Business Roundtable HC

OFFICE OF PUBLIC LIAISON

TO: HAROLD ICKES
ALEXIS HERMAN
IRA MAGAZINER
JACK LEW
CHRIS JENNINGS
MARINA WEISS

FROM: CAREN WILCOX

DATE: AUGUST 2, 1994

RE: BUSINESS ROUND TABLE

I received the attached today from a member of the BRT. The BRT held a major meeting today to discuss this effort. I will try to get the results as soon as possible.

The Business Roundtable

1615 L Street, N.W.
Suite 1100
Washington, D.C. 20036-5610
(202) 872-1260 FAX (202) 466-3509

Samuel L. Maury
President

Patricia Hanahan Engman
Executive Director

July 15, 1994

TO THE MEMBERS OF THE BUSINESS ROUNDTABLE

The Congressional debate surrounding health care reform will rapidly escalate in the next several weeks. While much of the debate centers around the macro issues, the underlying layer contains many issues that will materially influence our ability to provide quality health care for our employees and will dramatically increase our costs.

We will lose on these issues unless we embark upon an aggressive program to make our voices heard on the Hill. An ad hoc group consisting of myself, John Ong, and the chairs of the Health, Budget and Tax Task Forces have prepared the attached statement for your use. We will issue a press release on Monday and Bob Winters will be sending you packets of lobbying material next week. We will need to be fully engaged to impact the debate.

Sincerely,

John W. Snow

cc: Washington Representatives
Public Information Executives

The Business Roundtable

John W. Snow
Chairman

Charles A. Corry
Cochairman

Richard J. Mahoney
Cochairman

Robert C. Winters
Cochairman

Edgar S. Woolard, Jr.
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Samuel L. Maury
President

Patricia Hanahan Engman
Executive Director

July 22, 1994

As a follow-up to John Snow's letter to you last week, I have enclosed packets of lobbying materials for your use on health care reform.

We need to have our voices heard in Washington immediately. All of the bills reported out of the committees have provisions that will:

- Increase our costs of providing health benefits to our employees through changes in ERISA and managed care provisions;
- Increase our costs of doing business through tax increases; and
- Increase the budget deficit through shortfalls to pay for new subsidies or provide new benefits.

In addition to the direct increases in costs cited above, all of the bills either exempt small businesses from a mandate or provide them with additional subsidies over and above the deductibility of the plan.

JUL 28 1994

As you can see, we have our work cut out for us. We need you to call or visit your senators and congressional representatives over the next week. Specifically, we would like you to contact

The message we urge you to deliver is set out in the enclosed "General Talking Points" memorandum. We have also enclosed one pagers on each of the specific issues for background information. We recommend you have your Washington representative follow up with the Congressional staff of the offices you call using these one pagers.

Please use the enclosed "Lobby Report Form" to let us know the results of your call or have your Washington representative call Tom O'Hara (202) 293-1676, of my staff, or Pat Engman (202) 872-1260 at the Roundtable.

Sincerely,

Robert C. Winters
Chairman, Health, Welfare &
Retirement Income Task Force
Chairman and CEO
The Prudential

Enclosures

THE BUSINESS ROUNDTABLE
STATEMENT ON HEALTH CARE REFORM

The Business Roundtable recognizes both the importance and the complexity of improving the health care system in this country.

The goal of health care reform in an employer-based system is to provide the opportunity for all employers, both large and small, to make available cost-effective, quality care to their employees with the security that it will be there when needed. Large employers have helped to bring market forces into health care by negotiating lower cost plans, by making employees active participants in health plan decisions, by giving employees the incentive to select the least costly plans and by asking employees to share in the cost of health plans. We have worked hard to bring health care costs under control while maintaining quality. We have done all this while improving employee satisfaction and providing security.

The Roundtable believes that Congress can achieve reform that builds on current market trends. We believe passage of a bipartisan bill that:

- provides small business greater access to quality, cost-efficient care through purchasing pools
- reforms the insurance marketplace
- grants subsidies to low income individuals
- provides tort reforms to address medical liability
- provides national standards for quality, data collection and a basic package of defined services

will go a long way toward building a better health care system.

