

Harold Ikes

THE WHITE HOUSE
WASHINGTON

May 2, 1994

HEALTH CARE CONSTITUENCY DAY BRIEFING - SMALL BUSINESS

DATE: TUESDAY, MAY 3, 1994
TIME: 9:00 AM - 10:30 AM
LOCATION: 450 OEOB
FROM: ALEXIS HERMAN
MARILYN DIGIACOBBE

I. Purpose

To educate small business owners on the benefits of the President's health care plan, so that upon leaving they are prepared to support health care organizational activities in their state, and serve as advocates in their communities and within their professions on behalf of health care reform.

II. Background

This is one in a series of constituency day programs designed to educate key activists about our health bill, generate regional media and offer an alternative focus as the legislative process moves into a confusing and volatile phase.

Approximately 200 small business owners from around the country will participate in today's briefing. They are drawn from the Office of Public Liaison, the Democratic National Committee, The Small Business Coalition for Health Care Reform, and the Health Care Reform Project.

The largest contingent is from The Small Business Coalition for Health Care Reform ("Coalition") which includes:

American Consulting Engineers Council
American Institute of Architects
American Society of Interior Designers
Architects/Designers/Planners for Social Responsibility
Business and Professional Women
Institute of Business Designers
Institutional and Municipal Parking Congress
National Association of Chain Drug Stores
National Association of Retail Druggist
National Council of Non-Profit Associations
National Farmers Union
Owner-Operator Independent Drivers Association

The "Coalition" is chaired by the National Association of Chain Drug Stores, represented by Phil Schneider, and the National Association of Retail Druggists, represented by Todd Dankmeyer. They have been working to launch a coalition with a minimum of 10 national associations and 100 individual small businesses which they will announce later in the day on Capitol Hill with House Majority Leader Gephardt (D-MO), Rep. John LaFalce (D-NY), Chairman of the Small Business Committee and other members. In addition to today's announcement, the coalition has prepared printed material which they will distribute, and they have hired the Dewey Square Group, Michael Whouley's firm, to do grassroots organizing for them.

In addition to the National Association of Chain Drug Stores and the National Association of Retail Druggists, the two associations who have already been extremely helpful to us with events both in Washington and around the country, are the American Institute of Architects and the Owner-Operator Independent Drivers Association. David Ivey, president of the Institutional and Municipal Parking Congress, was a high school classmate of the President in Hot Springs.

III. Participants

200 Guests
The Vice President
Harold Ickes
Erskine Bowles
Alexis Herman
Bob Boorstin

IV. Press

There is a possibility that one print journalist will be in the room. We will not know for sure until tomorrow morning. 15-20 small business owners will be individually interviewed by local radio and television outlets later the same day.

V. Sequence of Events

(Briefing begins at 9:00 AM)

- o You are introduced into the room by Alexis Herman.
- o You make remarks.
- o You exit.

VII. Attachments

- o Agenda
- o List of Participants

AGENDA

Alexis Herman	Welcome and Introductory Remarks Introduction of Erskine Bowles
→ Erskine Bowles	Remarks
Harold Ickes	Remarks
Bob Boorstin	Remarks
The Vice President	Remarks

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Ms. Christine Banagan
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Pam Cohen Interior Design
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Ms. Sophia Collier
Working Assets Capital
Portsmouth, NH

Mr. Frank Cortez
Owner
Cal State Muffler and Brake Shop
Fresno, CA

Mr. William Cox
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President
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Mr. Michael J. Yenni
President
Jefferson Parish
Harahan, LA

Health debate gets down to 'very smallest' business

By Judi Hasson
and Richard Wolf
USA TODAY

President Clinton's plan to have every business shoulder most of workers' health insurance costs is being cast as a battle over jobs.

The issue: whether requiring companies to pay 80% of workers' premiums would force layoffs as bosses reduced payroll so they could cover the new costs.

On Thursday, the National Federation of Independent Business, representing 610,000 small companies, warned that the requirement would cost at least 850,000 jobs.

"The very smallest firms and ... the low-pay jobs are the first to go," said NFIB President Jack Faris. He said those laid off would be "disproportionately female workers, making less than \$10,000 a year and trying to support a family."

But three dozen large employers, including Ford Motor Co., Sara Lee Corp., Archer Daniels Midland Co. and Bethlehem Steel, sent a letter to Congress in support of employer-paid insurance.

"An employment-based system ... is an essential component of health-care reform," they wrote to Rep. Dan Rostenkowski, D-Ill., and Rep. John



By Bob Child, AP

BOWLES: Says small firms now get 'raw deal' on insurance

Dingell, D-Mich., chairmen of two key House committees.

The proposed requirement is a major stumbling block on Capitol Hill as those committees take up a revised version of Clinton's plan.

Now, neither the House Energy and Commerce Committee, chaired by Dingell, nor the House Ways and Means Committee, chaired by Rostenkowski, has enough Democratic votes to approve the mandate without further sweeteners for small business. Clinton's plan would give small, low-wage companies subsidies to help pay for their workers' insurance.

Treasury Secretary Lloyd Bentsen defended Clinton's plan: "I think there will be shifting of jobs, but not job loss."

Small Business Administration chief Erskine Bowles said two-thirds of NFIB members already insure their workers, and get a "raw deal" because they can't get price breaks on insurance enjoyed by big business. That would change with the Clinton plan, he said.

Economist William Custer of the Employee Benefit Research Institute minimized job losses, but said the real impact would be in lower raises as employers cover health costs.

Despite all the claims, some businesses remain unconvinced:

James Heiman, a grain company owner from Wichita, Kan., who met Clinton last week, said Thursday: "They haven't convinced me fully that we need a mandate. Businessmen like myself are afraid."

And Herman Cain, president of Godfather's Pizza Inc., who challenged Clinton's figures at a Kansas City meeting last week, sent the White House his own estimate that his company's health costs would increase by \$1.7 million a year, which would require a 16% to 20% sales increase to cover.

► Health costs falling, 1B

Bonus: Background checks turn up criminals

By Debbie Howlett
USA TODAY

Five days after the Brady handgun law went into effect, Robert Delariva tried to reclaim his handgun at a Reno pawn shop.

He filled out a form and the clerk entered the information on a computer for the background check as required by the new law. The police showed up minutes later and busted him on a felony warrant for writing bad checks.

Delariva, 46, is among an estimated 38,000 felons who've turned up in background checks of handgun purchasers in the seven weeks since the Brady law took effect.

Officials at the Bureau of Alcohol, Tobacco and Firearms say they have no idea how many of the felons are arrested; most state or local officials can't say how many arrests have been made. Still, ATF officials are pleased — and a bit surprised

— that the checks are revealing so many criminals.

"We're nailing them until they glow at the pawn shops," says Jack Killorin, ATF spokesman. "I guess they don't figure a pawn shop is a federally licensed firearms dealer. It says something about the judgment of the American criminal."

The FBI's computerized criminal information network has handled about 90,000 background checks a week since Feb. 28. About

16% of those are denied, though only one in three denials actually turns out to be a felony matter.

