relic***

The last vestige of the House bank is gone. The sign that had hung outside the House sergeant at arms' office, which said "Members Mileage and Salaries" was removed earlier this week. The teller stations and other components of the bank were removed last year when the bank was closed. But the sign, about 90 years old and shown in many television clips when the bank scandal was hot, was kept because Sergeant at Arms Werner Brandt was still responsible for members' payroll. But that responsibility is now being shifted to the director of non-legislative affairs. Brandt said the sign will probably be put into a frame in his office.

- ***Veteran Jingle?***

Imagine watching your favorite television show and, during a commercial break, seeing advertisements for McDonalds, Coca Cola and the VA. The Department of Veterans Affairs? Yes, VA Secretary Jesse Brown told members of the Senate Veterans Affairs Committee on Oct. 13, that he would probably propose legislation that would lift a current ban on advertising. He feels it's necessary in order to sell veterans and their families on the idea of choosing the VA. Under President Clinton's health care reform plan, the VA would be one of a number of plans offered through local health-care alliances.

— by Thomas Galvin and Steve Langdon, with reports from Jeffrey L. Katz and David Masci.

A Health Proposal Headed for Failure

President Clinton's health care proposal relies heavily on a new competitive market to drive national health care toward high quality and low costs. But political timidity and exaggerated savings estimates may doom the market to failure.

Competition needs incentives to work. Buyers must reap a sizable saving if they choose lower-cost policies; and without consumer demand, health plans would have little reason to cut premiums. On this crucial score — incentives — the President's proposal comes up short.

Fortunately the missteps are remediable, if not by the White House then by Congress. President Clinton is on the verge of a proposal that can deliver on his promise to insure the health of every American at affordable prices. But he's not there yet.

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Mr. Clinton would require Americans to buy a generous insurance policy provided through regional purchasing cooperatives. His proposal would be expensive because subsidies would be given to low-income families. But he is trying to mask the cost — and the need to raise taxes — by proposing to save hundreds of billions by cutting the growth rate of Medicare and Medicaid in half in just two or three years.

If, as most experts believe, these targets are unrealistic, then doctors will make up the loss as they have in the past by jacking up prices to private patients. And that will drive private insurance premiums smack into the caps Mr. Clinton proposes to slap on them.

A system that was supposed to control cost with competition would amount to price controls. And the severe price caps would likely drive providers to skimp on treatment and erode the unrivaled excellence of American medicine.

The Administration argues that there is plenty of waste in health care and that caps can squeeze it out. But caps don't target waste; they are likely to squeeze out important services.

One remedy is to change the tax incentives to encourage individuals to select the low-cost policies. Mr. Clinton would require employers to pay at least 80 percent of the cost of the *average* policy that workers could choose. Workers who choose less expensive policies would pocket the difference.

That provides some incentive to choose wisely. But the rebate would be taxable, so the incentive would be weak. The problem could be fixed by limiting employers to paying only enough to cover low-cost plans, or by requiring individuals to pay additional taxes if their employer pays for higher-cost plans.

It is even more important to fix the second, more glaring, flaw in the Clinton proposal — its severe cap on private insurance premiums. Without room to maneuver, health plans would lose the impetus to innovate, and there would be little incentive to pour billions into setting them up. The best idea is to drop the cap, or at least restructure it.

Under the Clinton proposal, health insurers would be told not to raise premiums above the federally set cap. That would lead them to reach for the cap — even if they wanted to charge less — because what they gave up in premiums this year they could not recover later. Far better to make the caps cumulative — limiting an insurer's total increase over time but not dictating each year's increase.

If pure regulation is what President Clinton really wants, he should say so directly and let Congress debate the matter. He should also scrap the purchasing cooperatives and other complex paraphernalia of competition and adopt a simpler structure. But if a mixture of competition and regulation is truly what he wants — and he should — then his health care proposal needs some surgery.

Mr. Cisneros Marches on Vidor

Earlier this week Henry Cisneros, the Secretary of Housing and Urban Development, stormed into the town of Vidor, Tex., took over the local public housing authority and announced that the long-delayed integration of Vidor's subsidized housing would proceed forthwith. This marks the first time that HUD has seized control of a local housing authority for violating civil rights laws. Mr. Cisneros' use of those laws to open up subsidized housing to blacks is deeply gratifying.

Last fall a Federal judge ordered the desegregation of 170 housing projects, some all white and some all black, in 36 counties across east Texas. The order, which concluded a 12-year-old court case, was unusual in its breadth and was especially dramatic in Vidor, which once was home to a half-dozen branches of the Ku Klux Klan.

During the last eight months, four black tenants have rented apartments in the Vidor Village public housing complex. All four have been forced out by threats of violence, some from teen-agers clad in sheets.

Mr. Cisneros cited the Orange County Housing Authority, which receives Federal funds, with failure to comply with the 1964 Civil Rights Act and with Housing Department regulations. The Secretary asked for the resignation of the authority's director and its board of commissioners, arguing that they had "failed their responsibility to create a safe and secure environment for all people."

The Justice Department sent a strong message of reinforcement by dispatching Associate Attorney General Webster Hubbell to the scene. Justice threatens a lawsuit if amicable solutions aren't reached soon.

In both HUD and Justice, this is an encouragingly muscular response and a sharp departure from the last 12 years. Previous Administrations knowingly financed housing authorities that were too tolerant of discrimination. Indeed, through the Reagan and Bush years, civil rights enforcement at Justice, once a source of great departmental pride, was downgraded.

Mr. Cisneros made the same point about HUD: "This entire effort represents a new direction for the department," he said. "Over the past 12 years, HUD's response has been weak, inadequate and unsuccessful. . . . We are going to work with the good people of Vidor to make their public housing a source of community pride, and we're going to be here as long as it takes to make things right."

Might these sentiments foreshadow Federal intervention in other venues, particularly projects where rampant drug dealing and gunfire make normal life impossible? Ideally, Vidor will be the beginning of a broader effort to create "safe, secure environments" and "community pride" in public housing everywhere.

Ms. Holtzman's Unlikely Story

No wonder New York City's Comptroller, Elizabeth Holtzman, sought to suppress the investigation into her campaign finances. Ms. Holtzman has asserted for months that she did not know that the same banking company that granted her a generous campaign loan was later selected as an underwriter of city bonds on her office's recommendation. The loan came at a crucial time during her unsuccessful Senate campaign last year, and helped finance the advertisements that attacked her rival Geraldine Ferraro's integrity.

Now the Department of Investigation has weighed in, and its judgment of Ms. Holtzman's own integrity is harsh. In a report released yesterday after a reluctant Ms. Holtzman gave her assent, the department paints a troubling portrait of a public official so driven and distracted by ambition that, at best, she put politics ahead of her office's responsibilities.

That is the most charitable conclusion to be drawn from the report's finding that Ms. Holtzman was "grossly negligent" in failing to determine whether the bank that made the $450,000 loan, Fleet Bank, was trying to expand its business with her office. It was, undeniably and determinedly.

Indeed, though the report contains no proof that Ms. Holtzman knew what she says she did not, it bluntly questions the Comptroller's credibility. "The evidence strongly suggests," the department found, that Ms. Holtzman knew Fleet was doing business with her office and that it wanted to do a great deal more.

The Department of Investigation documents Fleet's diligent — and successful — efforts to get city business, including its efforts to curry favor with Ms. Holtzman by granting her the campaign loan over a loan officer's objection that the loan would be "undesirable" for the bank. The Comptroller said yesterday she was unaware of that concern within the bank. Maybe so. But was she also blind to Fleet's efforts to woo her?

That does not seem possible for so experienced a politician — especially one who trades so proudly on her reputation for integrity. Nor is it understandable that top Holtzman aides knew of Fleet's interest in becoming an underwriter yet failed ever to mention it to her. Or that she failed to read a relevant carbon-copy memo addressed to her. Or didn't realize that Fleet's name was on an official document announcing the latest list of underwriters. If all of that is true, Ms. Holtzman was not running her office with any degree of care.

One of the more telling episodes in the report describes a breakfast meeting she and her campaign finance director attended with Fleet officials. The company's president told Ms. Holtzman explicitly that he wanted Fleet to be a bond underwriter. At that same meeting he gave her finance director $3,000 in contributions for the Holtzman Senate campaign.

Ms. Holtzman contended in the report, and at a press conference yesterday, that she did not recall the breakfast meeting or other contacts with Fleet. She denied giving favorable treatment to Fleet in return for its campaign contributions. But that strains credulity, and puts before New York voters a picture of Ms. Holtzman as someone with a conveniently fallible memory.

Her refusal to release the report before Tuesday's primary was a transparent and cynical effort to squeeze into the Sept. 28 runoff election by denying voters information they deserved. When the runoff takes place, voters should remember both the unworthy behavior documented in this report and Ms. Holtzman's attempts to manipulate the election.

Senate Hands Clinton Setback on Grazing Fee

By KEITH SCHNEIDER
Special to The New York Times

WASHINGTON, Sept. 14 — The Senate voted today to delay the Administration's plan to raise the fees that ranchers pay to graze cattle on Federal land in the West. The move threatens to undo President Clinton's proposals to change how public lands are managed.

Western Democrats joined with Republicans to pass an amendment, 59 to 40, that would prevent the Administration from increasing the grazing fee for a year.

The amendment was attached to a spending bill for the Department of the Interior. The legislation, which was sponsored by Senators Pete V. Domenici, Republican of New Mexico, and Harry Reid, Democrat of Nevada, will now go to a conference committee with the House that is scheduled to begin meeting before the end of the month.

The size of the Senate vote was a strong indication that the delay is likely to prevail, Senate staff members from both parties said.

Resistance From the West

The grazing fee issue has bedeviled Mr. Clinton since the first days of his Presidency. In February, he proposed as part of the budget bill an increase in grazing fees — to $5 a month from the current $1.86 — for every cow and calf as well as every five sheep that feed on public land. After a group of Western Democratic senators, led by Max Baucus of Montana, protested, the President agreed to pull the proposals from the budget but promised to reintroduce them later.

On Aug. 9, just days after the budget was narrowly approved by Congress, Mr. Babbitt introduced a new set of changes for managing Federal land in the West that included a plan to raise grazing fees to $4.28 a month. Mr. Babbitt said the plan would go into effect after public hearings.

Mr. Baucus and other lawmakers of both parties from the West asserted that the Administration's plan amounted to a basic revision of historical privileges and rights granted to rural families that should not take place without Congressional review.

It Will Balance Just Fine





There is plenty to debate, but that doesn't include whether the proposed financing 'adds up.'

By TED MARMOR and JERRY MASHAW

President Clinton in recent days has been out talking with ordinary Americans about how his health-reform proposal will help meet their need for insurance security and affordability. Meanwhile, back on the talk show circuit and in the press, most of the conversation is a form of anxious hand-wringing about whether the President's numbers "add up." Words like *fantasy* and *hopelessly unrealistic* are thrown around whenever the topic turns to finance. Critics in Congress and elsewhere have tried to focus everyone's attention on the single issue of "How are we going to pay for it?"

We have not been, nor are we now, partisans of the particular plan the President has put forward. But the questions about the plan's cost and financing are being posed in the wrong way—a way that will discourage productive debate.

Asking these questions in the right way would lead to very different perspectives on what might be right or wrong with the reform plan the President has offered.

