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5/12/84

# Delivering the Message

# healthcare

THE WHITE HOUSE

WASHINGTON

July 12, 1994

MEMORANDUM FOR THE CABINET

FROM: HAROLD ICKES
CHRISTINE VARNEY

SUBJECT: THE CASE FOR UNIVERSAL COVERAGE

The attached document outlines why Universal Coverage is imperative for *real* health care reform.

Opponents of real reform would have us believe that our goals can be met by incremental, piecemeal reform. That approach won't work, and will leave millions of hard working Americans at risk.

The coming weeks will be marked by House and Senate consideration of health care reform legislation. The Administration's position is clear: universal coverage is imperative if we are to deliver on our promise to guarantee true health security to every American.

I hope this document will be of use in your editorial board meetings and interviews.

## The Case Against Non-Universal Reforms

# INTRODUCTION

**Making History.** We are on the verge of an historic step forward for the American people. Since Franklin Roosevelt, Presidents have been trying to pass health care reform. Three years ago the issue was not on the political radar screen. All that has changed. Amidst polls showing overwhelming popular support for reform, committees in both houses of Congress have approved bills that guarantee health coverage to every American family.

**Improvements in the Proposal.** The legislative process has transformed our original proposal. We have listened to the ideas and apprehensions of the American people. With Congressional help, many important improvements have been incorporated into the bills now under consideration. While different committees have taken varying approaches, these bills contain a number of features that will ultimately be included in a better and more effective reform plan. Among the improvements under consideration are: cutbacks in bureaucracy and regulation; the transformation of mandatory alliances into smaller voluntary purchasing cooperatives; greater protection for small businesses; and greater choice for consumers and businesses. A stronger fail-safe budget protection device is under consideration, to ensure that the program does indeed pay for itself.

**Congressional Challenge Ahead.** We have made dramatic progress in our effort to guarantee lifetime health security for every American. But there remains one major stumbling block to overcome. Opponents of true reform would have us believe that our goals can be met by incremental, piecemeal reform. Having bought the land, surveyed the site, and designed the structure, they would have us build the bridge only half way across the river. That approach won't work, and will leave millions at risk.

The coming weeks will be marked by House and Senate consideration of their respective reforms. As the nation watches, they will choose either true reform -- true security for every single American -- or an unfortunate, piecemeal reform that may actually leave working families worse off.

The Administration's position is clear: universal coverage is imperative if we are to deliver on our promise to guarantee true health security to every American.

Today, we want to talk to you about why non-universal reforms just don't work.

# NON-UNIVERSAL REFORMS:
# What They Claim, What They Deliver

There are several non-universal reform alternatives floating around Washington. They claim to be less filling than universal coverage but taste just as great. These alternatives fall short of what they promise.

## DOLE PLAN

*CLAIMS:* The Dole plan claims that insurance market reforms alone will enable more people to get coverage and that -- according to GOP strategist Bill Kristol -- it will "bring more people into the system and provide more security and flexibility for those already in it."

*DELIVERS:* The Boston Globe said that "a number of health policy analysts from all parts of the ideological spectrum" have reached a "remarkably congruent verdict: It's not likely to do much to expand access to health insurance. And it might make things worse for many who are now insured." *[Boston Globe, 7/3/94]*

A conservative health economist, Mark Pauley at the University of Pennsylvania, predicts that such measures would "probably do almost nothing, or maybe even make things worse" for the millions of people who aren't poor enough to get subsidies. *[Boston Globe, 7/3/94]*

## OTHER INCREMENTAL REFORMS:

*CLAIM:* That they will eventually cover as many as 95% of Americans.

*DELIVER:* The Wall Street Journal says that the Senate Finance plan "doesn't raise enough money to achieve that goal." *[Wall Street Journal, 7/8/94]* And the Congressional Budget Office points out that the Cooper plan -- a plan with a similar subsidy scheme -- would leave 24 million people uninsured, most of them middle class working people.

Even Bush's OMB director for health, Thomas Scully, said that "without additional funding, I don't think there's any way the bill (Senate Finance) will lead to 95% coverage."

# NON-UNIVERSAL REFORM:
# Hurts The Middle Class

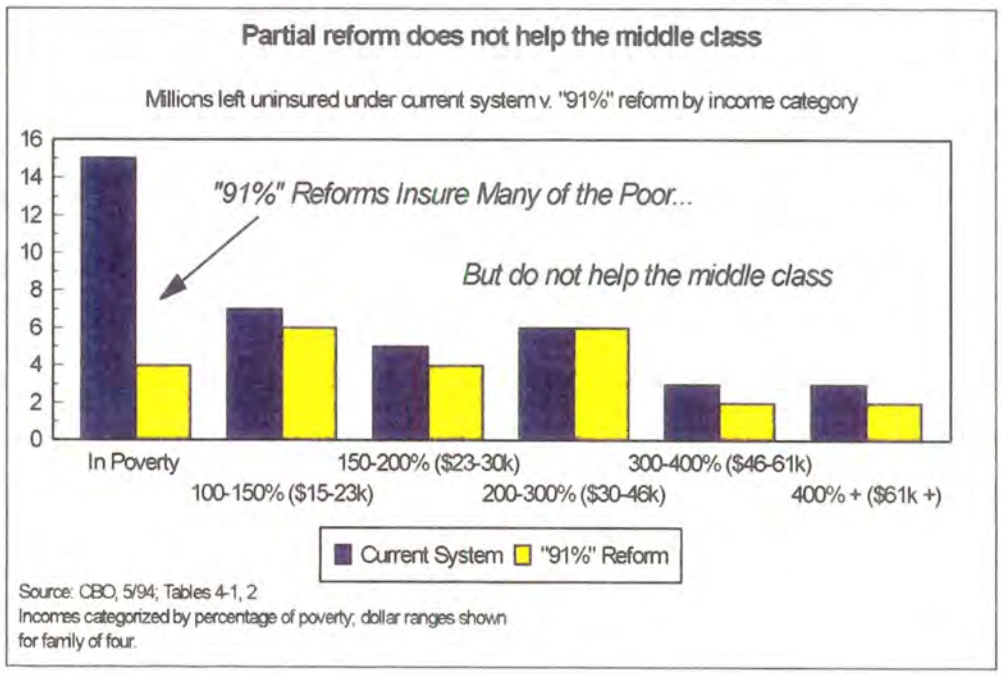
*"I'll tell you why I'm fighting so hard for real health care reform...People like Jim Bryant, who told the Boston Globe he works 70 hours a week but has no health insurance for his family. He wonders if it's fair that he misses his sons' soccer games to go to his Saturday job while people who depend on welfare have health benefits. In a moment of frustration, he even suggested to his wife that they might be better off if they broke up, so that she and their sons could get the benefits that working families like theirs can't afford."* -- PRESIDENT BILL CLINTON

*"I guess I'm a little bitter. It is harder for working people to make ends meet, pay for their own medical, get jobs."* -- JIM BRYANT, SOMERVILLE, MASSACHUSETTS.

**1) Non-universal reforms cover the poor, but not the middle class.**

Half-measures and quick fixes would leave every American at risk of losing their insurance. And at least 24 million Americans, most of whom work for a living, would have no coverage at all. *[CBO analysis, 5/94, p. 20]*

The Congressional Budget Office also says that under a 91% proposal, "health insurance coverage would probably be more limited for middle-income people than the rich or poor." *[CBO analysis, 5/94, p. 17]*




A 91% solution would help 11 of the 15 million uninsured Americans in poverty get health coverage, but would leave 16 of the 18 million middle-class Americans without insurance.

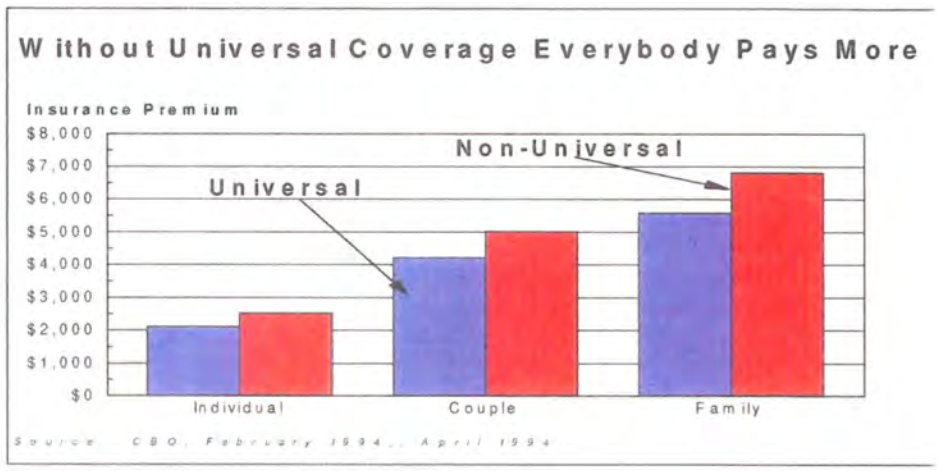
According to a new study by Families USA, over one million Americans a month will lose their insurance under a partial solution . *[Families USA Special Report, 6/94, p.1]* We need universal coverage because all families -- including the middle-class -- must be protected.