Many of the "hits" turn out to be a case of mistaken identity or a misdemeanor matter, such as an unpaid traffic ticket.

And many of the felons, such as Delariva, are minor-league compared with murderers, rapists and armed robbers.

The National Rifle Association is a leading opponent of

the checks, in part because of the burden placed on local law enforcement officials.

The NRA is financing five of six federal court challenges to the Brady law brought by county sheriffs.

On Wednesday, John Arnold of Fort Walton Beach, Fla., became the first person convicted under a lesser-known provision of the Brady law that makes it a federal crime to steal a weapon from a licensed gun dealer; he faces up to 10 years in prison.

Light day shakes at White House

By Bill Nichols and Adam Nagourney
USA TODAY

As the day began at the White House, Thursday actually seemed quite promising.

The crime bill, the administration's top legislative priority at the moment, finally was beginning to move in the House.

And a bit of atypical Washington weather — mild, clear and radiantly sunny — was a perfect backdrop for an elaborate South Lawn anti-crime rally that was to be the president's major public event of the day.

But at 6:15 a.m. ET, before President Clinton took a 3-mile run with the U.S. Winter Olympics team, he was called with a report that U.S. helicopters had gone down over Iraq.

Within hours, reporters clamored for details and the entire focus of Clinton's day would change, showing once more how the best-laid plans of this administration — or any other — can be instantly transformed by events beyond their control.

At about 8:30 a.m., during a breakfast meeting between Clinton and members of Congress, came news that would make Thursday one of the worst in Clinton's 16-month presidency.

Clinton was pulled from the meeting by national security adviser Tony Lake, senior aide George Stephanopoulos and Defense Secretary William Perry and told they believed two

U.S. F-15 jets enforcing the "no-fly" zone had shot down two U.S. helicopters.

Clinton, back at the meeting, Stephanopoulos says, "Just told the members, 'Listen, we've had an accident. I don't know a lot of information.'"

Just over two hours later, Clinton was in the White House briefing room, expressing "terrible sorrow" at the news — 26 U.S., British, French and Turkish personnel had died.

Clinton seemed shaken, the promise of the day gone, the incident marking the second-worst — after the deaths of 18 U.S. soldiers last October in Somalia — U.S. military disaster of his presidency.

Aides said the incident would not affect the domestic agenda, blurred already by the Whitewater affair.

But the deaths from friendly fire in Iraq, along with an increasingly tense standoff between United Nations forces and Bosnian



Agence France-Presse

They served with courage and professionalism, and they lost their lives while trying to save the lives of others.

— President Clinton

Serbs in Bosnia-Herzegovina, instantly overshadowed the domestic concerns they had hoped would dominate the day.

After the breakfast, Clinton returned to the Oval Office with Lake, Stephanopoulos and Perry and called Gen. John Shalikashvili, chairman of the Joint Chiefs of Staff, for more facts.

That Clinton should go before the press was never an issue.

The White House was "just trying to be as straightforward as possible," said press secretary Dee Dee Myers. "The president ... wanted to be as clear as he could about what we knew as soon as we were able to talk about it."

"This is a terrible tragedy for the families involved and for the people in the armed forces," Clinton said before making his crime speech to community leaders. "I would like to ask that since so many of you put your lives on the line every day, we open this ceremony with a moment of silent prayer for those who lost their lives, their families and their loved ones."

Clinton went on to make a lengthy speech pushing quick passage of the crime bill, and he mostly kept his schedule.

The crime event was delayed about 20 minutes because of Clinton's statement, but the rest of the day went as planned, including an unannounced stop at a lunch honoring the 25th anniversary of Senate Minority Leader Bob Dole's first Senate speech championing the rights of the disabled.

Yet it was clear Thursday was anything but ordinary for Clinton — a man unafraid to show his emotions, yet still getting used to the mantle of responsibility for unforeseen tragedies.

"They served with courage and professionalism, and they lost their lives while trying to save the lives of others," Clinton said of those killed. "The nation and the world should remember them in gratitude."

► Black Hawks downed, 1A, 2A, 3A

ALSO IN WASHINGTON

Senate committee: Kelso deserves 4-star retirement

A key Senate committee says Chief of Naval Operations Frank Kelso should be allowed to retire as a full four-star admiral despite fallout from the Tailhook sex-harassment scandal that occurred on his watch.

The Senate Armed Services Committee voted 20-2 Thursday to go along with President Clinton's recommendation that Kelso retire at top rank. The issue goes to the full Senate. At stake: a \$114,453 annual pension that would be reduced to \$89,892 at the lower two-star rank he would receive without Senate action.

Sen. Kay Bailey Hutchison, R-Texas, the only woman on the panel, voted against a four-star retirement, saying Kelso attended the 1991 Tailhook Navy aviation convention despite its reputation within the Navy for sexual misconduct. Sen. Robert Byrd, D-W.Va., also voted "no."

"I do not think the investigation by the Navy was adequate, and he must be accountable," Hutchison says.

But Armed Services Committee chairman Sen. Sam Nunn, D-Ga., says Kelso did not witness misconduct or impede the probe.

MITCHELL SUCCESSOR: Sen. Wendell Ford, D-Ky., took himself out of the running to succeed retiring Sen. George Mitchell, D-Maine, as Senate majority leader. Instead, Ford, 69, says he will seek re-election as whip, the No. 2 post for Senate Democrats. Meanwhile, Sen. Patrick Leahy, D-Vt., says he may run for Democratic leader. Sen. Thomas Daschle, D-S.D., is the only announced candidate. Sen. Bob Graham, D-Fla., another potential candidate, says he's backing Daschle.

E-MAIL THREAT: The Secret Service is investigating a threat against President Clinton received via computer from east Texas. Special Agent Billy Peek of Tyler said the source of the message was traced to the Stephen F. Austin State University campus in Nacogdoches. The message was sent by e-mail, which is an electronic bulletin board, to a White House computer system. Peek declined to give specifics of the message or the ongoing investigation.

USA TODAY • FRIDAY, APRIL 15, 1994 •

Afford Your Health Plan, Mr. Clinton

lunny, muel

President Clinton got into a shouting match with Herman Cain, president and CEO of Godfather's Pizza, over the impact on business and jobs of the Clinton health care plan's employer mandate. "Why wouldn't you be able to raise the price of pizza 2%?" the president asked at one point. "I'm a satisfied customer. I'd keep buying from you." On Tuesday, Mr. Cain sent the following letter to the president. The table is based on one that accompanied the letter:

Dear Mr. President:

During your April 7, 1994, town hall telecast from Kansas City, you asked me to send you my calculations of the impact on our business of your health care proposal. I am happy to do so in this letter.

As a reminder, the Godfather's Pizza system has 525 restaurants with over 10,000 employees. Two-thirds of these restaurants are owned and operated by franchisees of our company, whose operating financials are almost identical to our corporate-owned operations of 141 restaurants. Therefore, in order to be as specific as possible in our calculations, I will focus on just our corporate-owned operations with 3,418 employees.