First, there's no point in questioning simply whether the numbers "add up." Of course they add up arithmetically. Hillary Rodham Clinton, Ira Magaziner and their task force members are not dopes. The critical issue concerns the assumptions built into the numbers in order to make them add up. For the President's financial estimates, three sets of assumptions are crucial. It is the relative uncertainty about the assumptions that feeds the "do the numbers add up" frenzy.

Estimates of premium costs—of how much a family would pay for medical coverage—and population growth are the least uncertain. One can quarrel around the edges—the amount of small-business subsidies, for instance—but it is not a huge trick to look at existing payments for the type of plan the President has proposed and come up with reasonable predictions. The President's plan does that, and population growth will not surprise us much over the period for which the numbers are projected—from now until the year 2000.

The second set of numbers in the President's projections is more controversial. The Administration estimates that gross domestic product will grow between 4.2% and 5.4% over the whole period, with inflation never rising above 2.7% a year. These, admittedly, are optimistic estimates.

The question, however, is how these projections relate to the Clinton reform proposal. Is the accuracy of these estimates critical to whether the plan's financing "adds up?" The answer is "no." The financing plan does not rely on some particular percentage of growth or inflation. Instead, it pegs limits on spending to these growth rates.

The real question to ask is exactly how the President's program proposes to tie health spending to these numbers, whatever they turn out to be. This in turn depends on how effective the techniques for containing costs—such as capping insurance premiums—are likely to be. It is not a question of whether the economic projections are realistic in the sense of being precisely right.

Finally, the President's financing relies critically on revenues from certain "sin" taxes and "savings" from the Medicare and Medicaid programs. The sin tax revenues may be somewhat overstated but could easily exceed the current estimates if Congress persuades the President to change his mind and support new taxes on beer, wine, and domestically produced liquor.

The real trouble arises, according to the pundits, from estimates of future savings in Medicare and Medicaid. The critics seem to assume that these programs are sacrosanct or, alternately, rapidly growing and politically uncontrollable.

How did these critics get to be so pessimistic? The growth rate of Medicare's hospital expenditures per enrollee was 6.9% annually in the period 1980-83. But when the government imposed reasonably effective payment constraints on hospitals in 1983, the results were dramatic. The growth rate per enrollee between 1983 and 1988 was only 1.3%. The Clinton reform projects Medicare growth rates to be 4.1% by the year 2000. In short, the rules controlling physician payments and pharmaceutical prices, combined with changes in the age distribution of the population, have generated projections that expenditure growth will be higher by the year 2000 than in the 1983-88 period. Why is this not a plausible, even a conservative, estimate?

Some critics will answer that Medicare's regulation of costs was effective in the past only because hospitals (and now doctors) could "shift" some of their costs to private payers. Again, this objection seems plausible, but it ignores the facts.

Under a plan that limits all payers, this cost shifting would not be possible.

It is the experience of *every* industrialized democracy with a universal health insurance program that cost control becomes easier when the plan is universal, not harder.

The explanation is simple. When everyone is in the same boat, special pleading that leads to a breakdown in regulatory controls or shifting of costs becomes more difficult. Common gain and common sacrifice are a reality and radically transform the politics of medical financing.

Equally, a universal system makes someone accountable for overall costs in a way that cannot be ignored or avoided. If the Congress and the states fail to develop constraints that meet spending targets, the taxpayers will know about it. This is not politics as usual, something the critics fail to acknowledge.

Therefore the counsel currently offered by critics—go slow in adding new benefits until we can assure everyone that the savings are real—is advice that is likely to doom the plan to failure. Universalism and cost control go hand in hand. Otherwise it *is* politics as usual, full of special pleading.

There are valid concerns about the workability of the Clinton proposals. The employment-based premiums, avoidance of general taxes and reliance on uncertain techniques of cost control (particularly in the competing health plans)—all should give pause. There are safer, more reliable and more effective ways of organizing health insurance and health finance for all.

The real issue is how to get a sensible health system in place by the end of this decade. Fixation on the current Clinton numbers or the cynical politics of the moment will not get us there. In these respects, the critics have not yet started to ask the right questions.

Ted Marmor teaches public policy and Jerry Mashaw teaches law at Yale University. They are co-authors of "America's Misunderstood Welfare State" (Basic Book, 1992).

^AM-VT--Leahy-Nutrition,340
^Leahy Introduces Bill Aimed At Better School Nutrition

MONTPELIER, Vt. (AP) Federally supported school lunch programs would have to meet government nutrition guidelines under a bill filed Thursday by Sen. Patrick Leahy, D-Vt.

''Few Americans realize that school lunches do not follow basic federal nutritional guidelines,'' the chairman of the Senate Agriculture, Nutrition and Forestry Committee said in announcing the legislation. ''As a result, too many lunches are high in fat, high in salt and low in nutritional value.''

Leahy touted his bill as part of a larger effort to cut health care costs through disease prevention, and he issued copies of a letter to him from the leader of the Clinton administration's health care reform efforts supporting that view.

Hillary Rodham Clinton wrote that ''proper nutrition starting at the earliest ages is essential to the prevention of at least three costly diseases: heart disease, cancer and stroke.''

Leahy said his bill would affect the diets of about 24 million school children around the country.

It would:

Require food served by federally funded school lunch and other feeding programs to meet the government's nutritional guidelines. Leahy said some school lunches now contain 20 percent more fat than the guidelines call for.

Make the federal Women, Infants and Children or WIC program serve 100 percent of those eligible. Leahy cited a USDA report saying every dollar spent on WIC saves $4 in Medicaid costs in the first 60 days after birth.

Save the Homeless Preschool Children's Program, now set to expire next year. The program provides preschoolers in homeless shelters the same meals their older siblings get in schools.

Create incentives to help schools buy organic fruits and vegetables, which are lower in pesticides than conventional produce.

Allow schools to bar sale of junk food before the end of the last lunch period.

The bill immediately won endorsements from groups ranging from the American Cancer Society to the Children's Forum.

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^AM-CLINTON-HILLARY<
^FIRST LADY CAMPAIGNS FOR NEW YORK'S MAYOR<
NEW YORK (Reuter) - First lady Hillary Rodham Clinton gave Mayor David Dinkins re-election bid a boost Thursday, joining the mayor and other city officials at a women's fund-raising lunch.<
To cheers, whistles and robust applause from 2,000 women at< a New York hotel, the first lady spoke of Dinkins as a ''gentleman and a committed public servant.''<
Dinkins, a Democrat, is facing a strong challenge from Republican opponent Rudolph Giuliani, a former U.S. Attorney. The latest public opinion polls show the two running about evenly.<
''I'm here today for political reasons, because I'm a Democrat, and I want to see the Democrats hold on to the mayor's job in this city,'' she said.<
She also made a pitch for the administration's health care program.<
''The right of every American to have access to secure health care and a benefits package that includes preventive care must be addressed and must be passed this year before the Congress adjourns,'' she said to wild and sustaining applause.<
Mrs. Clinton received an even warmer reception than did Dinkins at the event, sponsored by ''Women for David Dinkins.''<
Earlier Thursday, she taped an episode of the children's show ''Sesame Street.''<
REUTER<
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The cause of our huge budget deficits is not government waste or welfare programs for the poor—it's the out-of-control spending on welfare programs (called "entitlements") for the middle and upper classes. President Clinton's plan barely makes a dent in this spending

FACING UP

BY PETER G. PETERSON

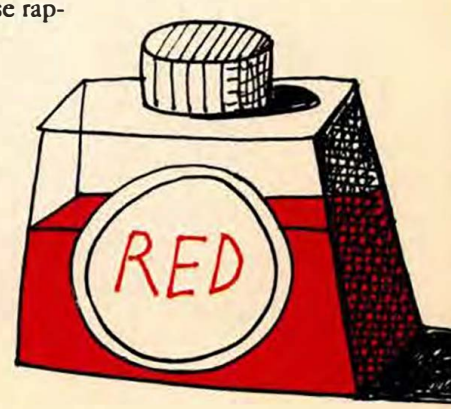
EARLY ON IN HIS PRESIDENTIAL CAMPAIGN BILL CLINTON TALKED ABOUT THE need for Americans to pull together and "sacrifice." Later, in a State of the Union address remarkable for its candor, he spoke to a raptly attentive nation about how our ballooning federal deficits cloud our economic future. That was a subject George Bush had found worthy of mention only once in his 5,000-word State of the Union address the year before. The budget plan that Bill Clinton then delivered to Congress not only used real numbers instead of rosy scenarios; it shattered some paralyzing dogmas. The nonsense that we could put our fiscal house in order without new taxes was laid to rest. Especially commendable was the President's opening the door to energy taxes, which not only raise revenues but also represent a means to curb a particularly toxic kind of consumption. Even Social Security, our ultimate sacred cow, was put on the budget-cutting table—if only at the table's edge. After years of empty "Morning in America" and "Don't Worry, Be Happy" rhetoric, all of this was welcome—even intoxicating—to us deficit hawks.

But in the end the actual sacrifice called for under the Clinton plan is so mild and selective that it can hardly be said to address our long-term economic challenges. The President's new taxes on the "rich" turned out to spare almost entirely a much enlarged but fiscally misnamed middle class, excluding all but the top one percent of U.S. tax filers. Despite all the talk of draconian sacrifice, the Clinton plan's proposed energy tax amounted to little more than a flea bite. As for entitlements, the thing that mattered most, the President barely managed to crimp their growth. From 1993 to 2004 federal benefit spending under the original Clinton plan, which, in its handling of entitlements and its overall budget savings, differs only in detail from what Congress approved, would have soared by some $730 billion—as compared with $790 billion under the Congressional Budget Office's business-as-usual baseline scenario.

Without much broader sacrifice—and a presidential vision that truly explains its purpose and inspires us to consume less today for a better tomorrow—we will never cure America's economic ills.

The Clinton plan doesn't come close to balancing the budget, even in the near term. According to the numbers developed by the White House itself, if the President's entire original budget package had been passed and implemented, by 1997 the federal deficit would have declined by only $140 billion from what it otherwise would have been. That would put it at $206 billion, or 2.7 percent of gross domestic product—just a smidgen under where it was (3.0 percent of GDP) in 1989 before the recession began. If 2.7 percent of GDP doesn't seem like a lot, consider that in 1992 a deficit that size would have soaked up about half of U.S. net private savings. And consider also that about three quarters of the spending cuts that the President has proposed for 1994 to 1998—modest as they are—are only to take place after the 1996 election, which, of course, raises the risk that they will not materialize at all.

After 1997 the federal deficit will once again begin to rise rapidly. Under the impact of continued growth in entitlement spending, by 2004 it will have climbed to about $465 billion, or 4.6 percent of GDP. As the Baby Boom generation begins to reach retirement age in the years that follow, a General Accounting Office study indi-



ILLUSTRATIONS BY J.C. SUARÈS

cates, the deficit could then soar to an unthinkable 21 percent of GNP in the year 2020, when today's toddlers are starting to raise their own families.

Economists disagree on many things, but almost none would disagree that it is essential not to let our public debt grow faster than the economy. Yet under the Clinton plan public debt is on track to grow far faster than the economy. Today public debt is already at a higher level—55 percent of GDP—than it has been at any other time since the mid-1950s, when we were still paying off the costs of the Second World War. Because the Clinton budget plan leaves on the table a full two thirds of deficits previously projected for 1993–2004, public debt will grow to about 65 percent of GDP by the end of that period. And along with the debt, needless to say, federal interest costs will soar.