While the opportunity is there for Congress to adopt these measures, the Roundtable is concerned over the direction of the bills under consideration. We are concerned that they will jeopardize jobs and hinder economic growth by adding costs to large employers.

Based on these concerns, the Roundtable will oppose legislation that:

- puts large companies at a competitive disadvantage by increasing the cost of providing health coverage to our employees;

- treats employers of different sizes inequitably. We object to the imposition of requirements (taxes or employer mandates) based on the size of the employer. New costs hurt large employers and their employees as much as they hurt small business. Proposals that impose requirements based on the size of the employer will create an unfair competitive situation;

- changes ERISA to deny federal uniform laws and instead allow states to tax or regulate our plans or subject health plan operations to lawsuits for compensatory and punitive damages due to legitimate claim denial;

- reverses the cost containment mechanisms achieved through managed care which have allowed us to control our overall health care expenditures. For example, provisions that require health care plans to accept "any willing providers" have been documented to substantially increase costs and will likely reduce plans' abilities to ensure quality;

- threatens jobs by placing new taxes on employment such as payroll taxes or any bill that jeopardizes the full deductibility by employers of the cost of providing health care coverage to employees;

- jeopardizes the well being of the country because it is based on faulty financing which will increase the deficit. We encourage Congress to make realistic appraisals of cost tied to clearly identified sources of funding which come from general revenues not from payroll taxes, taxes on private plans, or cuts that will lead to cost-shifting.

We believe the country could be missing an opportunity for meaningful health care reform this year. The Roundtable urges Congress to work for passage of a bipartisan bill.

The Business Roundtable CEOs are committed to being actively engaged in the process during this critical time. We are ready to work with individuals from both sides of the aisle and the Administration to help generate the support necessary to get the job done. The Roundtable believes Congress can pull together to pass meaningful, bipartisan legislation this year.

July 18, 1994

GENERAL TALKING POINTS

One of the basic tenants of all the health reform proposals is to address the escalating costs of our health care system. From a large employers perspective the current bills being considered all fail in this respect.

- Over the last several years large employers have taken steps to bring market forces into health care by:
  - Negotiating with providers to reduce costs and increase quality.
  - Involving employees as active participants in health plan decisions.
  - Giving employees incentives to select the least costly plans.
  - Asking employees to share in the cost of health plans.
- We have worked hard to bring health care costs under control while maintaining quality. We have done all of this while improving employee satisfaction and providing security for our employees.
- The bills under consideration have provisions that will completely undermine the positive cost containment and quality controls we have put in place.
- In addition to reversing the market mechanisms we have established to control costs and quality, most of the bills actually increase our costs by adding new taxes and increasing burdensome regulation at the federal and state level.
- Large employers will strongly oppose any bill that increases our costs of providing health benefits to our employees, threatens the quality of care, increases our costs of doing business, or increases the deficit.
- The following specific provisions will be opposed:
  - ERISA changes that allow states to regulate or tax self-insured plans.
  - ERISA changes that allow contemporary and punitive damage suits for claim denials.
  - Managed care changes that limit or restrict market-driven cost containment.
  - Tax increases including the limitation of the tax deduction for health benefits, payroll taxes or high cost premium taxes.
  - Differentiating requirements (such as mandates or taxes) based on the size of an employer that increases cost-shifting.
  - Underfunding of new benefits or subsidies that will increase the deficit.

ERISA AND NEED FOR NATIONAL UNIFORMITY

Issue

The Employee Retirement Income Security Act of 1974 (ERISA) allows self-insured employers to maintain uniform health benefit plans under a single set of rules -- regardless of where they do business or how many states their workers and retirees reside in.

The bills before Congress provide an increased state governance and control of health care. Some bills allow states to create single payer systems and waive the ERISA pre-emption. Such bills would permit states to create their own health care system, including the option for a single payer system, and to waive the ERISA pre-emption. These bills would provide states with increased control over self-funded plans, including the ability to tax them.