Under your proposed health care plan, the cost to cover all 3,418 employees would be nearly \$2.2 million annually. This amount of \$2.2 million is a \$1.7 million increase in our insurance, which is approximately $\frac{3}{4}$ times our prior-year insurance cost. Last year we paid \$540,000 in insurance premiums to cover an 80% employer portion for all participating full-time employees.

You mentioned during the telecast that restaurants with approximately 30% labor need only increase prices 2.5%. This price increase appears to be arrived at by taking 7.9% times 30%. Quite frankly, we cannot just look at a percent of a percent but in-

stead we must look at the actual dollars involved. A \$1.7 million cost increase would directly decrease "bottom line" profit. In order to produce the same "bottom line" as we are generating today, a 16%-20% increase in "top line" sales would be required due to variable costs such as labor, food costs, operating expenses, marketing

cause they are very price conscious. In fact, 25% of all restaurant customers use a discount coupon with their purchase. (Source: NPD/CREST)

2. Since it is likely that many of our suppliers of ingredients and materials will also experience increases in costs due to a mandate, they will likely pass some or all of those costs on to us and, thus, it becomes an inflationary "snowball."

3. Although consumers are spending more of their food dollar eating out, it is due to competitive forces which tend to hold prices down. This is evidenced by the cost of eating out rising slower than the cost of eating at home (Source: Consumer Price Index, Bureau of Labor Statistics). I believe price increases "by all competitors" in our industry would change this trend.

To summarize, Godfather's Pizza Inc. employs a large percent (67%) of younger, inexperienced and minimum-educated workers with a very high turnover rate of over 100% annually. This is typical of all quick service restaurants, which account for 47% of all eating place sales. I wish we could cover this group of workers, but the incremental cost under your plan causes a significant negative impact on our "bottom line" which cannot be easily rectified. We would then be put in a position to eliminate jobs which would impact productivity and ultimately profitability, or to increase prices to the point of being at a competitive disadvantage.

Mr. President, I believe your objective of coverage for everyone can be achieved without a mandate, using an alternate approach to health care reform... but this is what the debate is all about. I will not impose on the courtesy you have extended to me to personally review my calculations, but I will be more than happy to share some ideas with you personally on alternate approaches which are more business friendly and public friendly.

Thank you for your very valuable time and attention; I look forward to your response.

Most respectfully,
HERMAN CAIN

The Hit Godfather's Will Take Under Clinton's Health Care Plan

Annualized from Jan. 1994 data	HOURS	WAGES
975 full-time employees	1,915,742	\$18,671,075
1,570 part-time employees who work 10+ hours a week	1,537,983	\$8,011,091
720 employees who work less than 10 hours a week	221,125	\$1,115,347
153 employees on leave of absence/other	0	0
3,418 TOTAL EMPLOYEES	3,674,850	\$27,797,513

Under Current Health Insurance Plan

594 employees are eligible	
409 participate	
Current cost of plan:	\$540,758
Potential cost of Clinton plan: (cap of 7.9% of payroll)	\$2,196,604
Additional Cost:	\$1,655,246

Source: Godfather's Pizza Inc.

and taxes. Thus, it is incorrect to assume we can just add \$1.7 million to the "top line" and expect it to flow directly to the "bottom line."

As a system of small businesses, we are concerned about the impact of any price increase for the following reasons:

1. Large price increases will drive customers away. Over 50% of our customers use coupons with their pizza purchases be-

until I owned a computer it was reasonably legible. Now, not even I can read it. The main problem is speed. On the computer, it's easy to whiz along at 80 or 100 words a minute. I can input almost as fast as I can think. Every idea makes it easily onto the screen.

That is not necessarily a good thing. When words are carefully written by hand, there's simply no way to keep up with the thought process. "Dear Senator: Your vote has outraged me for three reasons. Here's one. I'll convey the other two when I'm back at my computer." The more frustrated I become with the slowness of the process, the more my penmanship deteriorates. Increasingly, my penned lines resemble an EKG reading.

When I was employed as public relations director at a small ad agency, my annual review included the evaluation category "handwriting." My boss said we should all write clearly, so messages would be easily understood. Good handwriting can accomplish communication.

According to Emily Post, fine handwriting is essential. Certain wedding invitations, notes of congratulation or condolence, and those of special thanks absolutely must be composed in longhand. One may always employ a calligrapher to handle dinner-party place cards or special invitations, but the use of such a service for daily correspondence is impractical. And script fonts on the computer—well, they simply will not do.

There's something extraordinarily personal about a note that someone has taken the time to draft with pen and ink. It implies the sender cares. It's very nice to receive. And nicer yet if it can actually be read.

Ms. McCormick heads her own public relations firm in Sacramento, Calif.

✓ Lost Art of Penmanship

By MICHELE McCORMICK

Critics of Newton and other notepad computers have complained they can't read very well. But the writers, not the readers, are the problem. Too many of us have stopped taking the time to write attractively—and legibly. Worse yet, we haven't even noticed that it matters.

Historically, few skills have been more significant than clear penmanship. The Magna Carta and the Declaration of Independence are just two of the important documents beautifully written by hand. There is no question as to whether Jefferson actually meant to say, "When in thy curse of hormone errors," or "Where on the course of learned ferrets," or "When in the course of human events..." The answer is indisputable, because it was so clearly written.

Such skill seems near extinction. Ask any experienced secretary or pharmacist, and she will tell you that handwriting has been in decline for ages, even among our most learned professionals. When I was in grade school, an "A" in handwriting was a coveted goal. We spent hours practicing our a's and o's, and took great care that our g's should curl below the line precisely. I admired the loopy handwriting of my friends who attended Catholic school. I don't know what exercises they used, but the result was an abundantly curvaceous style with a surprisingly lusty flair for a skill taught in a religious environment.

During my college years, my father often responded to my scrawled correspondence with admonitions to study Palmer. Mr. Palmer was the scriptmeister—a teacher for people who cared about the details of shaping the written word exactly. His method, whatever it was, had mightily impressed dear old Dad.

My handwriting never won prizes, but

THE WALL STREET JOURNAL FRIDAY, APRIL 15, 1994

✓ In Bosnia, Another Mistake

By JOHN MCCAIN

Since the summer of 1992, I have greeted calls for limited air strikes in Bosnia with the typical skepticism of a former Navy pilot who has had occasion to closely observe the limits of air power.

I know too well that the use of air power alone has never determined the outcome of a military conflict. Seizing ground, the only measure of progress on the battlefield, is the infantry soldier's job. Thus I admit to some disdain for the confident predictions of newly minted military experts that limited air strikes in Bosnia—blow a bridge here, an ammo dump there—will yield political as well as military dividends sufficient to force a fair settlement of that bloody civil war.

However, now that we have allowed United Nations officials to call in very limited NATO air strikes against besieging Serb forces around Gorazde, I find myself in an uncomfortable position for a politician: hoping fervently that I am wrong.