Considering how ravenously a large deficit consumes national savings—and Clinton has spoken eloquently about this—and how important the availability of savings is to making the future-oriented investments that Clinton says he wants (and that America surely needs), how can we possibly justify short-term tweaking of the deficit in lieu of radical surgery to balance the budget?

I have asked the Clinton people this question. One answer they offer is that the volcanic eruption of red ink projected for after 1997 will never occur, owing to steps they will take to control that most intractable force driving our deficits—exploding health-care costs.

The President is certainly right to go after health care. This is where much of deficit reduction must occur. But as to whether Bill Clinton will find his hoped-for health-care savings, I am more than a bit skeptical. As Charles Schultze, a former chairman of the Council of Economic Advisers, put it, "God couldn't design a program" that will achieve net savings in health care in the near term. The President, after all, is proposing that we spend *more* on health care—according to some, as much as $100 billion to $150 billion annually in new public and private benefits, much of it picked up by the federal government. In the longer term achieving real savings elsewhere in health care will require real sacrifices—including, ultimately, selective rationing of high-cost, low-benefit medical technologies and services. But the Administration isn't preparing the American people for such sacrifices.



Until it does, it won't be able to come up with enough health-care savings to offset the cost of the benefit expansions we are now talking about, much less contribute to overall deficit reduction.

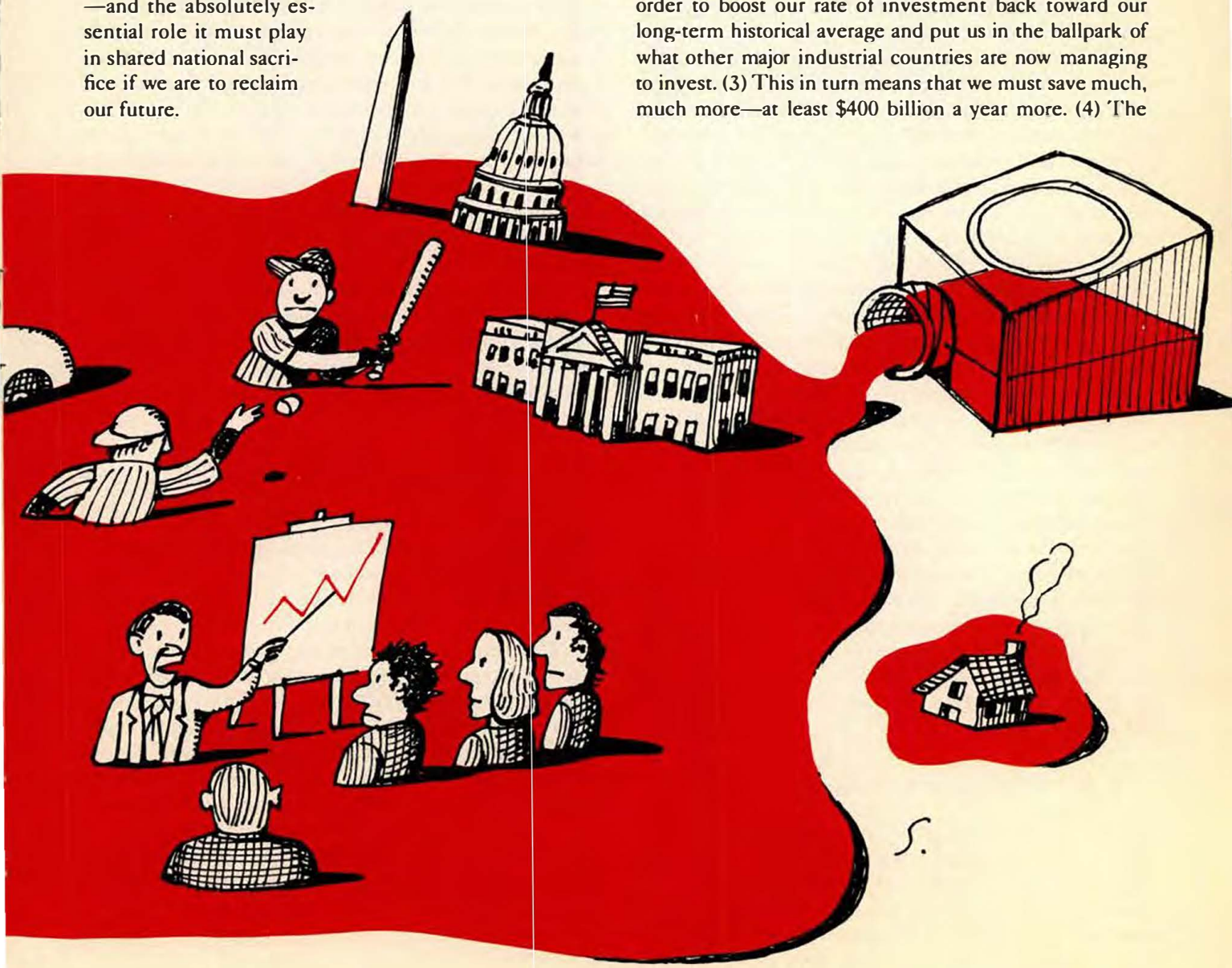
Bill Clinton warned of an economic Armageddon if we fail to change course—but then all he was able to give us to cure our economy's ills was a few teaspoons of syrupy medicine.

What happened? The President, according to senior aides, kept asking, "What is *politically* feasible? I do not want this to be another budget that is D.O.A." In the end his political advisers told him he couldn't ask for sacrifice where he had to—from the great American middle class. Let me now speak the unpopular truths that I am sure the President knows but believes are too politically dangerous to act upon. Let me turn to the problem of the great American middle class—and the absolutely essential role it must play in shared national sacrifice if we are to reclaim our future.

The Brutal Truth

IF YOU LISTEN CAREFULLY TO MOST ECONOMISTS and policy experts today, a consensus emerges about the magnitude of America's economic challenges and what sorts of reforms will be necessary to overcome them.

In particular, most would agree with the following: (1) To get American living standards rising again, we must increase productivity growth. (2) To boost productivity we must invest more—much, much more—not just in machines but in research and development, in infrastructure, and in people. Making the new investments we need if we are again to know the kind of rising living standards we remember from the 1950s and 1960s will require a lot of money. Many, myself included, think that at least $400 billion a year in new investments is needed in order to boost our rate of investment back toward our long-term historical average and put us in the ballpark of what other major industrial countries are now managing to invest. (3) This in turn means that we must save much, much more—at least $400 billion a year more. (4) The





In the end the actual sacrifice called for under the Clinton plan is so mild and selective that it can hardly be said to address our long-term economic challenges. Without much broader sacrifice we will never cure America's economic ills.

surest and fastest way to increase our savings is to reduce and eventually eliminate the federal deficit, which is really just a form of negative public savings. (5) To reduce the deficit and keep it down we must make major cuts in consumption spending, and in particular in entitlements. But this, alas, requires us to confront a brutal question: If we are to save more by consuming less, whose consumption growth do we propose to cut?

It's at this point that agreement on what needs to be done, while not exactly breaking down, comes face to face with a truth that remains politically inexpressible. That truth is that the problem is all of us. *Most Americans—emphatically including the middle class—will have to give something up, at least temporarily, to get back our American Dream.*

We all remember the slogan that came out of the Clinton campaign: "It's the economy, stupid." Well, when it comes to the budget, the watchword ought to be "It's entitlements, stupid." From Social Security and Medicare to the vast tax favors for home-mortgage interest and employer-paid health insurance (policy wonks call these benefitlike subsidies in our tax code "tax expenditures"), consumption-oriented spending dominates the budget today. And the explosive growth of these entitlements will continue to rob our future. The budget arithmetic is inescapable: we just can't get the spending cuts we need from anywhere but entitlements. As big as it is, even defense spending isn't big enough. We could shut down the Pentagon tomorrow and still not balance the budget. Nor can we count on saving much on our huge interest bill unless we first reduce other types of spending. Interest on the national debt is something that we must pay to avoid a devastating financial panic—and it keeps growing as our national debt grows, just as it would fall if we began to attack the deficit. The rest of what government does represents just pennies out of the overall budget dollar.

The Cost of Entitlements

LET'S DEFINE SOME KEY TERMS AND LOOK AT some key facts about entitlements. "Entitlements" are any public-sector payments, received by a person or a household, that do not represent contractual compensation for goods or services. This definition obviously excludes large portions of the federal budget, from defense procurement to interest on the national debt to purchases designed for America's collective benefit (such as highway construction). But it includes nearly everything else—most notably such dominating fixtures of the American political landscape as Social Security, Medicare, Medicaid, food stamps, unemployment compensation, veterans' benefits, and farm aid, to say nothing of our lavish federal pension systems.

The most striking single fact about entitlements is their vast cost. Over the course of fiscal year 1993 the U.S. Treasury will have mailed out benefit checks (directly to individuals or to state agencies and insurance companies that administer benefits) totaling some $800 billion, or about one eighth of our nation's GDP. That amounts to more than half (53.5 percent) of the entire federal budget—or about $6 million every minute of every working day, flowing to one out of two American households. These figures, moreover, include only direct outlays from the federal budget. The numbers would be even larger if we included tax expenditures. If we count them and add the cost of administering entitlement programs—as many economists argue we should in order to get the full picture—federal entitlements now amount to more than ***$1 trillion annually*** and flow to well over ***three quarters*** of all U.S. households.