While the U.S. population as a whole grew by only 1.3 million between 1988 and 1993, the number of uninsured Americans grew by 6.4 million people. Of the newly uninsured, nearly 4.8 million of them -- more than 75% -- work. *[1988 and 1993 March CPS, Bureau of the Census]*

**2) Non-universal reforms increase insurance premiums.**

"With a portion of the population uninsured, per capita insurance costs for the insured population would be higher, compared to universal coverage." *[CBO, April 1994, p. 9]*

And The Wall Street Journal says: "The result...is the start of an upward spiral in rates" for those who still have insurance.




**3) Non-universal reforms tell working Americans that their health is less important than the health of Members of Congress, federal employees, welfare families, and jailed felons.**

Think of the message that non-universal reform would send to literally millions and millions of working Americans: If you are very poor, we'll guarantee your health care. If you get elected to Congress, we'll guarantee your health care. If you are employed by the federal government, we'll guarantee your health care. If you get thrown in jail, we'll guarantee your health care. If you are rich, you can guarantee your own health care. But, if you get up every day and work for a living, your health coverage is always at risk.


*Mike Peters, Dayton Daily News, in the Washington Post, July 9, 1994*

# NON-UNIVERSAL REFORMS:
# State Experience Shows It's Not Enough

*"At least 37 states have enacted insurance reforms essentially identical to the [non-universal] reforms proposed in Congress. I think any insurance commissioner would say these reforms are a necessary but not sufficient way to decrease the number of uninsured. To say they're going to improve access is a bit misguided."* -- PATRICIA BUTLER, HEALTH CARE CONSULTANT, BOSTON GLOBE 7/3/94

Many federal health reform proposals, such as the Dole plan, reject the goal of universal coverage and focus instead on expanding "access" through a patchwork of incremental reforms including small group market reforms, insurance reforms, low-income subsidies, community rating, medical savings accounts, voluntary alliances, tax credits and malpractice reforms. All told, more than 45 states have passed many of the reforms proposed in the Cooper and Dole bills.

However, state-level experience with non-universal reforms, implemented in recent years, has demonstrated no appreciable effect on total coverage levels or costs. Since the late 1980s, state-level health care reform activity has significantly increased, with more than 32 states passing incremental health reform measures between 1989 and 1992, and more than a dozen more acting in 1993 and 1994. *[Intergovernmental Health Policy Project, George Washington University]*

- The recent experience of one state, where community rating was implemented without universal coverage, bears out the unfortunate forecasts. A Wall Street Journal analysis noted that almost one year after this state had *"adopted stiff insurance reforms, fewer people have health coverage than under the old system."* [Wall Street Journal, 5/27/94] The reason: young people dropped coverage as rates went up, causing rates to rise further: between 20-35% for some insurers.

- In Hawaii, however, where reforms include universal employer/employee contributions, coverage approaches universal and, *"health insurance premiums are about 30 percent cheaper, while almost everything else in Hawaii is more expensive than on the mainland."* [ New York Times, 5/6/94;]

Nor has the promise of better rates or cheaper benefits brought non-insuring small businesses into the system.

- Beginning in 1986, 11 states and non-profit groups began a demonstration program specifically aimed at increasing coverage by making health insurance more affordable and available to uninsured small businesses and individuals. Of the 11 demonstration projects, all used voluntary measures: 10 developed new, less expensive insurance products or subsidized existing insurance products, and one developed a health insurance information and referral service.

These demonstrations reached relatively few of the small businesses and individuals previously uninsured, leading the study to conclude that *"there is little evidence that voluntary efforts alone will close the gap on the uninsured problem."* *[testimony of W. David Helms, Ph.D., before the U.S. Senate Committee on Finance]*

**States Have Already Tried Non-Universal Reforms**

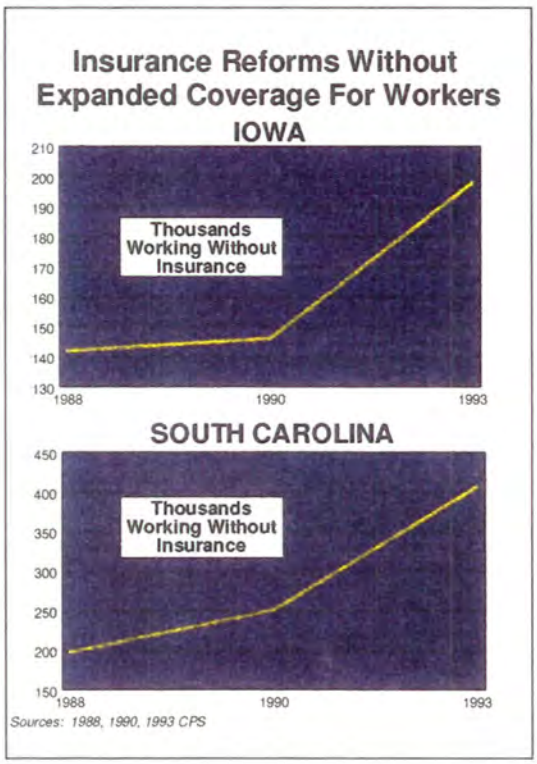
| Reform Measure | Number of States |
|---|---|
| Guarantee Issue | 35 |
| Guarantee Renewal | 42 |
| Portability | 37 |
| Community Rating | 19 |
| Rating Bands | 34 |
| Voluntary Alliances | 20 |
| Tax Incentives | 13 |
| Medical Savings Accounts | 7 |
| Low-Income Subsidies/Medicaid Expansions | 46 |

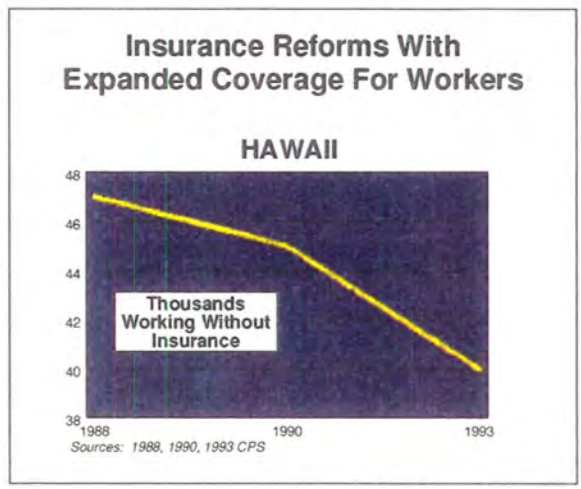
*Source: Intergovernmental Health Policy Project, George Washingotn University, June 1994*

The results of these reforms are illuminating: tens of thousands more working people left uninsured, and massive increases in insurance costs. Even in the states that successfully increased the total number of individuals covered from 1988 to 1993, half had a decrease in coverage among working people *[March CPS, 1988 and 1993, Bureau of the Census].*

A brief examination of representative states gives a taste of the differing outcomes that follow universal and non-universal reforms. Iowa's reforms resemble those suggested by the Dole plan. South Carolina's resemble the Cooper/Finance Committee plans. Hawaii is the state that has come closest to providing universal care.

**1) Non-universal reforms leave more working people uncovered.**




**2) Non-universal reforms have hurt state budgets -- and raised working people's taxes.**

Iowa and South Carolina -- states that most closely resemble the Dole and Cooper/Senate Finance plans -- enacted insurance market reforms with subsidies for poor people five years ago. Since reform, state spending on health care has continued to increase, forcing state officials to reduce funding for education and crime prevention. In these states, income taxes on working people continue to rise, even as more working people go without insurance. The message is clear: non-universal reform means that working people pay more for insurance and in taxes for the poor -- even as they lose health coverage themselves. [Sources: 1988, 1993 CPS. *State Government Finances* 1988, 1992. U. S. Bureau of Census, *State Government Tax Collection*, 1988, 1992]

# NON-UNIVERSAL REFORM IS A HIDDEN TAX ON THE MIDDLE CLASS AND ON BUSINESS

*"[S]o long as millions of Americans remain underinsured and uninsured, cost shifting will continue, leaving a mechanism for unwarranted price inflation in health care."* -- MINNEAPOLIS STAR TRIBUNE, 6/16/94.