I hope that a military action that violates every lesson learned from our mistakes in Vietnam, Beirut and Somalia will be the exception that proves the rule. I hope that the exceedingly confused U.S. policies that produced this action—which, like so much of the administration's disquieting approach to the world, violates diplomatic lessons learned throughout this century—will not irreparably harm U.S. interests around the world.

Credibility Undermined

President Clinton threatened air strikes against Bosnian Serbs 10 times without following through, undermining our credibility not only in Yugoslavia but in many other capitals where leaders are estimating the cost of confrontation with the U.S. In February, the administration and our NATO allies ultimately presented an apparently credible threat that, at least until now, has persuaded the Serbs to lift their siege of Sarajevo.

Finally, on April 10, one week after the U.S. secretary of defense and chairman of the Joint Chiefs of Staff clearly forswore U.S. military action to lift the Serbian siege of Gorazde, U.S. aircraft were ordered into battle by the U.N., immediately vitiating U.S. policy as articulated by Secretary William Perry and Gen. John Shalikashvili. All of this proves once again

that if there is a unifying theme to this administration's foreign policy, it is the dangerously casual relationship between rhetoric and action.

My reservations about air strikes are based on several concerns: the tactical problems posed by chronic poor weather and very difficult, mountainous terrain; the improbability that the strikes would encourage the warring parties to reach a settlement; and the prospect that the action would begin an incremental escalation of our involvement in this war.

In the two strikes to date, U.S. pilots encountered substantial difficulties in finding their targets in the predictably rotten

I hope that a military action that violates every lesson learned from our mistakes in Vietnam, Beirut and Somalia will be the exception that proves the rule.

weather. Flying dangerously low until nearly out of fuel, our pilots had to settle for targets of negligible value—a tent, a truck and two armored personnel carriers. Their altitude was so low that some of their bombs failed to detonate. Illustrative of the dangers inherent in such operations, these problems stand as a rebuke to some members of Congress and defense officials who burnish their newfound "hawk" credentials by declaring air strikes "a piece of cake."

The Serbs interpreted our action as involvement on the side of the Muslims. So did the Muslims. Despite our disingenuous assertions that we were only providing close air support for 12 U.N. peacekeepers in Gorazde, we clearly took the action to persuade the Serbs to lift their siege of that "safe area." The Serbs broke off peace talks with the U.N. and now talk only with a Russian representative. The Muslims called for more strikes, and fired on Serb forces outside Gorazde.

As of this writing, negotiations have yet to resume. The Serbs have seized or re-

stricted the movement of more than 200 U.N. personnel, apparently as insurance against further strikes. Another U.N.-declared "safe area," Tuzla, has come under Serb artillery attack. Western journalists have been ordered out of Serbian-controlled areas. Sniping and grenade attacks have resumed in Sarajevo. Serbs approached a U.N.-guarded arms depot near Sarajevo demanding access to the weapons.

Most alarming, Bosnian Serb leader Radovan Karadzic toured his front lines, declared the minimal air strikes to be NATO's "last card on the table," threatened to shoot down any other aircraft flying in his direction, predicted that NATO would now have to introduce ground troops, and in a display of battlefield bravado, welcomed that prospect.

My fear is that the Serbs' reaction will beget new NATO strikes, which will beget stronger Serb reactions, which will beget stronger strikes, which ultimately will amount to failure reinforcing failure. The final dilemma wrought by this "mission creep" will be a choice between deploying ground troops to resolve the conflict and withdrawing in defeat. The first will require our involvement in a long and bloody engagement that the American people will oppose overwhelmingly. The second could cripple all U.S. foreign policy for the duration of this administration.

Beware Wrong Lessons

I hope every subsequent development in Bosnia proves me wrong. I hope the Serbs feel they have consumed enough territory that their only remaining purpose is to consolidate their gains. I hope the U.S. actions precipitate a lasting settlement of this tragic conflict. I hope the entire world is impressed by the courage and wisdom of America's leaders. If so, I will gladly accept the certain "I told you so's" from critics of my position.

But I would leave them with one final warning. Do not learn the wrong lessons from such a success and eagerly apply them to other conflicts. If we are successful, the only lesson that may be applicable is that old adage: God protects fools.

Sen. McCain (R., Ariz.), a career Navy aviator, is on the Armed Services Committee.

Divided Lobby

Chamber of Commerce Is Roiled by a Revolt Within Rank and File

Stands Taken in Washington

On Issues Such as Health

Irk Some Smaller Firms

No. 2 Official Gets the Ax

By JEANNE SADDLER and RICK WARTZMAN
Staff Reporters of THE WALL STREET JOURNAL
LANCASTER, Pa. — Cleo Weaver's company here, Triangle Refrigeration Co., sells supermarket freezers. But it is Mr. Weaver who felt frozen out.

The U.S. Chamber of Commerce member was jolted recently when he heard that the national organization was considering backing the kind of employer mandate proposed in President Clinton's health-care reform bill. "I was real upset. I called and said 'What's going on here?'" says Mr. Weaver, who threatened to quit. "As a small-business owner, every dollar counts, and [dues] are a terrible investment if they don't represent me."

Local company owners like Mr. Weaver are the backbone of the self-proclaimed "Voice of Business." But a growing number of local members no longer like what they are hearing from the national chamber office in Washington.

About Face

When the chamber supported mandatory employer health coverage recently, scores of members complained to the national headquarters. Some members and congressional Republicans accuse the chamber of being too cozy with the Clinton administration. In response, the chamber reversed its stance on employer mandates, ordered a poll of its members on health-care reform and just last week fired its top lobbyist in a major staff shake-up.

For some, the action comes too late. In Phoenix, Kiva Container Corp. was a proud member of the national chamber for two decades until it quit earlier this year. The chamber's "leadership is totally out of touch with reality," says Ruth Stafford, chief financial officer at the company, which makes corrugated packaging.

Others like Judson Molsenbocker, owner of a Muncie, Ind., construction company, aren't quitting the chamber, determined instead to try to prod its officials to change course. Sure they have lost their way, Mr. Molsenbocker says. After all, "they're in Washington, D.C. That's Disney World East."

The national chamber, whose membership ranges from General Motors Corp. to local muffler shops, still has plenty of defenders. But critics say the current upheaval is an illustration of how a Washington lobbying group can fail to gauge just what its members want.

Sending a Shiver

Though the chamber says it has lost only a couple of dozen of its nearly 220,000 members in recent months, many have threatened to quit. That has sent a chill through a group whose 600-strong sales force had difficulty peddling memberships in this winter's harsh weather.

The chamber says it is financially sound and expects to see its revenue rise this year to about \$80 million from \$78 million. Yet the group is feeling enough of a squeeze that it recently issued a hiring freeze. The chamber also worries that some small-business members might defect to the rival National Federation of Independent Business, which has taken the lead in opposing the Clinton health-care program on behalf of smaller firms.

