HSA - BASIC

HSA. BASIC

If we don't pass health care this year.....

American families will pay more for health care with less secure benefits and diminishing choices. Many workers will continue to trade wage increases or stay locked in jobs that don't suit them just to hang on to the health benefits they've got.

- Health care spending per worker will be over $7,000 in 1994. By the year 2000, health care spending per worker will rise to $12,386, or 25 percent of compensation.

- Without reform, by the year 2000, American workers will lose almost $600 in wages each year just to keep their health benefits [Commerce Department]

American businesses will drop or pare back coverage, or continue to pay more for employee health benefits.

- One and a half million *fewer* full-time workers receive health benefits directly through an employer today, compared to 1988. [University of North Carolina, 8/92]

- In the future, 30 percent of small businesses currently providing insurance will drop their insurance coverage because of the high cost. [Health Affairs, Spring 1992]

Choices will decline for those with insurance, as employers try to stem rising costs by switching to managed care plans with a small number of "approved" doctors. And as more families find themselves without insurance, those with any history of illness will join the 81 million Americans labeled as having "pre-existing conditions".

- In 1988 , 89% of employers offered indemnity (fee-for-service) plans. In 1993, only 65% of employers offered such plans. [*"Health Benefits in 1993"*, KPMG Peat Marwick]

- Up to 30% of employees report that they are afraid to leave their job for fear of losing continuous health insurance coverage.

Doctors will have less and less control over their practices and the care they provide their patients, as people at insurance companies without medical degrees second-guess medical decisions and dictate "necessary care".

The federal budget will be overwhelmed by health care spending on Medicare and Medicaid. This will add to the deficit, raising the pressure to cut back on benefits in those programs. State budgets will also be increasingly eaten up by Medicaid, cutting back spending on other programs.

- Two-thirds of the growth in federal spending between 1993 and 1996 will be accounted for by health care spending.

- In 1992, Medicaid spending totaled $102 billion, a 33% increase over 1991. By 1995, Medicaid spending is expected to reach $198 billion. (National Association of Budget Officers)

- In 1993, for the first time, states spent more money on health care than they did on tax-financed higher education. (National Association of State Legislatures)

Health Reform:
How It Works

HEALTH REFORM:
THE PRESIDENT'S APPROACH

Here's how the President's health reform works:

- **Guaranteed private insurance.** We want to guarantee private insurance coverage to every American. Comprehensive coverage that can never be taken away.

- **Choice.** We want everyone to have the right to choose their own doctor and their own health plan. We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

- **Outlaw unfair insurance practices.** We want to make it illegal for insurance companies to: drop coverage or cut benefits; jack up your rates if you get sick; use lifetime limits to cut off your benefits; or charge older people more than younger. That's how you'll get affordable insurance you can depend on.

- **Preserve Medicare**. We will protect and strengthen Medicare. Older Americans have a right to count on Medicare and choose their doctor. We also want to cover prescription drugs under Medicare, and give new options for long- term care in the home and community.

- **Health benefits guaranteed at work.** Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance are in working families. We want everyone to have health benefits guaranteed at work. The government will provide discounts for small businesses and help cover the unemployed.

The Crisis

People Without Insurance Each Year

58 million

People With Pre-existing Conditions

81 million

People With Lifetime Limits On Coverage

133 million

Guaranteed Private Insurance

- Comprehensive Benefits
- No Lifetime Limits
- Insurance That Can't Be Taken Away

Real Insurance Reform

Illegal for insurers to:

- Drop coverage or cut benefits
- Increase your rates if you get sick
- Use lifetime limits to cut off your benefits
- Charge older people more

PRESERVE MEDICARE

- Protect Choice of Doctor
- Cover Prescription Drugs
- Begin Long Term Care

AMERICA'S CHOICE

- ☐ Government Insurance
- ☑ **<u>Guaranteed Private Insurance</u>**
- ☐ No Guarantee of Coverage

Health Benefits Guaranteed at Work

- Employed: Covered at Work
- Small Business: Discounts on Insurance
- Unemployed: Help from Government

How Reform Works

- Guaranteed Private Insurance
- Choice of Doctor
- Real Insurance Reform
- Medicare Preserved
- Health Benefits Guaranteed At Work

THESE COMPANIES BELIEVE THAT HEALTH BENEFITS SHOULD BE GUARANTEED AT WORK

* This is a compilation of the businesses from the National Leadership Coalition for Health Care Reform, The Corporate Health Care Coalition, cosigners of a recent letter to Chairman Rostenkowski, and Clinton Plan Business Supporters

Acme Steel Company
AlliedSignal Inc.
Alpha Building Corporation
Alpha Steel
American Airlines
American Stores
Ameritech
Amoco Corporation
AMR Corporation
Amtrak
Anheuser-Busch Companies, Inc.
Archer Daniels Midland Company
Atlantic Richfield Company
Audiovox Cellular Communications
Bacardi Corporation
Bell Atlantic
Bethlehem Steel Corporation
Blue Diamond Growers
Brown Foreman Corporation
Ceridian Corporation
Chrysler Corporation
CNA Insurance Company
Cox Enterprises Inc.
Dayton Hudson Corporation
Del Monte Foods
Dow Chemical Company
Drummond Company, Inc.
DuPont Company
Earl G. Graves, Ltd.
Eckerd Corporation
Filter Materials
Food 4 Less, Inc.
Ford Motor Company
General Electric Company
General Motors Corporation
Geo. A. Hormel & Company
Georgia-Pacific Corporation
Giant Food Inc.
Gross Electric Inc.
Guess, Inc.
H. J. Heinz Co.
Hechinger Company
Hershey Foods Corporation
Hiram Walker Group
Hunt Wesson Inc.
Inland Steel Company
Intel Corporation
International Business Machines Corporation

International Multifoods
Invacare Corporation
James River Corporation
JF Contracting Corporation
Johnstown Corporation
Keebler Company
Keller Glass Company
Liberty Mutual
Lincoln Telephone & Telegraph Co.
Lockheed Corporation
Loral Corporation
LTV Steel Company
Marangos Construction Corporation
McDonnell Douglas Corporation
Mead Corporation
National Steel Corporation
Network Security, Inc.
Norwest Corporation
NYNEX
Olympia West Plaza, Inc.
Pacific Gas & Electric
Pacific Telesis Group
Paramount Communications
Polycrete, Inc.
R. R. Donnelley & Sons Co.
Ralphs Grocery Company
Rite Aid Corporation
Rohm & Haas Company
Ryder System, Inc.
Safeway Inc.
Sara Lee Corporation
Scott Paper Co.
Southern California Edison Company
Southwestern Bell Corporation
Strategic Marketing Information, Inc.
Sun Company, Inc.
The Boeing Company
The Great Atlantic & Pacific Tea Company, Inc.
The Heights Groups
The Home Depot
The Principal Financial Group
The Quaker Oats Company
The Vons Companies, Inc.
The Whitman Group
Thrift Drug
Time Warner Inc.
U. S. Bancorp
USX Corporation
Westinghouse Corporation
Wheeling-Pittsburgh Steel Corporation
Xerox Corporation
Zenith Electronics Corporation

HEALTH BENEFITS GUARANTEED AT WORK
FACT SHEET

THE PRESIDENT'S APPROACH BUILDS ON CURRENT SYSTEM:

- Nine out of ten Americans with private health insurance receive their coverage through the workplace.[1]

- On average, employers who provide coverage today pay 80% of the cost of their employees' premiums.[2]

- Yet, right now, eight out of ten people who do not have health insurance are in working families -- workers or dependents of workers.[3]

SMALL BUSINESSES WILL BENEFIT MOST FROM REFORM:

- The Wall Street Journal wrote: "*For many small businesses, saddled with escalating health-care costs, **President Clinton's health-care package comes** as an unexpected windfall.*"[4]

PLAN PROVIDES DISCOUNTS TO HELP SMALLEST BUSINESSES:

- With the President's approach, many small low-wage businesses will receive substantial discounts on the insurance they provide for their employees. In fact, the smallest businesses will receive discounts of between 25 and 85 percent -- bringing affordable insurance into reach for America's smallest companies.[5]

REFORM SAVES MONEY FOR FIRMS THAT NOW PROVIDE:

- In 1991, companies that covered their employees spent more than $26 billion to cover members of the families of their workers, simply because other firms did not provide insurance.[6]

- Under the President's plan, American businesses will save $90 billion in the next ten years, even when spending from businesses that currently don't provide health care is included, according to the Congressional Budget Office.[7]

JOBS: EXPERTS SAY IMPACT OF PRESIDENT'S PLAN NEGLIGIBLE:

- The CBO analysis states clearly that the President's approach will have a negligible net effect on employment. *"The Clinton plan, [CBO] concluded, would not significantly slow the economy or result in the loss of jobs, as many critics have charged."*[8]

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[1]Employee Benefit Research Institute with 1993 Current Population Survey data, January 1994
[2]1991 data: Urban Institute, Analysis of March 1992 Current Population Survey and HIAA data
[3]Employee Benefits Research Institute, 1994
[4](emphasis added) *"Small Business Sees Burdens Getting Lighter,"* Wall Street Journal 9/13/93
[5] HHS analysis
[6]National Association of Manufacturers. *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.
[7]CBO Analysis, 2/9/94.
[8]Pearlstein and Broder, Washington Post, 2/9/94.

LARGE EMPLOYERS
THE PROBLEM

RISING HEALTH CARE COSTS BURDEN AMERICA'S EMPLOYERS:

- In 1992, American businesses paid almost $4,000 for health care for each employee -- more than twice as much as they paid eight years before. [Christian Science Monitor, 11/21/91]

- For the first time in American history, health care costs exceed business after-tax profits. [Health Care Finance Review, Winter 1991]

RISING HEALTH COSTS HURT AMERICAN COMPETITIVENESS:

- In 1990, GM spent $3.2 billion in medical coverage for its 1.9 million employees and retirees. **This was more than the company spent on steel.** [TIME, 11/25/92]

- Health care costs add $1,100 to the price of every car made in America -- double the cost added to Japanese imports. [University of Michigan, 1990]

FIRMS THAT TAKE RESPONSIBILITY PAY FOR THOSE THAT DON'T:

- Some experts estimate that $25 billion in health care costs are shifted onto people with private insurance each year. [CBO, May 1993]

- A recent study found that **from one quarter to one third** of premiums currently paid by employers who provide coverage for employees and dependents goes to cover the shortfall resulting from companies who do not cover their employees and the dependents of their employees. [*"How Would Business React to an Employer Mandate,"* Hewitt Associates, January 1994]

BUSINESSES BURDENED BY RISING COSTS OF EARLY RETIREES:

- A recent Foster Higgins survey said that business costs of covering early retires rose by 11% last year -- almost four times the inflation rate. The study concluded that *"many employers have simply concluded they can no longer afford to provide retiree health care coverage . . . as many firms are paying premiums for early retirees that are twice as high as those for active workers."* [The Washington Post, 12/13/93]

[bigbiz2 brf; 04/13/94 04:52 PM]

LARGE EMPLOYERS AND HEALTH CARE

"Successful implementation of health care reform is one of the best pieces of news American business could receive."
[Henry Aaron, Brookings Institution, CBS , 9/28/93]

SUMMARY: *Over the last eight years, per worker health care costs for American businesses have almost doubled. But most American corporations agree that every job should come with health benefits, and they have continued to provide coverage for their workers and families, despite ever-rising costs. In today's system however, businesses that cover their worker's and their worker's families pay for those companies that don't -- shifting up to* ***$25 billion dollars*** *each year onto those with private insurance. Rising health care costs are also eroding the ability of U.S. companies to compete in the global marketplace, and siphoning dollars away from new capital investments. The President's approach will get business health spending under control by increasing employees' incentives to reduce costs, cutting administrative waste and imposing discipline on both private and public health care spending.*

I. THE PRESIDENT'S APPROACH

1. REAL, ENFORCEABLE COST CONTROL

- *Market Forces*
  The Health Security act will aggressively control costs by bringing market forces to bear in the health care system. Corporate alliances will continue using the innovative cost control strategies they've found successful, and regional alliances will build on those same strategies of pooling purchasing power and bargaining for better rates.

- *Administrative Savings*
  The Health Security act will streamline the burdensome and costly regulation that eats up at least 15 cents of every health care dollar. By replacing today's thousands of insurance policies with a comprehensive benefits package and standard claim forms, more money will go to benefits and less to underwriters and marketers.

- *Premium Caps: Back-up Measure for Cost Containment*
  While there is ample evidence that lower cost growth will be driven by competition and increased efficiency, the Health Security plan will build in a back-up measure to cost containment: premium caps. These caps will limit the growth in what businesses and individuals pay for the comprehensive

benefits package. The President believes that if businesses are going to be asked to contribute to the cost of health care, they must be guaranteed that increases in their payments will stay within reasonable bounds.

2. FAIR, EQUITABLE FINANCING

- *Shared Responsibility -- Employers, Employees, Government:*
  Under the President's approach, employers will contribute 80% of the average cost health insurance plan in an area. Employees will pay the difference between this contribution and the plan they choose. Employers who cover 100 percent of employee health costs may continue to do so; all employers will pay 80 percent of an average price plan.

- *Businesses Protected by Caps at a Percentage of Payroll*
  Under Health Security, employers in a health alliance will pay no more than 7.9 percent of their payroll for health care. Many employers today spend more than 10 percent of their payroll for health insurance.

- *Preserves the Tax Deductibility of Health Insurance*
  Under reform, premium payments will continue to be fully tax deductible for employers and will not be included in employee's taxable income. The President's reform does not tax any employer, ever, for any health benefit they provide. Any employer contributions -- either toward covering the employee share of premiums, co-payments or deductibles -- is never taxed, either for the employer or employee. Starting in the year 2004, services beyond the comprehensive benefits in the reform -- such as cosmetic face lifts -- will no longer be excluded from taxable income for employees.

3. RELIEF FOR THE COSTS OF RETIREE HEALTH CARE

- The Health Security Act will allow our businesses, and particularly the nation's largest manufacturers, to better compete in global markets. Subsidizing the employer share of early retiree premiums will relieve many of our nation's largest employers of the significant financial burden of covering health care costs for retired workers.

4. REFORMS HEALTH PORTION OF WORKER'S COMPENSATION:

- Injured workers will obtain treatment through their health plans, just as they would for other injuries or illnesses. This will end unnecessary duplication of services, help workers get back to work quickly, and reduce costs for employers. Workers' compensation insurers will continue to provide coverage and reimburse the worker's health plan according to a fee schedule.

5. BUSINESSES WILL HAVE AN ACTIVE LOCAL ROLE

- Businesses will have a strong voice in the health plans set up to serve their workers. Companies, Taft-Hartley plans, or rural cooperatives with more than 5,000 employees will be able to operate their own alliance, allowing them to enhance the many cost control innovations offered by self insured plans today. Employers will be represented on the boards of all regional health alliances.

II. WHAT THIS MEANS FOR AMERICA'S BUSINESSES:

LEADING CEOS SAY REFORM WILL HELP COMPETITIVENESS:

- Prominent business leaders expressing support for the Clinton plan include the CEO's of USX, Bethlehem Steel, American Airlines, Archer Daniels Midland, Food For Less, Drummond and Company, Anheiser Busch, Ford, Chrysler, McDonnell Douglas, and General Motors.

SLOWER GROWTH IN COSTS FOR AMERICAN COMPANIES:

- Firms that do not provide insurance will pay more, but at a much lower cost than they currently face when they try to purchase insurance. While guaranteed private insurance will mean that an initial increase in business spending under reform, lower costs will lead to lower aggregate business spending on health care by the end of the decade.