Ten Myths About Entitlements

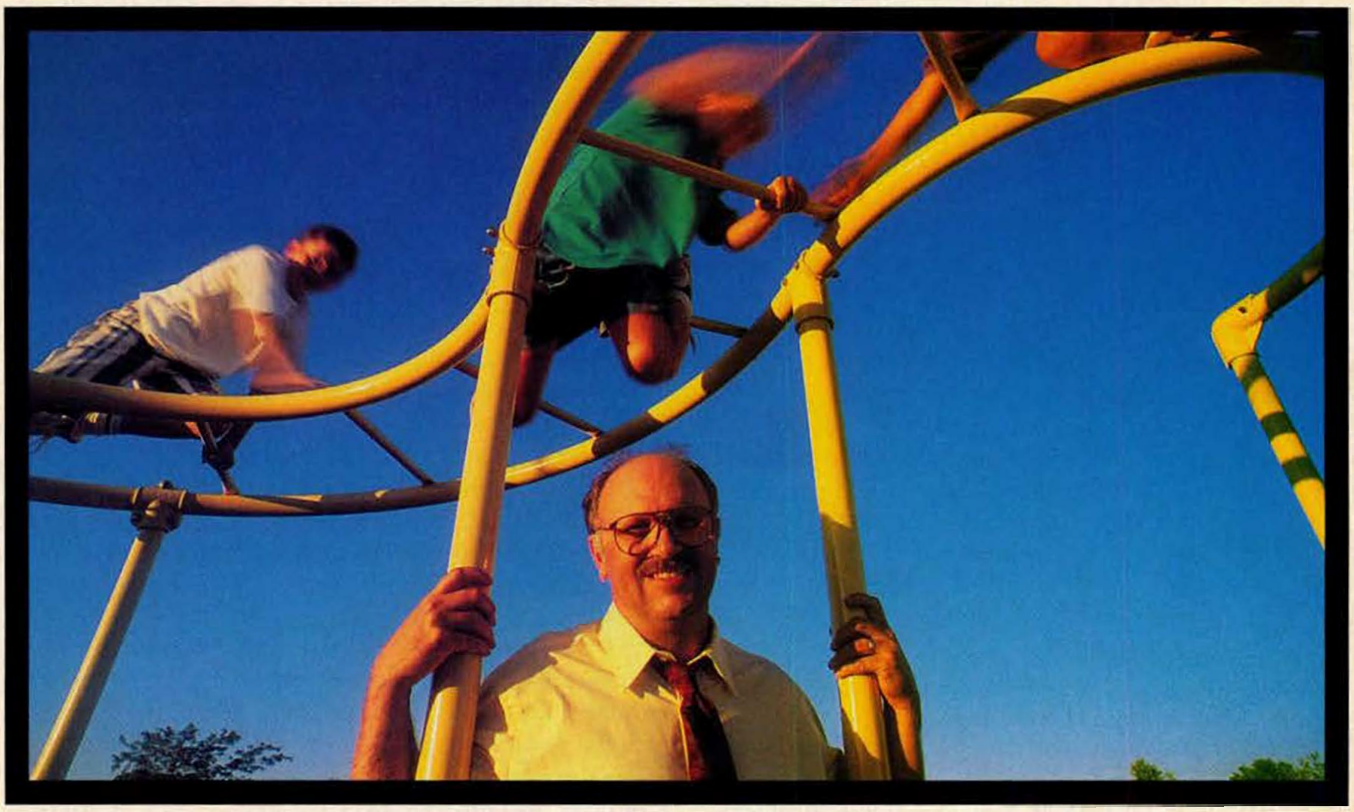
MYTHS ABOUT ENTITLEMENTS ARE EVERYwhere. They are used—and abused—in the political dialogue in ways that seem to make reasoned debate and reasonable reforms impossible. Let's look at ten of the most common myths.

1. *Most federal social spending goes to the poor.*

It is important to remember what entitlements have done to reduce poverty. Before the New Deal millions of Americans had no means of support in the event of unemployment, disability, unexpected retirement, or the death of a parent or spouse. Vast numbers of children grew up in destitute families. At great cost to society and the economy, millions of workers could fall into poverty and never recover. In 1937 President Franklin D. Roosevelt could say, "I see one third of a nation ill-housed, ill-clad, ill-nourished." Today entitlements prevent some 20 million Americans (half of them elderly) from falling into poverty.

This is clearly all to the good. However, keeping peo-

School principal Pete Carey has good reason to believe that NUCLEAR ENERGY IS GOOD FOR THE *air* (and the kids).



His elementary school sits five miles from a nuclear power plant near the Michigan-Ohio border. And after telling you about his daughter's fast-pitch softball team, Pete Carey is happy to tell you what he thinks of nuclear energy.

"The biggest benefit is environmental. It's efficient and it doesn't pollute the air."

There are more than 100 nuclear plants in the U.S. Because they don't burn anything to make electricity, they help protect our environment and preserve our natural resources. For Mr. Carey's schoolchildren, and their children as well. All while providing enough electricity for 65 million homes.

No single energy source is the whole answer to America's energy needs. But, as Pete Carey will tell you, nuclear energy is part of the answer.

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NUCLEAR ENERGY MEANS CLEANER AIR

ple out of poverty is not the purpose toward which most entitlement spending is directed. In reality, only about one out of eight federal dollars of social spending serves to lift poor families above the poverty line. Only about one out of four federal benefit dollars even flows through a program that uses financial need as a criterion for eligibility. Counting both direct benefits and the value of entitlements conveyed through the tax code, the aggregate amounts received by people above the national median income are simply staggering. In 1991 nearly half of all entitlements went to households with incomes over $30,000. One quarter went to households with incomes over $50,000.

2. *Entitlement spending helps to equalize incomes by giving more to the poor than to the rich.*

Few axioms of American political life find such uncritical acceptance as the belief that social-welfare programs effect a dramatic redistribution of wealth in favor of low-income households. It apparently makes little difference that most experts, liberal and conservative alike, have never subscribed to this axiom—and that recent data repudiate it altogether.

Back in the sixties the Nobel laureate economist Milton Friedman used to shock audiences by asserting that Social Security was actually a regressive program—since the program's mildly progressive benefit formula compensated neither for its regressive payroll tax nor for the fact that the poor pay taxes over more years (since they tend to start working at a younger age) and receive benefits over fewer years (since they tend also to die at a younger age). Most economists found Friedman's analysis at least plausible; no one has yet disproved it. More recently the celebrated political scientist Mancur Olson looked over the panoply of American entitlement programs and concluded:

> Most of the redistribution of government is *not* from upper-income and middle-income people to low-income people. Most of the redistribution of income in fact is from middle-income people to other middle-income people, or from the whole of society to particular groups of rich people, or from one group to another where the groups are distinguished not by one being poor and the other being rich, but only by the fact that some groups are organized and some are not.

Income data from the Congressional Budget Office tend to bear out Olson's critique. Total federal benefits to the affluent are at least as substantial as those to the needy. Among Social Security beneficiaries, for instance, households with incomes of $100,000 or more receive, on average, checks that are twice as large as those of households with incomes of less than $10,000. Even when we add in the cash and in-kind benefits disbursed by all of the other federal sources for which we have income data —including "means-tested" welfare and food stamps— we find that households in the top bracket ($100,000 and up) received an average of about $5,700 in 1991, slightly more than the average of $5,600 received by households in the bottom bracket (under $10,000).

But direct federal payments are not the only way in which the federal government distributes benefits. We also have to take tax expenditures into account. These loopholes, designed to favor certain households and bearing no relationship to ability to pay, are the fiscal and economic equivalent of a government check. Most tax expenditures are unquestionably regressive: many poor households cannot qualify for them—and even when they do, what they receive is smaller, relative to their income, than what the affluent get. This year, for example, the Congress's Joint Committee on Taxation estimates that the average value of the home-mortgage interest deduction for taxpayers with incomes over $100,000 is $3,453 and that the same deduction is worth an average of only $478 for taxpayers in the $20,000 to $30,000 bracket. Even these figures include only those who qualified for the benefit. They exclude many low-income families, including renters and those who opted for the standard deduction, who do not qualify.

When we add together all the direct-benefit outlays and all the tax expenditures, an unambiguous picture emerges. On average, a household with an income under $10,000 collected roughly $5,700 in 1991. On average, a household with an income over $100,000 collected $9,300. This distribution of benefits by income became more—not less—skewed during the 1980s. Clearly, it has nothing to do with economic equality. Let's phrase the issue a bit more bluntly. If the federal government's purpose were to straighten out the national income distribution, it would do a better job if it dispensed with all the programmatic rules and simply scattered all the money by airplane over every population center, to be gathered at random by passers-by.

3. *Social Security and Medicare are an earned right: beneficiaries are only getting back what they paid in.*

Here the case is open and shut. Most currently retired Americans receive Social Security benefits that are two to five times greater than the actuarial value of prior contributions, by both employer and employee. The payback for the Medicare Hospital Insurance program is five to twenty times greater. A typical middle-income couple who retired in 1981 have already received back, with interest, not only the total actuarial value of their previous Social Security and Medicare taxes but also *the total value of their lifetime federal income taxes.*

And these calculations of actuarial value are conservative. They assume that employer contributions "belong" to the beneficiary and that the public must guarantee a "market" interest rate on all contributions, no matter what the condition of the economy or the wages of those who are taxed to make good on this claim. In fact, the Social Security Administration keeps no direct record of how much each person contributes. It just keeps records of each person's wage history, to which a politically de-

termined formula is applied when that person retires.

The politically potent and disingenuous language adopted by the Social Security Administration has contributed to the earned-right myth. The system is described as an "insurance" program, although it is nothing of the sort. References are made to contributors' "accounts," when no such accounts exist.

My father, helped along by years of such misleading nomenclature, went to his grave thinking that he was simply getting back his money, by which he meant what he had put into his "account" over the years. Since by this logic the benefits belonged to him, any proposal to take any of them away was both unjust and immoral. In truth, it was as though the government had a moral obligation to provide a windfall forever. He could only wonder why his otherwise well-educated son thought differently. I could never persuade him. It would have depressed him to find out that in fact there was no Social Security savings account in Washington with George Peterson's name on it.

Nor would I have wanted to depress him further with other unpleasant facts about entitlements. My father was immensely supportive of my wife's work in behalf of poor children at the Children's Television Workshop. He would have been distressed to learn that in 1986, the last year of his life, the nation was told that it could not afford to fund fully the much-admired Head Start program. Yet merely the *increases* in Social Security's cost-of-living adjustments that year would have fully funded Head Start. Had he known the facts, I am confident he would have been happy to give up his sliver of the huge entitlement pie for such a worthy cause.

4. *The elderly, as a group, are poorer than young Americans.*

In reality, the 1990 official poverty rate among the over-sixty-five population was 12 percent, as compared with 21 percent among children. When we include the value of all noncash benefits as income, the poverty rate for the elderly is six percent, as against 15 percent for children. On this latter basis poor children outnumber the poor elderly in America by more than five to one. In no other major industrial nation is the poverty rate for children (using identical definitions) anywhere near what it is in the United States.

Children are the truly needy in our society, but they certainly don't get most of the public money. In 1990 of all direct federal benefits 63 percent went to the 13 percent of all Americans over age sixty-five, while nine percent went to the 26 percent of all Americans under age eighteen. On a per capita basis, and including all federal outlays that might be called "child benefits," from education to immunization, the ratio of average benefits received was eleven to one: $13,890 to each elderly person and $1,271 to each child. Even adding in everything spent by state and local governments (on schools, for instance), the ratio still favors the elderly by at least three to one.

Some argue that entitlements for the elderly merely substitute for transfers of wealth that the young would otherwise make to their parents. That might be true if these programs weren't so lavish. Before Social Security and Medicare, young families did sacrifice for older parents—if and when Mom and Pop were in need. Yet because today's retirees are, as a whole, wealthier than the young, adults aged twenty-five to thirty-four now report receiving from their parents twenty times more support than they give to them; even for adults thirty-five to forty-four, the ratio is five to one. Social Security and Medicare, far from embodying traditional family values, have turned them on their head.



From Social Security and Medicare to the vast tax favors for home-mortgage interest and employer-paid health insurance, entitlement programs dominate the budget today. Their explosive growth will continue to rob our future.

5. *Social Security is building up a huge surplus that will be available to pay for benefits promised to Baby Boomers.*

It is true that Social Security receipts from payroll withholding taxes currently paid into the retirement part of the Social Security system (not the health-care or Medicare part) are higher than Social Security expenditures, and will probably remain so until the Baby Boomers start retiring in large numbers. But this surplus is temporary. What is more, the funds are not being saved or invested. Instead they are being used to help offset each year's overall federal budget deficit. Thus these surpluses are transformed into debts held by the Social Security trust funds. Future taxpayers will become liable for the principal and interest.