Publicly, chamber officials play down the problems. Richard Leshner, the chamber's president for 19 years, blames all the criticism on one thing: being one of the world's largest business federations. "We get the flak because we are the big gorilla," he says from his office in the chamber's spicily appointed headquarters, which sits on the site of 19th-century statesman Daniel Webster's home, across Lafayette Park from the White House.

TV Appearances Tallied

Sometimes, though, the official response only reinforces the notion that the chamber is out of touch. Ask Mr. Leshner about this month's restructuring and he talks about how "we're aspiring to be a [total quality management] organization." Ask why the membership is in an uproar, and he prefers to lead a tour of the chamber's television studio, where he boasts that he has appeared in 760 consecutive episodes of "It's Your Business," a syndicated show carried on more than 150 stations. "Basically, we are a big, fat and healthy organization," declares Mr. Leshner, who according to tax records earned \$434,068 in 1992.

In many respects, however, the chamber now finds itself in the worst of both worlds: Many Democrats see it as inept; Republicans see it as a stooge and a traitor. "They've been all over the place," says Richard Rahn, who left as chief economist of the chamber in 1991 to form his own company. "That's very different from the chamber I knew."

Founded in 1912 at the recommendation of President Taft, the chamber has played a leading role in fostering economic development, promoting open trade and, above all, fighting government involvement in the marketplace.

The chamber has always had a tough job making policies that suit its diverse membership. Counted among its 215,000 individual company members are most of the nation's 1,000 largest corporations, some of which pay as much as \$100,000 a

Please Turn to Page A5, Column 1

Continued From First Page

year in dues. But 95% of the chamber's ranks are firms with 100 or fewer employees, which pay as little as \$150. The national group also includes some 3,000 state and local chambers of commerce and 1,200 trade and professional associations.

Though people tend to think of local chambers simply as shameless cheerleaders, many of them are quite sophisticated. "We don't do parades in Lancaster," says Kathleen Bailey, head of a home-nursing-care company and a local chamber member. With its own health-care-reform committee and seminars on everything from management to international trade, the group follows many of the same issues as the national chamber.

Carrying the flag for business was one thing when the White House was occupied by Republicans Ronald Reagan and George Bush. Struggling to adjust to a Democratic administration, the national chamber has tried to work with President Clinton's team, only to be hit with a backlash from its members on Main Street and longtime GOP allies in Congress.

Unhappy Members

In February 1993, the chamber's 63-member board of directors applauded President Clinton's "goals of reducing the deficit, cutting spending, creating jobs and stimulating the economy." That didn't sit well with the Wholesale Grocers/Foodservice Distributors Association, which opposed provisions of the Clinton budget and has since quit the chamber. "If we're going to pay dues to them, we should be able to rely on them" to fight for what the members want, says John Block, president of the wholesale grocers group.

The chamber's largely positive view of the Clinton budget also infuriated House GOP leadership, which could count on the chamber to support the president's agenda. The Republican anger grew when Mr. Clinton came to the chamber for a television question-and-answer session on education, where he mentioned in passing his summer jobs program.

"Once a foot soldier in the battle against big government, the chamber appears now to be a lap dog of the administration," complained Ohio Rep. John Boehner, chairman of the Conservative Opportunity Society, a group of more than 80 House Republicans.

In truth, the chamber had never embraced the Clinton economic plan, opposing many aspects of it while advocating others. But it wasn't until May 27—the day the Clinton budget was to come to a vote in the House—that the chamber called on Congress to reject the package. That still wasn't enough to mollify the Republicans. In July, some in the GOP circulated a letter urging their colleagues to boycott a chamber awards dinner and only about a third of the invitees attended.

Health-Care Fight

The biggest battle, however, has been over health care. In early 1993, the chamber board announced its support for universal health-care coverage and said the best way to pay for it was through a system of "shared responsibility" among the government, individuals and employers—an arrangement similar to the Clinton plan's employer mandate. The board reaffirmed that position in June and November.

At the time, chamber officials say, they were taking the tack they thought their members wanted. "I was doing speeches talking about health care and shared responsibility and, hell, I didn't have anybody coming up to me" opposing those concepts, says William Marcil, the chamber's chairman and chief executive officer of Forum Communications Co., a North Dakota newspaper publisher.

Other business groups, including the NFIB, were trumpeting members' opposition to a mandate. But the chamber—replete with satellite hookups and a computer network linking those in Washington with the grass roots—says it wasn't getting the same signal. Maybe the NFIB "just had a lucky guess," says Mr. Marcil.

Regardless, by late February, it had become clear to chamber officials they

were out of step with many of the group's members, especially the small-business owners. Angry faxes began pouring into the chamber's headquarters from hundreds of business owners and local affiliates furious over the idea that the chamber was going to back a mandate. "It is unconscionable that the U.S. Chamber of Commerce is even considering to support such a proposal," wrote Roy Carlson, the president of the Troy, Ohio, chamber.

Jeff Loudon, who owns a chain of gas stations and convenience stores in Seattle, says he "canned the chamber" because of its stance on the employer-mandate proposal. "That was a red flag that they really aren't representing me," he says.

Helping him is Tadayoshi Iimura, who spearheaded the Delco sale to Toyota. A former Toyota engineer, Mr. Iimura knew the Japanese auto maker is obsessed with its standing in the J.D. Power & Associates quality rankings. He also knew that GM's Delco outscored Toyota's in those surveys and used that to win orders. "There is and there will be a shift of preference to GM parts," says Koichiro Watanabe, Toyota's general manager for international purchasing.

Certain U.S. makers of consumer products bear cash registers ringing, too. Detroit-based Stroh Brewery Co. says it shipped one million cases of beer to Japan in the year ended March 31, up from 350,000 cases a year earlier and virtually none three years ago. It expects its Japan sales to rise 50% to 100% this fiscal year.

Some in the beer industry say foreign brewers could eventually grab a 10% share of Japan's beer market, up from less than 2% today. David Jensen, a Smith Barney Shearson analyst, estimates that U.S. brewers ship beer to Japan priced as low as 19 cents per 12-ounce can vs. the 71 cents charged by Japanese makers. He believes that the Americans could undercut the Japanese even if the dollar strengthened to 200 yen from about 103 yen today.

Price Is the Lure

Some Japanese are buying American because it's cheap, not chic. In his tiny Tokyo liquor shop, Norio Suzuki sells such Stroh brands as Schlitz and Old Milwaukee for \$9.32 a six-pack — 28% less than domestic beer. He gets his cut-price suds from Shigematsu & Co., an Osaka importer that opened Japan for Stroh in a guerrilla marketing campaign. In turn, the importer's managing director, Keisaburo Shigematsu, chops out layers of middlemen by faxing fliers directly to retailers and by selling in lots of 50 cases, turning down costly single-case orders.

Some consumers are cutting out the go-betweens altogether. In her cramped Tokyo apartment, Noriko Takahashi pores over a catalog from Oregon-based Hanna Andersson Corp. while her two-year-old daughter naps in the next room.