ELIMINATING COST-SHIFTING SAVES FIRMS THAT NOW PROVIDE:

- When all employers take responsibility, costs will be substantially reduced for businesses that currently provide insurance. The non-partisan Congressional Budget Office confirmed that: *"Universal coverage would mean that those firms that now offer insurance would not longer need to pay indirectly through higher doctor and hospital bills for the care given to uninsured workers and their families. On the other hand, firms that do not now provide insurance could no longer ride free."*[1]

NO MORE CORPORATE "FREE RIDERS" – EVEN PLAYING FIELD:

- The Health Security Act will make businesses more efficient by eliminating "corporate free riders" -- the millions of Americans who are insured through a spouse's policy. Employers of both spouses will contribute to coverage, further lowering costs for business that currently provide coverage. For example in 1991, employers spent $26.5 billion to cover dependents who are employed by firms that did not offer insurance.[2]

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[1]Reischauer Testimony, Senate Finance Committee, 2/9/94

[2]National Association of Manufacturers, *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.

SMALL BUSINESS AND HEALTH REFORM
THE PROBLEM

SMALL BUSINESS FACES HIGHER HEALTH COSTS:

- Small businesses are charged an average of 35% more than large businesses for the same insurance. [Hay Huggins survey]

SMALL BUSINESS' HEALTH COSTS RISE FASTER:

- Small business has experienced annual health care cost increases of **20 to 50 percent** recently. In 1991, 33% of small business owners experienced health care cost increases of more than 25 percent and 7% experienced cost increases of 50 - 100 percent. [Wash. Post, 1/26/93; Arthur Andersen, 7/92]

- During 1988, health care costs for firms with fewer than 25 employees increased by 33 percent - a rate of increase 1 1/2 times the rate experienced by the nation's largest firms. [GAO, July 1991]

- The high cost of insurance is expected to cause 30% of small businesses currently providing insurance to drop coverage in the years ahead.. [Health Affairs, Spring 1992]

SMALL BUSINESSES WANT TO PROVIDE INSURANCE:

- A recent study prepared for the NFIB said that 64 percent of small business owners would like to provide some or better insurance to their workers. When asked why they do not offer insurance, the most common reason -- stated by 65 percent of small business owners -- is that premiums are too high. And **92 percent** of small business owners agree that the cost of health insurance is a serious business problem. [Charles Hall and John Kuder, *Small Business and Health Care: Results of A Survey*, The NFIB Foundation, 1990]

INSURANCE COS DISCRIMINATE AGAINST SMALL BUSINESS:

- Not all firms that want to provide insurance have the option to do so. Internal insurance documents confirm that insurance companies "**blacklist**" large sectors of the small business market -- such as grocery stores, hairdressers, bartenders and medical offices -- and refuse to sell insurance to these small businesses at any price. [New York Times, 2/5/90]

- ". . . Preexisting condition exclusion - particularly excluding an entire firm because of one employee's health status - **is a practice almost exclusively reserved for small businesses.**" [D.Stone, *Chronic Disease and Disability: Beyond the Acute Medical Model*, 1990]

SMALL BUSINESS AND HEALTH REFORM

SUMMARY: *Today, small businesses are threatened by a health care system that is stacked against them. Their health coverage costs more and offers less than policies that large companies negotiate. Despite these obstacles, many small businesses want to provide health care coverage to their employees -- and a majority do. But today, the businesses that provide insurance are paying for the ones that do not. The Health Security Act will end this unfair "cost-shifting" -- lowering costs for most small businesses and ensuring that no one gets a free ride. And it will pool small businesses together to give them the bargaining power that only large employers get today.*

MOST SMALL BUSINESSES PROVIDE, AND MOST OF REST WANT TO:

- A recent study surveying only small businesses found that even among the very smallest companies (1-5 employees), more than half provide coverage. And, 75% of all businesses with between 6 and 25 employees provided coverage to their employees. 90% of all businesses with between 26 and 100 employees provided coverage.

- According to the NFIB's chief lobbyist, *"two out of three of those who don't would like to do it."* A recent study prepared for the NFIB said that 64 percent of small business owners would like to provide some or better insurance to their workers.

GUARANTEES AFFORDABLE INSURANCE FOR SMALL BUSINESS:

- By allowing small businesses and consumers to pool their purchasing power, the President's approach will help small businesses negotiate the same deals that big businesses get today. It will consolidate the administrative burden for all businesses -- managing benefits, enrolling employees, negotiating and renewing coverage, and bargaining for insurance prices with health plans.

- Our plan will lower health care costs for the majority of small businesses that now take responsibility -- which is why **the Wall Street Journal called the Clinton plan *"an unexpected windfall"* for small business.**

- The non-partisan Congressional Budget Office concluded that the President's plan *"would benefit smaller firms that typically pay much higher premiums than larger firms.* ***This leveling of costs could benefit all small businesses -- not just those that provide insurance today.*** *With access to more affordable insurance, small businesses would be better able to attract workers who now demand health insurance as a condition of employment."*

- There will be a limit on how much insurance companies can raise their premiums -- to protect small business and prevent their premiums from increasing at several times the rate of inflation as they have recently. This limit, combined with new bargaining power, will mean substantially lower insurance prices.

SMALL BUSINESSES THAT NOW PROVIDE PAY LESS UNDER REFORM:

- Small businesses that currently provide health benefits will likely pay less immediately under reform due to a smaller administrative burden and lower premium rates. For example, premiums are excepted to be 10.5 percent lower under reform when all companies take responsibility and costs are no longer shifted from firms who don't provide to those who do.

- **That's why the Wall Street Journal wrote: *"For many small businesses, saddled with escalating health care costs, President Clinton's health care package comes as an unexpected windfall."*** [Wall Street Journal, *"Small Business Sees Burdens Getting Lighter"*, 9/13/93]

- In fact, firms with fewer than 25 workers that currently provide insurance will experience the largest savings under the Health Security Act. They will pay almost 3% less of their payroll on premiums after reform -- **saving $771 per worker.** [*"The Health Security Act: A Financial and Distribution Analysis,"* p. 31]

PROVIDES DISCOUNTS FOR THE SMALLEST LOW-WAGE BUSINESSES:

- Many small businesses -- those with less than 75 employees and an average wage of no more than $24,000 -- will be eligible for substantial discounts on the cost of the insurance they provide their employees. **In fact, 75 percent of the discounts going to businesses will go to small firms.**

ENDS INSURANCE INDUSTRY ABUSES OF SMALL BUSINESSES:

- Today, small businesses often see their premiums skyrocket -- or have their coverage immediately dropped -- when just one of their employees gets sick. Often entire industries are denied insurance because they are considered "high risk". The Health Security Act will outlaw these practices and ensure that small businesses get the same deals as big businesses.

- Under reform, health plans must charge small businesses the same premium as large businesses in the same region for the comprehensive package of benefits.

REFORMS THE HEALTH PORTION OF WORKER'S COMPENSATION:

- Injured workers will obtain treatment through their health plans, just as they would for other injuries or illnesses. This will end unnecessary duplication of services, help workers get back to work quickly, and reduce costs for employers. Workers' compensation insurers will continue to provide coverage and reimburse the worker's health plan according to a fee schedule.

100 PERCENT TAX DEDUCTION FOR SELF-EMPLOYED:

- Today, the self-employed are discriminated against by the federal tax system, as they are also able to deduct only 25% of health care costs from their taxes, rather than the 100% that other businesses do. After reform, the self-employed and independent contractors will be able to deduct 100% of the cost of the comprehensive benefits package from their income taxes.

HAWAII EXPERIENCE PROVES SMALL BUSINESSES WILL BENEFIT:

- Experience shows that the Health Security plan will create a better climate for small businesses to grow and prosper. Since Hawaii asked all employers to provide insurance for their employees in 1974:
  - the unemployment rate dropped to one of the lowest in the nation (2.8% in 1991);
  - small business creation rates remained high -- with the number of employers growing almost 200% from 1970 to 1991, and
  - the rate of business failures in Hawaii was less than half the national average.
  - In addition, Hawaii's "rainy day" fund -- set up to help the smallest businesses provide insurance -- has only been used 5 times in 19 years. [The Hawaii Department of Health, June 8, 1993]

HEALTH **JULIE KOSTERLITZ**

BACK TO THE FUTURE

From "A Decade of Health Care Reform," published in *National Journal* on April 30, 2004:

At 11:45 P.M. on Oct. 6, 1994—after months of rancorous debate and just 15 minutes before Congress was to adjourn and head home to face the electorate—the American Good-Enough-for-Now Health Care Reform Act passed. The vote in the House was 284-149 (and two abstentions); in the Senate, it was 79-20, with one Senator absent because of a heart attack sustained during a protracted filibuster.

Peter Kuper/INX

Enactment of an incremental reform measure had been something of a foregone conclusion since earlier in the year, when the chairmen of three House committees were able to eke out only slim majorities on their panels for legislation that would guarantee health insurance coverage to all Americans. A Senate committee defeated similar legislation by five votes.

A comprehensive reform bill was "simply too much of a burden on small business and the American taxpayer," said Rep. Kent Afford, the critical vote on the House Committee on Large and Popular but Expensive Entitlements. It was Afford, a southern Democrat then embroiled in a tough Senate race, whose opposition to the Democratic leadership bill was widely seen as a turning point in the debate.

AGENHCRA (pronounced *agon-hicra*)—as it became known—took a targeted approach to what ailed America most. Or, to be more accurate, to what ailed middle America most.

Middle Americans, Congress wisely noted, were largely happy with their health insurance and afraid of messing with it. In fact, the main thing that bothered them was that anyone with a hangnail risked being turned down for health insurance as a bad risk, or charged astronomical sums for it. Bad health, after all, can strike anyone, and even the insurance industry recognized that this "cherry picking" was not making for a good image.

And so, AGENHCRA required insurers to take all comers. And they couldn't charge the old or sick an arm and a leg for their policies either—henceforth they could charge only an arm.

Individuals and small businesses could join what would be called People's Insurance Purchasing Cooperatives to pool their risks and their purchasing power, thereby diminishing the extra premium that small employers once had to pay. The self-employed could take tax deductions for 100 per cent of their insurance costs. And for the poor and uninsured, there was the promise of a new network of community health centers, financed by cuts in the medicare program for the elderly and the medicaid program for welfare recipients. Insurance forms were streamlined, malpractice suits were banned. Waste, fraud and abuse were to be eliminated.

The relief among middle Americans was palpable. On Jan. 1, 1995, a million people who had previously been denied coverage because of poor health deluged the offices of health insurers from coast to coast. The coverage was expensive, but most of these bad risks weren't poor, and they were happy to pay.

But the flood of sick people into the system forced insurers to hike their rates to small businesses and individuals by 50 per cent more than they had intended. That caused hundreds of thousands of relatively young, healthy Americans to drop their coverage. Worried insurers complained about "reverse cherry picking" by consumers and doubled the next year's planned premium increases.

The individuals and small businesses who remained in the purchasing cooperatives didn't notice the rate hikes right away: Pooling had lowered their rates significantly the first year, and the second-year rate increase persuaded many of them to switch to lower-priced health maintenance organizations (HMOs).

In the meantime, HMOs discovered that they could make fabulous profits by getting lean and mean. That meant not only getting efficient, but also finding ways to turn away the uninsured. Doctors used to be able to take charity cases and pass along the costs to paying patients; now, though, they had budgets to meet and could no longer play Robin Hood.

And there were still plenty of uninsured people. Although the number dropped initially from 37 million to 36 million, most employers of low-wage workers found that buying insurance coverage was still uneconomical. Without help from their employers, lower-income people could not afford coverage. The unemployed were out of luck, too.

Uninsured people could go to the new community health centers and affiliated public hospitals. But these facilities were overwhelmed, with six-hour waits in the emergency rooms and three-month waits for office visits. With medicare and medicaid reimbursements slashed, many private doctors refused to see poor elderly people and welfare recipients; these patients showed up at the clinics, too.

Liberals proposed additional spending for the clinics, but the 1998 Don't-We-Already-Pay-Enough-for-Those-People Budget Act included no new spending for them. Deficit hawks noted that the budget for the clinics had grown at four times the projected rate. "I think we all want to provide a safety net for the truly needy," said Afford, by then a Senator and oft-mentioned candidate for President. "But we also live in an era of limits."

There were a few predictable horror stories—such as the Hispanic woman who died in childbirth on the lawn of a Miami hospital. Several Members of Congress proposed requiring health plans to treat charity patients. But the business community balked, saying that would lead to higher prices for insured patients and their employers. In the end, state governments had to raise taxes to keep the clinics afloat.

It wasn't until the millenium, when the purchasing cooperatives collapsed under the weight of their high-risk clientele and recession swelled the ranks of the uninsured by millions, that middle-class Americans took to the streets to demand universal health care coverage.

Sen. Afford dropped his presidential bid, retired from the Senate and joined a prestigious Washington law firm. ■

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Health Reform: How It Works

HEALTH REFORM:
THE PRESIDENT'S APPROACH

Here's how the President's health reform works:

- **Guaranteed private insurance.** We want to guarantee private insurance coverage to every American. Comprehensive coverage that can never be taken away.

- **Choice.** We want everyone to have the right to choose their own doctor and their own health plan. We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

- **Outlaw unfair insurance practices.** We want to make it illegal for insurance companies to: drop coverage or cut benefits; jack up your rates if you get sick; use lifetime limits to cut off your benefits; or charge older people more than younger. That's how you'll get affordable insurance you can depend on.

- **Preserve Medicare**. We will protect and strengthen Medicare. Older Americans have a right to count on Medicare and choose their doctor. We also want to cover prescription drugs under Medicare, and give new options for long- term care in the home and community.

- **Health benefits guaranteed at work.** Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance are in working families. We want everyone to have health benefits guaranteed at work. The government will provide discounts for small businesses and help cover the unemployed.