Let's peer into the future to see what the real financial status of our old-age benefit programs is. In assessing their solvency actuaries tally up what are known as unfunded liabilities—the amounts (in this year's discounted dollars) by which future benefits promised to today's adults exceed all their future payroll taxes plus the assets currently held in all the government's relevant "trust funds." The federal government's unfunded liabilities

for just four programs—Social Security, Medicare, and federal civil-service and military retirement—come to about $14 trillion. That's a sum several times larger than the national debt, and one equivalent to roughly $140,000 for every household. This is a system in surplus?

6. *Today's younger Americans will eventually receive the same health and pension benefits they are providing today's retirees.*

Recently the Senate Finance Committee held a hearing on likely paybacks to various generations. No expert disagreed on the trend (an unusual fact in itself): the earliest beneficiaries got by far the best deal, and the deal has been getting worse for each successive generation. By some calculations some upper-income single males retiring this year may get less out of Social Security than they put in.

Moreover, financing even the reduced returns that are promised to tomorrow's retirees is unlikely to be economically or politically sustainable as America ages. The Social Security Administration projects that, depending on demographic and economic trends, the cost of Social Security and Medicare will by 2040 rise to between 38 percent and 53 percent of payroll—unless we cut benefits. I believe the only real question is when, not whether, we will change course. We can make modest, fair-share sacrifices now. Or we can make wrenching changes later, amid economic crisis and, as Paul Tsongas would say, intergenerational war. The choice is not just economic but also moral. I can imagine few ethical principles more important than fairness toward our children.

◆ ◆

LIEUTENANT COLONEL

My father lifts the crippled sergeant's body
and jokes about how light he is and how
we need some rain. He holds him while the man's
young wife strips off the yellowed linen, cracks
white sheets above the bed and lets them drift
across the mattress. She smooths them, tucks the corner.
My father lays the shriveled Christian down.
Three times one week, four times the next. A job
he shares with someone from another church.
He comes home ashen. And every single time,
before he leaves the house he turns to me,
false casually, *You want to come along?*
"Do you need help?" I ask, and he says no.
He leaves. I watch TV. I'm sixteen, shit!
And I don't want to be a soldier yet.

—Andrew Hudgins

7. *Retirement benefits are an "inviolable contract" between the generations.*

No, Virginia, there is no sacred contract, at least not according to the U.S. Supreme Court, which has repeatedly ruled that no covered worker retains any rights, contractual or otherwise, over taxes paid into the Social Security system. Perhaps I may be permitted a layman's less lofty legal opinion. As I recall (from a college course in commercial law), one fundamental requirement of a valid contract is a "meeting of the minds" of the parties to the contract: between those who pay and those who receive. But no such meeting of the minds exists. I am not aware that anyone has consulted my grandson, Peter Cary, now aged three, about the staggering tax rates that our current entitlement "contracts" will require him to pay when he enters the work force.

Simply repeating "inviolable contract," "mandatory," "nondiscretionary," "uncontrollable" payments, or some other disingenuous mantra does not change certain truths. What Congress mindlessly gives can be taken away. A fundamental reality is that the current system is not sustainable. If Social Security (or Medicare) is a contract, it is an unenforceable one.

8. *Tax breaks for health insurance primarily benefit people who otherwise could not afford proper health care.*

Maybe this one isn't really a myth, but the regressivity of our subsidies to privately paid health care is too shocking not to mention. In 1994 exempting employer-paid health insurance from taxes will cost the U.S. Treasury about $75 billion. Needless to say, of the 35 million or so Americans without health insurance, who receive zero benefits from this huge tax break, most are poor or low-income citizens. Among households that do have insurance, those with the highest incomes and the most generous insurance plans receive several times as much from this federal tax subsidy as those with low incomes and a cost-conscious HMO.

9. *The federal government's major housing entitlement, the home-mortgage interest deduction, promotes homeownership and stimulates the economy.*

In 1994 the cost of the home-mortgage interest deduction in lost revenues to the federal Treasury will be $46 billion, 80 percent of which will go directly to households with incomes over $50,000. The main economic effect of the home-mortgage deduction is to inflate the price (and size) of homes, while diverting investment away from more productive sectors of the economy.

Our global competitors, who hear us publicly rail about our investment-starved economy and the stagnation of our productivity, politely ask what conceivable connection this tax subsidy for the relatively well off has with enhancing productivity. Officials in Canada regularly chide me about the fact that Canada has the same rate of homeownership as the United States without the benefit of this tax subsidy.

Why, then, do we have it? The answer, of course, does

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In reality only about one out of eight federal dollars of social spending serves to lift poor families above the poverty line. In 1991 nearly half of all entitlements went to households with incomes over $30,000.

not lie in any real economic imperative. The subsidy exists because we all think we deserve it. What's more, it props up one of our most powerful special interests: the real-estate lobby.

10. *The only reason that Ronald Reagan could not keep his promise to shrink the size of government was the huge rise in defense spending.*

Judging by the cheers of his supporters and the jeers of his critics, we might suppose that President Ronald Reagan cut everything but defense. And judging by the similar partisan bickering over the policies of his successor, George Bush, we might suppose that the "welfare state" was the victim of further slashing and hacking for another four years after Reagan stepped down.

But the reality is very different: the cost of all direct federal benefits today ($807 billion in fiscal year 1993) is considerably greater than the *entire federal budget* that existed when Reagan first took office ($696 billion in fiscal year 1981). In fact, adjusted for inflation, federal benefits soared by 54 percent from 1981 to 1993—while all other domestic spending showed zero real growth, and defense, the one area where everyone supposed the Reagan and Bush Administrations had gone hog-wild, showed real growth of only 15 percent.

Contrary to popular impressions, the advent of the Reagan-Bush era did not signal a decisive shift in entitlement policy. With the exception of the 1983 Social Security amendments (designed by a bipartisan commission), both Presidents left non-means-tested outlays and tax expenditures—that is, most entitlements—on autopilot. Thus the Reagan-Bush years only reaffirmed that these vast middle- and upper-class entitlements were politically "uncontrollable"—a weasel word behind which Congress and the President can hide their unwillingness to act, since together they can control any spending they want.

The Middle Class: The Third Rail of American Politics

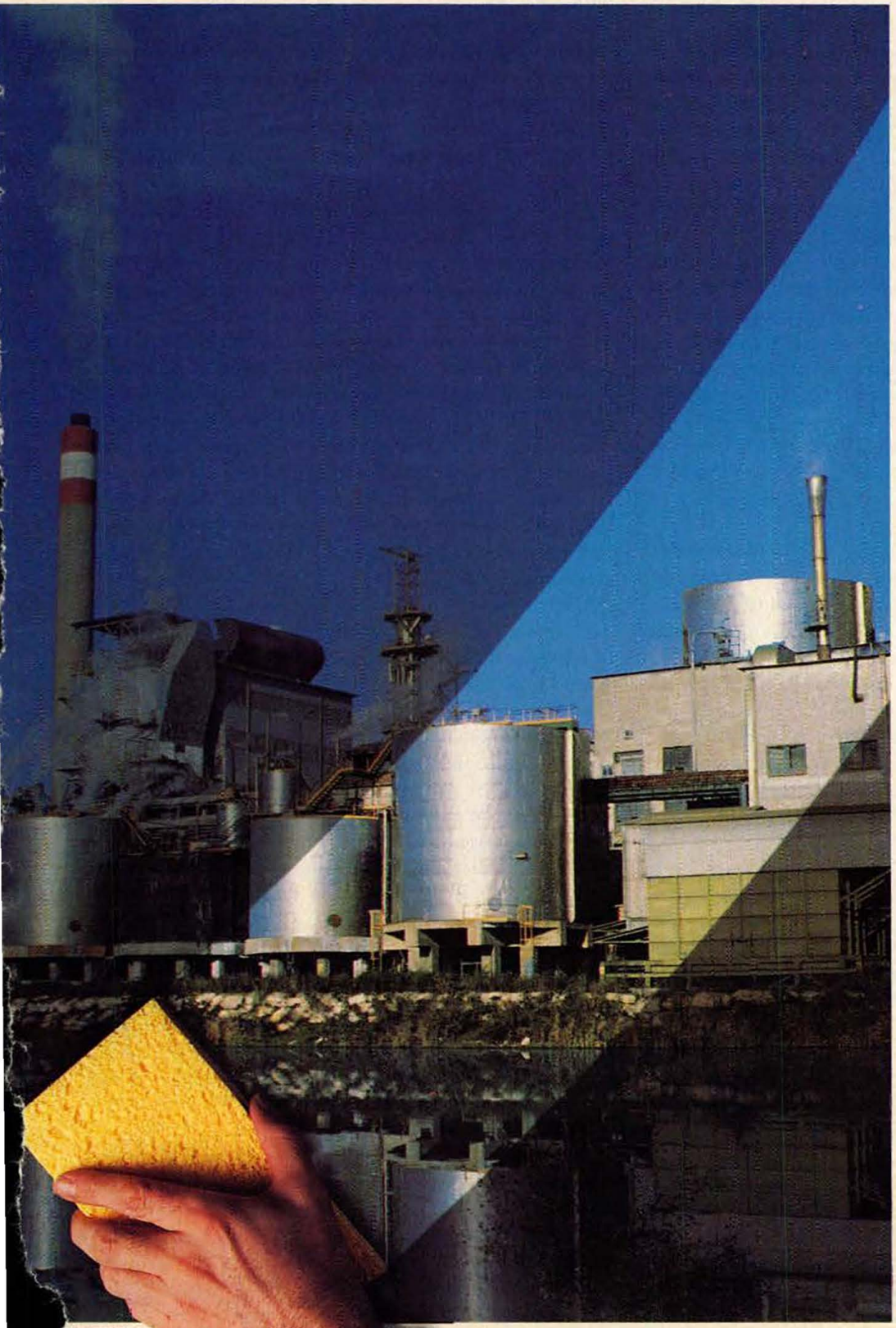
THE MIDDLE CLASS IS AT THE HEART OF OUR budget problem—and must be at the heart of the solution. Taken together, the major benefit programs for which we have income data on recipients—spending roughly 80 percent of total federal benefit dollars, and including everything from Social Security and Medicare to AFDC and food stamps—deliver 99 percent of their benefits ($529 billion in 1991) to the 99 percent of American households with incomes under $200,000. This is the upper boundary of what President Clinton has for political convenience defined as the "middle class." (The income-tax increases proposed by the Clinton Administration begin at $140,000 of taxable income, the number most people have heard quoted. But that's really equivalent to about $200,000 of adjusted gross income from all sources.)

Yet 43 percent of such benefit dollars ($227 billion in 1991) go to households that cannot possibly be considered poor: those with incomes between $30,000 and $200,000. And note that the absolute dollar figure surely understates the total, since it reflects only 80 percent of all benefit dollars. What about the remaining 20 percent? We cannot be sure. Some of it flows through programs such as Medicaid, which mostly benefit lower-income households; some, too, flows through programs such as student loans, farm aid, and veterans' health care, which disproportionately benefit upper-income households. All told, it would be safe to assume that total federal benefit outlays reaching the $30,000-to-$200,000 income bracket amounted to at least $265 billion in 1991.

And what about our ocean of so-called tax expenditures—the subtle subsidies that help the wealthy borrow huge sums for home mortgages and take unlimited health-care deductions? More than two thirds go to tax filers with incomes between $30,000 and $200,000. Just seven percent go to the Americans whom the President calls "rich."