Talking Points

- It is critical that Congress preserve ERISA pre-emption of state benefit laws. The pre-emption has allowed large, multi-state employers to lead the nation in controlling health costs, while preserving choice and improving quality.
- Erosion of ERISA protections would subject large employer plans to state-by-state variations in benefits, financing, rate setting, or other payment schemes. The result would be severe limits on employers' ability to control costs and to continue providing the same level of benefits to employees in different states. Some employers might be forced to relocate to avoid onerous requirements or costs.
- Allowing each state to design and implement its own system would significantly increase regulation. In contrast, relying on national uniform standards would ensure that purchasers and providers would be treated equally -- regardless of their location.
- National uniform standards are essential to:
  - Reducing the administrative cost burdens of regulation borne by purchasers, providers, and taxpayers.
  - Guaranteeing that all employees working for the same employer receive similar benefits; cost containment is implemented throughout the country in a similar fashion; cost shifting from one location to another is limited.
  - Providing a consistent environment to foster innovation and experimentation. The high overhead from 50 sets of different rules would impede creativity and innovation.

ERISA AND COMPENSATORY AND PUNITIVE DAMAGES

Issue

The Employee Retirement Income Security Act of 1974 (ERISA) currently provides employer health plan participants with the right to a full review of a disputed claim by the named plan fiduciary. The participant also has the right to appeal the review in court. ERISA does not permit compensatory and punitive damages.

Provisions included in the health care reform bills reported out of the committees in the House and Senate would substantially increase the cost of health care by allowing unlimited compensatory and punitive damages, as well as expanding the rights of plan participants to challenge a claim or utilization review decision in court.

For example, the Senate Labor Committee has reported provisions sponsored by Senator Metzenbaum that would allow "any person who is aggrieved" by the wrongful denial of a benefit claim to sue the health plan in state or federal court for unlimited punitive and "pain and suffering" damage awards.

Talking Points

- Congress, the states, employers, and individuals are all struggling to find ways to control costs. The prospect of unlimited damages will only exacerbate the cost problem by creating new litigation, settlement, defensive medicine, and malpractice insurance costs. All parties, especially consumers, will be hurt by cost increases.

- Allowing compensatory and punitive damages penalizes employers that provide coverage and discourages those that don't from doing so.

- Inducements to litigate are the worst way to resolve claim disputes. The potential for "lottery size" damage awards will stimulate unneeded litigation.

- The fear of litigation may undermine managed care and utilization review programs that have proven effective in controlling costs and improving quality.

- Eliminating the current uniform federal rules for resolving claim disputes in favor of inconsistent state and federal remedies will add needlessly to the administration and cost of health plans.

MANAGED CARE - CONTROLLING HEALTH CARE COSTS

Issue

Health plans must be able to manage care if employers are to successfully contain health care costs and provide quality care for their employees. But several provisions in bills passed by House and Senate Committees would severely limit the ability to manage care by:

- Mandating contracts with any willing provider and essential community providers.
- Weakening anti-trust rules for providers.
- Mandating point of service options.

Talking Points

Any willing provider and essential community provider will:

INCREASE COSTS BECAUSE ...

- Practitioners will no longer need to compete in order to join managed care networks and fees will rise. A June 1994, Atkinson and Company actuarial study reports these factors will raise HMO premiums by between 9.1%-28.7%.

- Networks will no longer be able to assure the volume of business necessary to generate fee reductions to a smaller, select group of physicians and other related businesses such as pharmacies.

- Cost of credentialing and recertification of practitioners will increase.

REDUCE QUALITY OF CARE BECAUSE ...

- Managed care plans would be forced to accept unneeded providers and would no longer be able to effectively monitor practice patterns, improve the quality of care, reduce the incidence of unnecessary medical procedures and determine the most appropriate mix of skills from the best qualified physicians.

LIMIT CHOICE BECAUSE ...