"This page has been very popular with my friends," she says, pointing to a photo of blond babies nattily decked out in purple and gold outfits. "You can't find these styles and colors in Japan."

Gun Denhart, Hanna Andersson's chief executive, says her company shipped more than \$1 million of clothing to Japan last year and expects to double that this year. "One customer wrote to tell me, 'They say Japanese companies are invading the U.S. market, but I say Hanna is invading my wardrobe,'" she says with a laugh.

Those closets are getting crowded: Patagonia, Eddie Bauer and Lands' End are beefing up operations here. L.L. Bean had \$27 million in Japanese mail-order sales in 1992 and plans to open a third store here this fall. "All of our [U.S.] competitors are right on our tails," says Richard Leslie, Bean's international director. Overall U.S. exports of clothing and accessories to Japan, the Ministry of Finance says, rose 52% last year to \$860 million.

Canny American retailers such as Tower Records, of Sacramento, Calif., are selling the Japanese not only U.S. goods but also a whole new shopping culture. The closely held company's three-story store in Tokyo's trendy Shibuya district is blowing away the notion that success here requires copying Japanese habits and tastes.

Tower's American-made compact disks are more popular than many Japanese imprints of the same albums. The imports are 20% cheaper, a bargain that more than makes up for the absence of Japanese-language cover notes and packaging. Tower displays albums face-out, in contrast to smaller stores that cram in disks like books on a shelf. Enthusiastic staff help by answering questions.

Such details please Rie Ishida, an 18-year-old who buys up to four CDs a month

at Tower. "The feeling is good here," she shouts over a throbbing dance tune.

Keith Cahoon, Tower's Far East managing director, says his main rivals are two British outfits, Virgin Megastores and HMV. Tower's Japan stores posted sales of \$122.5 million last year, up 15% from 1992.

Other U.S. companies have parlayed their technological strength into big sales. In the early 1980s, for instance, General Electric Co. finally won an order for advanced generators from Tokyo Electric Power Co., one of the world's largest utilities. Now GE is the largest supplier of such generators in Japan — beating out companies such as Toshiba Corp. and Hitachi Ltd. Tepco is its biggest customer.

"Japanese companies just can't make those generators," says Akira Arai, a Tepco executive general manager. GE has a very Japanese-style competitive advantage, leveraging skills honed in its jet-engine operations and applying them to power turbines — much like a Japanese *keiretsu* industrial group.

The going wasn't always smooth. Once, Mr. Arai recalls, a GE generator broke down, and a standoff developed when GE engineers wanted to take only the defective part back to the factory for repair instead of removing the entire machine for tests, as is customary here. But after days of talks, GE agreed to take back the entire generator. "We now understand one another," Mr. Arai says.

Importing Ideas

As significant as imports of products are imports of American ideas. Japan's major consumer-electronics and semiconductor makers have staked their best hopes for future hit products on U.S. designs and technology. So pervasive is Japanese dependence on U.S. ideas — ranging from microprocessor designs to Apple Computer Inc.'s Newton pocket computer — that some Japanese executives are warning that their companies risk becoming "subcontractors" to U.S. rivals.

In the past, widespread licensing of U.S. technology has tended to build up Japanese competitors — and eliminate the U.S. technological lead. These days, however, most U.S. companies are keeping a much tighter grip on their ideas — making it harder for the Japanese to catch up by copying. U.S.-based biotech companies, for example, have retained rights to the bestselling biotech drugs in Japan.

Others, such as Sun Microsystems, have licensed their technology widely — and still reap huge rewards. Sun brought its computer workstations in the mid-1980s to Japan and signed up Fujitsu Ltd. as a key partner. Fujitsu not only made chips for the computers but also slapped its brand on Sun machines and distributed them as its own — a tactic used by American companies in the 1970s during the Japanese electronics onslaught.

Yet Sun has emerged triumphant and is unworried by Fujitsu's recent introduction of its own Sun clones. In 1993, Sun captured a 27% share of the roughly \$5 billion workstation market in Japan, up from 24% the year before, according to International Data Corp. Fujitsu's share, meanwhile, slipped to 14% from 15%.

What probably ensures that the U.S. export growth will continue is that plenty of Japanese are getting rich by riding it. Furniture merchant Katsuhisa Otsuka is one of them.

At a recent induction ceremony for new employees of Otsuka Kagu Ltd., he welcomed three ruddy-faced Americans, representatives of the furniture makers that he chose to help him supply Japan's largest furniture store. A U.S. diplomat praised Mr. Otsuka for importing chairs and tables from North Carolina. "Please import more," he said.

Mr. Otsuka aims to please. "Japanese consumers want foreign products," he says. "This is a company of the future."

Unauthorized Version

Adding to the fury was a mix-up in congressional testimony scheduled to be delivered by Robert Patricelli, chairman of a managed-care company and head of the chamber's health and employee-benefits panel. Although chamber officials had decided to back away from the mandate, a lower-level staffer accidentally sent far more conciliatory testimony to the Hill.

Stirring the pot again were House Republicans, including Rep. Boehner and Georgia's Newt Gingrich, who urged colleagues to call chamber board members and local chambers. The National Retail Federation, whose members include stores with part-timers, also organized a fax campaign. Wrote William Lavin, chairman of Woolworth Corp.: The chamber's position "threatens to weaken its effectiveness by making it look foolish in the eyes of Congress and the Clinton administration."

Lobbyist Blamed

By the time the chamber board met on Feb. 28, there wasn't much doubt about what it would do. Although the health committee was still urging the chamber to promote shared responsibility, more than 50 directors voted to oppose any employer mandate; only four dissented. The chamber also suspended its support of universal health-care coverage until it receives the

results of a comprehensive poll of its members. That survey is expected to be made public in a couple of weeks.

Amid the turmoil, critics accused the chamber's staff of trying to be players in Washington at the expense of the group's members outside the beltway. Most of all they blamed William Archey, an eight-year chamber veteran who took over as top lobbyist and policy maker in 1991. "What is good for the chamber staff is not necessarily good for the Chamber," Mr. Rahn, the former chamber economist, and three other former top chamber officials cautioned the group's board in a letter last February. The four suggested that top-level staff changes were in order.

Things came to a head last week. The chamber fired Mr. Archey and announced it was restructuring its operations so that its membership and policy-making arms are more in sync.

Without a doubt, having a Democrat in the Oval Office has complicated matters for the chamber. Many businesses, especially the small mom-and-pop firms that make up the bulk of the chamber's roster, tend automatically to dislike Democrats. And that can leave a group like the chamber in a terrible quandary: What should it do if its staff of experts thinks a Democratic administration's policy is in its members' best interest, but the members have basic ideological objections?

"I think any national organization has to tread lightly between being directed by your members and the requirement that you be ahead of the curve with respect to issues," says John Polk, president of the Greater Cleveland Growth Association, part of that city's local chamber.