The top-earning one percent of Americans, it's true, receive 13 percent of all income in the United States. Going after the rich to help balance the budget is fine—as far as it goes. Unlike some of my Wall Street colleagues, I see absolutely nothing wrong with imposing higher tax burdens on the wealthiest in our society. But it does not require any arcane knowledge of fiscal arithmetic to see that even with the substantial tax increases proposed by the Clinton plan, trying to balance the budget is quite literally impossible on such a narrow stretch of income territory. In fact, to meet this goal by the year 2000 by taxing the "rich," we would need to tax away *all* the taxable income of everyone with more than $175,000 of adjusted gross income. Or, if we would prefer a less draconian approach, we could merely double the income taxes of "affluent" tax filers—but we

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would need to include everyone down to about $50,000 of income. Even this kinder and gentler approach would amount to something more like expropriation—hardly consistent with either free markets or democracy.

As for direct entitlement benefits, here too not much help is available from the rich. The maximum entitlement savings obtainable from the one percent of households enjoying incomes of more than $200,000 are unfortunately limited to the benefits that go to them—about $5 billion if we took away *all* their benefits (something that even Bill Clinton, with his laser beam on the rich, has never dreamed of suggesting).

But if we are willing to ask for even modest sacrifices from all Americans with incomes above about $30,000, the picture changes entirely. Suddenly we're talking about a whopping 73 percent of national household income. We're also talking about a stunning 74 percent of all tax expenditures and 43 percent of major federal entitlement benefits, which, taken together—and including our estimate for all benefits—amounted to $372 billion in 1991. That's a sum we simply cannot afford to ignore if we are at all serious about putting our fiscal house in order.

Twelve years ago, when Ronald Reagan ascended to the White House, I hoped that his politically candid talk about cutting the budget deficit would lead to politically courageous action. But instead we found a convenient scapegoat. The "poor," we learned, were bankrupting America. Just eliminate the "waste, fraud, and abuse" in our welfare system—all those mink-wearing welfare queens driving Cadillacs and buying vodka at taxpayers' expense—and a balanced budget would be in reach. The premise, of course, was wrong from the beginning. Despite cuts in programs for the poorest Americans during the Reagan years, the deficit kept exploding.

When Bill Clinton ascended to the White House, I was once again hopeful that the President would seize the moment and make the tough choices needed to cut the deficit and boost savings and investment. But we seem to be caught up in another form of scapegoating. This time it's not the poor who are to blame; it's the rich who are not paying their way.

To be sure, President Clinton will get further with his scapegoat than President Reagan did with his. But both ways of dodging tough choices veer away from the heart of the problem. We are all implicated in our budget deficits, our entitlement ethos, and the overall consumption bias in our economy. And all of us, most particularly the broad middle class that is the backbone of America, must now be part of the solution.

Let's pause for a moment to ask ourselves, what in reality is the "middle class"? Ask any American if he or she is "middle class," and the answer will almost always be yes. The truly poor will admit to being "lower middle class," and the rich will go along with "upper middle class," but few will forthrightly call themselves "poor" or "rich." This is a characteristically American self-perception, and it reflects our desire to live in a basically egalitarian society. But in recent years it has allowed nonpoor Americans to believe that they deserve universal federal entitlements—much of them windfalls—such as Social Security and Medicare, which are often disingenuously called "insurance," and which people mistakenly think of as the payback on their contributions to "their accounts."

Next, ask any group of Americans to specify the annual income that defines "middle class" and you'll hear responses ranging from, say, $20,000 all the way up to $200,000—if we include the Clinton Administration's definition. But there are more precise and realistic definitions. If nontaxable entitlement benefits and other tax-exempt income are included with adjusted gross income reported to the IRS, the median family in the United States had a total adjusted gross income of $31,700 in 1993. If "middle class" is then narrowly defined as comprising half of all American families equally distributed around that $31,700 family, the statistical middle-class income turns out to range from $14,040 to $55,880.

This exposition regularly startles those who are new to it. A family with $60,000 of income invariably thinks of itself as "just getting by," but it actually stands in the top quarter of families. A two-earner family with an income of $120,000 may think of itself as just middle class. In fact that two-earner family stands in the top five percent of American families. By the time we reach those with incomes in excess of $200,000—the only households targeted for significant sacrifices by the Clinton Administration's proposals—we are left with a mere statistical sliver of the population: roughly one percent.

Middle-class Americans today, it seems, suffer from what might be called a "reverse Lake Wobegon" syndrome. As Garrison Keillor fans know, Lake Wobegon is a wonderful fictional place where all the children are above average. When it comes to incomes, however, most middle-class Americans, trying hard to make ends meet, assume they must be below average.

Middle-class Americans today feel hard pressed and beleaguered—and they are. Nobody could possibly argue that even a well-above-the-median $50,000 a year in household income will put one on easy street. It's hard to make it on a typical middle-class income today—when paychecks barely keep up with the cost of homes, of college educations, and even of necessities.

Working hard and trying to follow the rules, middle-class Americans have adopted a kind of siege mentality in the face of evaporating expectations about future income growth. The middle class is already making a de facto and unplanned sacrifice in terms of the loss of upward mobility. But an organized, planned, and temporary additional sacrifice can reverse that trend. Only if we all give up something to reinvest in our future will we be able to rekindle the rise in U.S. living standards. If we all just hunker down to protect what we feel we're entitled to,

we will condemn ourselves to a future that grows bleaker each year. Evaporating and diminished expectations are not what America is about. The willingness of middle-class citizens to sacrifice a little today for a better tomorrow is, however, exactly what America *used* to be about and ought to be about once again.

In spite of the recent stagnation of its living standards, the American middle class is still the world's richest middle class, consuming far more than any of its counterparts in Europe or Japan—and paying far lower taxes than most. Indeed, Americans may think themselves overtaxed, but we pay some 10 to 20 percent less of our national income in taxes than do the citizens of most other industrialized countries. The actual economic room for sacrifice exists; what we are missing is the public understanding and the political will to recognize such sacrifices as being in our long-term best interests.

We can't, of course, call on the middle class alone to sacrifice. The rich must pay their fuller and fairer share. Many of the same people who argue that the middle class is too beleaguered to contribute to solving our economic problems stand by silently as the $30,000-a-year middle-class worker pays ever-increasing payroll taxes (which in many cases come to more than his or her income taxes) to subsidize the entitlement benefits of retirees who are getting ten times their contributions in Medicare payments (tax-free) and who may be earning $100,000 or more a year in retirement. This is unconscionable.

Bad economics may end up being bad politics as well. It is a matter of debate whether the American public is actually ready for real change and tough choices. And avoiding excessively rapid spending cuts or large tax increases in the midst of a creeping recovery was an understandable concern—though for all too many years it has never been the right moment in the business cycle or the political-election cycle for decisive action on the long-term economic predicament that by now also harms our short-term economic prospects. Any responsible budget plan must be phased in gradually if we are to avoid too bumpy a ride. But I believe that a clear goal of budget balance—and a commitment to meeting it by the end of the decade—would ultimately go over better with both the markets and the public than the course Clinton has chosen. Indeed, if one accepts Richard Nixon's dictum that the economy that matters most is the one that prevails three months before the next election, the President's current approach is a dangerous one.

By not asking the public to swallow the bitter pills at the outset, Clinton risks being forced to ask the public—and especially the middle class—to swallow them later, closer to the 1996 election. At that point, having denied the middle class its promised tax cut—and having created the impression that Americans are already making the needed sacrifices when they're not—Clinton may find the public wondering at the need for further sacrifice. Moreover, the lift given to the bond market in 1993 by the early promise of deficit reduction may by 1996 have reversed itself. With health care and other entitlements still spiraling out of sight, and with private credit demands likely rising as we and the rest of the world fully emerge from recession, the United States could once again see soaring interest rates right around election time. As 1996 approaches, Bill Clinton not only inevitably faces a second major budget-cutting exercise but also runs the distinct risk of being tagged the Biggest Borrowing President in history—and he won't even have the excuse of having presided over a divided government. It's easy to imagine a 1996 Republican campaign advertisement along these lines: "Bill Clinton raised your taxes, still borrowed a billion dollars a day, built a bunch of bridges to nowhere—and this time you know who to blame."

My view is that everybody except the poor and near-poor must be part of the solution to America's economic



We are all implicated in our budget deficits, our entitlement ethos, and the overall consumption bias in our economy. And all of us, particularly the broad middle class that is the backbone of America, must be part of the solution.

Relearning Our Endowment Ethic

THESE THINGS ARE CERTAIN: WE CAN'T DO IT without the middle class. And we can't do it without going at entitlements head on.

Bill Clinton's decision to skirt entitlements and to spare the middle class from all but token sacrifice may have seemed a politically expedient course for the short term, just as it has to the past several Administrations. (According to the economist Benjamin Friedman, 74 percent of the burden of what deficit reduction the Clinton plan does achieve through higher taxes or benefit cuts will be borne by the small share of U.S. families earning more than $100,000.) But it has meant that his only feasible program is one that has no hope of balancing the budget—or even coming close.

problems. But as we move through the various strata of the middle middle class and upper-middle middle class, and on into the upper middle class, the sacrifices called for in the form of higher taxes or curtailed entitlement benefits should get much larger. By the time we reach the genuine upper class, we should have increased the tax bite significantly and cut deeply into tax subsidies and windfall entitlement benefits.

To help restore fiscal and moral responsibility to our entitlement system, the budget plan I propose in my book *Facing Up: How to Rescue the Economy From Crushing Debt and Restore the American Dream* therefore includes an "affluence test," or a graduated entitlement-benefit reduction. This affluence test (along the lines of the comprehensive means-testing idea discussed by Neil Howe and Phillip Longman in "The Next New Deal," in this magazine in April of 1992) would apply to all federal benefits, both cash and in-kind. No sacrifice would be required of households with incomes below the U.S. median (generously assumed to be $35,000 by 1995, when the test's phase-in would begin). For families with above-median incomes, a portion of total entitlement benefits would be withheld on a steeply progressive basis. Under the test, households would lose 7.5 percent of all benefits that cause their incomes to exceed $35,000, plus five percent at the margin for each additional $10,000 in income. For most types of entitlement benefits, the maximum benefit-reduction rate would be 85 percent, applicable to household incomes greater than $185,000.

If this proposal doesn't silence those who rail that entitlement reform is inevitably regressive and must ravage the poor, it should at least give them pause. For families who are earning between $30,000 and $40,000, are receiving benefits, and are subject to the test, the sacrifice called for would average just $260 a year—or one percent of their benefits. Moreover, most who would have to sacrifice are retired and have lower expenses than working-age adults with similar incomes. For families earning between $50,000 and $75,000, the sacrifice would rise to an average of $2,310, or 12 percent of benefits; for families with incomes over $200,000 it would average $15,345, or 72 percent of benefits.

All told, the budget savings made possible by the affluence test are enormous: at least $93 billion in 2004, on the basis of a conservative calculation that takes into account only the 80 percent of entitlement benefits for which we currently have detailed data on recipient income. Affluence testing alone, however, does not add up to complete entitlement reform. Among other measures, we will also need to cap our open-ended tax subsidies for retirement, housing, and health care, accelerate the scheduled rise in Social Security retirement ages, and trim the largesse of our federal pension systems.