THE CRISIS

People Without Insurance Each Year

58 million

People With Pre-existing Conditions

81 million

People With Lifetime Limits On Coverage

133 million

GUARANTEED PRIVATE INSURANCE

- Comprehensive Benefits
- No Lifetime Limits
- Insurance That Can't Be Taken Away

Real Insurance Reform

Illegal for insurers to:

- Drop coverage or cut benefits
- Increase your rates if you get sick
- Use lifetime limits to cut off your benefits
- Charge older people more

PRESERVE MEDICARE

- Protect Choice of Doctor
- Cover Prescription Drugs
- Begin Long Term Care

America's Choice

- ☐ Government Insurance
- ☑ **<u>Guaranteed Private Insurance</u>**
- ☐ No Guarantee of Coverage

Health Benefits Guaranteed at Work

- Employed: Covered at Work
- Small Business: Discounts on Insurance
- Unemployed: Help from Government

How Reform Works

- Guaranteed Private Insurance
- Choice of Doctor
- Real Insurance Reform
- Medicare Preserved
- Health Benefits Guaranteed At Work

THESE COMPANIES BELIEVE THAT HEALTH BENEFITS SHOULD BE GUARANTEED AT WORK

* This is a compilation of the businesses from the National Leadership Coalition for Health Care Reform, The Corporate Health Care Coalition, cosigners of a recent letter to Chairman Rostenkowski, and Clinton Plan Business Supporters

Acme Steel Company
AlliedSignal Inc.
Alpha Building Corporation
Alpha Steel
American Airlines
American Stores
Ameritech
Amoco Corporation
AMR Corporation
Amtrak
Anheuser-Busch Companies, Inc.
Archer Daniels Midland Company
Atlantic Richfield Company
Audiovox Cellular Communications
Bacardi Corporation
Bell Atlantic
Bethlehem Steel Corporation
Blue Diamond Growers
Brown Foreman Corporation
Ceridian Corporation
Chrysler Corporation
CNA Insurance Company
Cox Enterprises Inc.
Dayton Hudson Corporation
Del Monte Foods
Dow Chemical Company
Drummond Company, Inc.
DuPont Company
Earl G. Graves, Ltd.
Eckerd Corporation
Filter Materials
Food 4 Less, Inc.
Ford Motor Company
General Electric Company
General Motors Corporation
Geo. A. Hormel & Company
Georgia-Pacific Corporation
Giant Food Inc.
Gross Electric Inc.
Guess, Inc.
H. J. Heinz Co.
Hechinger Company
Hershey Foods Corporation
Hiram Walker Group
Hunt Wesson Inc.
Inland Steel Company
Intel Corporation
International Business Machines Corporation

International Multifoods
Invacare Corporation
James River Corporation
JF Contracting Corporation
Johnstown Corporation
Keebler Company
Keller Glass Company
Liberty Mutual
Lincoln Telephone & Telegraph Co.
Lockheed Corporation
Loral Corporation
LTV Steel Company
Marangos Construction Corporation
McDonnell Douglas Corporation
Mead Corporation
National Steel Corporation
Network Security, Inc.
Norwest Corporation
NYNEX
Olympia West Plaza, Inc.
Pacific Gas & Electric
Pacific Telesis Group
Paramount Communications
Polycrete, Inc.
R. R. Donnelley & Sons Co.
Ralphs Grocery Company
Rite Aid Corporation
Rohm & Haas Company
Ryder System, Inc.
Safeway Inc.
Sara Lee Corporation
Scott Paper Co.
Southern California Edison Company
Southwestern Bell Corporation
Strategic Marketing Information, Inc.
Sun Company, Inc.
The Boeing Company
The Great Atlantic & Pacific Tea Company, Inc.
The Heights Groups
The Home Depot
The Principal Financial Group
The Quaker Oats Company
The Vons Companies, Inc.
The Whitman Group
Thrift Drug
Time Warner Inc.
U. S. Bancorp
USX Corporation
Westinghouse Corporation
Wheeling-Pittsburgh Steel Corporation
Xerox Corporation
Zenith Electronics Corporation

HEALTH BENEFITS GUARANTEED AT WORK
FACT SHEET

THE PRESIDENT'S APPROACH BUILDS ON CURRENT SYSTEM:

- Nine out of ten Americans with private health insurance receive their coverage through the workplace [1]

- On average, employers who provide coverage today pay 80% of the cost of their employees' premiums.[2]

- Yet, right now, eight out of ten people who do not have health insurance are in working families -- workers or dependents of workers.[3]

SMALL BUSINESSES WILL BENEFIT MOST FROM REFORM:

- The Wall Street Journal wrote: "*For many small businesses, saddled with escalating health-care costs,* ***President Clinton's health-care package comes as an unexpected windfall.***"[4]

PLAN PROVIDES DISCOUNTS TO HELP SMALLEST BUSINESSES:

- With the President's approach, many small low-wage businesses will receive substantial discounts on the insurance they provide for their employees. In fact, the smallest businesses will receive discounts of between 25 and 85 percent -- bringing affordable insurance into reach for America's smallest companies.[5]

REFORM SAVES MONEY FOR FIRMS THAT NOW PROVIDE:

- In 1991, companies that covered their employees spent more than $26 billion to cover members of the families of their workers, simply because other firms did not provide insurance.[6]

- Under the President's plan, American businesses will save $90 billion in the next ten years, even when spending from businesses that currently don't provide health care is included, according to the Congressional Budget Office.[7]

JOBS: EXPERTS SAY IMPACT OF PRESIDENT'S PLAN NEGLIGIBLE:

- The CBO analysis states clearly that the President's approach will have a negligible net effect on employment. *"The Clinton plan, [CBO] concluded, would not significantly slow the economy or result in the loss of jobs, as many critics have charged."* [8]

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[1] Employee Benefit Research Institute with 1993 Current Population Survey data, January 1994
[2] 1991 data. Urban Institute. Analysis of March 1992 Current Population Survey and HIAA data
[3] Employee Benefits Research Institute, 1994
[4] (emphasis added) *"Small Business Sees Burdens Getting Lighter,"* Wall Street Journal, 9/13/93
[5] HHS analysis
[6] National Association of Manufacturers. *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.
[7] CBO Analysis, 2/9/94
[8] Pearlstein and Broder, Washington Post, 2/9/94.

LARGE EMPLOYERS
THE PROBLEM

RISING HEALTH CARE COSTS BURDEN AMERICA'S EMPLOYERS:

- In 1992, American businesses paid almost $4,000 for health care for each employee -- more than twice as much as they paid eight years before. [Christian Science Monitor, 11/21/91]

- For the first time in American history, health care costs exceed business after-tax profits. [Health Care Finance Review, Winter 1991]

RISING HEALTH COSTS HURT AMERICAN COMPETITIVENESS:

- In 1990, GM spent $3.2 billion in medical coverage for its 1.9 million employees and retirees. **This was more than the company spent on steel.** [TIME, 11/25/92]

- Health care costs add $1,100 to the price of every car made in America -- double the cost added to Japanese imports. [University of Michigan, 1990]

FIRMS THAT TAKE RESPONSIBILITY PAY FOR THOSE THAT DON'T:

- Some experts estimate that $25 billion in health care costs are shifted onto people with private insurance each year. [CBO, May 1993]

- A recent study found that **from one quarter to one third** of premiums currently paid by employers who provide coverage for employees and dependents goes to cover the shortfall resulting from companies who do not cover their employees and the dependents of their employees. [*"How Would Business React to an Employer Mandate,"* Hewitt Associates, January 1994]

BUSINESSES BURDENED BY RISING COSTS OF EARLY RETIREES:

- A recent Foster Higgins survey said that business costs of covering early retires rose by 11% last year -- almost four times the inflation rate. The study concluded that *"many employers have simply concluded they can no longer afford to provide retiree health care coverage . . . as many firms are paying premiums for early retirees that are twice as high as those for active workers."* [The Washington Post, 12/13/93]

[bigbiz2 brf; 04/13/94 04:52 PM]

LARGE EMPLOYERS AND HEALTH CARE

"Successful implementation of health care reform is one of the best pieces of news American business could receive."
[Henry Aaron, Brookings Institution, CBS , 9/28/93]

SUMMARY: *Over the last eight years, per worker health care costs for American businesses have almost doubled. But most American corporations agree that every job should come with health benefits, and they have continued to provide coverage for their workers and families, despite ever-rising costs. In today's system however, businesses that cover their worker's and their worker's families pay for those companies that don't -- shifting up to **$25 billion dollars** each year onto those with private insurance. Rising health care costs are also eroding the ability of U.S. companies to compete in the global marketplace, and siphoning dollars away from new capital investments. The President's approach will get business health spending under control by increasing employees' incentives to reduce costs, cutting administrative waste and imposing discipline on both private and public health care spending.*

I. THE PRESIDENT'S APPROACH

1. REAL, ENFORCEABLE COST CONTROL

- *Market Forces*
The Health Security act will aggressively control costs by bringing market forces to bear in the health care system. Corporate alliances will continue using the innovative cost control strategies they've found successful, and regional alliances will build on those same strategies of pooling purchasing power and bargaining for better rates.

- *Administrative Savings*
The Health Security act will streamline the burdensome and costly regulation that eats up at least 15 cents of every health care dollar. By replacing today's thousands of insurance policies with a comprehensive benefits package and standard claim forms, more money will go to benefits and less to underwriters and marketers.

- *Premium Caps: Back-up Measure for Cost Containment*
While there is ample evidence that lower cost growth will be driven by competition and increased efficiency, the Health Security plan will build in a back-up measure to cost containment: premium caps. These caps will limit the growth in what businesses and individuals pay for the comprehensive

benefits package. The President believes that if businesses are going to be asked to contribute to the cost of health care, they must be guaranteed that increases in their payments will stay within reasonable bounds.

2. FAIR, EQUITABLE FINANCING

- *Shared Responsibility -- Employers, Employees, Government:* Under the President's approach, employers will contribute 80% of the average cost health insurance plan in an area. Employees will pay the difference between this contribution and the plan they choose. Employers who cover 100 percent of employee health costs may continue to do so; all employers will pay 80 percent of an average price plan.

- *Businesses Protected by Caps at a Percentage of Payroll* Under Health Security, employers in a health alliance will pay no more than 7.9 percent of their payroll for health care. Many employers today spend more than 10 percent of their payroll for health insurance.

- *Preserves the Tax Deductibility of Health Insurance* Under reform, premium payments will continue to be fully tax deductible for employers and will not be included in employee's taxable income. The President's reform does not tax any employer, ever, for any health benefit they provide. Any employer contributions -- either toward covering the employee share of premiums, co-payments or deductibles -- is never taxed, either for the employer or employee. Starting in the year 2004, services beyond the comprehensive benefits in the reform -- such as cosmetic face lifts -- will no longer be excluded from taxable income for employees.

3. RELIEF FOR THE COSTS OF RETIREE HEALTH CARE

- The Health Security Act will allow our businesses, and particularly the nation's largest manufacturers, to better compete in global markets. Subsidizing the employer share of early retiree premiums will relieve many of our nation's largest employers of the significant financial burden of covering health care costs for retired workers.

4. REFORMS HEALTH PORTION OF WORKER'S COMPENSATION:

- Injured workers will obtain treatment through their health plans, just as they would for other injuries or illnesses. This will end unnecessary duplication of services, help workers get back to work quickly, and reduce costs for employers. Workers' compensation insurers will continue to provide coverage and reimburse the worker's health plan according to a fee schedule.

5. **BUSINESSES WILL HAVE AN ACTIVE LOCAL ROLE**

- Businesses will have a strong voice in the health plans set up to serve their workers. Companies, Taft-Hartley plans, or rural cooperatives with more than 5,000 employees will be able to operate their own alliance, allowing them to enhance the many cost control innovations offered by self insured plans today. Employers will be represented on the boards of all regional health alliances.

II. WHAT THIS MEANS FOR AMERICA'S BUSINESSES:

LEADING CEOS SAY REFORM WILL HELP COMPETITIVENESS:

- Prominent business leaders expressing support for the Clinton plan include the CEO's of USX, Bethlehem Steel, American Airlines, Archer Daniels Midland, Food For Less, Drummond and Company, Anheiser Busch, Ford, Chrysler, McDonnell Douglas, and General Motors.

SLOWER GROWTH IN COSTS FOR AMERICAN COMPANIES:

- Firms that do not provide insurance will pay more, but at a much lower cost than they currently face when they try to purchase insurance. While guaranteed private insurance will mean that an initial increase in business spending under reform, lower costs will lead to lower aggregate business spending on health care by the end of the decade.

ELIMINATING COST-SHIFTING SAVES FIRMS THAT NOW PROVIDE:

- When all employers take responsibility, costs will be substantially reduced for businesses that currently provide insurance. The non-partisan Congressional Budget Office confirmed that: *"Universal coverage would mean that those firms that now offer insurance would not longer need to pay indirectly through higher doctor and hospital bills for the care given to uninsured workers and their families. On the other hand, firms that do not now provide insurance could no longer ride free."*[1]

NO MORE CORPORATE "FREE RIDERS" – EVEN PLAYING FIELD:

- The Health Security Act will make businesses more efficient by eliminating "corporate free riders" -- the millions of Americans who are insured through a spouse's policy. Employers of both spouses will contribute to coverage, further lowering costs for business that currently provide coverage. For example in 1991, employers spent $26.5 billion to cover dependents who are employed by firms that did not offer insurance.[2]

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[1]Reischauer Testimony, Senate Finance Committee, 2/9/94

[2]National Association of Manufacturers, *"Employer Cost-Shifting Expenditures,"* prepared by Lewin-ICF, December 1991.

SMALL BUSINESS AND HEALTH REFORM
THE PROBLEM

SMALL BUSINESS FACES HIGHER HEALTH COSTS:

- Small businesses are charged an average of 35% more than large businesses for the same insurance. [Hay Huggins survey]

SMALL BUSINESS' HEALTH COSTS RISE FASTER:

- Small business has experienced annual health care cost increases of **20 to 50 percent** recently. In 1991, 33% of small business owners experienced health care cost increases of more than 25 percent and 7% experienced cost increases of 50 - 100 percent. [Wash. Post, 1/26/93; Arthur Andersen, 7/92]

- During 1988, health care costs for firms with fewer than 25 employees increased by 33 percent - a rate of increase 1 1/2 times the rate experienced by the nation's largest firms. [GAO, July 1991]

- The high cost of insurance is expected to cause 30% of small businesses currently providing insurance to drop coverage in the years ahead.. [Health Affairs, Spring 1992]

SMALL BUSINESSES WANT TO PROVIDE INSURANCE:

- A recent study prepared for the NFIB said that 64 percent of small business owners would like to provide some or better insurance to their workers. When asked why they do not offer insurance, the most common reason -- stated by 65 percent of small business owners -- is that premiums are too high. And **92 percent** of small business owners agree that the cost of health insurance is a serious business problem. [Charles Hall and John Kuder, *Small Business and Health Care: Results of A Survey*, The NFIB Foundation, 1990]

INSURANCE COS DISCRIMINATE AGAINST SMALL BUSINESS:

- Not all firms that want to provide insurance have the option to do so. Internal insurance documents confirm that insurance companies **"blacklist"** large sectors of the small business market -- such as grocery stores, hairdressers, bartenders and medical offices -- and refuse to sell insurance to these small businesses at any price. [New York Times, 2/5/90]

- ". . . Preexisting condition exclusion - particularly excluding an entire firm because of one employee's health status - **is a practice almost exclusively reserved for small businesses.**" [D.Stone, *Chronic Disease and Disability: Beyond the Acute Medical Model*, 1990]

SMALL BUSINESS AND HEALTH REFORM

SUMMARY: *Today, small businesses are threatened by a health care system that is stacked against them. Their health coverage costs more and offers less than policies that large companies negotiate. Despite these obstacles, many small businesses want to provide health care coverage to their employees -- and a majority do. But today, the businesses that provide insurance are paying for the ones that do not. The Health Security Act will end this unfair "cost-shifting" -- lowering costs for most small businesses and ensuring that no one gets a free ride. And it will pool small businesses together to give them the bargaining power that only large employers get today.*

MOST SMALL BUSINESSES PROVIDE, AND MOST OF REST WANT TO:

- A recent study surveying only small businesses found that even among the very smallest companies (1-5 employees), more than half provide coverage. And, 75% of all businesses with between 6 and 25 employees provided coverage to their employees. 90% of all businesses with between 26 and 100 employees provided coverage.

- According to the NFIB's chief lobbyist, *"two out of three of those who don't would like to do it."* A recent study prepared for the NFIB said that 64 percent of small business owners would like to provide some or better insurance to their workers.

GUARANTEES AFFORDABLE INSURANCE FOR SMALL BUSINESS:

- By allowing small businesses and consumers to pool their purchasing power, the President's approach will help small businesses negotiate the same deals that big businesses get today. It will consolidate the administrative burden for all businesses -- managing benefits, enrolling employees, negotiating and renewing coverage, and bargaining for insurance prices with health plans.