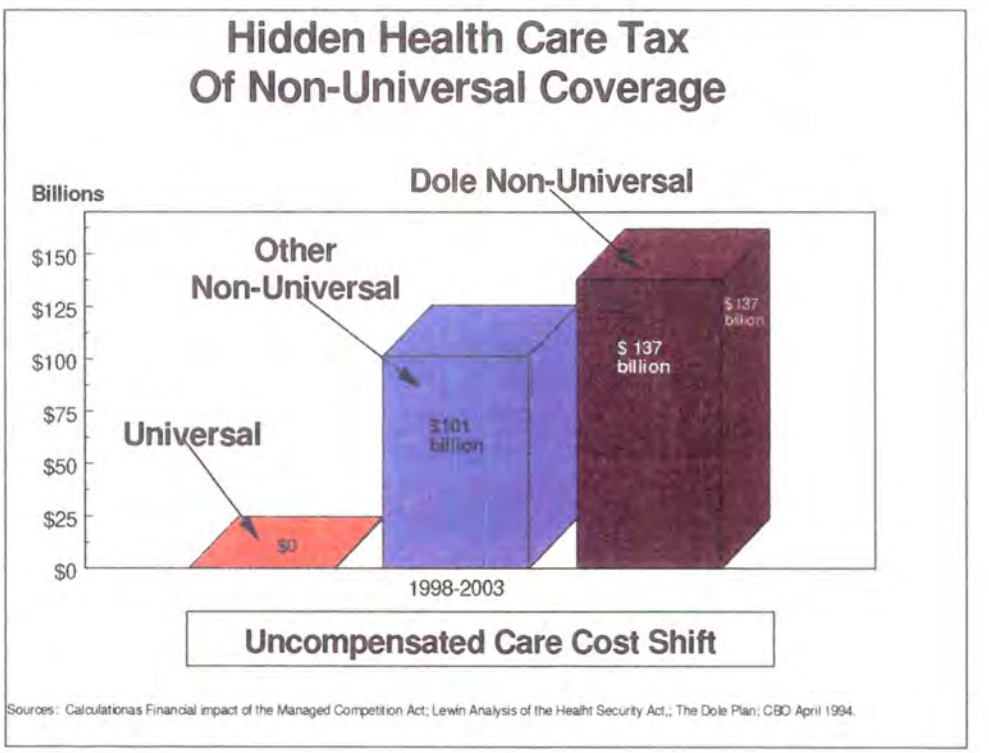
**1) Non-universal reform leaves a hidden tax on working families.**

People without health care coverage still get health care. But many of them don't pay for it. Their costs are shifted onto everyone who does pay an insurance premium. And their costs are higher because the uninsured often seek treatment after a problem has become a crisis, in a hospital emergency room.

A recent Department of Health and Human Services Study found that of the 90 million emergency room visits in 1992, fifty million were for ailments that could have been treated in a doctor's office -- at one-third the cost. [Source: National Hospital Ambulatory Care Survey; 1992 Emergency Department Summary; HHS, National Center for Health Statistics]

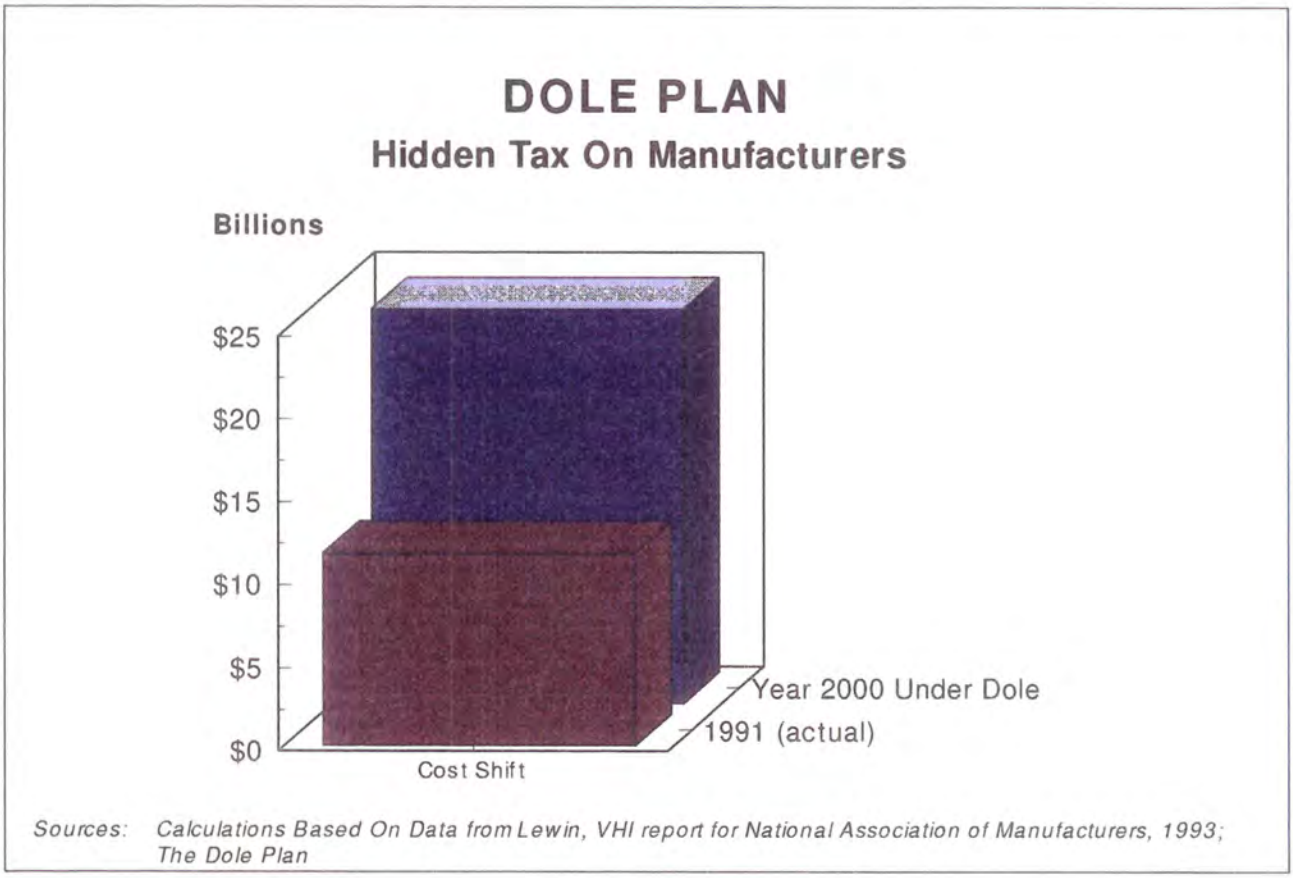
The methodology used by the Congressional Budget Office to analyze a similar plan indicates that the Dole plan would cover only 1 in 5 uninsured.

With 80% still uninsured, uncompensated care will remain at $18 billion in 1998 alone. So the Dole plan leaves $18 billion to be paid by working people who do have insurance.



**2) Incremental reform is a hidden tax on businesses that provide coverage.**

Another way to think of this Dole cost-shift is as a tax on businesses who provide coverage. Since most Americans get their insurance through work, businesses are forced to cut dividends, divert money from needed R&D, and cut back on hiring.




*Sources: Calculations Based On Data from Lewin, VHI report for National Association of Manufacturers, 1993; The Dole Plan*

**The middle class gets squeezed coming and going -- either paying higher premiums themselves, or seeing jobs lost as employers cut back to cover costs shifted onto them by businesses that don't insure their employees.**

## INCREMENTAL REFORM FAILS OTHER KEY TESTS

### 1) Half-measures perpetuate "job-lock" by failing to ensure portability.

*"I have great trouble seeing how you get portability without universal coverage."* --U.S. SENATOR JOHN CHAFEE

- If you move to a new job and your new employer doesn't contribute, all incremental reforms give you is the right to assume the full burden by yourself -- whether or not your family can afford it. Incremental reform means millions could still lose coverage when they change jobs, be dropped if they can't afford their premium, or forced to wait six months for new coverage. That's not portability.