All of these reforms involve structural spending cuts that will save significant money in the 1990s and much more beyond. In a business-as-usual budget scenario, entitlement costs could be closing in on a quarter of GDP by 2040. Under my plan we would already be saving about 1.9 percent of GDP in entitlement spending by 2004; by 2040 we would be saving 5.3 percent of GDP, or some $690 billion in today's dollars—more than twice what we now spend on the Pentagon. That's what I mean by structural spending cuts.

We must invent a new entitlement system that will not just pay us affordable benefits when we need them but will also encourage us to save more for the future, care better for our own children and parents, and take more responsibility for our own health. As America itself grows old, perhaps the most vital changes in our entitlement system will be those that encourage a positive new vision of aging. Entitlements for the elderly must promote an active, economically self-sufficient lifestyle for elders who are able. We will no longer be able to afford a system that equates the last third or more of one's adult life with a publicly subsidized vacation.

Getting our entitlements system back on a sound footing is the key to both a balanced budget and a renewed rise in U.S. living standards in the next century. But of course, putting our fiscal house in order will require much, much more. There is still room for trimming in the small discretionary domestic corner of the federal budget. I also believe that in this post–Cold War world we can spend substantially less on defense, and I endorse the President's proposed cuts. To balance the budget by the year 2000, and at the same time spend more on worthy public goals, from more-generous targeted assistance to the poor to productivity-enhancing investments in human capital, research and development, and infrastructure, we will also need to raise new revenues above and beyond the tax increases President Clinton has already proposed. Along with a broad-based progressive consumption tax, I recommend higher "sin" taxes and a fifty-cent-a-gallon federal gasoline tax phased in over five years, in order to target a particularly profligate type of consumption. But in the end, unless we are willing to touch the third rail of American politics and rein in the growth in middle- and upper-class entitlements, our goal will elude us.

The worst aspect of our entitlement addiction is how it subtly fixes our attention on how much we are going to get—and how it obscures any thought of what we have received from others and what we wish to pass on in our turn. In this sense our entitlement ethos pervades not just our public benefit programs but our entire approach to deficit-financed consumption. It is time for America to begin unlearning its entitlement ethic and begin relearning its endowment ethic. At some point we must decide how much we are willing to give up today in order to save for and invest in a tomorrow of rising living standards for ourselves and, of course, our children. The alternative—a future without an American Dream—is no alternative at all. □

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IN THE LOOP

Robobite, the Sound Lawmaker

By Al Kamen
Washington Post Staff Writer

Ever wonder why members of Congress seem to recite their lines on television with robotic precision, as if they had been pre-programmed?

It's because they have been.

Rep. **Henry Bonilla** (Tex.), head of the House Republicans' Communication Advisory Group, coordinated the spin last month to counter President Clinton's health care speech.

Bonilla's memo to his colleagues on the day of Clinton's address includes a page of helpful "sound bite samples" that cover various Republican views.

For those strongly opposed, Bonilla suggests:

■ "The federal government cannot be **Santa Claus** and **Marcus Welby** all wrapped up in one, unless Americans are willing to pay the price."

■ "The Clinton plan is unhealthy for our economy, and I'm afraid a million lost jobs will be an unintended side effect of the small business mandates in this plan." [Members of Congress presumably are free to change the number to 2 million or 20 million or whatever, as they feel appropriate.]

■ "If you like the compassion of the IRS and the efficiency of the Post Office, you'll love the president's National Health Care Plan."

Any of those sound familiar?

For those concerned about going too negative too quickly, Bonilla offers:

■ "Health care costs are too high and something needs to be done. I am delighted the president wants to work with Republicans to bring affordable health care to all Americans."

Don't forget about delivery, former TV newscaster Bonilla admonishes:

■ "Memorize one or two of these sound bites and pause before and after you say it, so the media can make a clean edit," he says in large letters at the bottom of the page.

Senior Aide Romash May Leave Gore's Staff

■ **Marla Romash**, longtime communications director for **Vice President Gore**, both when he was in the Senate and as vice president, may be leaving to take a job in the private sector.

Romash has taken this week off after months of effort on Gore's reinventing government project and work on the budget reconciliation battle.

There is no word on a replacement for Romash, who had been one of Gore's more senior staff members. Sources in the vice president's office said Romash's departure would be a big loss for him.

Her colleagues yesterday said that while there had been some of the usual internal staff friction between Romash and other senior Gore aides,, apparently no single incident that sparked her resignation.

One associate said Romash at various times over the last three years had thought about leaving Gore's staff and going into political consulting.

After the election, sources said Romash had been under consideration for the job held by Clinton press secretary **Dee Dee Myers**. Romash declined to comment.

Brady Bunch Still Counting

■ Shed no tears for **Nicholas F. Brady** and his old bunch from the Treasury Department.

Some of them may be shopping for the ultimate job. But meanwhile they're making more money than any newspaper reporter in town, say veterans of the Bush administration who were more than a little miffed about an item in this space on Wednesday referring to Brady and company.

Members of Brady's team from Treasury days have picked up enough top jobs in Wall Street, corporate America and at big name law firms to fill up their own country club, they say. Top aide **Hollis McLaughlin** has turned down a batch of major money offers already and in the meantime is doing investment banking deals with Brady. And doing very well, thank you.

Now please stop calling.

Dellinger Confirmed as Legal Counsel

■ The Senate, with North Carolina Republicans **Jesse Helms** and **Lauch Faircloth** ending their filibuster, confirmed Duke University law professor **Walter Dellinger** on Wednesday as assistant attorney general in charge of the Office of Legal Counsel on a 65 to 34 vote.

It's Official . . .

■ Clinton yesterday said he would nominate Washington lawyer **Marc C. Ginsberg**, deputy press secretary for foreign policy matters during the Clinton campaign and deputy senior adviser for Middle East affairs to **President Jimmy Carter**, as ambassador to Morocco. Clinton's classmate at Georgetown University, Washington lawyer **Thomas L. Siebert**, is headed to the embassy in Sweden.

Former Washington governor **Booth Gardner** is getting the rank of ambassador as U.S. deputy trade representative and representative in Geneva to the General Agreement on Tariffs and Trade. Los Angeles businessman **Sidney Williams**, better known here as the husband of California Rep. **Maxine Waters** (D), is being nominated to be ambassador to the Bahamas.

Clinton also has named longtime Atlanta businessman and more recently University of Virginia professor **Edward Elliott Elson** to be ambassador to Denmark; another Atlantan, investment banker **K. Terry Dornbush**, is headed for the Netherlands.

Soon to be official. . . . **Martis J. Davis**, head of D.C.'s Duke Ellington School of the Arts, is leaving to be deputy assistant secretary for health communications at the U.S. Public Health Service.

Why Does Israel Arm China?

Israel is expanding its cooperation with China on military technology, according to the Central Intelligence Agency. That's the latest sign of Israeli willingness to engage in dubious arms deals. In this case, Israel is supplying China with advanced technology that the U.S. and other Western powers won't supply.

In the past, compelling security needs drove an isolated Israel to forge alliances of convenience with outcasts like South Africa and Iran, sometimes with U.S. connivance. But why would Israel engage in such risky trade now — especially with a country that has armed Israel's sworn enemies like Iran? Washington, Israel's protector, should demand a good answer before supplying its ally with more advanced military technology.

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The Rand Corporation reported two years ago that Israel became "China's leading foreign supplier of advanced technology" after the 1989 Tiananmen massacre. The sales included missile technology like a new PL-8 air-to-air and air-to-surface missile and improvements in the CSS-2 ballistic missiles that China sold to Saudi Arabia.

Rand also detected "indications" that Israel had helped the Chinese develop a new fighter plane with technology from the canceled Lavi fighter. The U.S. originally supplied some of that technology.

In August, the General Accounting Office warned that the transfer of U.S. technology to Israel for developing the Arrow anti-missile interceptor was inadequately supervised, raising the risk of possible diversion to third countries. Israel has repeatedly denied any such diversion. Given the close cooperation between the two allies, it's often difficult to know exactly when Israeli designers develop an original device or when they produce a knockoff of a U.S. design.

The C.I.A., in answer to questions from a Senate committee, was circumspect about whether the military technology Israel was transferring to China was Israel's own or had originated in the U.S. But it offered an unusually blunt public assessment of "broadening" Israeli-Chinese cooperation, noting that "a growing number of Israeli defense firms" are opening offices in China.

Israel's burgeoning cooperation with China is puzzling in the wake of progress in autonomy talks with the Palestinians and the prospect of peace with all its next-door neighbors. There's no new indication that Israel is reselling U.S. military technology in violation of U.S. law. Even so, a further puzzle persists: Why does Israel do business with a country that endangers its security by arming Iran, Pakistan and others?

Who's in Charge?

President Clinton's health care reform plan avoids the appearance of government control by diffusing and delegating authority to a host of new institutions. The net result, ironically, may be a system that is less accountable to the public than one in which government's role is clearer.

BY JULIE KOSTERLITZ

In his generally well received mid-September speech to the nation on health care reform, President Clinton wisely avoided a full-fledged description of the complicated new scheme he envisions, hewing instead to the broad principles reform should embody.

As it was, Clinton's elaboration on his six principles of health care reform—security, simplicity, savings, choice, quality and responsibility—probably strained the attention span of most viewers. Nevertheless, he may have forgotten to include another tenet without which the others may be no more than good intentions: accountability.

Accountability, for better or worse, has not been much of an issue until now. The health care system has been private and unstructured, with no central authority in charge. But the public is likely to demand the right to hold someone to account for any new national health care system. Such a system would bring many important decisions that were once private matters into the public arena.

Consider, for example, one of the most important choices about the health care system—how much of the nation's resources to devote to it. Under the current system, the answer is essentially the sum of millions of large and small decisions made every day by individuals and their doctors.

Under the President's proposal, spending limits would be set by Congress, and the impact of the decision would filter back down to individuals and doctors.

It may well be impossible to achieve policy makers' often-stated twin goals of universal health care coverage and slowed spending growth without substantial government intervention. That's the means used by many industrialized countries with national health systems to produce the lower proportional spending on health care that many Washington policy makers so envy. Indeed, most of the serious health care reform proposals before Congress include a significant role for government. The Senate Republican plan, for instance, would require individuals to buy insurance and would offer subsidies to low-income Americans to help them do so.

Any time government gets involved, however, and individual, private decisions become collective ones, the public typically insists on safeguards, to make sure that the system reflects their preferences and responds to their needs. "I think the accountability question is an important one," said Joseph White, a research associate in governmental studies at the Brookings Institution. "You have to pay attention to what happens when something goes wrong. How are errors corrected? Is there a response?"

Perhaps surprisingly, given the magnitude of the changes Clinton's plan would bring, there has been scant discussion of accountability. At the moment, people seem largely preoccupied by the particulars of how their health care coverage would change. Interest groups are busy trying to decide whether they are winners and losers. And theorists and academics, who are likelier to think about these sorts of abstract issues, are finding it difficult to assess the degree of accountability in the Administration's proposal.

Part of the problem is that they're grappling with an issue that transcends several disciplines: health care policy, political science, medical ethics and administrative law. Trying to put them all together isn't easy.