- These provisions eliminate the right of individuals and companies to choose the system they want, including closed panel HMOs.Eighty-three percent of America's 90 million HMO members report satisfaction. Seventy-nine percent of non-HMO members report satisfaction.

I agree with the April 11 New York Times editorial which concludes:

"Any willing provider provisions... would strike a terrible blow against cost containment and quality control for patients in whose name reform has been proposed."

WEAKENING ANTI-TRUST LAWS WILL:

- Undermine managed care by creating the possibility of physician boycotts, provider specialist monopolists, and price fixing.

- Competition among providers and health plans is bringing health costs under control. Relaxation of anti-trust laws will endanger this process.

MANDATING POINT OF SERVICE OPTIONS FOR ALL PLANS WILL:

- Add to claim and administrative costs, and limit the ability to monitor the quality of care.

The Business Roundtable

ANTI-MANAGED CARE PROPOSALS

The Business Roundtable is opposed to any legislation which hinders the ability of our member companies to continue their efforts to successfully contain health care costs and enhance the quality of health care delivered to their employees. Legislation which mandates that managed care plans accept any willing provider, or use "essential medical services" compels those networks to admit any provider willing to accept the terms of participation. The result will be increased costs to business and loss of U.S. jobs because such anti-managed care proposals undermine the proven managed care advantage of delivering the highest quality care at the least possible cost. In addition, quality of care will be reduced and consumer choice will be limited.

Increase Costs:

A June 1994 study released by Atkinson & Company, a group led by a former member of the Clinton Health Care Task Force, estimated that the anti-managed care requirement of any willing provider could raise HMO premiums by between 9.1% and 28.7%. This means the average cost to the typical consumer family would be increased from $408 - $1,284 each year. Since Business Roundtable companies are increasingly committed to providing quality managed care for our employees, for many this will be a new and direct cost; one which U.S. companies should not be compelled to accept.

These increased costs are the results of a number of factors. For example, under any willing provider, practitioners will no longer need to compete for a position in a managed care organization. Therefore, fees will rise. Also, requiring a network to accept all practitioners will eliminate that group's ability to assure a certain volume of business to the more limited number of providers and, in turn, end the negotiation of lower fees. In addition, provider networks must credential and periodically recertify all providers in their network. This adds a cost to the network -- and subsequently to business-- for each provider in the network.

Reduce Quality:

More importantly, any willing provider and similar ideas such as essential community services compromise quality of care available to Americans. In order to provide high quality managed care, organizations develop networks of select numbers and types of providers. Under any willing provider mandates, health plans would no longer be in a position to determine the most appropriate mix of skills spread among only the best qualified physicians. They would be forced to accept unneeded providers thus inhibiting the network's ability to monitor provider practice patterns, improve the quality of care and reduce the incidence of unnecessary medical procedures.

Limit Choice:

Finally, while any willing provider proposals address the immediate financial needs of a limited community of practitioners, they ignore the rights of Americans to choose a higher quality and efficient option to improve the type of managed care available to them. The 90 million managed care members are happy with their choice. Eighty-three percent of HMO members report being satisfied with their choice of physicians. Seventy-nine percent of non-HMO members report satisfaction with their choice.

Therefore, it is no surprise that a recent New York Times' editorial concluded that "Any-willing-provider provisions ... would strike a terrible blow against containment and quality control for patients in whose name reform has been proposed."

For these reasons, The Business Roundtable supports Congress' decision in the early 1970's when, in the Federal HMO Act, Congress pre-emoted state "any willing physician" statutes for federally qualified HMOs and urges that such a provision be included in any health care reform legislation.

TAX INCREASES

Issue

A number of the bills under consideration in Congress would impose a disproportionate share of the burden for financing reform on Roundtable companies -- the very companies that have led in providing cost-effective care to their employees.

Such proposals include payroll taxes that apply only to large firms and limits on an employer's ability to deduct health care costs. Placing a limit on the employer's deduction is currently being discussed in the House as a means to finance reform. In the Senate, the Bradley amendment would place a 25 percent excise tax on so-called high-cost health care plans.