- Until we have *true* portability, we will never eliminate "job lock". Surveys suggest that as many as one in three working Americans are trapped in their current jobs because they fear losing the health insurance their families depend on. The CBO concluded that incremental reforms can *"reduce"* -- but not solve -- this problem.
  [*"Health Benefits Found to Deter Switches in Jobs,"* The New York Times, 9/26/91; CBO, 4/94, p. 28]

### 2) Non-universal reform cannot eliminate pre-existing condition exclusions.

*"It will be nearly impossible without universal coverage . . . to outlaw the common industry practice of refusing to cover people with known medical problems, so called pre-existing conditions."*
-- THE WALL STREET JOURNAL 6/15/94

- Without universal coverage, pre-existing exclusions would mean many healthy people would choose to "ride free" and go without insurance, knowing they could buy it when they get sick. This would drive up costs for all the people in the system.
  (Wall Street Journal, 6/15/94)

### 3) Incremental reforms perpetuate welfare lock and discourage work.

*"At least one million adults and children are on welfare because it's the only way their families can get health care coverage"* -- MOFFIT AND WOLFE, 1/90. "[an incremental approach] *would produce devastating disincentives to work . . . the creation of a near poverty trap . . . would result."* -- AARON IN NEW YORK TIMES, 2/13/94

- Even if the Dole proposal were fully funded -- which it is not -- it would only subsidize a portion of the premium for those families and individuals well below the poverty line. Welfare mothers going back to work would not only pay their own premiums, their taxes would pay for health care for those still on welfare. One expert says that the Dole plan would "make working irrational." On the other hand, an analysis of the effects of a universal proposal estimates that at least 840,000 people -- 15% of welfare rolls -- will seek jobs if the President's reform passes. *[Wolfe, University of Wisconsin, L.A. Times, 11/18/93; Boston Globe, 7/3/94]*

**MEMORANDUM**

To: Members of the Cabinet

Fr: Vic Fazio

Via: Harold Ickes

Re: Health Care and the 94 Election

June, 1994

Minority Whip Gingrich's activities over the past several days -- backed up by other Republican leaders -- have made it clear: they are approaching the legislative debate over health care from a harshly partisan perspective. Health Care will indeed define this fall's elections -- and Republicans are embarking on a political strategy that may cost them dearly. Once again, they are ignoring or even betraying the interests of the middle class, even in their own districts. Once again, they are arguing for perpetuating a system that does not value or reward work.

On Monday, HHS released data showing that the percentage of uninsured Americans rose to 17% during the 80s. 85% of the uninsured are in working families. Here, good policy and good politics are in alignment. **Universal coverage is a middle class issue; the people who are left at risk by the move to non-universal health insurance proposals are middle income working families -- families that will continue to have to pay for others' insurance when they cannot afford their own.** These facts are even more striking when viewed from a local electoral perspective. A simple, but important fact: *Likely Republican districts have large numbers of working uninsured people. These districts each have, on average, an estimated 56,166 working people who lack health insurance.*

Republicans who oppose workplace health insurance also pride themselves for opposing the President's economic program because it contained a tax rate increase on the rich. Yet, in the very districts they represent, *working uninsured people outnumber people who faced an income tax rate increase by substantially more than 10 - 1.*

> *In 1990, President Bush's budget policies raised taxes on the middle class and protected the wealthy. This strategy cost Republicans at the ballot box in the fall. In 1994, Republicans' health care policies are hurting the middle class and protecting employers and insurance companies. Thus, what we are fighting for legislatively -- because it is good policy -- will also be good politics, if we stick with it clearly and consistently.*

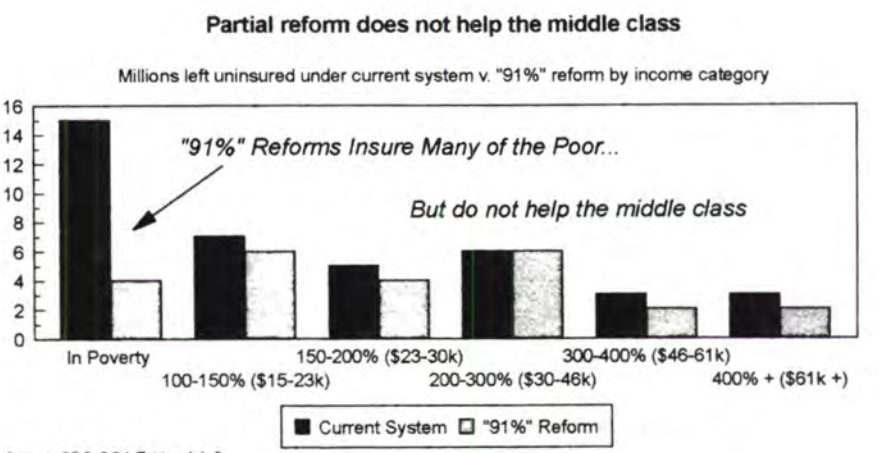
***Overview***

Health Care will be key to the 94 elections; it will play to our advantage if and only if we use every aspect of the debate to reinforce our key overall political/economic message -- Democrats believe in linking work and reward; we're on the side of the hard working middle class.

We know that the President's policy is right on the merits -- our argument is that the politics of the key health care issues work strongly in our favor for this fall. Let Republicans argue against universal coverage. They still haven't found an answer to Wofford's dictum: "Everyone has the right to a doctor." Then let them tell voters they want an individual mandate or just provide extra COBRA coverage. Dole is right on this -- he pointed out to the Post that we will clean their clocks if Republicans persist in supporting a policy that would push all health care costs onto individuals. As he said, "I can already see the 30-second television spots which would say: 'Well, the Republicans didn't want your boss to pay for it, they want you to pay for it." Universal, work based health care that can't be taken away -- we win on this when we stay on the offense.

We need to stand firm on universal coverage in the workplace -- the most powerful idea that drives health care reform. We must not let the Republicans off the mat. Two strategies are crucial from a political perspective, one factual, one thematic.

First, the debate over universality is a debate about the middle class. **"Incremental" (non-universal) solutions represent a desertion of the middle class.** Even plans which claim "91%" coverage leave every working American at risk of losing their insurance and millions of working Americans without coverage altogether. Those left uncovered won't be the poor, but will be working, middle class families.



Source: CBO, 5/94, Tables 4-1, 2
Incomes categorized by percentage of poverty; dollar ranges shown for family of four.

Republicans, once again, are selling out the middle class in a show down, election-year vote. As in the Budget Deal of 1990, some elites may praise marginalism and moderation in the summer and September. But also as in 1990 (when the tax fairness issue added 9 Democratic seats to the House of Representatives), voters will be keeping a keen eye on their actual interests when they go to the polls in November.

Second, we need to discuss universality and overall reform in the context of work and reward: everyone who works hard and plays by the rules deserves to have health care that can never be taken away. It is wrong for people who work to have no health care; it is wrong for people who work to be forced to pay for the health care of people who aren't insured. Our system rights these wrongs -- their proposals don't.

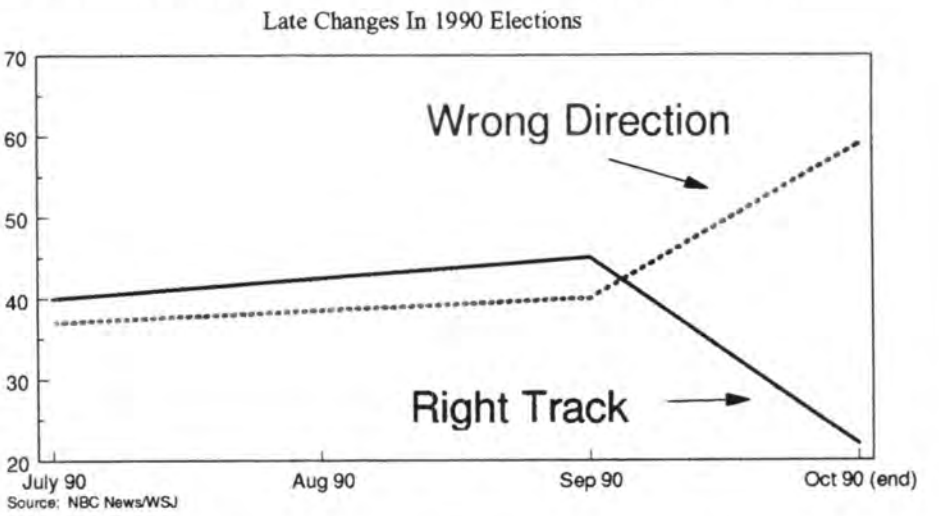
Indeed, turning the health care debate into a debate about the values of work and reward is going to be the key to passing real health care reform and turning late breaking 94 elections our way. Exposing incremental solutions as anti-middle class is the first step. Simply stated:

| | DEMS | REPS |
|---|---|---|
| Universality | Everyone guaranteed HC that can't be taken away | Wealthy held harmless, some gain for poor: millions of working families still w/o insurance and all middle class left at risk of losing coverage. |
| Employer Mandate | Anyone who works gets Health Care | Employers are protected: individuals have to pay more |

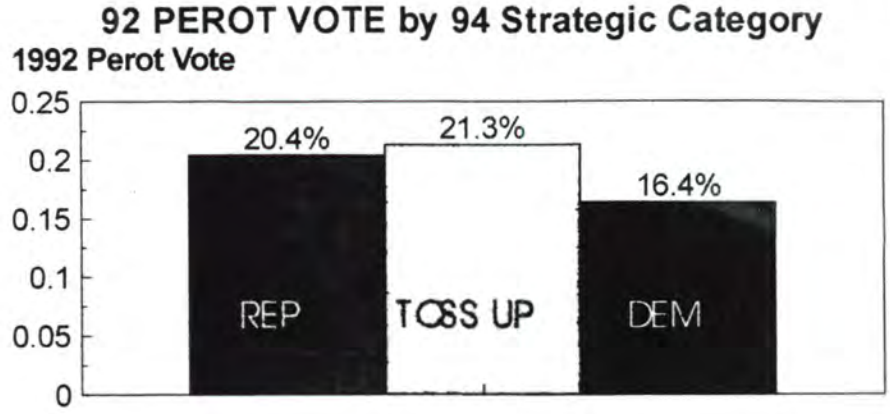
We are just twenty weeks away from election day for every House seat and 34 Senate seats -- 21 of them Democratic. We must keep our message clear and on point.