But much of the challenge lies in the nature of the Clinton plan itself. It is extraordinarily complex: it relies on an array of institutions and mechanisms that haven't been fully defined. It is based on a theoretical model that doesn't exist anywhere in the world. It draws on parts of existing models as diverse as the German health care system, the California Public Employees' Retirement System and the Federal Reserve Board. But in its sum, it is a wholly new creation.

It would have been possible for the White House to conjure up a system that was far less complicated. The Canadian model, for example, is driven by a relatively simple mechanism, well-known to most of the experts, and it has a track record, to boot.

INSIDE WASHINGTON

How Keeney's Gotten Cabled

Ah, sweet revenge. Sen. John C. Danforth, R-Mo., a leading critic of the cable television industry last year, helped lead the fight for reregulation of the business. This year, as cable executives are again pilloried on Capitol Hill for exploiting loopholes in the law and gouging consumers, they've flexed some political muscle. A Danforth aide, Regina M. Keeney, appeared to be the front-runner for the vacant Republican seat on the Federal Communications Commission. But she'll have to look elsewhere for work when her boss retires next year. Cable lobbyists apparently have helped to short-circuit her nomination.



The Kingdom Strikes Back

Saudi Arabia's financial health may be deteriorating—as *The New York Times* recently reported—but its business leaders aren't sparing any expense to burnish the kingdom's image. Burson-Marsteller, the public relations giant, has been retained for $425,000 to run a three-month campaign for the Council of Saudi Chambers of Commerce and Industry that touts the nation's economic well-being. Burson prepared full-page ads encouraging investment in Saudi Arabia that ran last month in *The Times*, *The Washington Post* and *The Wall Street Journal*. Investment seminars are also in the works.

Consolations

Nonpayment of social security taxes for household help obviously wasn't a factor in the American Jewish Congress's decision to give Zoë E. Baird its Louis D. Brandeis Award for Jurisprudential Excellence, the latest in a string of consolation prizes for President Clinton's first Attorney General nominee. None other than Lloyd N. Cutler, one of Baird's chief cheerleaders, is fund raising for the Nov. 7 gala dinner in New York City, touting her accomplishments in his letter: Baird "has devoted herself to protecting the interests and preserving the rights of those she has represented in both the public and private sectors."

How Admen Earn Their Keep

Presidential campaign slogans needn't be original, as Jimmy Carter learned when the "misery index" he used in 1976 became his death knell in 1980. And so Jerry Della Femina, the flamboyant Republican adman, already has a GOP slogan ready for 1996: It's the economy, stupid. President Clinton "doesn't own the slogan," Della Femina said the other day, as he deplored what's ahead for his business clients whose prospects drooped. If the voters turn on Clinton, expect him to resort to his own theft of a used Republican slogan: Experience counts.



HERE'S THE GERM OF A GOOD STORY

Even as President Clinton was putting the finishing touches on his national health care plan, White House aides involved in the mammoth effort began dropping like flies. At least half a dozen have been felled recently by viruses of one sort or another, including health care spokesman Kevin Anderson and top Health and Human Services Department numbers cruncher Ken Thorpe. And at least two—Hillary Rodham Clinton health policy aide Chris Jennings and Health Care Financing Administration chief Bruce C. Vladeck, contracted pneumonia. At one point, Vladeck had to check into a hospital.

But the Clinton planners seem to have eschewed that model for two reasons: The role of Canada's government is presumably too prominent for the tastes of most Americans (or their representatives in Congress), who tend to consider government inefficient and unaccountable in general. And many of Clinton's key aides on the White House Task Force on National Health Care Reform seem to believe that the private marketplace would be better able than the government to create efficiency in the health care system. While conceding that government involvement invariably turns some private choices into public ones, Walter Zelman, an adviser to the White House task force, said, "We want those kinds of decisions localized as much as possible and kept on the private side as much as possible."

On close examination, however, it's not clear that the Clinton plan has substantially less centralized control than either the Canadian or the German system. Instead, the Clinton blueprint avoids the appearance of government influence by diffusing it and delegating it to a host of new institutions.

The net result, ironically, is that the system may be less accountable than one in which government's role is more straightforward.

A TAX IS STILL A TAX

It's almost impossible to imagine a system that covers everybody and doesn't involve substantial government power. Among other things, government has to compel those who wouldn't otherwise pay for coverage and help those who can't afford it.

In some countries, such as Canada, government does this directly, by raising taxes to pay for health care. But Americans don't like taxes, and Clinton promised not to levy big new taxes for a health care plan. So the Administration would instead compel employers to pay premiums to a quasi-government intermediary, which would then pay health plans, which in turn would pay private doctors and hospitals. "I think when people think about buying health insurance premiums, they think about buying a premium for themselves," Zelman said. "When they think about taxes, they think about putting money into a big pot, and when that money is redistributed, they may get more or less than they pay in."

To many budget experts, including some who work for the government, the distinction is primarily political, not substantive. "There is no other name but 'tax' for a universal, government-mandated payment, whether imposed on employers, which ultimately comes from employee compensation, as proposed by the President, or imposed directly on individuals, as proposed by some Republicans," says a report by the Committee for a Responsible Federal Budget, a Washington-based watchdog group.

The Administration argues that the two aren't the same: Many government regulations require business or individual expenditures that aren't considered taxes. And some states, Zelman notes, currently require car owners to buy automobile insurance. But some specialists—citing the well-established principles that guide the federal budget process, which were laid out in 1967 by the Presidential Commission on Budget Concepts—say this is different. It's different in part because the government specifies how the money is collected, whom it goes to and how it is used, and because the requirement is virtually inescapable (buying an automobile is a discretionary choice, seeking medical care isn't), which separates it from run-of-the-mill regulations and makes it a tax.

But deciding to call the levy a mandate rather than a tax has some important implications for government accountability. Although Congress will decide the level of national health care spending, because the money being spent isn't technically considered public money, these expenditures will never show up in the federal budget. That means they are unlikely to be subject to the same kind of scrutiny and debate as other public expenditures.

Such public scrutiny, the 1967 commission concluded, is vital. The public, it said, "must be able to participate intelligently in the big decisions that come to focus [in the budget]: the over-all size of government, the relative emphasis on government programs and activities intended to benefit the nation, the efficiency and effectiveness of major government programs in the light of their intended purpose, the need for tax increases or the opportunity for tax cuts and fiscal policies designed to promote national prosperity."

Zelman argues that giving government control of off-budget spending doesn't necessarily limit accountability. "I think everybody will know what the allowable rate of increase is," he said. "It will be a number written in law. If people want that number changed, we have a Democratic process by which they can change it. So I think [Congress] is still perfectly accountable, and that number is there, in statute, always open to debate and discussion."

Not everyone is so optimistic. Giving government the power to set the budget for private funds, Susan Tanaka, vice president of the Committee for a Responsible Federal Budget, argues, removes congressional incentives for restraint. "If [Members of Congress] have a hard enough time controlling on-budget entitlements, imagine how hard it will be for them to control an off-budget entitlement," she said.

Failing to have the federal government collect the money directly also reduces the certainty that it is in fact being properly collected and disseminated—one of the few tasks that everyone agrees government, through the Internal Revenue Service, excels at. Under the Clinton plan, who guarantees that the money is



Richard A. Bloom

Walter Zelman, aide to White House health care task force
The Clinton Administration wants to keep key decisions "localized as much as possible."

being received and properly handled is a far messier affair: The money in most instances is supposed to be paid by employers and individuals to regional health care alliances—new entities that would be run by the state or by nonprofit groups with state-appointed boards—which would then channel the money, according to a complicated set of rules, to individual health plans. In the case of large employers, the premiums would be paid directly to health plans. The Labor Department would be expected to police the employers and the alliances.

Moreover, calling the money "private premiums" instead of taxes doesn't entirely obviate the politically sensitive issue of government control. Instead, it invites questions about the justification for government spending controls themselves. How can Congress budget money that isn't public? "This is not the Congress's money, it's the people's money. They are making collectivist a decision that need not be," said Gail R. Wilensky. She's a former Bush Administration official who is a senior fellow with Project Hope, a private nonprofit health foundation, and a consultant to congressional Republicans.



Richard A. Bloom

Susan Tanaka, vice president of the Committee for a Responsible Federal Budget
Giving government more power over private funds removes incentives for restraint.

NEW REGULATIONS, FEWER CHOICES?

Most industrialized countries with universal health insurance rely on the government to limit national spending on health care. The notion of the government controlling most public *and* private spending on a commodity is an idea that may take some getting used to for this fiercely individualistic nation.

The Clinton plan, not surprisingly, plays down the extent of central government controls in this area as well. In Canada, for example, the federal and provincial governments set spending limits, and then a regional government or its agents negotiate directly with the private sector over the prices it can charge. In the case of hospitals, the government often negotiates an over-all budget for each hospital.

The Clinton plan, while letting government set the upward limit on expenditures, makes a show of handing off the responsibility for meeting those budget targets to the private sector. The private sector, in turn is supposed to operate at or below these limits thanks to competition, which is in turn supposed to inspire greater efficiency. The market, the Administration says, is far better at achieving efficiency than a bunch of government regulators micromanaging prices for every good and service.

Spending decisions are still made by individuals and providers, they argue, only now these decisions are made in a true marketplace, in which insurers must take all comers, consumers have more clout, more information and are more cost-conscious. A national budget, according to the draft plan, kicks in only if the marketplace isn't up to the task.

But given the very stringent targets Clinton has set, many analysts consider it a distinction without a difference. "I don't think people begin to appreciate how much of a second-order option government budgeting of 14 per cent of the economy is," said Lynn M. Etheredge, a private consultant who has been a formal and informal adviser to the White House task force. "It's like saying, 'If deterrents don't work, there's always [the choice of] thermonuclear war.' "

The marketplace that consumers would confront would be highly controlled by government—and by its agents. Not only would there be a raft of new regulations and constraints on health care insurers, which consumers are likely to cheer, but consumer choices would be constrained in a variety of ways, which consumers might not always like.

Government or quasi-government alliances can screen out plans for a variety of reasons, including that they charge disproportionately more than other plans. If spending exceeds targets, alliances and states can slap on other constraints: Alliances could bar health plans whose premiums are 20 per cent higher than the average, for example. And states can forbid further enrollment in high-priced plans, even if more consumers want to join. "The cost containment mechanism is built on the proposition that households vote with their feet," said Henry J. Aaron, the Brookings Institution's director of economic studies, who supports many features of the plan. "What if they move to plans that are more expensive than those consistent with the budget? Are you going to tell them they can't vote that way?" The answer appears to be yes.

Government may retain most of the real control over spending decisions, but by appearing to put the onus for restraining costs on the marketplace, it avoids the responsibility for some of the tough decisions spending controls inevitably entail.

That may not always be a bad thing, some experts argue. For example, it's widely acknowledged that the nation has a glut of hospital beds—a third of them are empty—and that to reduce costs, some hospitals will have to close.

But having the government decide which hospitals to close would make the controversy surrounding Congress's recent base-closing exercise look like child's play. "When it comes to cost control, I'm not sure accountability is a good thing," White said. Clinton's plan, he noted, neatly leaves the issue of winners and losers to the private marketplace. "One of the aspects of managed competition is an attempt to avoid specifying who is to blame for reductions in capacity," he said.

MARKETS, POLICE YOURSELVES!

Handing off the responsibility for difficult allocation decisions to the private sector may, however, get to be more problematic when you consider that