Talking Points

- Most BRT companies are already paying inflated prices for health care because of cost-shifting from underfunded public programs and individuals without adequate health care coverage. (A Lewin-ICF study concluded these factors can account for up to 28 percent of some firms' spending on health care.) Imposing a tax on these costs is equivalent to double taxation.

- Limiting the dollar value of deductions will have adverse demographic consequences. Factors such as age and health correlate to higher costs; it is more expensive to provide the same benefit package to some workers than others.

- Taxing the cost or value of benefits exceeding an established minimum penalizes companies offering important services such as adult dental care, vision care, and mental illness treatment.

- Studies suggest that taxing health benefits will not discourage over-consumption of medical services, but instead will shift more of the nation's health care bill onto the middle-class and their employers.

- The Roundtable has testified that employers' costs of providing health insurance for employees should remain fully deductible under traditional principles of tax policy for corporate taxation.

- Large firms cannot afford to assume an increasingly larger share of the burden of financing health care without threatening jobs.

- The Roundtable recommends broad-based general revenue strategies to finance health care reform, in the event that additional funds are required.

INEQUITABLE TREATMENT BASED ON EMPLOYER SIZE

Issue

Through cost shifting, the current health care system places significant burdens on employers that already provide health care coverage. Several Committee-passed bills would exacerbate this problem for large employers by placing greater financial or competitive burdens on large firms than on small firms.

Such burdens include employer mandates with different provisions for different size employers (bifurcated mandates), taxes on large employers, maintenance-of-effort provisions, and providing greater subsidies and tax credits for smaller employers.

Talking Points

- Differentiating requirements based on the size of an employer increases cost shifting to large employers, who already bear a disproportionate share of health costs voluntarily. According to a recent study, a "bifurcated" mandate would add 34 million people to the ranks of those covered by large employers. At the same time, small firms would insure 3.6 million fewer people.

- Imposing different requirements, or creating differing subsidies, would hurt large employers competing in the same marketplace. In many markets, large and small firms compete for the same business. Mandating coverage for large firms while providing exemptions, subsidies or credits for smaller firms gives small firms an unfair competitive advantage. Two competing stores or firms -- one locally-owned and one national -- would have vastly different costs.

- Different treatment by employer size gives an unfair advantage to small firms in the job market. Small employers would be able to pay higher wages, because they would not have to pay for health benefits. This would undermine the ability of large firms to attract and retain qualified employees. The CBO estimated that the Clinton plan would move 1.6 million jobs from large to small firms.

- Maintenance of effort requirements punish companies that have provided generous benefits in the past by exacerbating the unfair competitive situation between these firms and their competitors. Large employers with established benefit levels would be locked into providing such benefits while small firms with limited benefits would have the flexibility to change according to their competitive situation.

HEALTH CARE FINANCING

Issue

The Business Roundtable supports the goal of health care reform, but is concerned that the various measures under consideration are based on faulty financing and will increase the federal budget deficit. The Roundtable encourages Congress to fashion realistic financing mechanisms which clearly identify sources of funding derived from general revenues. The Roundtable opposes financing mechanisms which increase the deficit or are premised on payroll taxes, taxes on private plans, or cuts that will lead to cost shifting.

Talking Points

- **Health care reform means being honest about the cost of benefits and who will pay for them.** Realistic funding is needed in any reform effort since health care impacts 15 percent of the economy. Congress owes it to Americans to finance this reform through mechanisms that will work. To do less is inexcusable.

- **Health care reform must not increase the federal deficit.** Each proposal under active consideration actually increases the federal deficit. This is unacceptable. Real reform must do more than reallocate resources within current unaffordable spending priorities. In the long run, deficit reduction should be the ultimate goal of health care reform.

- **Health care reform proposals should not be financed by payroll taxes, taxes on private plans, or cuts that will lead to cost shifting.** In 1991, business spent almost as much on health care for their employees as they earned in after-tax profits for their shareholders. Imposition of new payroll taxes on employers or new taxes on "high cost" plans simply shifts costs from one payer to another, and penalizes employers already providing coverage.