***The 94 Elections and Middle Class Concerns***

Health care is the make-or-break issue -- the centerpiece of Congressional activity. It will dominate the news from July through October, and leave the dominant impression in voters' minds about what their member of Congress is doing in Washington. In sheer magnitude terms, it will be to 1994 what the Budget debate was to 1990. Swing voters are thus likely to break late, as they did in 1990. If anyone had forgotten how quickly political weather can change around off-year election time, they need only look at graph one -- voters' opinion on "Right Track" v. "Wrong Direction" switched 43 points net in five weeks!



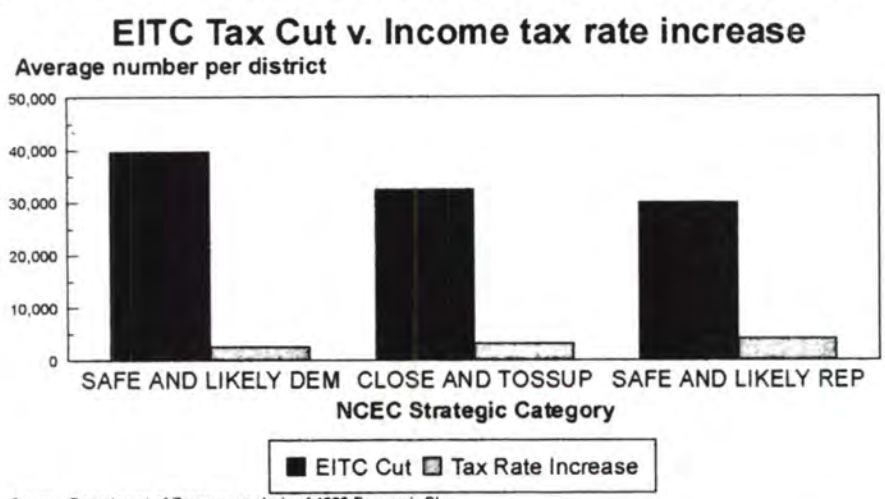
All the reviews of the fall campaign schedules point out that the members in tight races will be trying to persuade an audience whose central concerns remain focused on the value of work and playing by the rules. For example, key tight House races are more heavily weighted toward the Midwest and, as can be seen in the graph at right, more heavily toward the middle class and the 92 Perot voter than safe districts. These voters want the sense that work is going to be rewarded.




NCEC House Rankings

Universal, work based health care is one big step in the right direction -- it will provide tangible and direct benefit to everyday working families.

This will fit into the overall message that returned us to the White House and will continue to succeed for Democrats. This Administration is building a solid record of delivering for the middle class and strengthening the link between work and reward. The Earned Income Tax Credit, which rewards work over welfare, has helped millions of middle class voters -- particularly strongly in Democratic and toss up districts. (see below) At the same time, the tax increase on the wealthy has hit an order of magnitude fewer people -- and hit people in Democratic and tossup districts the least. Besides these issues, in each district there are people who have benefited from 3 million new jobs, Family and Medical Leave, and college loans.




Source: Department of Treasury analysis of 1993 Economic Plan

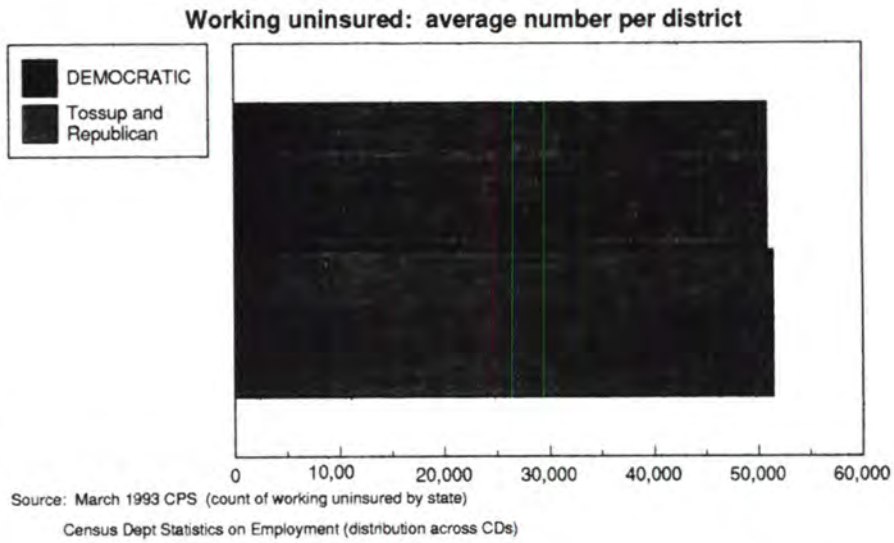
Localizing the message of accomplishment for the middle class will be a key challenge for the Democratic Party this fall -- and ensuring members use the most up to date local statistics on our economic progress will be an important tool. But the key decision variable -- this fall's key piece of "new information" in Popkin's terms -- will be Health Care. This will be true no matter

what the legislative outcome. A "no action" outcome will confirm many of voters' worst suspicions about Washington; passing and signing comprehensive reform that values work will, alternatively, yield strong gains.

***Health Care as a Middle Class/Work reward issue***

The conventional wisdom has much of the health care debate wrong, particularly when it comes to the politics (as wrong, we might add, as these same pundits had the 1990 Budget debate). Some even argue that the politics of our proposal are working against our own interests in these key fall races -- that universality will be seen as a debate about people who aren't in the middle class and that the employer mandate will be seen as being about big government. Thus, the punditocracy argues, we at least ought to be quiet about all this or, better yet, cut a quick deal. They have it EXACTLY wrong:

85% of uninsured people in this country are in working families -- and the working and uninsured are strongly present in Republican districts. This fact benefits us on both universality and the employer mandate -- if Republicans try to walk away from guaranteed health care for every American, they will have to answer to working people *in their own districts. Again, "likely Republican" house seats have, on average, an estimated 56,166 working uninsured people, as many -- or in some cases more -- than many safe Democratic seats.* For example, *Newt Gingrich has an estimated 83,700 working people in his Cobb County district who do not have health insurance, compared to only 7,500 who faced higher taxes because of the economic plan's tax increases on the wealthy.*




This means that, as the attached chart shows, <u>making health care a work issue is as powerful in Republican as in Democratic districts</u>.

The American people know how critical universality is as a test of seriousness of any plan. Indeed, a late May Harris poll found that 42% of independent voters consider universal coverage the most important goal for health reform, with no other goal

receiving more than 16%. And in the same poll, 77% of all voters called universal coverage "absolutely essential" or "very important" for reform. This is confirmed by many private and public polls: the Wall Street Journal and NBC News found -- in an open ended question -- that universality is offered by people as the most important goal of health care reform -- mentioned nearly twice as often as lower rates and nearly three times as often as the ability to choose your own doctor.

Non-universal reform -- the "91% strategy" -- has the potential for a serious political backlash because it hurts the middle class. Recent New York state insurance reforms without universal coverage raised rates by as much as 35% for the insured. **According to the Congressional Budget Office more than eighty percent of the people who would remain uninsured are working families.** (See graph on page two). Even those low risk individuals who kept coverage would -- according to CBO -- face higher premiums and greater threats to the security of their coverage.

Note the similarity to 1990: the sitting President's most remembered promise (Bush: no new taxes; Clinton: universal health care) becomes the showdown issue in fall campaigns -- with the middle class on the chopping block.

As we noted above, once we establish that reform must be universal, the key question becomes who pays. And in the absence of a broad-based tax, it's either the employer and employees together or an individual without help. On this issue, Democrats are on strong ground. Democrats think all jobs should come with benefits. Why? Because it reflects a core Democratic value -- that people that work hard and play by the rules should be rewarded. Democrats should be proud to go out there and say: no matter what you do or where you work or how much you make, we believe in the simple premise that every job should have health benefits.

Meanwhile, on this critical question of who should pay for health insurance -- you or your boss, the Republicans give the wrong answer. By favoring an individual mandate, they take their traditional position: protecting businesses at the expense of families. A recent Citizen Action analysis indicates that the individual mandate could shift the burden of over $1.4 trillion from businesses to individuals -- including $168.6 billion in California alone.