Mr. Archey, who notes that all of his actions were based on policies adopted by the chamber's board, says he saw the Clinton health-care plan, with its assumption of early-retiree medical costs for big corporations and its subsidies to help small firms pay for their employees' health coverage, as at least a good starting point for discussion. "I have a strong sense," he says, "that the institution wants to go back to essentially knee-jerk reactions to what's going on in Washington."

The chamber's recent shake-up has encouraged some formerly disgruntled members, such as Edward Bruske, president of the Topeka, Kan., chamber. "It's easy to see how you could be sucked into the mandate concept. . . . They're sitting in the right position now," he says.

Here in Lancaster, where about 15 companies threatened to cancel their memberships when anger at the national chamber was at its peak over the health-care issue, business owners are waiting to see if the local views will prevail. "After all, this is where the rubber meets the road," says Lawrence Gemmell, president of a local hazardous-waste disposal firm.

FDA Clears Taxol From Bristol-Myers For Breast Cancer

By ELYSE TANOUYE

Staff Reporter of THE WALL STREET JOURNAL

Bristol-Myers Squibb Co. said its cancer drug Taxol has received Food and Drug Administration clearance for use in breast cancer treatment if initial chemotherapy fails.

The drug is currently approved for use against ovarian cancer, also after other treatments fail. Introduced last year, Taxol sales were \$150 million in 1993, and are expected to grow to as much as \$250 million this year, estimated Jack Lamberton, a NatWest Securities analyst.

Donald Hayden, vice president and general manager of Bristol-Myers's oncology division, said Taxol would be used in women who have limited treatment options for their breast cancer. Studies have found Taxol significantly shrinks or eliminates 30% to 60% of tumors in these severely ill patients, Mr. Hayden said. Standard therapy produces a response rate of about 20% in these patients, he added. Drug companies typically test new drugs first on the most seriously ill patients, for whom existing therapies don't work.

The company is studying whether the drug prolongs patients' lives, Mr. Hayden said. In patients with advanced ovarian cancer, survival is improved only moderately by Taxol, he said. But in studies of Taxol as a first-line therapy in patients with earlier-stage ovarian cancer, preliminary indications are that the impact on survival appears to be "quite substantial," he said. Similar studies are also being conducted on Taxol as a first-line therapy in breast cancer, he said, but it is too early for results.

Breast cancer will be diagnosed in 182,000 U.S. women this year, and 46,000 will die of the disease, according to the American Cancer Society. Only a small portion of those women would be candidates for Taxol treatment currently, but approval as a first-line therapy would significantly expand the drug's market. Ovarian cancer will be diagnosed in 24,000 women this year, and 13,500 will die of the disease, the cancer group estimates.

The most common side effects of Taxol are a reduction in white blood cell count and hair loss.

Taxol is derived from the bark of the rare Pacific yew tree. Under pressure from environmentalists, the company has been seeking alternative sources of the drug. Bristol-Myers said it ended harvesting operations of the yew bark last year, and has asked the FDA for approval to make the drug using semisynthetic methods. But, the company said, it has adequate supplies to meet patient demand and research needs.

The FDA clearance was announced after the close of trading yesterday. In composite New York Stock Exchange trading, Bristol-Myers fell 50 cents to \$51.125.

Major Companies Join to Show Support For 'Employer Mandate' in Health Plan

By HILARY STOUT
And DAVID ROGERS

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — A group of large corporations moved to dispel the notion that business is uniformly opposed to the idea of requiring employers to pay for their workers' health insurance.

The group, which includes AMR Corp., Archer-Daniels-Midland Co. and Safeway Inc., joined several unions and medical-provider groups to write a letter favoring the so-called employer mandate to the chairmen of three House committees.

"An employment-based system in which there is both employer and employee financial participation offers the most practical and realistic approach" to achieving universal health coverage, they wrote.

The letter was released as the National Federation of Independent Business, which represents 600,000 small companies, stepped up its campaign against an employer mandate. It released a study, conducted by Consad Research Corp., that concluded 850,000 jobs would be lost under President Clinton's proposal to require employers to pay 80% of the average price of a standard health-benefits package for each full-time worker. Moreover, the report said 23 million workers would have a \$1,200 yearly reduction in wages as a result of the proposed Clinton plan.

Other businesses that signed the letter included Bethlehem Steel Co., Chrysler Corp., Food 4 Less Inc., Ford Motor Co., Guess Inc., Hechinger Co., Mead Corp., Marangos Construction Corp., Nynex Corp., Polycrete Inc., Southern California Edison Co., Sun Co., USX Corp., Westinghouse Electric Corp. and Zenith Electronics Corp.

Meanwhile, the director of the Congressional Budget Office disputed a published

report concerning his office's pending estimate of the cost of a leading conservative alternative to the Clinton health plan. The Washington Post reported that a preliminary analysis by the budget office indicates the alternative, sponsored by Rep. Jim Cooper (D., Tenn.), would cost \$150 billion more than the congressman figures over six years. "They are not our numbers," said CBO Director Robert Reischauer. "That judgment is premature."

For months, Cooper forces have been girding themselves for a critical budget office report, which now is slated to be released next week. There has been a running war of words and economic theories over how best to estimate the impact of the plan, which promises to bring down costs by inducing more competition in the medical industry.

A key variable is the basic benefit package in the Cooper plan. The congressman himself hasn't defined one. Without specifics to work from, the budget office has assumed in its calculations the same, generous benefits proposed in the president's plan. To give policy makers additional guidance, the budget office also will make calculations based on more spartan alternatives. When the report is presented, these assumptions will be crucial to understanding what is likely to be a range of cost estimates rather than a single figure.

Besides reporting on the Cooper plan, the CBO still must complete an analysis of a separate alternative backed by influential, moderate Republicans on the Senate Finance Committee. The committee's chairman, Daniel Patrick Moynihan (D., N.Y.), in recent days consolidated his hearing schedule so the committee could begin writing a health bill in May. But given the immense workload facing the budget office, the schedule is likely to slip into June anyway.

Official at Treasury Is Named to New Post For Law Enforcement

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Assistant Treasury Secretary Ronald Noble, who helped prepare the internal examination of the government's handling of the Branch Davidian episode in Waco, Texas, was nominated for the newly created post of Treasury undersecretary for enforcement.

The position was created this year by Congress to coordinate the department's law-enforcement functions, including the Bureau of Alcohol, Tobacco and Firearms; the Customs Service; the Secret Service; and the criminal investigative division of the Internal Revenue Service. The 37-year-old Mr. Noble currently heads the ATF.

"The creation of the new position of undersecretary and the decision to elevate Ron Noble to this critical post underscore the importance the president and I attach to law enforcement and our fight against crime," Treasury Secretary Lloyd Bentsen said.

The nomination requires Senate approval.

Restaurant Scenario Slices Into Profits, Beefs Up Insurance

Clinton Health Plan Raises Costs But More Workers Are Covered

By Ruth Marcus
Washington Post Staff Writer

Herman Cain, the chief executive officer of the Godfather's Pizza chain, was adamant. "For many, many businesses like mine the cost of your plan is simply a cost that will cause us to eliminate jobs," he said. President Clinton was equally adamant. The increased costs, he argued, wouldn't be so large, and the chain could just increase its prices by a little bit to make up for them. "I'm a satisfied customer," Clinton said. "I'd keep buying from you."