- **Health care reform financing should come from general revenues.** If our goal is to provide care for the uninsured and the poor, the expense for doing that should not be borne only by large employers and their employees. If coverage for health care is to be expanded, the extent that additional funds are required, broad based general revenue sources should be considered.

The Business Roundtable

THE BUSINESS ROUNDTABLE
LOBBY REPORT FORM
HEALTH CARE REFORM

Please provide the following information and return by fax to 202-466-3509.

ROUNDTABLE COMPANY REPORTING:_____

MEMBER OF CONGRESS:_____

STAFF CONTACT:_____

POSITION ON HEALTH CARE REFORM:_____
_____
_____
_____

POSITION ON ERISA DAMAGES:_____
_____
_____

POSITION ON ERISA UNIFORMITY:_____
_____
_____

POSITION ON MANAGED CARE ISSUES:_____
_____
_____

ANY WILLING PROVIDER:_____
_____

ANTITRUST:_____
_____

MANDATED POINT OF SERVICE:_____
_____

POSITION ON NEW TAXES-IMPACT ON DEFICIT:_____
_____

POSITION ON TREATING EMPLOYERS DIFFERENTLY BY SIZE:_____
_____

FOLLOW-UP REQUIRED:_____
_____
_____

THE BUSINESS ROUNDTABLE CONTACTS:

PAT ENGMAN/SAM MAURY (202) 872-1260
TOM O'HARA (THE PRUDENTIAL) (202) 293-1676

Wall Street Journal - 7/21/94

A New Headache

In Health-Care Debate, Small Business Benefits At the Expense of Big

Large Corporations, Facing Higher Costs, Are Souring On Support for Reform

Little Firms, Mighty Lobbies

By Hilary Stout
Staff Reporter of The Wall Street Journal

WASHINGTON – For businesses, the health-care debate has become a contest between David and Goliath.

David is winning.

As Congress begins the final effort to design a new health-care system, all four plans it is considering impose sharply higher costs on big business than on small. Consequently, major employers who once supported health-care reform as a way to contain their soaring costs are threatening to turn against it. If big business actively opposes the bills that come before the full House and Senate, the chances of passing any health-care package will plummet.

The Business Roundtable, a group of chief executives of the nation's largest corporations, said this week that it won't support any measure that imposes different tax and employer-contribution requirements on small and large businesses. "The larger companies in the country under some of these proposals stand a real chance of being adversely affected," says John Snow, chief executive officer of CSX Corp., the Richmond, Va., railroad company, who is the roundtable's chairman.

White House Assurances

One day after President Clinton said that covering "95% or upwards" of the American population was what he aimed for in health-care reform, the White House scrambled to assure its allies that it still is committed to universal coverage. Article on page A3.

Ford Motor Co. is an example. It had hoped to be a winner in health-care reform. The Detroit auto maker has been spending $1.4 billion a year – 21% of its payroll – to provide medical coverage to its workers and retirees. In the process, it has been helping subsidize the care of people without health insurance. Any system that expands coverage and restrains medical costs should help the company.

But Ford has been distributing charts on Capitol Hill depicting the company's fate under the major health-care bills in Congress. Ford says it actually stands to lose, and lose big, under many of the compromise proposals. It says its spending on health care could rise as much as 14%.

A big reason is small business. Congress and the White House are engaged in an intense effort to come up with a plan that satisfies the small-business lobby, which has balked at the idea of making employers pay part of their workers' health-insurance premiums. So loud, so angry and so organized have small-business groups been in opposing employer mandates that lawmakers believe they have to lighten the burden on little firms to get a health bill through Congress.

Disparate Voices

Whether the health-care legislation before Congress meets President Clinton's goal of universal coverage or a less-ambitious aim of expanded coverage, the main issue is: Who pays? It looks increasingly likely that if small business isn't going to, then big business probably will.

For all their wealth and power, big businesses haven't been very effective in the health-care debate. While small-business groups have pounded away with a single message – no employer-mandated coverage – big business has spoken with a fragmented voice on a variety of issues.