Middle class voters know which approach works in their favor. Data from a leading Democratic pollster shows that a majority of Perot voters (54 to 35 percent) oppose health care reform with an individual mandate, while a majority favors it with an employer mandate (50 to 39 percent). Overall, voters support the employer mandate 54-35, and oppose the individual mandate 49-38.

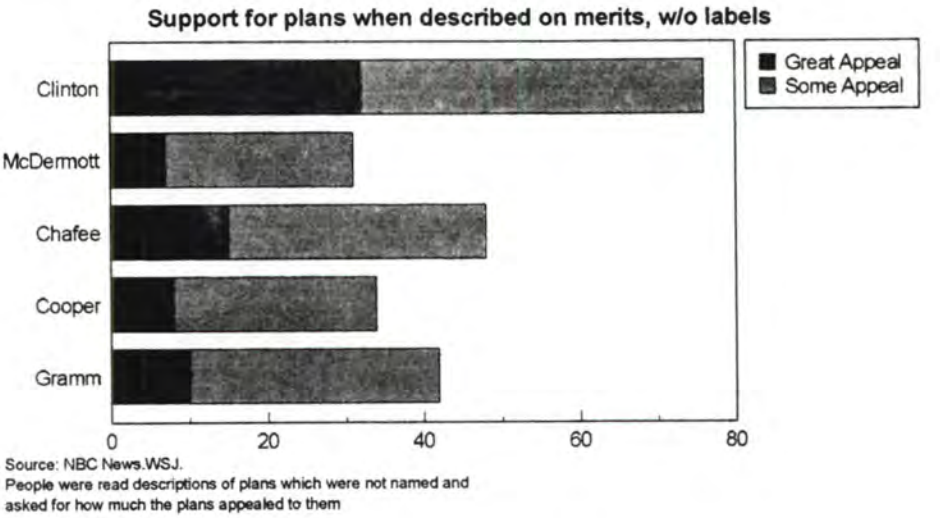
***Message Strategy***

We need to let our candidates know what they can do in practical, campaign oriented terms to advance this message. Particularly as the fall campaign takes shape, turning

events to our advantage will require fewer new analyses and ed-board events, and more clear message guidelines. Our priorities should be clear:

1) Be aggressive on universality. Republicans who oppose universal coverage should be confronted on their stance directly. Their "I'll gladly consider insuring you Tuesday, for marginal reform today" approach puts them on their weakest (and most broadly defining) ground -- they are the party of the status quo. They are promoting a plan that sticks it to the middle class to protect their well financed interests. You cannot stay in the middle of the road by taking nothing but tiny steps -- incremental reform will continue the crisis. The degree of "populist" oratory needed may vary district to district -- but whether it is in a showdown midwest race or in a sunbelt satellite city, the face of the people left at risk by incremental reform must be made vivid. **These are the faces of hard working people, like Jim Bryant, who the President mentioned in his radio address -- two jobs, 70 hours a week, and less security than a Medicaid recipient.**

2) Be aggressive on the employer mandate. (Listen to Bob Dole) Fight for health benefits guaranteed at work. Dole's analysis of our party advantage in this debate is all the more potent because this debate highlights the trends of both parties in terms of policies and values. It continues the Republican trend of the 80's -- sticking it to the middle-class -- the strategy that lost the 1992 election. It continues the Democratic trend of the 1990's -- rewarding work and helping the middle-class.




We win on the merits and on the politics. But we must remember the results of the March Wall Street Journal survey, presented in the article "Many Don't Realize It's Clinton Plan They Like." This poll -- which offered descriptions of the competing reform proposals without identifying them as Clinton, Chafee, etc. -- reported a 76% approval rating for Clinton's bill, 48% for Chafee's, 34% for Cooper's, 42% for Gramm's, and 31% for single-payer. In other words, support for a universal, employer mandate reform is still overwhelming. **The only way for Democrats to lose on health care is to shy away.**

Target #
Date 12 July, 1994

# Health Care Reform
# California

**State Data Profile**

| | |
|---|---|
| 29,760,021.00 | Total state population |
| 3,434,524.00 | Medicare recipients |
| 11.54% | Medicare recipients as a % of the state population |
| 4,485,743.00 | Medicaid recipients |
| 15.07% | Medicaid recipients as a % of the state population |
| 1,421,215.00 | Persons with disabilities |
| 4.78% | Persons with disabilities as a % of the state population |
| $7,996 | Health care expenditures per family |
| 12.5%% | Expenditures per family as percent of income |
| % | Medicaid expenditure as a percent of state budget |
| 82254 | Doctors total |
| 3 | Doctors per 100 people |
| 131435 | Nurses |
| 917 | Hospitals |
| 52 | Community and Migrant Health Centers |
| 10.7% | Population underserved |
| 149 | Health Service Corps members |
| 91 | Infant mortality rate |

# What Reform Will Mean To California

***Guaranteed Private Insurance For Everyone***
3,386,885 working uninsured people will gain coverage
1,257,054 uninsured children
312,000 people who lose insurance each month today, will be protected
0 people will return to work becuase they no longer need Medicaid

***Comprehensive Benefits***
12,290,000 people will gain dental benefit
16,284,000 people will receive a mental health benefit
276130 two-year olds will be fully immunized
8210241 women will be able to get recommended breast cancer screening

***Choice of Doctor and High-Quality Care***
4 billion gained by doctors and hospitals in fully compensated care

***Outlawing Insurance Company Abuses***
9,440,117 people with pre-existing conditions will no longer be at the mercy of insurance companies
4862555 people will no longer have life-time limits on their coverage

***Preserve Medicare***
1,848,000 Medicare recipients will gain prescription drug coverage
274,000 people who will be able to get help with home and community based care

***Savings for Families, Businesses and States***
$3.3 billion in savings for workers
$11.9 billion in savings for businesses
$9.5 billion in higher wages for employees who now have insurance
$6.5 billion in savings for the state government

# California Supports Health Reform

**Groups For Health Reform**
AFL-CIO

American Nurses Association

AARP

League of Women Voters

AARP

League of Women Voters

Older Women's League

HCRP

Long Term Care Campaign

AARP

Health Access

American Nurses Association

Service Employees International Union

**Businesses For Health Reform**

**Medical Professionals For Health Reform**
Dr. Richard Butcher
- Former President of the National Medical Association
- Current President of the "Summit '93 Health Coalition."
- Practicing physician (in San Diego, California) who cares for the vulnerable in our society.

- "In the United States, the best health care in the world is only available to those who can pay for it. Our nation will ultimately be judged by the way we correct exisiting health disparities among racial groups and meet the needs of the nearly 70 million persons who are un- or under- insured. I pray that we will act now to enact meaningful health care reform."

Dr. Leonard Kutnik
- AAP board member.

Dr. R. Hewitt Lee
- General surgeon and Executive Director (emeritus) of the Palo Medical Clinic.
- Brother of Dr. Phillip Lee, Assistant Secretary of Health, Department of Health and Human Services.
- Frustrated with the current system: " I have struggled with contracting with 39 different insurance companies, five different governmental agencies, and a morass of state regulations in bringing efficient, caring quality medical services to our clinic's patients. Proper health care reform would free patients, physicians and staff from a wasteful time consuming burden of redundant paperwork."

Dr. Irving Loh
- Internist and Cardiologist in Thousand Oaks, California.
- An Assistant Clinical Professor of Medicine at University of California, Irvine, School of Medicine and Adjunct Assistant Professor of Medicine at Baylor.
- Served on two working groups of the President's Task Force.
- Speaks frequently on behalf of the President's plan.

Dr. Jeffery Morris
- An ophthalmologist in private practice in San Diego, California.
- Member of the clinical faculty at the University of California at San Diego, Department of Ophthalmology.
- Served as a member of the President's Task Force, Health Professions Review Group.
- Particularly interested in the concept of health alliances and has been published on the topic.

Dr. Richard Sanchez
- Associate Vice-President for Health Care Delivery

Dr. Reed Tuckson
- An internist in Los Angeles, CA.
- President of the Drew University School of Medicine and Science.
- Previous Senior Vice President for Programs for the March of Dimes and Commissioner of Public Health in the District of Columbia.
- Member of the President's Task Force, Health Professions Review Group.