- Our plan will lower health care costs for the majority of small businesses that now take responsibility -- which is why **the Wall Street Journal called the Clinton plan *"an unexpected windfall"* for small business.**

- The non-partisan Congressional Budget Office concluded that the President's plan *"would benefit smaller firms that typically pay much higher premiums than larger firms.* ***This leveling of costs could benefit all small businesses -- not just those that provide insurance today.*** *With access to more affordable insurance, small businesses would be better able to attract workers who now demand health insurance as a condition of employment."*

- **There will be a limit on how much insurance companies can raise their premiums -- to protect small business and prevent their premiums from increasing at several times the rate of inflation as they have recently. This limit, combined with new bargaining power, will mean substantially lower insurance prices.**

SMALL BUSINESSES THAT NOW PROVIDE PAY LESS UNDER REFORM:

- Small businesses that currently provide health benefits will likely pay less immediately under reform due to a smaller administrative burden and lower premium rates. For example, premiums are excepted to be 10.5 percent lower under reform when all companies take responsibility and costs are no longer shifted from firms who don't provide to those who do.

- That's why the Wall Street Journal wrote: ***"For many small businesses, saddled with escalating health care costs, President Clinton's health care package comes as an unexpected windfall."*** [Wall Street Journal, *"Small Business Sees Burdens Getting Lighter"*, 9/13/93]

- In fact, firms with fewer than 25 workers that currently provide insurance will experience the largest savings under the Health Security Act. They will pay almost 3% less of their payroll on premiums after reform -- **saving $771 per worker**. [*"The Health Security Act: A Financial and Distribution Analysis,"* p. 31]

PROVIDES DISCOUNTS FOR THE SMALLEST LOW-WAGE BUSINESSES:

- Many small businesses -- those with less than 75 employees and an average wage of no more than $24,000 -- will be eligible for substantial discounts on the cost of the insurance they provide their employees. **In fact, 75 percent of the discounts going to businesses will go to small firms.**

ENDS INSURANCE INDUSTRY ABUSES OF SMALL BUSINESSES:

- Today, small businesses often see their premiums skyrocket -- or have their coverage immediately dropped -- when just one of their employees gets sick. Often entire industries are denied insurance because they are considered "high risk". The Health Security Act will outlaw these practices and ensure that small businesses get the same deals as big businesses.

- Under reform, health plans must charge small businesses the same premium as large businesses in the same region for the comprehensive package of benefits.

REFORMS THE HEALTH PORTION OF WORKER'S COMPENSATION:

- Injured workers will obtain treatment through their health plans, just as they would for other injuries or illnesses. This will end unnecessary duplication of services, help workers get back to work quickly, and reduce costs for employers. Workers' compensation insurers will continue to provide coverage and reimburse the worker's health plan according to a fee schedule.

100 PERCENT TAX DEDUCTION FOR SELF-EMPLOYED:

- Today, the self-employed are discriminated against by the federal tax system, as they are also able to deduct only 25% of health care costs from their taxes, rather than the 100% that other businesses do. After reform, the self-employed and independent contractors will be able to deduct 100% of the cost of the comprehensive benefits package from their income taxes.

HAWAII EXPERIENCE PROVES SMALL BUSINESSES WILL BENEFIT:

- Experience shows that the Health Security plan will create a better climate for small businesses to grow and prosper. Since Hawaii asked all employers to provide insurance for their employees in 1974:
  - the unemployment rate dropped to one of the lowest in the nation (2.8% in 1991);
  - small business creation rates remained high -- with the number of employers growing almost 200% from 1970 to 1991, and
  - the rate of business failures in Hawaii was less than half the national average.
  - In addition, Hawaii's "rainy day" fund -- set up to help the smallest businesses provide insurance -- has only been used 5 times in 19 years. [The Hawaii Department of Health, June 8, 1993]

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cc this article to Ira + Melanne
see p. 37

THE POLITICAL SCENE

4/4/94

file

THE OGRE'S TALE

IBA HSA Health Sec. Act

In his initial defense, Bob Packwood said that he just didn't get it. Now that he's fighting back, some nervous Senate peers worry that he still doesn't.

BY PETER J. BOYER

In Washington, where the nose for decaying political flesh is keen, the scent of Bob Packwood can nearly clear a room. "I am insensitive to it," Packwood says of the murmurs and furtive whispers that have become the accompaniment to his public movement, but he notices. Sometimes the opprobrium seems almost a physical force, as when Packwood arrived at a crowded reception for Republican women candidates one recent evening: people stepped from his path, as if reflexively repelled by his presence. "I ignore it," Packwood says, which means he may or may not have heard the congresswoman across the room expressing her dismay that Packwood had actually shown up at the event. It was a year ago last November that charges of sexual misconduct were first aired, in a front-page story in the Washington *Post*, and Howard Baker, Packwood's former Republican colleague in the Senate and a friend who has remained loyal during Packwood's sixteen months of political purgatory, says, "I'm not sure I would have withstood the pressure he's under." Another friend, a former member of Packwood's staff, who recently visited his old boss, found the prospect of a public foray in Washington so unpleasant that he drove the Senator to a bowling alley in Maryland, where they spent the evening in welcome unrecognition. This death-in-life existence makes a queasy spectacle in a town that expects its actors to take their cues. Packwood's cue, perhaps, was delivered on the Senate floor in the late hours of last November 2nd, at the end of two days of anguished debate, by the Senate thespian Robert C. Byrd, Democrat of Virginia. After quoting Homer and the Earl of Mansfield, the Holy Bible and the United States Constitution, Byrd invited Packwood to recognize that "it is time to have the grace to go." Moments later, the Senate voted, 94–6, to authorize an Ethics Committee subpoena of Packwood's personal diaries.

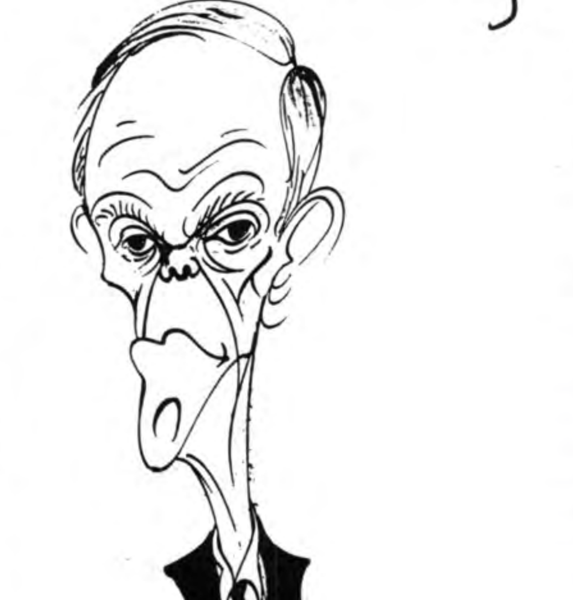
Packwood very nearly did go. By last fall, the ordeal had almost wrecked him, and it showed: he had lost twenty pounds, his suits bagged, and his face was so haggard it seemed to be sinking inward. Worried, Packwood visited the Capitol physician, who advised suicide counselling—reasonable advice, given the completeness of Packwood's ignominy. He had been endorsed by Oregon voters five times, most recently in 1992, but now his visits home drew protests that were striking in their rancor ("Burn in Hell, Packwood!" one placard read); his proud reputation as a champion of women's causes vanished as he became the national symbol for sexual harassment, eventually accused by more than two dozen women of making unwanted sexual advances. Although his expertise on international trade had earned him the role of Republican floor leader on NAFTA, his troubles were a clamoring distraction: on the day NAFTA was decided, Packwood was handed a subpoena from the Justice Department and a six-hundred-thousand-dollar bill from his lawyers (and four days later the lawyers quit the case). Packwood's friends and staff, also suspecting that he might kill himself, pressed for Senator Arlen Specter, a supporter, to intervene, and he did, persuading Packwood to see a psychiatrist. Morose and beaten, the man once called the Senator for Life decided to entertain a deal with the Ethics Committee: his resignation for a lifting of the committee subpoena.

Packwood, who is now sixty-one, has been a senator for twenty-five years, and never expected not to be one. What would his life be outside the Senate? In the end, a practical matter probably helped to decide the issue: the Justice Department subpoena signalled a costly criminal case, and Packwood knew that a sitting senator with his hands on fund-raising machinery is in a considerably better position to pay his legal bills than is a disgraced former pol. He stayed.

And things got worse. In late November, his loyal (but nervous) transcription secretary revealed to Ethics Committee staff lawyers that Packwood had altered some of his diaries; and his efforts to keep the diaries from the committee met with a series of defeats in court.

Over Christmas, Packwood, having reached bottom, resolved to fight. He hired a new lawyer (the criminal-law ace Jake Stein), and after a year of silence he has begun a public counter-offensive, portraying himself as a scapegoat and attacking the news media and the credibility of his accusers. Packwood now decries sexual-harassment accusations in the post-Anita Hill era as the new McCarthyism, saying, "If you're charged with sexual harassment, you're guilty." He has an uphill fight—even his friends concede that the scandal has likely left an indelible taint, and expect a severe punishment from the Senate.

Yet years of earnest policy absorption in the Senate are paying off, for Packwood is a key figure in its most important legislative undertaking of this session—health-care reform. As one of the Senate's recognized authorities on health care, and as the ranking Republican on the Senate Finance Committee—the panel most likely to produce a reform bill that can be enacted—Packwood is in a position to influence the process significantly. The committee chairman, Daniel Patrick Moynihan, is a steadfast friend, and, more important, the two men are in agreement on health care: they want universal coverage and employer mandates to pay for it. That would give President Clinton legislation on which he could claim victory, and give conservatives the satisfaction of ditching most of the other features of the President's plan, such as health alliances. Moynihan is relying on Packwood's help to bring along a key bloc of moderate but reluctant Republicans, as well as some conservative Democrats, which will make the difference between passage and failure for any plan. "You won't be able to legislate something without Bob Packwood's vote," Lawrence O'Donnell, Jr., the chief of staff on Moynihan's Finance Committee, says. "And Bob Packwood is not just one vote. If Packwood is on the bill, he brings people with him, and the people he brings with him are the people who get you across the finish line. You cannot think of doing it without him. You cannot think of offending him in the meantime. You cannot think of isolating him in the meantime."



Packwood's most recent blunders hurt his cause in the Senate, which does not welcome the prospect of another sexual-harassment case.

GERALD SCARFE

PACKWOOD says he has a limited social life, but he does go out. In recent weeks, he twice ventured to the Warner Theatre, on Pennsylvania Avenue, to see Rob Becker's popular one-man show, "Defending the Cave Man," in which the comedian satirizes the gender dissonance that has so preoccupied the culture lately. "Instead of looking at men as assholes, let's just look at them as different," Becker proposes in his act. "In fact, let's just look at men and women as two different cultures, with different languages, different customs, and different histories." Packwood knows something about the confusion existing between the sexes; after a lifetime in the dark, he has been obliged to become introspective on the subject, pondering the rules governing how men in power should behave toward women who work for them. "I now realize that it is in the eye of the beholder, and the woman is the beholder," Packwood said the other day as he reflected on the lessons he says he has learned in the past year. "Therefore, you must not do anything now that might be conceived by the recipient as offensive, or misconduct, or whatever. You just mustn't." Then, with a hint of puzzlement, he added, "I don't know how you decide ahead of time what is going to be offensive. . . . If you don't try, how do you know?"

Perplexity may be the defining term for Packwood's personal relations with women, as distinct from his political relations with them. Politically, he has been guided from the start by an utter certainty about women—that they were a wasted resource. In his first political campaign, a successful run for the Oregon legislature in 1962, women made up nearly half of his executive committee and were at the hear of his campaign. A reporter for t' Portland *Oregonian* wrote an artic' the time about the dazzling suc that "amateur" campaign, in w'

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thirty-year-old Packwood plainly set forth his view: "Women should be given a part in all the crucial decisions that are made in a campaign, and I mean substantive as well as administrative decisions." It was a practical position; Packwood's army of volunteer women blanketed his district, distributing lawn signs from their station wagons and holding ceaseless rounds of kaffeeklatsches for the candidate. They built for Packwood a daunting organizational base, which was the key to his up-from-nowhere triumph over Wayne Morse in 1968. In return, Packwood became the consummate women's senator: the women who work for him (making up sixty per cent of his staff) are the highest paid on Capitol Hill, and four women have served as his chief of staff. He introduced the first Senate bill to legalize abortion—in 1970, three years before Roe v. Wade (and was unable to get a single co-sponsor in either the House or the Senate)—and, with anti-abortion Presidents from his own party in the White House during the nineteen-eighties, he stood fast against efforts to roll back abortion rights. He opposed the Supreme Court nomination of Clarence Thomas (one of only two Republicans to do so), and has been rewarded by women with donations of money and foot soldiery to his campaigns. But his personal relations with women have never been quite so uncomplicated.

"I was such a shy guy growing up, I was a little afraid of women," Packwood told me. "I had no dates, and on the few occasions when I would try I was usually turned down. So I was hesitant to ask, for fear of being turned down."

In the course of several lengthy conversations, Packwood offers this and other such private revelations in the same calm, dispassionate tones in which he discusses the nuances of the German health-care system; there is no averted glance, no embarrassed smile. It is as if, self-explanation being the cost of answering his public humiliation, he had fetched this pathetic inner narrative to the intellectual plane, where his footing is surest. Central to this narrative is a young man's deflated self-image, ostensibly caused by a case of myopia so severe that it required a pair of eyeglasses with lenses as thick, Packwood recalls, "as Coke bottles." He had trouble taking part in sports—"I played end in football, but I could not see the pass coming very well, which is somewhat of a limitation."

Packwood's father, Fred, had his own handicap. Lame from polio, he was a lobbyist for the timber industry, and his political insights were considered so valuable that his daily analysis of pending bills was the first thing read each day by state legislators; but his ambition was stunted, and he drank. "He was not very successful," Packwood says of his father. "He was highly regarded and very poorly paid. We didn't own a house until I was ten. We didn't own a car until I was sixteen." Bob Packwood compensated with relentless effort and his own ambition: he spent three hours studying on his own every afternoon, while his mother was giving piano lessons in the front room. He had friends, but he wasn't a social creature. He liked to build radio sets from kits, and to play cards with his aunts and uncles on weekends. The only girl he really dated in high school was his debate partner, of whom he says, "I was very much attracted to her, but I'm not sure it was mutual."

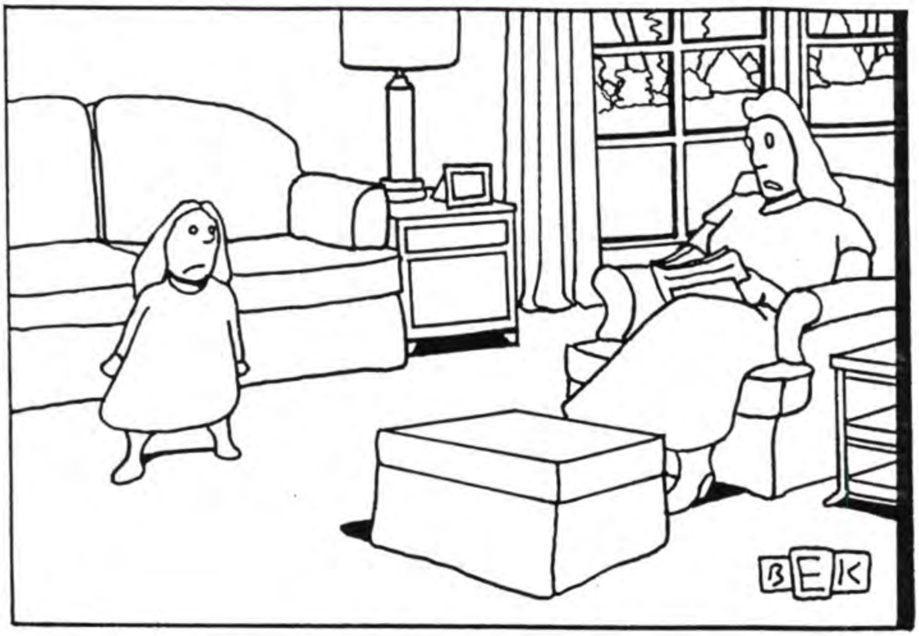
In 1950, Packwood enrolled at tiny Willamette University, a Methodist liberal-arts school in Salem, and one of his political-science professors was Mark Hatfield, who would be elected to the Senate in 1966. Willamette provided a rigidly studious environment, which forbade alcohol and strictly enforced its rules of social intercourse (girls and boys were not allowed to sit on the same blanket at beach parties), and it suited the sober young Packwood well. In his senior year, he became the president of his fraternity, Beta Theta Pi—a brotherhood that included seventeen preministerial majors, and in whose house Packwood spent evenings that he recalls as being filled with "very serious, wonderful philosophical discussions." Jim Bergmann, a fraternity brother who had also gone to high school with Packwood, doesn't recollect that Packwood's social life was much improved in college. "I don't remember him dating in college. He may have, but I can't tell you who he dated, if anybody. He was not one who dated a lot."