"The small-business community simply has one issue they need to work on," says Jim Klein, executive director of the Association of Private Pension and Welfare Benefits. "For big businesses to come out as net winners in this debate, we need to have a whole lot of other things: federal uniformity of rules, defeat of anti-managed-care provisions, financing that is not payroll taxes on top of premium requirements."

And big business isn't even united on the employer-mandate issue. While most large corporations provide benefits to their employees, some oppose a mandate on philosophical grounds. And large companies have lists of concerns so specific to their industries that health-care reform has taken a secondary spot on many a CEO's Washington agenda.

No Dispute

The mad political scramble to mollify local entrepreneurs is coming directly at the expense of big companies like Ford. These are the very companies that have been providing comprehensive health benefits to their employees through decades of spiraling medical costs. And these are the companies that have been victims of the "cost shifting" that comes when hospitals and doctors pad paying patients' charges to compensate for the treatment they give to the uninsured.

In the health-care debate, few people have disputed the notion of giving small employers some special assistance. President Clinton, in fact, started the idea by proposing subsidies to help some firms – those that have fewer than 75 workers and pay average annual wages of less than $24,000 – cope with his proposal that employers pay 80% of workers' health-insurance premiums.

Under the president's plan, the littlest and lowest-wage companies would pay no

Please Turn to Page A3, Column 1

Wall Street Journal - 7/21/94

A New Headache: In Health-Care Debate, Big Firms Are Facing Higher Costs and Souring on Reform

Continued From First Page

more than 3.9% of payroll for worker health costs. Firms with more than 5,000 employees, on the other hand, would pay as much as 7.9% of payroll for the basic benefits package. If they decided not to participate in the new national system, they would pay a 1% payroll tax on top of worker health costs.

But Congress has since taken the idea of helping small firms to a new extreme:

- The bill approved by the Senate Labor and Human Resources Committee asks businesses of fewer than six workers to pay a 1% payroll tax to guarantee their workers' health coverage; firms of six to 10 employees would pay 2%; and companies of 1,000 and more workers would have to pay a 1% payroll tax *and* 80% of their employees' health-insurance premiums.
- A similar bill cleared by the House Education and Labor Committee would require businesses of fewer than 25 workers to pay no more than 2% of payroll for their employees' health insurance. Firms with more than 1,000 workers would pay 80% of each employee's premium plus 1% of payroll.
- The bill adopted by the House Ways and Means Committee would establish a tax credit for low-wage companies with fewer than 26 employees, which would reduce their contribution for worker health insurance to as little as 40% of the premiums. Large companies would pay 80%. It also contains a provision that infuriates large firms: requiring many health-maintenance organizations and other managed-care networks to accept any doctor or hospital that agrees to the group's operating rules. Managed care has been the key to most large corporations' control of medical costs, and they fear that allowing any provider to join a network would undermine that control.
- The bill passed by the Senate Finance panel would tax high-cost health-insurance plans, including those underwritten by companies themselves. Many big concerns believe this would disproportionately affect them. (The panel voted down a proposal from its chairman, Daniel Patrick Moynihan of New York, that would have levied a 1% payroll tax on firms with more than 500 workers.)

Most of the committee bills also contain provisions granting states flexibility to establish their own health systems. Big companies fear that such measures would eliminate an exemption from state health-insurance regulations that many multistate employers now receive, ultimately subjecting them to new state taxes to pay for new health systems.

Lighter Burdens

Currently, the congressional leadership is working to marry elements from the committee bills into one piece of legislation to take to the floor of each chamber. Though no final decisions have been made, it seems certain that the legislation will contain lighter burdens for small companies than for large.

But in kowtowing to small employers, lawmakers are provoking a backlash from big ones. "We are at a critical juncture for large companies," says G. Lawrence Atkins, staff director of the Corporate Health Care Coalition, a Washington group of about two-dozen huge companies that support universal health coverage through an employer mandate.