Dr. Michael Bush
- Current President of American Diabetes Association
- Director of Cedars-Sinai Medical Center
- Endocrinologist
- Founder and Director of Diabetes education training program at Cedars-Sinai

Dr. Mary Yarborough
- President and CEO of Mercy Hospital and Medical Center

Dr. David Chadwick
- Center for Child and Protection, Children's Hospital and Health Center

**Community Leaders For Health Reform**
Sr. Ruth Marie(Mary Theresa)NickersonCSC

Carlos Perry

Karen Humphrey

Mary Yarbrough

**Major Medical Centers For Health Reform**
Medical Center at University of California, San Fr
William Bernard Kerr, Director
505 Parnassus Ave., San Francisco
yes

University of California, S.F., School of Medicine
Joseph Boyd Martin, MD, PhD, Chancellor
513 Parnassus Ave, San Francisco
yes

University of Southern California School of Med
Stephen Joseph Ryan, MD - President
1975 Zonal Ave., Los Angeles
yes

UCLA Medical Center
Raymond Gilbert Schultze, MD - Director
10833 Le Conte Ave., Los Angeles
yes

Charles R. Drew University of Medicine and Science
Reed Vaughn Tuckson, MD - Unv Pres.
1621 East 120th Ave., Los Angeles
yes

**Concerned Constituents For Health Reform**
Mapa, Monica
80 Stanford Heights
San Francisco CA
Monica Mapa's mother developed a severe headache, and at the urgings of their family physician, she was sent to the private hospital he was affiliated with. They discovered that she had an aneurism, and transfered her to the critical care unit. She recieved excellent care until the neurologist learned that the family had no health insurance. He immediately stopped her treatment and arranged for her to be transferred to the County Hospital, eventhough he had told them the day before that she needed immediate surgery to save her life, and that she couldn't be moved. His last words to the family were "I'm doing you a favor ... you couldn't afford my fee, it would wipe you out". Her mother died in the county hospital three weeks later. "I do not know why in this land of plenty that situations like this are allowed to exist. I am sad to have lost my mother and sadder still for those faceless Americans like my mother, who might someday be pitted against the Medical Insurance Industry and the indifference of self-serving medical practitioners".

Sorenson, John
3153 E Huntington Blvd
Fresno CA
WECO Supply Company is an automotive supply dealer with 16 employees. Mr. Sorenson provides insurance for half of his employees, and wants to be able to afford coverage for everyone. He related a story about one of his employees, Randy Walker, who was denied coverage by an insurance company after the premature birth of his child. The employee had left one job, started with Mr. Sorenson, but had 60 days for his new policy to take effect. The incident forced the employee and his wife to declare bankruptcy due to the bills, a financial situation they have never recovered from. He wrote: "Automatic health care for every citizen is the answer. I write you even though I offer health care to my employees and am fortunate enough to afford the premiums. It is for the Randy Walkers of this country that I write you. I care about this country and I care about the employees of my business."

Hayes, Gene
5027 Floral
Fresno CA
Gene Hayes, a victim of Parkinson's disease, cares for his 69-year-old wife who suffered a heart attack in 1988 and has been comatose ever since. He also cares for his 93 year-old father who has had multiple strokes and is in a wheelchair. His wife, Velora, must be monitored around the clock as rotation and aspiration is necessary every three hours. Gene has spent his savings, receives no public assistance and is determined to keep his family at home for as long as possible. Gene pays out-of-pocket for unskilled help, however this expenditure leaves him $500 in debt every month. Gene has his own health problems and will not be able to continue this care indefinitely without some skilled help.

7/4/94

# THE CASE FOR UNIVERSAL COVERAGE

***Incremental measures cannot accomplish most goals of health reform. Almost every goal of comprehensive reform depends on universal coverage.***

**1) Without universal coverage, the hard working middle-class is left behind.**

Partial solutions will protect the wealthy and help the poor, but stick it to the middle-class. These half-measures and quick fixes would leave every middle class American at risk of losing their insurance. And at least 24 million Americans who work for a living would have no coverage at all. People like Jim Bryant and his family. Jim Bryant works 70 hours a week, juggling two jobs, but has no health insurance for his family. And the Congressional Budget Office also says that under the 91% scheme, *"health insurance coverage would probably be more limited for middle-income people than the rich or poor."* [CBO analysis, 5/94, pp. 17, 20]

**2) Without universal coverage, every American remains at risk of losing their insurance.**

Those who urge Band-Aid solutions say they're reforming the health care system. But they fail to provide every American with the ironclad guarantee that they'll have private health insurance that can never be taken away. According to a new study by Families USA, under a partial solution over one million Americans a month will still lose their insurance. We need universal coverage because every family -- including middle-class families -- must be protected. [Families USA Special Report, 6/94, p. 1]

**3) Without universal coverage, the link between work and reward is broken.**

Think of the message that non-universal reform would send to literally millions and millions of working Americans. It would say, much as we do today, *"If you are lucky enough to work for someone who will help you with your insurance, or if you are poor enough and down on your luck enough to qualify for government assistance, then you'll have health security. But, if you're in the middle and you get up every day and work for a living, your health coverage is always at risk."*

In fact, surveys suggest that as many as 30 percent of people feel locked into their current jobs because they fear losing the health insurance their families depend on. The CBO has said that incremental reforms will *"reduce"* -- but not solve -- this problem. [*"Health Benefits Found to Deter Switches in Jobs,"* The New York Times, 9/26/91; CBO, 4/94, p. 28]

**4) Without universal coverage, we pay more to cover less.**

The CBO has said that under the President's proposal, *"significant deficit reduction will be achieved by 2004."* Under the 91% scheme -- where billions in government subsidies are used to help the poorest people buy insurance -- a $300 billion shortfall would result by 2004. Meanwhile, the President's proposal would guarantee coverage to everyone, while the 91% scheme wouldn't guarantee coverage to anyone. [CBO analysis, p. 22]

**5) Without universal coverage, insurance reforms won't work.**

Today, insurers pick and choose who to cover -- charging sick people significantly more based on their health care "experience". One of the main goals of the President's proposal is to prohibit insurers from discriminating against people: no more charging sick people more than healthy people, young people more than old, small businesses more than large businesses. This will return insurance to what it used to be -- everyone pays in at the "community rate" and their insurance is there when they need it.

But, the Wall Street Journal says that *"experts insist and real-life evidence shows"* that insurance reforms such as community rating would be *"nearly impossible without universal coverage"*. In fact, when one state recently enacted insurance reform without universal coverage, rates for the insured went up by 35% and the number of people with insurance declined. Why? Because all the sick people who had previously been denied coverage entered the system, driving up the rates for everyone. This caused young, healthy people and their employers to drop their coverage, which drove rates even higher. In fact, the CBO has said that incremental reforms can cause *"an upward spiral"* of premiums, with fewer people covered at the end. [WSJ, 6 15 94; WSJ, 5/27/94; CBO, p. xlv]

**6) Without universal coverage, thousands of Americans will stay on welfare.**

Studies have shown that thousands of people are on welfare because it's the only way their families can get health care coverage. An analysis of the effects of the Clinton proposal estimate that at least 840,000 people -- or 15% of welfare rolls -- will leave if the President's reform passes. While some incremental reform proposals would solve this, insurance reforms without subsidies would do nothing to encourage people to leave welfare for a job. Just like today, they say to those on welfare: *"If you stay on welfare, you and your family will be protected by comprehensive health benefits. If you leave welfare and get a minimum-wage job, not only are you unlikely to get health care but your taxes will pay for health care for those who remain on welfare."* [Ellwood and Adams, Health Care Financing Review, 1990 Supplement; University of Wisconsin, L.A. Times, 11/18/93]

**7) Without universal coverage, people with insurance will pay for those without insurance.**

When people without insurance get in an accident and go to the emergency room, they receive the health care they need. But when they can't pay their bills, the hospital shifts these costs onto people with private insurance. Some experts estimate that $25 billion in health care costs are shifted onto people with private insurance each year. Without universal coverage, this "cost-shift" will remain in the system -- penalizing those who take responsibility and letting millions of others "ride free". [Congressional Budget Office, May 1993]

**8) Without universal coverage, responsible businesses bear the burden for all workers.**

Today, the businesses that provide their employees with insurance pay for those who do not. A recent study found that as much as one third of premiums currently paid by employers who provide coverage for their employees and dependents goes to cover the shortfall from companies who do not cover their employees and families. In 1991, employers spent $26.5 billion to cover dependents who are employed by firms that did not offer insurance. [Hewitt Associates, 1 94; National Association of Manufacturers/Lewin-ICF, 12 91]

**9) Without universal coverage, billions will be wasted on expensive, last-minute care.**

Until all Americans have comprehensive benefits stressing preventive and primary care, billions of dollars will continue to be wasted on expensive, last-minute care. A national survey of hospital emergency room departments determined that fifty-five percent -- or 50 million -- of the 90 million emergency room visits in 1992 were for ailments that were not medical emergencies and could have been treated in a doctor's office. An emergency room visit costs at least three times that of a visit to a community-based physician in the same area. [National Hospital Ambulatory Medical Care Survey, 1994; HHS, Inspector General Report, 1992]