Then, in the winter of 1957-58, when Packwood was clerking for a state-supreme-court justice, and was about to join one of Portland's distinguished old law firms, he got contact lenses, and, according to him, his self-image changed drastically. He speaks even now of the switch from the loathed eyeglasses to contacts as if he were recounting the discovery of some magic charm, and, placebo or not, they certainly transformed his life. "Once I got my contact lenses, I think I had a normal bachelor's dating life," Packwood says. "I would ask a woman out and she would say yes." In fact, he became one of Portland's most eligible bachelors. But his years of reticence had apparently left a kind of learning gap in that subtle realm of communication which anticipates romance. This was a characteristic that immediately struck Georgie Ann Crockatt, a pretty Portland divorcée, who started dating Packwood around the time of his post-spectacles liberation. "He was different from anyone else I'd ever met, because he didn't flirt," Georgie, who married Packwood in 1964, recalls. She says that although he was able to perform before crowds, he found it almost impossible to conduct the business of one-on-one interaction, even outside the context of romance. Georgie remembers a particular display of this reticence in his 1968 Senate campaign, when his schedule put them in the small Oregon river town of St. Helens without a specific event to attend: "There was nothing doing in this town, and we had to kill a couple of hours, so whoever did the schedule filled in 'Just walk up and down Main Street shaking hands,' right? Wrong. Bob was scared to death. I mean, he just froze. He said, 'I can't just walk up to somebody on the street and stick out my hand and say, 'Hi, I'm Bob Packwood, running for the Senate.' And I said, 'O.K., I'll do it.' And I'd just walk up to somebody and say, 'Hi, I'm Georgie Packwood. My husband is running against Wayne Morse.' And then I would take these people and introduce them to Bob. Then he could shake their hands."

Georgie Packwood, whose marriage to Packwood ended in a bitter divorce (they separated in 1990, by which time they had two grown children), believes that the vision problems deeply affected her husband's personality—"This is heavy psychological stuff," she says—but she thinks that they alone do not explain the man who remained a mystery to her even after twenty-five years of marriage. "There's something else here that none of us know," she says. "I mean, people have asked me, would he have been physically abused? Was there incest, were there these things? I don't know. But there sure as hell was something. And it is scary as hell for him."

Over the years, Packwood aides were sometimes vexed by such Packwood traits as an unwillingness to come out from behind his desk to greet a visitor, noting that a lack of personal charm is not a helpful feature in a politician. He has, as the phrase goes, no suave. Characteristically, Packwood has compensated with hard work. As a young man, he read Dale Carnegie's "How to Win Friends and Influence People," and he still recalls such advice as "If you're buying stamps and the fella's got a nice head of hair, you say, 'You know, you've got a good head of hair.' " As it is not in his nature to dispense the broad-smile, slap-on-the-back conviviality that eases most politicians into public situations, Packwood compensates with strenuous homework. The wall just outside his private office in the Senate Russell Building is lined with a bank of files containing five-by-eight-inch index cards that bear the names of and personal information on almost all the people Packwood has ever met in his political career, systematically organized by name and region. "So if he met someone ten years ago in Medford at the Rotary meeting, and they happen to be there in Washington, he knows they met ten years ago and he knows what they talked about, and he will dazzle them," a former Packwood staffer says. "He has set up a system that makes him as methodical a politician as you can possibly be."

This aspect of Packwood's nature has set him apart in the Senate: he is not one of the fraternity boys but has commanded respect for his laboriously considered positions. Packwood's method through the years has been to own an issue that interests him (defense of Israel, women's rights, health care): to undertake to know its every nuance and its history and every possible argument against it, and then to anticipate and eliminate those arguments in debate. "People recognize his causes, they re-



"It's such a nice day. Why don't you go outside and make some money?"

spect the way he approaches them—they may disagree, but they accept them at face value," Howard Baker says. "And that's his substitute for conviviality, I guess. Bob is not a particularly convivial person."

Sometimes Packwood poured conviviality from a bottle. Georgie says that she frequently confronted Packwood about his drinking: "I would say to him, 'Tell me why it is that you drink.' And he'd say, 'Because I feel so socially insecure.' " Packwood could put away an enormous amount of alcohol and show little effect, while those trying to keep up were clutching the table for balance. Witnesses to his binges are awed by the memory of them—Packwood ordering two drinks at a time at a bar, or going through several pitchers of beer as if it were water. "I drink immense quantities of liquid, it doesn't matter what it is," Packwood says. "I will, on occasion, drink a gallon of milk at dinner, or two or three pitchers of water. And when I drank alcohol I would go through beer and wine the same way." He was seldom a sloppy drunk, his companions remember, and he almost never paid the price of a hangover. "It's not my fault," he says. "Chemistry."

Although Georgie Packwood thought she and Bob had a good marriage, it was through the drinking that she first discerned that her husband was not happy. Recently, she was looking at one of her old calendars, on which she used to note down such events as birthdays and her children's big moments. On the date marking the eve of the couple's first wedding anniversary, she found this note in her handwriting: "Bob got drunk and wants a divorce. Well, we almost made it through one whole year." Georgie says that she came to expect three or four particularly unpleasant binges every year, when her husband would get drunk, pick a fight with her (sometimes at a party), and deliver what came to be his standard cry: "I want a divorce! We should never have married! I want to be a bachelor!" She says that they never discussed those incidents the next day, because Packwood would be up and out of the house early, as usual, and would return home with his customary greeting, as if nothing had happened.

Georgie says that she sometimes puzzled over Packwood's drinking, because the couple almost never drank at home: "It was never a way of life in our home. Now I understand why it wasn't—it was a way of life at the office." And at the end of the day Packwood liked to invite some of his staff in for a drink and a round of charades or liar's poker. Sometimes there were excursions over to the Irish Times, Packwood's favorite bar. "The drinking was not a respite from the Senate," he says. "The drinking was camaraderie. The drinking was social."

Packwood's natural social unease, combined with the alcohol and his apparent philandering urge, may account for a peculiarity of his reputation as a Senate womanizer. He is known above all for the unexpectedness of his alleged advances—sudden smooches in parking lots or stolen kisses in hidden doorways. When Packwood is asked about this now, he shrugs and says, "I was so shy with women—or girls, we called them then—it was just not my nature to forcibly approach people."

PACKWOOD was by no means the only man in the Senate with a reputation as a womanizer. Tales of womanizing, boozing, gambling, and other personal vices attach to certain senators like nicknames, and become part of the unwritten lore of the Senate; after the Anita Hill–Clarence Thomas spectacle, it was inevitable that sexual harassment on Capitol Hill would be made a news story. Or that is the way Florence Graves perceived it. In the spring of 1992, Graves, a journalist who spent seven years in Washington as the founding editor of *Common Cause* magazine, was surprised to note that several months had passed since the Anita Hill controversy and the big story about sexual harassment on Capitol Hill had not yet been written. She decided to write it herself.

Graves began to investigate stories she'd heard about several senators, narrowing the field to fit her criteria—unwanted advances in a work-related context. (Womanizing, for example, was not the same as harassment.) Soon Packwood stood out. The stories about his advances were numerous, and Graves was eventually able to persuade some of the women involved to agree to go on the record with them. Also, the fact of Packwood's long recognition as a champion of women's issues made the story more interesting—the Packwood Paradox. ("What synapse misfires in a character who makes advances for women and then also makes 'unwanted sexual advances' on women?" Ellen Goodman asked in her column after the scandal broke.) Graves began the hard chore of verifying the stories she heard about Packwood and getting them on the record.

But there were still questions about choosing Packwood as the subject. For one thing, his reputation had been known to many national feminist leaders who overlooked it, because of Packwood's record on women's issues. Also, what would Packwood be accused of, precisely? Ultimately, the list of accusations against him ran from grabbing a woman's ponytail while he kissed her and tried to remove her girdle to telling bawdy jokes (which, characteristically, he pulled out of a notebook of jokes) in front of a female interne, who did not voice objection at the time. None of the accusations seemed exactly to fit the legal standards of sexual harassment (sex for job consideration, for instance, or assertions of an ongoing "hostile working environment"), and, once rebuffed, Packwood's advances apparently stopped.

The accusations were framed in a new, post-Anita Hill construct—"uninvited sexual advances"—which interpreted as sexual misconduct any gesture of a sexual nature that was unwelcome, ranging from dancing too close to Packwood's alleged ambush smooches. It is a tricky standard, not least because its test is in the doing—as is suggested by Packwood's question "If you don't try, how do you know?" Also, the "uninvited advances" standard seems implicitly to excuse the behavior of "womanizers" (of whom the Senate has a few), whose advances are, presumably, welcomed. Packwood says, "One of my male friends put it in a nutshell when I was searching for words. He said, 'You know, if you score a touchdown, you're a hero. If you fumble, you're in trouble.' "

Such comments suggest the degree to which Packwood has been caught in a wind shear of the Zeitgeist—he is a not terribly sympathetic figure whose loutishness was once accepted, if not acceptable, but now confronts him like an indictment. In his private life, he plainly was not the friend of women that his public life suggested him to be; but neither is he a sexual criminal. He is a token, serving to illuminate a shift in the evolution of sexual conduct which is now moving at a hyperspeed pace; at the moment, there is a distinction between womanizing and Don Juanism, which are not commonly viewed as victimizing behaviors, and "uninvited sexual advances," which sometimes are. "It is a murky area; it's very confusing," says Judith Armatta, staff attorney for the Oregon Coalition Against Domestic and Sexual Violence, which has been among Packwood's stoutest foes. Armatta allows that what most distinguishes Packwood from others of his generation and inclination is that "Packwood just happened to get caught."

The ultimate value of the Packwood case, Armatta says, is not in the ending of his career but in serving notice that a new moment has arrived. "I don't think we have good guys and bad guys here," she says. "Throughout our culture, we see that a lot of women are getting victimized and have been for centuries, that they've suffered a lot through that, and it certainly isn't Senator Packwood who is the only one who did it. So he's played out that particular role, and he has personal responsibility for it. But that does not make him an evil man. To say that he is really excuses us as a culture from changing some basic things and taking our responsibility for how we permitted that kind of thing to happen." She says that there are moments when she even feels a certain sympathy for Packwood, but adds, "It's sort of like, somebody had to be first."

Graves worked on her story through the summer of 1992, and in the fall she took it to the Washington *Post*, which teamed her with another reporter, Charles E. Shepard, to finish the story. Together, they confronted Packwood with the allegations in a meeting on October 29th—five days before voters would decide on his reëlection bid against Oregon's Representative Les AuCoin. Packwood and his aides had known that the *Post* was working on a story, but he says he had heard that the subject was sexual harassment, which, by its legal definition, was a charge he felt he could answer satisfactorily. He says he was stunned when he heard the *Post's* list of accusations and the context—"uninvited sexual advances." The meeting took place in Portland, in the home of a Packwood supporter, and was attended by Elaine Franklin, Packwood's chief of staff, and Jack Faust, a lawyer and longtime Packwood friend. They say they instantly interpreted the *Post* allegations as a partisan attack, not least because the most serious of the alleged incidents—the forced kiss while grabbing the woman's ponytail—came from Julie Williamson, who was a consultant and a financial contributor to Representative AuCoin. Packwood denied the charges, and telephoned the *Post* executive editor, Len Downie, requesting time to respond. Over the next two days, Packwood sent Downie several documents, among them statements from co-workers of some of the accusers which were meant to cast doubt on the accusers' stories; the material also included several friendly notes to Packwood from one of the accusers, and statements suggesting that Packwood's advances might not have been unwanted after all. The effort won Packwood a temporary reprieve; Downie told Graves and Shepard they had more reporting to do. In the following days, Packwood sent the *Post* additional material about some of his accusers, including data on the sexual history of some of the women.

On November 3rd, Packwood was elected to his fifth term in the Senate. On Sunday, November 22nd, the *Post* published its story on the front page. The headline captured the Packwood Paradox angle—"PACKWOOD ACCUSED OF SEXUAL ADVANCES; ALLEGED BEHAVIOR PATTERN COUNTERS IMAGE"—and the article outlined the stories of seven women who had worked with Packwood and said that over the years Packwood had made "uninvited sexual advances" toward them. Besides Williamson's incident, which she said had occurred in 1969, there was an account by a woman who said that she approached Packwood in the mid-seventies about working in his office, and that she twice met him in his motel room to discuss a speech she was writing for him; on the second visit, she said, Packwood chased her around the room and kissed her. A former mail clerk in Packwood's office said that after inviting her to play bridge Packwood called her into his inner office, locked the door, and kissed her. Another woman described a 1982 incident in which, she said, Packwood invited her into his office at the end of the day and offered her wine, then came around his desk and pulled her from her chair. "He put his arm around me and tried to kiss me," she said. "He stuck his tongue in my mouth." A former activist named Mary Heffernan related a similar story from the same period, and said she had not reported the incident then, because of Packwood's position and because "for me, abortion rights was on the line." Maura C. Roche was the interne who heard Packwood's jokes. She said that one evening in 1989 Packwood walked through his office and offered the staff gathered there glasses of wine, then pulled out the notebook containing jokes and began reading them. "I just sat there and took it," Roche reported, adding that it was not until the Anita Hill–Clarence Thomas hearings that she was awakened to the possibility that the joke-telling had been "very degrading to women." The last woman quoted in the *Post* story was a former aide who said she had repeatedly rebuffed Packwood's advances and had finally left his office, because he did not change his behavior.

Gena Hutton was one of the women who came forward after the *Post* article with her own story about an unwelcome experience with Packwood, an incident that occurred during the Senator's 1980 campaign. Hutton, then thirty-five and a divorced mother of two, was an eager volunteer for the Senator, whose merit as a women's champion had been extolled in a fund-raising letter signed by Gloria Steinem. Her turf was the Eugene area, and she remembers how her enthusiasm was met by Packwood's unexpected advance one evening as he walked her to her car in a motel parking lot. At the door, she says, Packwood suddenly seized her and planted a full kiss on her mouth, inserting his tongue, before she backed away. She declined his invitation to join him in his room, and the two parted company amiably enough. She says she felt shamed by the incident, but it was not until others had come forward that she felt she could speak out. "It didn't ruin my life, but it spoke very strongly about power—'I'm the one on top, and you're the one that's not,'" she says. "It's like a ceiling. It's just a way that people who have that happen to them are kept down, are demeaned."