"It's unreasonable to impose new taxes or assessments on those who already pay for the millions of uninsured Americans through cost shifting, if the Congress is unwilling to impose any obligations on employers and individuals who now pay nothing," the group said in a letter to Mr. Clinton this week. And last month, the Business Roundtable in Washington sent a letter to each member of Congress bemoaning "a perception that added costs don't hurt the large employers."

Some members of Congress are beginning to pick up big business's cry. During the Finance Committee's debate, for instance, Republican Sen. John Danforth of Missouri argued that plans that differentiate between large and small concerns are both unfair and unwise. "Businesses will be treated increasingly worse as the size of the business goes up," he said. "What it says to business is, 'Don't grow.' "

One of the biggest nightmares for large corporations is that split rules will effectively codify the cost shifting that health-care reform is supposed to wipe out. "What we fear is if you start exempting large numbers of employers or have their contributions be unreasonably low and end up subsidizing them by taxing [larger] companies . . ., you've just ended up putting cost shifting into law," says Walter Maher, director of federal relations for Chrysler Corp., one of the earliest corporate supporters of a health-care overhaul.

Economic Justification?

Stepping back from the political jostling, many economists don't see much justification in giving small business a break. "There is no good economic reason to subsidize small business," asserts Mark Pauly, chairman of the health-care-systems department at the University of Pennsylvania's Wharton School of Business and Finance. "I don't know the reason rather than raw lobbying power." Mr. Pauly favors a market-based solution to the nation's health-care problems.

Ted Marmor, a professor at the Yale School of Management who advocates a government-run, taxpayer-financed health system, contends that requiring lesser contributions for small businesses would create distortions in the economy and discourage employment at larger firms.

Owners of mom-and-pop companies argue that heaping on additional employment costs would discourage them from adding jobs and raise the prices of their products and services. Mr. Pauly isn't bothered by such additional costs. "Some products ought to be produced and priced [at what they're worth]. . . . they're produced in a small enterprise or large ought to be irrelevant."

The Corporate Health Care Coalition's Mr. Atkins is more blunt: "International companies that have to be in competitive world markets should not be in the position of subsidizing domestic consumption of pizza and dry cleaning."

For its part, the White House refuses to do anything other than express sympathy for the plight of small companies. "Small employers don't offer health insurance now because they can't afford to," says Alice Rivlin, director-designate of the Office of Management and Budget, and "making it more affordable for these businesses" is essential to health-care reform.

Sometimes a Small Notion

Official Washington's conciliatory treatment of small business reflects a powerful aura that has grown up around small companies: They have become almost as sacred as Mom and apple pie. As large companies like International Business Machines Corp. and General Motors Corp. undertook highly publicized layoffs in recent years, the notion has arisen that small business is the job-creating engine of the U.S. economy.

But a recent Census Bureau study debunks this idea. While small businesses hire at a faster rate than medium and large concerns, they also eliminate positions at a far more rapid rate. Also, jobs at small businesses generally aren't as desirable as those at large corporations, where there are greater chances for promotion.

In the end, CSX's Mr. Snow says big companies aren't seeking huge gains through health-care reform anymore. Instead, they are trying to cut their losses. "We are involved in a lot of damage control," he says, "because we see genuine risks that the well-intentioned goal of [expanding health coverage] could backfire on us and create a Frankensteinian monster which erodes our ability to provide better health care and erodes our ability to control our costs."

Adds Ellen Goldstein, director of federal government relations for General Electric Co.'s medical-systems unit: "If we lose on this issue, one must conclude that no good deed goes unpunished."

Alamco's Property Acquisition

CLARKSBURG, W. Va. – Alamco Inc. said it acquired from private parties certain gas and oil properties with 63 wells in southeastern Kentucky for $2.54 million in cash.

In an unrelated transaction, the company said it reached an agreement in principle with the general partner of a number of limited partnerships to acquire for $3.81 million in cash all the partnerships' interest in 114 West Virginia gas wells. Currently, 102 of the wells are operated by Alamco.

The company will finance the acquisitions with funds available under its revolv-