**10) Experts Agree -- We Can't Get Cost Control Without Universal Coverage:**

- **Rashi Fein, Medical Economics, Harvard University:** "***We cannot have real savings and real cost containment without universal enrollment.*** *Such enrollment is not a welcome bonus delivered with cost containment dollars; it is what makes cost containment possible. Only with universality can we eliminate the practice of making patients with insurance pay the medical costs of those without it."* [New York Times, 10 28 93]

- **Ted Marmor and Jerry Mashaw, Yale University:** *"It is the experience of every industrialized democracy with a universal health insurance program that* ***cost control becomes easier when the plan is universal, not harder****. . . that counsel currently offered by critics -- go slow in adding new benefits until we can assure everyone that the savings are real -- is advice that is likely to doom the plan to failure.* ***Universalism and cost control go hand in hand.*** *Otherwise it is politics as usual, full of special pleading."* [L.A. Times, 10/7/93]

- **The New York Times:** *"Universal coverage is not only a fair and noble objective, consistent with America's values:* ***it is also essential if health care markets are to work well."*** [Editorial Page, 6/20/94]

- **Alain Enthoven:** *"By putting market pressure on providers to cut costs,* ***market reforms promoting competition -- absent universal coverage -- could exacerbate access problems****. It would be more humane, economical and rational simply to adopt a policy providing coverage to virtually everybody through an integrated financing and delivery organization that provides primary and preventive care as a part of a comprehensive benefits package."*[Health Affairs, 1993]

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: RLCR DATE: 02/21/14

**MEMORANDUM** ~~CONFIDENTIAL~~

Fr: Harold Ickes
Da: July 13, 1994
Re: Preliminary List of Scheduled and Proposed Health Care Activities for the Period of 10 July to the August Recess.

**PHASE ONE: July 10 through July 25**

**Legislative context:**

Committee action complete. Leadership in both chambers crafting floor legislation.

**Audience:**

Congressional: From now until Senator Mitchell presents his bill, key moderate Democrats will be deciding whether or not to sign onto non-universal proposals. Some are already making calculations that non-universal/incremental proposals are "more reasonable and affordable" and are, therefore, the wise political and policy choice. We must convince them that non-universal bills are, in fact, bad policy and bad politics, and thereby increase their receptiveness to a universal bill.

National: Doubts about the Clinton Plan and confusion generated by the Congressional Committee process has left the public thirsting for the President to (1) indicate he has heard the concerns and is remedying the problems; and (2) show leadership by fighting for principles (universal coverage and the middle class).

**Goals:**

1. Herd moderate Democrats away from "non-universal solutions."
2. Recreate public urgency -- highlight "non-universal" threat to the middle-class.
3. Put the far right on the defensive -- attack the "non-universal" Dole Plan.
4. Redefine the Debate and the Plan.

**Message:**

Non-universal solutions are bad policy and bad politics because they help the poor at the expense of the middle class; and because they do not arrest spiraling health care costs that are destroying family, business, state and federal budgets.

*Bob Dole, and the proponents of incremental/non-universal reform, offer proposals that do more for the poor, but deny working Americans health security leaving them at the mercy of the insurance companies. Bob Dole claims his plan is more reasonable, but his non-universal approach raises insurance premiums putting an even bigger hidden health care tax on families and businesses.*

*The President and the Democrats are fighting to provide every American with health security they can never lose. The President's universal approach asks every American to contribute to the cost of their own coverage, ending cost-shifts from those who don't pay to those who do.*

**Methods:**

**Paid TV & Radio Ads (in targeted states)** by the DNC making the argument for universal coverage and against non-universal coverage; and by Farm Groups about the effects of the Dole Plan on rural America. *(scheduled)*

**5 Briefings and materials which outline and document the arguments** against non-universal reforms will be provided to the President, Vice President, the First Lady, Mrs. Gore, the Cabinet, the Economic Team, HHS officials, and other Department and White House senior staff . *(scheduled)*

**Pennsylvania Speech & Rally** with the President and Senator Wofford. *(scheduled)*

**NGA Speech & Visit with Jim Bryant in Boston** by the President. *(scheduled)*

**1-3 Radio Addresses** by the President. *(proposed)*

**Radio Talk Show Broadcasts from the White House** with participation from the President, Vice President, First Lady, Mrs. Gore, Cabinet and other senior officials and allies. *(proposed)*

**3 Regional Media Days (for 9 targeted states)** with briefings by the President and interviews with corresponding state opinion leaders. *(proposed)*

**3 White House Opinion Leader Days (for 9 targeted states)** with briefings by the Vice President, First Lady and Mrs. Gore. *(proposed)*

**Networks, Weekly News Magazine & National Daily Newspaper Editorial Boards** will be given the arguments against non-universal reform by the Vice President and First Lady. *(proposed)*

**Washington Speech to National Council of Senior Citizens** by the Vice President with a focus on the Dole Plan. *(proposed)*

**Larry King-style Debate** between the Vice President and Bob Dole. *(proposed)*

**82 Major Regional Editorial Boards (with special emphasis on target states)** will be given the arguments against non-universal reforms (in person or by phone) by the Cabinet. *(scheduled)*

**30-40 Major Washington Pundits** will be given the arguments against non-universal reforms by at 4 off-the-record breakfast briefings by Sec. Bentsen, Alice Rivlin, Laura Tyson, and Bob Rubin. *(proposed)*

**3 Washington Speeches** by Sec. Bentsen, Laura Tyson and Alice Rivlin. *(proposed)*

**10 White House News "Tongs"** will be given the arguments against non-universal reforms by Leon Panetta, Harold Ickes and Pat Griffin. *(scheduled)*

**Satellite & Radio interviews (in targeted states)** by the Vice President, First Lady, Mrs. Gore and Cabinet members. *(proposed)*

**Study Release on Failure of Dole-style Incremental Reform on the State Level** by the Health Care Reform Project -- compares incremental reform states ( Iowa and South Carolina) with universal reform state (Hawaii). *(proposed)*

**Press Conference on Dole Plan Effects on Seniors** by Senators Rockefeller and Pryor and Seniors' Groups. *(proposed)*

**Press Conference on Dole Plan Effects on Rural America** by Senators Daschle and Harkin and Farm Groups. *(proposed)*

**Press Conference on Dole Plan Effects on Premium Costs** by Senators Bradley and Baucus. *(proposed)*

**Study Release and Press Conference on Dole Plan Unfunded Mandate** by Senators Simon and Mosley-Braun and AFSME. *(proposed)*

**Study Release on Overall Effects of Finance Committee bill** by Families USA. *(proposed)*

**Study Release and Press Conference on Pepsico Profits Under Employer Mandates in Europe** by the Health Care Reform Project. *(scheduled)*

**Events in Iowa and New Hampshire on the Effects of the Dole Plan on Seniors** by the Long-term Care Campaign, etc. *(proposed)*

*The following speech would cap all the preceding events.*

**Joint Session Speech**. The preceding events should have effectively impeached non-universal proposals as anti-middle class and generally unworkable and driven key moderate Democrats away from these proposals. The President would take the national stage to introduce the "new and improved" approach -- all the principles, but not the unpopular features, of the original Clinton Plan. This would (1) reassure that public concerns had been heard and changes had been made; (2) provide clarity by redefining and elevating the debate; and (3) show leadership by defending principles and the middle class. The speech would provide the final push toward the universal solution to be presented by Senator Mitchell 3-5 days later. *(proposed)*

**PHASE TWO: July 25 - August Recess**

**Legislative context:**

Floor consideration in the Senate and House. Late in July, the crime bill is expected to pass, and Whitewater hearings will begin.

**Audience**:

Senate and House targets and the national public

**Objectives**:

1. Early validation of the President's new approach by key opinion makers.
2. Passage of a universal bill in both Houses.

**Message**:

Every American deserves what we have -- guaranteed private insurance that can never be taken away.

**Methods**: *(all below proposed)*

**Paid TV & Radio Ads** by the DNC and HCRP asking Congress to give every American what they have.

**ADA Speech & Rally** with the President at the White House.

**Health Security Express Rally in Independence, MO** with President, Vice President, First Lady and Mrs. Gore.

**Health Security Express Rally in Northern New Jersey** with the President.

**Health Security Express Rallies in Portland, OR and Boston, MA** with the First Lady.

**Health Security Express Ride through southern state(s)** with the Gores.

**Health Security Express Arrival Events** with the President, Vice President, the First Lady and Mrs. Gore at the Capitol.

**Health Security Express Events** with Cabinet members along various routes.

**Cosponsors Events** with the Gores at their residence.

**Meetings & Phone calls (targeted members)** by Cabinet members.

**Constituency Days** with all the major allied groups at the White House with follow-up events on Capitol Hill.

**Release of Letter by Leading Economists.**

**Opinion Leader and Regional Media Days (targeted states).**

**Phone, mail & events in targeted states/districts** by allied groups.