When the *Post* story appeared, Packwood and his advisers discovered that their efforts to cast doubt on the women's stories had not only failed to dissuade the *Post* from publishing them but also become another allegation against him. The *Post* did not publish the material that Packwood's office had sent, but described it, leading to charges from Packwood critics that the Senator was trying to intimidate his accusers. In any case, it was plain that the story was damaging, and that it required a response. Packwood's team of advisers, friends, and lawyers assembled to plan a strategy, but Packwood himself was of little use: he insisted that he didn't remember any of the alleged incidents. "He looks us right in the eye and says, 'I do not remember it. I do not remember a single one of these,'" one of the advisers recalls. "And he says, 'That just doesn't sound like me, I just don't think I'd do that.'" Packwood's lawyers told him that his response was unbelievable, even if it was true. His closest advisers, Dave Barrows, a college classmate, and Jack Faust, thought that the Senator was "in denial" and had no choice but to acknowledge his behavior and apologize for it. "His first stage was denial, then recognition," Faust told the *Post*. Another adviser was quoted as saying that Packwood "understands the importance and implications" of his behavior, and added, "I think at this point in time, he is saddened by it all. I think his ownership of the problem is real."

The whole undertaking had the tone of the addiction-treatment culture, and, indeed, in December Packwood went off to the Hazelden clinic, in Minnesota, for alcoholism counselling. When he returned, he held a press conference, which came to be known in his circle as the I-just-didn't-get-it speech. In it he announced, "I'm here today to take full responsibility for my conduct. . . . My past actions were not just inappropriate. What I did was not just stupid, or boorish. My actions were just plain wrong and there is no other better word for it." Packwood pledged to change, and repeated the mantra from the aftermath of the Thomas-Hill hearings: "I just didn't get it. I do now." Actually, if he thought for a moment that his speech would quiet the furor, Packwood still hadn't got it. His critics and the press wanted to know why he hadn't addressed any of the specific incidents (privately, he was still insisting that he didn't remember them as they were being described), why he had tried to discredit the accusers, and why he did not simply resign. Packwood's lawyers had instructed him to address the issue of intimidation, but he now says that the information provided by his staff to the *Post* was meant to be confidential (the *Post* disputes this statement) and was sent in the hope of casting doubt on the accusers' credibility. "There's no way we could have intimidated these witnesses into not talking to the *Post*," Packwood says. "They had already talked to the *Post*, and the *Post* already had their stories. So our only purpose was for the *Post* to say, 'Do you think these stories are credible? Here's some information about some of these people.'" Packwood also believes that the framework of his sexual-misconduct charges contains a trap: By what means can the accused try to refute allegations of "uninvited advances" except by suggesting that the advances might have been welcomed? "We've almost come to the place where *any* defense is not acceptable," he says.

Unsatisfied by his explanations, Packwood's critics pressed their opposition. "He should have said, 'I did it, I was wrong, and I can no longer represent the women of Oregon,'" Tess Wiseheart, of the Portland Women's Crisis Line, says. The Oregon Coalition Against Domestic and Sexual Violence installed a hot line for women who wanted to call in complaints of their own against Packwood. When the Senate Ethics Committee took up its investigation, it sent questionnaires to all the women who had worked for Packwood and included a toll-free number for their replies. Inevitably, the list of complaints grew, ultimately to twenty-nine women. (Twenty-two have signed complaints before the committee.)

Packwood and his supporters, unsurprisingly, argue that he is being unfairly targeted. "The scapegoaters are applying today's standards of behavior—deservedly much higher than tolerated a generation ago—to accusations of yesteryear's crude office gropings," William Safire, a longtime Packwood friend, wrote in the *Times*. Packwood's defenders note that most of the alleged incidents occurred more than a decade ago, and five of them a quarter-century ago. Some are quite pointed in their suggestion that any of a number of other senators might have been taken to task for similar misdoings. Packwood himself is more general in his defense, but agrees with Safire that he has been unfairly made a scapegoat. "I'm the one the investigation turned up," he says. "You ask yourself, If they were to take anybody in the journalism profession, or maybe any member of Congress, put out a 1-800 hot line, and say, 'Anybody who knows anything in the last twenty-five years about Congressman Jones or Senator Smith, call in,' what would happen? And that is what happened to me."

"OH, he's a hoochy-coochy guy!" the mariachi singer says loudly, gesturing toward Bob Packwood, who is standing in the center of a Mexican restaurant in Grants Pass, Oregon, with a three-foot-wide sombrero on his head and a ukulele in his hand. He has just led his section of the restaurant in a boisterous round of "La Bamba," and his face is red. The spontaneous performance, forcefully urged by the mariachi singer, is the only moment of the day that has not been planned to the second by Elaine Franklin, Packwood's chief of staff. "Well, that was fun," Packwood says as he leaves, and Franklin does not begrudge him his fun. The Senator, as she calls him, must take his moments of fun where he finds them these days.

Franklin, a trim, handsome woman, has served on Packwood's staff for fourteen years, but "chief of staff" only begins to describe her function. She is part drill sergeant, part mother hen, and part political adviser; she laughs at the Senator's jokes, makes sure he has cab money for the airport, and digs into her purse for her compact when his forehead is shiny and a camera is near. Seeing her in action, as on that recent constituency trip which culminated in the Mexican-restaurant performance, makes it easy to understand how Franklin rose from the ranks of volunteers to her current position, and difficult to imagine Packwood functioning without her. The daughter of a Royal Air Force warrant officer who grew up outside Blackpool, in Lancashire, she knows how to drink beer, organize an offensive, and get the foot soldiers to follow orders. On the road, Franklin takes care of Packwood, making sure, for example, that he has his precious downtime (spent on this occasion at a shopping-mall movie theatre, watching "Ace Ventura: Pet Detective"). She is his scold ("Senator, leave!" she exclaims when Packwood pokes his nose into some detail at the office which she considers her province and a waste of his time), and she is comic relief. When, after a brief visit with his daughter, the Senator is seen at a distance wandering around a shopping mall like a lost boy, Franklin shouts out, "Hey, Senator!" Once he is safely in tow, he remarks of Franklin's bellow, "No sense trying to be incognito here," to which she responds, "Well, I could have shouted, 'Hey, asshole!' "

Lately, she has also been his conduct monitor. When, at the end of a long day, Packwood is yearning to tell a joke, which begins, "There were this man and woman in bed," she interrupts, and finishes the joke herself. When, on a visit to a television station, the Senator introduces himself to the young woman at the reception desk and remarks (his Dale Carnegie coming through), "You have *great* hair," Franklin seizes him by the elbow and takes him aside to reprove him about well-meant gestures that might be misperceived. At least some of this exaggerated policing is meant to lampoon political correctness, the excesses of which she blames for much of her boss's current troubles.

Franklin has influenced Packwood's style, and she has influenced his political posture. In handicapping Packwood's chances the year before his last campaign, she determined that he would probably lose metropolitan Portland, so it was imperative that he strongly carry the more rural and southern parts of the state. To that end, she persuaded the Senator to alienate the environmentalists and come out for jobs on the spotted-owl issue, and the gamble paid off. Determining that a twenty-four-year incumbent is not likely to win many new voters with "warm and fuzzy" advertising, Franklin advised that Packwood attack AuCoin, which he did in an expensive negative-advertising campaign. Packwood won by five percentage points, but he also made many enemies.

Georgie Packwood blames Franklin for the breakup of her marriage, and describes her in the most immoderate terms ("She is pure evil"). Toward the end of their marriage, Georgie explains, when she was trying to lure her husband into retirement, telling him, "You've got to realize that, from here on in, everybody who runs against you is going to be younger than you," Elaine Franklin was helping him test the water for a Presidential bid. "She was a better enabler than I was," Georgie says.

Franklin is innately combative, and seethed during her boss's yearlong silence. She was against the strategy that had Packwood going to Hazelden and returning with his just-didn't-get-it speech, urging instead that he fight back from the start. "I thought we should treat it like a campaign," she says, and now she is getting her wish. In January, Packwood began his counter-offensive, attacking the credibility of one of his accusers and then attacking the way those comments were reported. Franklin, who is divorced and has two grown sons, had planned to leave after Packwood's campaign for reëlection, but could not refuse his plea that she see him through the investigation. "Elaine has been a rock," Packwood says, crediting her with helping him to quit drinking by joining him in drinking nonalcoholic beer when they are together. She says that part of her job has been to convince Packwood that he doesn't need the drink. "I've encouraged him to think of himself as a very affable, clever, humorous, jolly fellow without the alcohol," she says. "And he is." She is, above all, Packwood's most loyal defender: "The trouble with this whole story, I think, is that it has taken on a life of its own, and has gained momentum in a kangaroo court, which is the press. I don't condone any of the allegations, if they're true. But it needs to be put into perspective, and it needs to be put into the context of the total life of the man. At worst, he may be guilty of making passes."

But the sexual-misconduct charges against Packwood have been seriously compounded of late, mostly by Packwood's own hand. It was he who (on the advice of his first lawyers, Arnold & Porter, of Washington) introduced his diaries into the controversy, by citing them to bolster his version of one episode that figured in the accusations. Packwood says that when the Ethics Committee asked him if he had corroboration for his story, his attorneys advised him that he had no choice but to mention the diaries, which consisted of more than eight thousand pages' worth of taped rumination since 1969. Unfortunately for Packwood, some of those ruminations suggested that he might have used his influence with a lobbyist to explore the possibility of a job for Georgie at the time of their divorce. Once the diaries were in the committee's hands, its staff was free to peruse the material for matters like the possible favor trading, which has become another point of inquiry (and which Packwood insists is "absolutely untrue"). Having allowed the committee staff access to the diaries on a limited basis proved a fatal mistake to Packwood's later efforts to hold on to them in court. In fighting to keep the remainder of the diaries from the committee, Packwood and his lawyer declared that its pages contained passages about, as Packwood put it on the Senate floor, "an extended affair that one senator had with a member of his staff" and "an affair that a staffer had with a member of the current congressional Democratic leadership." That tactic infuriated Packwood's colleagues—particularly Byrd—and contributed to the landslide vote on the subpoena.

And then it was revealed that Packwood had made alterations in his diaries—a fact that was disclosed by his transcription secretary, Cathy Wagner Cormack, in sworn testimony. Cormack had been with Packwood for almost thirty years, since he was in private law practice in Portland. It had never been her habit to question her boss's actions, but when she noticed that parts of some of the tapes she was transcribing differed in sound quality she asked Packwood if he had altered them. He acknowledged that he had, and Cormack felt obliged to report as much to the committee staff, even though she was not directly asked about the possibility of alterations. That revelation, which Packwood says his lawyer will not allow him to discuss, added another charge to the inquiry—obstructing the investigation—and prompted Senator Nancy Kassebaum, a fellow-Republican, to call for Packwood's resignation.

These actions badly hurt Packwood's cause in the Senate, which does not particularly welcome the prospect of having to deal with another sexual-harassment case anyway. In opting to stay and fight, Packwood lit the fuse to a bomb that will detonate when, or if, the gavel opens the Ethics Committee hearing on his conduct—a moment brought nearer by Chief Justice William H. Rehnquist's decision, a month ago, that the Senator must release his personal diaries in toto to the committee. That, too, is a prospect that neither Packwood nor his Senate colleagues have any reason to welcome. The Anita Hill–Clarence Thomas spectacle, which not only foreshadowed but was a causative link to the Packwood case, embarrassed the Senate, inflamed national passions, and intensified the war being waged at the gender divide. The Packwood hearings, especially if they are public, could become a he-said, she-said marathon, with a parade of accusers potentially twenty-nine women long.

Senator Alan Simpson, of Wyoming, a close Packwood ally and a member of the Senate Judiciary Committee that oversaw the Hill-Thomas imbroglio, has predicted that the Packwood hearings will not be pretty, and he should know. "At some point in time, it's going to be book, page, and hymn number for the accusers," Simpson said. He went on to imply that Packwood's accusers would have to be examined "in detail as to their lives, their propensities, what they did. That's what you do in a case like this. At some point in time, you watch: There'll be some evidence, some testimony that will make America just kind of suck up short." In other words, Packwood's accusers should prepare themselves to receive treatment of the sort accorded Anita Hill.

At the least, Packwood represents to some of his colleagues the ghosts of their own pasts, whose exorcism may be an uncomfortable process. The famous diaries, now en route to the Ethics Committee, almost certainly hold information about Packwood colleagues, past and present, that will embarrass and titillate—that much was made clear by Packwood himself on the Senate floor. But what may prove ultimately more awkward for Packwood's colleagues is the potential boomerang effect of their 94-6 vote authorizing the subpoena of Packwood's private musings. Packwood's protest was essentially based on the fact that the committee wanted to peruse the diaries for matters not directly related to the original charges of sexual misconduct; that is how the committee staff stumbled across the allegation that Packwood had used his influence with

"I think I've finally found my own voice."

a lobbyist to explore job possibilities for his former wife. The committee argued that it not only was free to investigate information thus obtained but was required to by its Rule 3, governing "receipt of allegations other than a sworn complaint." This rule obliges any committee member or staffer to report "any credible information available to him or her" indicating misdeeds by any member of the Senate. If Packwood's diaries were deemed sufficiently credible to warrant investigation of his own alleged wrongdoing, any information they contain suggesting wrongdoing on the part of other senators would also, according to the rule, require an Ethics Committee inquiry. Such information could range, presumably, from gossip about a colleague's sexual dalliances to potential criminal activity—matters that could keep the committee, once derided as a toothless self-enforcement organ, humming with unexpected business.

PACKWOOD still consumes an enormous amount of liquid, including large quantities of beer and wine, but now the stuff he drinks is alcohol-free. There is always a bottle cooling in the little refrigerator outside his office, and he regularly takes a bottle of the wine with him when he dines out. He says he's still not certain whether he was just "a problem drinker" or an alcoholic—he shrinks from that characterization—but his friends say he attends A.A. meetings twice a week. He keeps two of the organization's books on his desk in his Senate office, and he carries the A.A. coin, with its message about accepting things that can't be changed and changing things that can, and knowing the difference.

The intensely inward man whose personal identity has for so long been cloaked by the dignified aura of the Senate now finds himself talking publicly about long-ago embarrassments, and current ones as well. He is seeing a therapist in Portland about "the sexual-charges aspect," he says, and recounts that the doctor offered him help after watching news accounts of his difficulties on television. "He listens and he analyzes and he tells me what he thinks my— How I came to where I am, and is just kind of explaining me to me," Packwood says. "He has just made me understand my relationship and background to my family and growing up, and maybe why I am what I am."

Throughout the controversy, Packwood has been dating Isabelle Claxton, a senior lobbyist for a major drug company. She has known him for years, and says that she suggested therapy to him because she was concerned about his mood over the Christmas holiday. "He seemed really down and discouraged, which is not like him," Claxton says. "He is basically a lot of energy and a lot of optimism and very prospective-looking, very future-oriented. And he lost some of that."

Claxton once worked in the Senate for a Republican colleague of Packwood's, and long before she and Packwood started seeing each other she had heard about, and even been witness to, Packwood's problem in his personal relations with women. "I'd seen that part of him, and part of me thought it was sort of touching," she says. "It's this naïveté. Here's this really powerful man, and he's got some problems relating to women. But I never thought, How awful, or Get away from me, I'm embarrassed by you—because I admired him and he's my friend. I grew up in Washington, so I sort of grew up in politics, and he's one of the most politically astute people that I've ever met. And I think part of that has to suggest some psychological insightfulness. And yet he is almost painfully naïve in other ways, which have to do with basic relationships. It's not an ugliness, it's not a need to conquer, or any of the other things that people think of or that have been attributed to some of his activities. Just, I think, a basic naïveté, and a lack of understanding. Not a lack of sensitivity, just a lack of understanding. I don't think that he's particularly insightful. I think that this experience has been very painful for him, because he's had to look at things and deal with things that he would probably like to have put aside in his teens, which are women and his whole sense of rejection, and all this other stuff." Her hope, she says, is that when the investigation is resolved "it will then be put behind him, and he will go on as a United States senator for at least the rest of this term, serving his state, his party, and his country, and sort of get on with it."

It may not be so easy. Although the most drastic of the Senate's options in dealing with Packwood—expulsion—is almost certainly not going to be exercised, even Packwood's closest friends believe that some punishment, probably Senate censure, is likely. In any case, it is doubtful that he could be reëlected in 1999. And, for the first time, he is imagining life outside the United States Senate. "In four years—assuming this ends this year, as I hope it does—I think I would not be a bad teacher, actually," he says. "Would there be a university that would have me?"

GENA HUTTON, the former Packwood volunteer who has filed a statement with the Ethics Committee about her long-ago encounter with Senator Packwood in an Oregon motel parking lot, has watched his recent counter-offensive with a kind of awed fascination. It is her incident that Packwood has cited specifically in his public defense, claiming that Hutton stayed on as a volunteer in Eugene for seven years after his car-door kiss. "She could have left any time," he says. "Seven years . . ."

Hutton says she watched Packwood making his case in an interview with a local television reporter, and then watched a tape of the interview a second time. "He's trying to save his career, and he thinks people are out to get him," she says. "But does he really know what he did? I looked in his eyes, as best you can on a video, and I felt so sad, in a way. It was like he was not home. And I want him to be. I want him to hear what has happened. And I want him to understand. And he's not there to hear."

Given the fact that Hutton herself perceived the incident in a different light at the time it happened, fourteen years ago, I asked her if she thought that Packwood's being singled out was in some way unfair to him.

Her answer was emphatic. "No, I don't," she said. "Because it happened. He did it. And it wasn't O.K. Maybe lightning struck and exposed it, but that doesn't mean it was O.K. It isn't O.K. that anybody does that." If anything is unfair, she said, it is that others, including some of Packwood's colleagues on Capitol Hill, have not been cast into the spotlight. "And if there are people shaking in their boots out there, then that's O.K." ♦

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Office of the Assistant Secretary
for Health
Washington DC 20201

DEC 2 2 1994

file HSA

Mr. George Will
Capitol City/ABC News
1717 DeSales Street, NW
Washington, DC 20036

Dear Mr. Will:

Your column in the November 17 edition of the Washington Post contained an inaccurate description of the graduate medical education provisions in President Clinton's Health Security Act. You described as those provisions "proposal to cap the number of resident physicians in training."

The Health Security Act did not include a limit on the number of resident physicians in training.

A limit on the number of physicians in graduate training has been proposed by a number of reputable commissions, associations and individuals. For example, the Council on Graduate Medical Education has recommended a limit on the number of first year graduate medical training positions of 10 percent more than the number of graduates of U.S. medical schools. The Physician Payment Review Commission has also recommended a limit on first year positions equal to 110 percent of U.S. medical school graduates.

Such a limit was discussed during the development of the President's bill but ultimately, the President decided not to include a limit in his bill.

The President's bill did propose several measures to emphasize primary care and increase training in ambulatory care settings.

Support for increased training in primary care hardly represents a "dumbing down" of the physician workforce. Primary care physicians see an astonishing range of ailments and can take care of some 85 percent of presenting problems. They are highly skilled specialists who are now in short supply.

Many national organizations including the Association of American Medical Colleges and the American Board of Internal Medicine, support measures to increase the ratio of generalists to specialists in medical education programs. The American Medical Association agrees that more primary care physicians are needed.

Your attempt to depict the President's proposal as one that would inject more government into the health care system is ironic. It is Federal funds, now paid through the Medicare program at over $6 billion a year, which provide a significant share of the funds which allow our teaching hospitals and medical schools to educate physicians in all specialties. Understandably, individuals responsible for the future of these institutions are precisely those that object most strenuously to proposals to reduce the Federal role in financing graduate medical education.

The President's proposal in this area was also designed to address changes in the health care market that are threatening the ability of academic health centers to maintain their critical mission.

In response to these threats, the President's bill proposed equitable support from public and private payers to assure continued funding for graduate training of physicians and the research and innovative care role of academic health centers. Over $9.0 billion a year would have been provided from all-payer funding pools to secure the future of our academic health centers.

Not only did the President support special funding for academic health centers to preserve their teaching and research functions in an increasingly difficult fiscal situation, he also supported an increase in funding for medical research through the National Institutes of Health.

The fact that health reform did not pass leaves many of our academic health centers quite vulnerable. The support for their special activities is deteriorating and pressures on Medicare and Medicaid funding are growing.

The health care crisis in this country will not go away by itself. Statements which mis-characterize the President's initiative do not help build the atmosphere we need for creating constructive solutions.

Sincerely yours,

Philip R. Lee

Philip R. Lee, M.D.
Assistant Secretary for Health

cc: Editor, Washington Post

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

The Administrator
Washington, D.C. 20201

DATE: January 5, 1995

FROM: Bruce C. Vladeck
Administrator, Health Care Financing Administration

SUBJECT: Mammography for Medicare Beneficiaries

TO: Hillary Rodham Clinton
First Lady, White House

Chris Jennings asked me to drop you a note about Medicare's coverage of mammograms.

The Medicare benefit for screening mammography for women age 65 and older is set at one test every two years. Our interval for screening is consistent with that in the HSA and is supported by a variety of organizations including both the National Cancer Institute and the American Geriatric Society. There are no limits on the frequency of diagnostic mammograms other than the usual requirement that they be medically necessary.

Our real problem with the Medicare benefit is underuse. Our latest figures show that fewer than 30% of all elderly women on Medicare have a claim submitted for a mammogram, diagnostic or screening, in any given year. Rates for African American women and those poor enough to be eligible for Medicaid are even lower. I am enclosing a chart which summarizes the data.

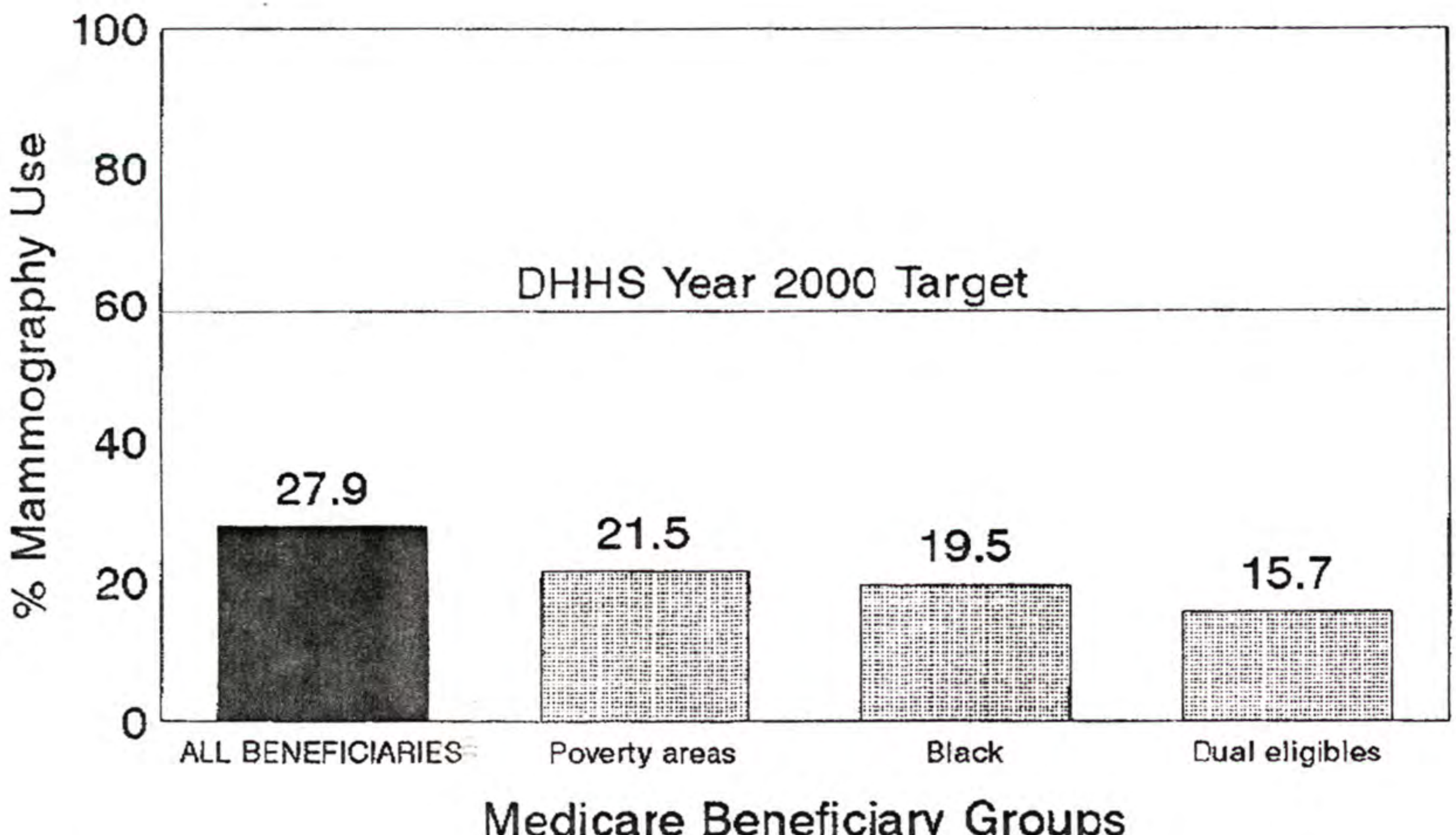
Later this spring we plan to launch a major initiative to increase the use of screening mammograms by Medicare beneficiaries. Using consumer information material prepared by the National Cancer Institute and various outside organizations, we will contact a wide variety of beneficiary groups to remind them that Medicare does pay for mammograms and that women do not outgrow the need for this test.

As part of this initiative, we will contact physicians both through professional societies and our Carriers and Intermediaries. Our aim will be to be sure that physicians serving Medicare beneficiaries are informed about the availability of the screening benefit and that they understand the importance of distinguishing between diagnostic and screening tests in the billing process. Carriers will also be reminded that properly coded diagnostic mammograms should not be denied on the basis of frequency screens intended only for screening procedures.

I am very excited about this initiative which can, if successful, make a real difference to the health of our beneficiaries. We are still in the early planning phases and would be very appreciative if you could be directly involved.

If you have any further questions, please feel free to contact me.

Annual Mammography Use By Medicare Beneficiaries: 1991 (Percent By Group)



Notes: The DHHS Year 2000 target is for women 50 years of age and over.
Dual eligibles are entitled to both Medicare and Medicaid.

Source: Medicare Part B claims and enrollment database: 199'

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

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Sincerely yours,

Philip R. Lee

Philip R. Lee, M.D.
Assistant Secretary for Health

cc: Editor, Washington Post

Health Reform: How It Works

HEALTH REFORM:
THE PRESIDENT'S APPROACH

Here's how the President's health reform works:

- **Guaranteed private insurance.** We want to guarantee private insurance coverage to every American. Comprehensive coverage that can never be taken away.

- **Choice.** We want everyone to have the right to choose their own doctor and their own health plan. We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

- **Outlaw unfair insurance practices.** We want to make it illegal for insurance companies to: drop coverage or cut benefits; jack up your rates if you get sick; use lifetime limits to cut off your benefits; or charge older people more than younger. That's how you'll get affordable insurance you can depend on.

- **Preserve Medicare**. We will protect and strengthen Medicare. Older Americans have a right to count on Medicare and choose their doctor. We also want to cover prescription drugs under Medicare, and give new options for long- term care in the home and community.

- **Health benefits guaranteed at work.** Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance are in working families. We want everyone to have health benefits guaranteed at work. The government will provide discounts for small businesses and help cover the unemployed.

THE PRESIDENT'S HEALTH CARE REFORM:
How It Works

I. Introduction: The Health Care Crisis

II. A Vision of Health Security

1. Guaranteed private insurance for everyone

2. Choice of doctor and health plan

3. Outlaw unfair insurance practices

4. Preserve Medicare

5. Health benefits guaranteed at work

III. Conclusion: The President's Reform Works For You

Introduction: The Health Care Crisis

1. They say there's no crisis, but they're wrong. [Chart 1]

   A. Even if you have good insurance today, you can lose it tomorrow.

   58 million Americans go without insurance at some point during the year. 2 million Americans a month lose their insurance.

   B. Your benefits are threatened by insurance company fine print.

   81 million Americans have "pre-existing conditions" that insurers can use to raise rates or deny coverage. 3 out of 4 insurance policies -- that's 133 million people -- have lifetime limits that cut off benefits when you need them most.

   C. You're paying more, and your choices are declining. The President's reform will protect you and your family from a future of being squeezed -- getting lower-quality care, fewer choices and higher bills.

2. America faces 3 choices: [Chart 2]
- government insurance
- guaranteed private insurance (the President's approach)
- no guarantee of coverage

3. The bottom line: the President wants to strengthen what's right about our health care system and fix what's wrong.

A Vision of Health Security

Here's how the President's health reform will work. [Chart 3]

Guaranteed private insurance

The President's proposal will guarantee every American private health insurance. Comprehensive coverage that can never be taken away.

Under the President's approach, everyone will get a Health Security card that will guarantee: [hold up card]

- Benefits as good as what America's biggest companies offer and as good as what members of Congress get. Your benefits will include prescription drugs and preventive care -- things often not covered today.

- Protection against the devastating costs of serious illness. That means a low deductible and no lifetime limits on your benefits.

Choice of doctor and health plan

You will: [Chart 4]

- choose your doctor
  and
- choose your health plan.

We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

If we do nothing, rising costs will force more and more employers to limit your choice of plan and doctor.

With your Health Security card, you'll be able to follow your doctor to any plan you choose:

- a plan where you can see any doctor in your community -- they call these "fee for service" plans
- a network of doctors and hospitals
- or an HMO

Let's be clear: we're against forcing people into HMOs. That's why the President's approach expands your choices.

Outlaw unfair insurance practices

We need a system of coverage that guarantees affordable insurance people can depend on.

That's why the President's reform makes sure that insurance company premiums don't continue to skyrocket. [Chart 5]

And it will be illegal for insurance companies to:

1) drop coverage or cut benefits
2) jack up your rates if you get sick
3) use lifetime limits to cut off your benefits
4) charge older people more than younger

If we do nothing, you will continue to be at the mercy of the insurance companies. And continue to pay more and get less.

Insurance ought to mean what it used to mean. You pay a fair price for security, and when you're sick, your health care is there for you -- no matter what.

Protect Medicare

The President believes very strongly that the true test of health reform is whether it's good for older Americans. That's why his proposal preserves and protects Medicare. [Chart 6]

The American Association of Retired Persons (AARP) says that the President's approach is the "best option for senior citizens."

Older Americans will have:

- the right to choose their doctor
- new prescription drug coverage
- some long term care protection

The President wants to make sure that every penny of Medicare money is used for seniors. But others want to take Medicare money away from seniors.

Health benefits guaranteed at work

We want everyone who works to get health insurance at work, with employers and employees each paying part of the cost.

This is the easiest, simplest way to make sure everyone has coverage because:

- That's where the vast majority of Americans with private insurance get it today.

- Eight out of ten people without insurance are in working families.

Today people on welfare get guaranteed health insurance, while people with jobs may or may not be covered. That's wrong. People who work should have health insurance. [Chart 7]

So anyone who works will get coverage at work. Employers will be asked to contribute, as will employees. Small businesses will get discounted insurance. The government will cover the unemployed, and will continue to cover older Americans with Medicare. That's how we make sure that everyone is covered.

Conclusion: The President's Reform Works For You

1) The President's reform works for you and your doctor. That's why the doctors, the nurses, the people on the front lines -- including America's largest associations of family physicians, pediatricians, nurses and pharmacists -- support it and believe it will work.

2) Opponents will try to confuse the issue by making it seem more complicated, but it's really pretty simple:

- You'll get a Health Security card, you'll pick any doctor you want, fill out one form, and know exactly what's covered. And your health security can never be taken away.

3) So that's how the President's reform works. [Chart 8]

  - Guaranteed private insurance.
  - Choice of doctor and health plan.
  - Outlaw unfair insurance practices.
  - Preserve Medicare.
  - Health benefits guaranteed at work.

4) The insurance companies don't like the President's reform. But the President didn't design his reform for the insurance companies -- he designed it for you.

5) Now it's up to us to stand with the President against the special interests. This is the right thing to do, and with your help, it's going to happen this year.

HEALTH CARE SPEECH

Introduction

President Clinton has been in office for just over a year now, and we have already seen him move our economy in the right direction, start to restore our sense of security and begin to renew America's spirit.

This President is dedicated to the proposition that people that work hard and play by the rules should be rewarded for their work.

That's why he introduced a reemployment initiative to help people get good jobs with growing incomes. That's why he passed the Family and Medical Leave Act so good workers can be good parents. That's why he expanded the earned income tax credit to reward work over welfare.

And that's why he's dedicating himself to fixing this health care system -- to provide hard-working families with the health security they deserve.

This year we have a magic moment. After 60 years of false starts and obstruction, we have an opportunity to give every American health security. This is an opportunity we must seize.

Opponents of reform are trying to tell you there's no health care crisis, but they're wrong. [Chart 1]

The fact is: Even if you have good health insurance today, you can lose it tomorrow. Two million Americans a month lose their insurance. And fifty-eight million Americans find themselves without insurance at some point during the year.

Your benefits are threatened by insurance company fine print. Eighty-one million Americans have "pre-existing conditions" that insurers can use to raise rates or deny coverage. And three out of four insurance policies -- that's 133 million people -- have lifetime limits that cut off benefits when you need them most.

Even if you've got insurance, you know you're paying more and getting less. And your choices are declining. I'm here to tell you how the President's reform will protect you and your family from a future of being squeezed -- getting lower-quality care, fewer choices and higher bills.

[Chart 2]

America faces three choices: government insurance for everybody, no guarantee of coverage for anybody, and guaranteed private insurance -- which is the President's approach. And the President has told the Congress he will veto a bill which doesn't cover everybody -- because without guaranteed private insurance for everyone, it's not real reform.

The bottom line is this: the President wants to strengthen what's right about our health care system and fix what's wrong.

We know the system is broken. We know that all of us are at risk of losing our coverage at any time. Here's how we want to fix it.

We want to guarantee private health insurance for every American;

We want to protect your right to choose your own doctor and health plan, and improve the quality of your health care;

We want to outlaw insurance company abuses;

We want to protect and dramatically improve Medicare;

We want to guarantee health benefits through the workplace, because that's the best way to cover everyone.

Guaranteed Private Insurance For All

[Chart 3]

The President believes that everyone must be covered. Always. That's the only way to guarantee security. As long as any of us at any time can be denied coverage or dropped from coverage -- none of us is secure. And as long as Americans who have insurance pay the price for those who don't have insurance, we'll never get costs under control.

He's also said that the benefits package must be comprehensive. [hold up Health Security card] Under the President's proposal, every American will get a Health Security card that will guarantee benefits as good as what America's biggest companies offer -- as good as what members of Congress get. Plus preventive care -- immunizations, mammograms, physicals -- and prescription drugs. We must keep our people healthy, not just treat them after they get sick.

And Americans must have protection against the devastating costs of serious illness. That means <u>low deductibles</u> and <u>no lifetime limits</u> on your benefits. People must have the peace of mind of knowing that no matter what happens, their health care can never be taken away.

Choices Preserved and Expanded

[Chart 4]

The President wants to preserve and expand your choice of doctor and health plan, because that's the best way to guarantee high quality health care.

But choice and quality are threatened today. If we do nothing, rising costs will force more and more employers to limit your choice of plan and doctor.

Under the President's approach, your Health Security card guarantees your choice of doctor. Once you get your card, **you** -- not your boss or insurance company -- choose your doctor and health plan. It can be a plan that lets you use any doctor or hospital that you want. Or it can be a plan that lets you use a network of doctors or hospitals. Or, you can join an HMO. It's your choice.

The special interests are trying to scare you on this issue in order to block reform. But remember that they're trying to preserve their profits. And don't let them stand in the way of your health security.

Outlaw Insurance Company Abuses

[Chart 5]

We want to guarantee affordable insurance that people can depend on. The President's approach would make it illegal for insurance companies to raise your rates unreasonably... to drop your coverage or take away your benefits... to increase your rates if you get sick... to use "lifetime limits" to cut off your benefits... or, to charge you more simply because you are older or have a pre-existing condition.

If we do nothing, or worse, pretend to do reform, you will continue to be at the mercy of the insurance companies. And you'll continue to pay more and get less.

Insurance ought to mean what it used to mean. No more fine print. No more insurance company abuses. You pay a fair price for security, and when you're sick, your health care benefits are there for you -- no matter what.

Protecting and Expanding Medicare

[Chart 6]

The President believes very strongly that the true test of health reform is whether it's good for older Americans. That's why his proposal preserves and dramatically improves Medicare. And the American Association of Retired Persons (AARP) says that the President's approach is the "best option for senior citizens."

Under the President's approach, if you get Medicare you keep it. You keep your doctor if that's your choice. Plus, your benefits are expanded. People receiving Medicare will get coverage for prescription drugs, which costs older Americans more than anything today. And we also begin to provide coverage for long term care at home or in your community.

The President wants to make sure that every penny of Medicare money is used for seniors. Some want to take Medicare money away from seniors and spend it on other things. That's why we must fight with the President for health care reform that protects Medicare and older Americans.

Insurance Through The Workplace

Finally, if we're going to cover everybody, the best way to do it is to guarantee health benefits at work. Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance are in working families.

[Chart 7]

We want everyone to have health benefits guaranteed at work, with the government providing discounts for small businesses and the unemployed. This approach builds on what works. And it's the easiest and simplest way to accomplish our goal of guaranteed private insurance for everyone.

Providing health benefits at work not only makes sense; it's also the right thing to do. Today people on welfare get guaranteed health insurance while people with jobs may or may not be covered. That's wrong. People who work should have health insurance.

If we are to guarantee this, we must protect small businesses -- and the President's approach does just that. The President wants to provide discounts for small businesses, and full tax deductibility for people who work for themselves.

That's how we make sure that everyone is covered. Anyone who works will get coverage at work. Employers will be asked to contribute, as will employees. The government will cover those between jobs, and will continue to cover older Americans with Medicare.

Conclusion: The President's Reform Works For You

The President's reform works for you and your doctor. That's why the people on the front lines -- America's largest associations of family physicians, pediatricians, nurses and pharmacists -- support it and believe it will work.

Opponents are trying to confuse the issue by making it seem more complicated, but it's really pretty simple. You'll get a Health Security card, you'll pick any doctor you want, fill out one form, and know exactly what's covered. And your health security can never be taken away.

[Chart 8]

Guarantee everyone private insurance. Keep your choice of doctor. Outlaw unfair insurance company abuses. Protect Medicare. And guarantee health benefits at work. That's the approach. And this is our opportunity.

No wonder the special interests -- the people who profit off today's crazy system -- are out in full force. One group of health insurers has already spent $14 million -- money from your insurance premiums -- on TV ads to scare you about reform.

But the President didn't design health reform for the insurance companies -- he designed it for you. And we must not let the insurance companies stand in the way of real reform.

Presidents from FDR to Harry Truman to Nixon to Carter have tried to guarantee insurance to every American, but none have succeeded -- because special interest groups have been just too powerful to overcome. But this time, if we work together, I am convinced things will be different.

This time, we will make history and guarantee private insurance to every American. I ask you to join with me and help do what is right for America. Thank you.

THE CRISIS

People Without Insurance Each Year

58 million

People With Pre-existing Conditions

81 million

People With Lifetime Limits On Coverage

133 million

#1

America's Choice

- ☐ Government Insurance
- ☑ **Guaranteed Private Insurance**
- ☐ No Guarantee of Coverage

#2

Guaranteed Private Insurance

- Comprehensive Benefits
- No Lifetime Limits
- Insurance That Can't Be Taken Away

#3

CHOICE

- You choose your doctor
- You choose high-quality plan
- Employers won't pick your plan
- Insurance companies can't deny you coverage

#4

Real Insurance Reform

Illegal for insurers to:

- Drop coverage or cut benefits
- Increase your rates if you get sick
- Use lifetime limits to cut off your benefits
- Charge older people more

#5

PRESERVE MEDICARE

- Protect Choice of Doctor
- Cover Prescription Drugs
- Add Long Term Care

#6

Health Benefits Guaranteed at Work

- Employed: Covered at Work
- Small Business: Discounts on Insurance
- Unemployed: Help from Government

#7

How Reform Works

- Guaranteed Private Insurance
- Choice of Doctor
- Real Insurance Reform
- Medicare Preserved
- Health Benefits Guaranteed At Work

#8

QUESTIONS AND ANSWERS

1) Doesn't the Clinton plan add more layers of government bureaucracy?

No. The President specifically rejected a government-run system in favor of guaranteed private insurance. America basically faces 3 choices:

- government insurance for everybody
- guaranteed private insurance (the President's approach)
- leaving people without insurance

The President's approach is guaranteed private insurance. Everyone will have comprehensive coverage that can never be taken away.

2) But what about these so-called "alliances"?

The purpose of them is very simple -- to give bargaining power to small businesses and individuals and take it away from the insurance companies. Today, the deck is stacked against small businesses and individuals. Small businesses are paying 35% more than big business for the same insurance, and individuals pay even more.

So we have these consumer-controlled alliances to allow people and small businesses to band together and get more consumer clout in the marketplace. Consumer-controlled -- that's the President's idea, not government-controlled.

Now, Congress will figure out exactly how they should be structured, but this is an idea that has bipartisan support. The insurance companies don't like it because it means they have less power, but that's what alliances are intended to do. And that's why the insurance industry is spending millions to weaken or destroy the idea.

3) One of those TV ads says that the President's plan will limit my choice of doctor. Is that true?

No, it's not. You'll be able to choose your own doctor and health plan. In fact, to make sure that you get the high-quality care you deserve, the President's approach actually increases the choices most consumers will have. Because you will choose your doctor and health plan -- your boss won't and the insurance company won't. So you can choose any doctor and health plan in your community. Remember who's paying for these ads: the insurance companies -- who are trying to scare you and preserve their profits.

4) Won't this plan mean that I'll pay more and get less?

No. In fact, the independent Congressional Budget Office (CBO) analysis that the Republicans praised said that the President's plan would cost Americans less money and give them more health benefits. Young, healthy people may pay a little more -- but that's because we're prohibiting the insurance companies from charging older people more than younger people.

Under the President's approach, you'll be guaranteed affordable insurance you can depend on. We'll make it illegal for insurance companies to jack up your rates or drop you if you get sick, use lifetime limits to cut off your benefits, or take away your benefits. The insurance companies won't be allowed to bleed you dry.

And the President's proposal calls for comprehensive benefits, including preventive care and prescription drugs. Under the President's approach, no one -- not your boss, not your insurance company -- can take those benefits away.

5) Won't your <u>employer mandate</u> cause massive job loss and cause thousands of small businesses to go bankrupt?

There is no credible evidence to support that claim. The independent Congressional Budget Office (CBO) analysis that the Republicans praised said that the Clinton plan would not result in the loss of jobs, and would benefit <u>all</u> small businesses.

Studies predict that there will, in fact, be job gains as a result of the plan. The Economic Policy Institute predicts 258,000 manufacturing jobs created over the next decade, Lewin-VHI, a widely-respected, bipartisan firm, predicts over one million jobs created by providing long-term care, and the Employee Benefit Research Institute predicts that the President's proposal could produce as many as 660,000 jobs.

The President specifically designed his proposal to help small businesses -- the biggest victims of today's health care crisis. Small business owners will be able to get rock-solid, comprehensive coverage for their families and employees. And no longer will they be subject to insurers jacking up their rates or dropping their coverage when one employee gets sick. Because those insurance company abuses will be illegal.

6) Why do we need an employer mandate anyway?

If we want to guarantee every American health insurance, we've got to figure out how to achieve that goal. The President believes every job should come with health benefits. Most jobs do today because most employers accept this responsibility to provide worker health benefits. And yet 8 out of 10 Americans who have no insurance are in working families. We want everyone to have health benefits guaranteed at work. And under the President's approach, the government will provide discounts for small businesses, help cover the unemployed, and continue Medicare for older Americans. That's how we'll cover everybody.

7) When you try to cut costs and limit the amount premiums can rise, won't that just lead to rationing?

Absolutely not. The key to this is insurance company premiums can't continue to rise unchecked. Your money will go to buying you the highest quality of care and service, not padding the insurance company red tape. That's why there's a limit on how much insurance companies can raise your rates. In fact, it will be illegal for insurance companies to drop your coverage or take away your benefits. You'll be guaranteed affordable insurance you can depend on.

The President's approach is all about keeping you healthy. You'll have the right to choose your own doctor and health plan. We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

8) I've got good insurance. What's in this plan for me?

First -- and most important -- you'll get something that no amount of money can buy in today's insurance market: <u>guaranteed private insurance</u>. Comprehensive coverage that can never be taken away. Second, you, not 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.

BACKUP FACT SHEET

People Without Insurance Each Year
58 Million

THE FACT: "The Bureau of the Census calculated that 50 million Americans lacked health insurance for at least 1 month during 1987. Lewin/VHI updated the census estimate, calculating that 58 million people were uninsured for at least 1 month in 1992."

THE SOURCE: "*Dynamics of People Without Health Insurance: Don't Let the Numbers Fool You,*" Journal of the American Medical Association (JAMA), January 5, 1994

People With Pre-Existing Conditions
81 Million

THE FACT: An estimated 81 million Americans under age 65 have medical problems for which insurance companies can charge higher premiums, exclude coverage or deny coverage altogether.

THE SOURCE: *"Health Insurance at Risk - The Seven Warning Signs"*, Citizens Fund, June 1991 [with data from National Center for Health Statistics "*Health Interview Survey*", further data from the Health Insurance Association of America "*Source Book*", and the latest Department of the Census *"Current Population Surveys"*]

People With Lifetime Limits on Coverage
133 Million

THE FACT: The Bureau of Labor Statistics *1991 Survey of Medium and Large Private Establishments* reports that only 1 out of 4 people have insurance policies without lifetime limits.

THE SOURCE: Table 45 -- Medical Care Benefits: *"Employee Benefits in Medium and Large Private Establishments"*, Bureau of Labor Statistics, 1991

CALCULATION: In 1992, 177.5 million Americans had private insurance, according to the Employee Benefit Research Institute analysis of the March 1993 CPS. Seventy-five percent of 177.5 million is 133 million.