To end the lengthy exchange, which took place during a town hall meeting in Kansas City, Mo., last week, the president finally just asked Cain to send him the figures at the White House. Cain got the data from his accountants and did so this week.

Their analysis shows the Clinton plan would nearly quadruple Godfather's health care costs but would also vastly expand health care coverage, from a small slice of Cain's 3,400-worker chain to a sizable majority.

Cain's analysis offers a real-world example of the effects of the Clinton plan on restaurant chains. Restaurants are likely to be particularly affected by the requirement that employers pay a share of health insurance for their workers. They rely heavily on part-time workers and generally do not pay their health insurance. If the Clinton health reform plan were enacted, restaurants would have to pick up a share of health care costs for most of those now-uncovered employees.

But while most restaurants are small businesses eligible for subsidies, Godfather's Pizza—which was reported to have \$250 million in sales last year—is too big to qualify.

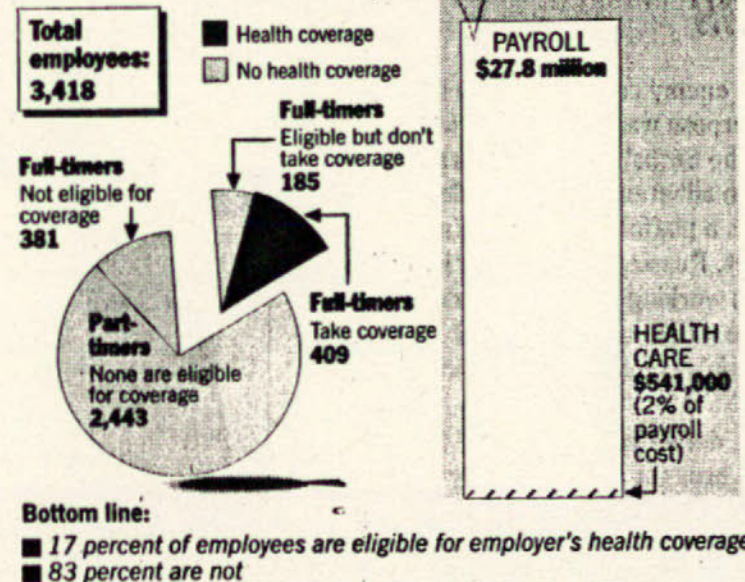
In a sense, Cain's company is an example of a worst-case scenario under the Clinton plan for health reform. But even so, it shows the nature of the business pres-

Herman Cain, chief executive officer for Godfather's Pizza, challenged President Clinton on his calculations of health care costs at a recent town meeting. His figures for how the Clinton proposal would affect his pizza chain:



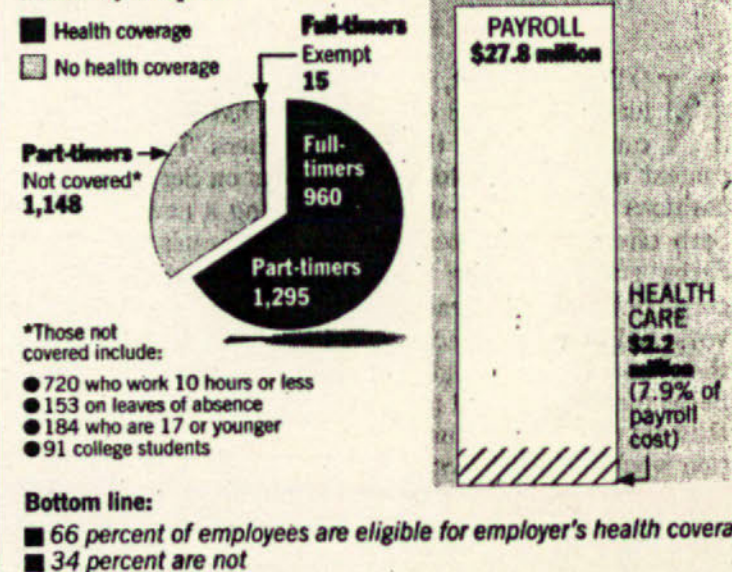
Herman Cain

NOW Currently, only some of Godfather's full-time employees are eligible for health coverage, and some elect not to purchase it.



A PIZZA CHAIN'S HEALTH CARE COSTS

UNDER THE CLINTON PLAN Most full-timers and about half of part-timers would be eligible for coverage under the Clinton health reform plan.



BY TOBEY—THE WASHINGTON POST

ures on Congress as it attempts to overhaul the nation's health system. Cain is president-elect of the National Restaurant Association, which has launched an all-out effort to do away with employer mandates—requirements that employers pay a large proportion of the health insurance costs of their workers. Employer mandates are an integral part of Clinton's plan and, indeed, the number one payment scheme under consideration on Capitol Hill. Cain himself has been traveling the country outlining the problems the industry would face.

He says his company offers a good case study. It has 3,418 employees, two-thirds of whom are uncovered part-time workers. Of the 975 full-time employees, Godfather's provides health insurance—paid for 75 percent by the company and 25 percent by the employees—only to those at the "restaurant manager" level or above. Some 600 employees are eligible for health care, and about 400 participate in the Godfather's plan. The company's annual health insurance bill: \$541,000.

Clinton's plan would expand the universe of employees eligible for health insurance paid in large part—80 per-

cent, under the administration plan—by Godfather's.

Godfather's would have to pay for all the full-time workers except a few full-time college students. Of the 2,400 part-time workers, Godfather's would be excused from paying for nearly half—those who work fewer than 10 hours weekly or are otherwise excluded under the Clinton plan. But that still leaves 960 full-time and nearly 1,300 part-time workers who would be entitled to coverage.

Under the Clinton plan, the employers' share of health insurance costs would be capped at 7.9 percent of its payroll. Godfather's now pays about 2 percent of its \$27.8 million payroll for health insurance, and Cain estimates that—if the Clinton cap were not in place—his share would rise to 17 percent of his payroll.

With the 7.9 percent cap in place, the company's health care bill would be \$2.2 million—four times the previous cost. Cain maintains the additional \$1.7 million would essentially eat up his profit margin, which he put at somewhere between 1 percent and 5 percent of sales, and that would be difficult to make up—as Clinton suggested—merely by raising the price of a slice.

"I wish we could cover this group of workers but the incremental cost under your plan causes a significant negative impact on our bottom line which cannot be easily rectified," he told the president in a letter this week.

Responding to Cain on Clinton's behalf, Small Business Administrator Erskine Bowles did not take issue with the numbers but said that other businesses and taxpayers are now forced to shoulder the burden of health care costs for Godfather's uninsured workers.

"The 6 percent increase in your payroll costs to cover the 88 percent of your employees who you do not cover today represents the health costs for these employees that are now being paid by taxpayers and employers who currently support our health care system," he said in a letter.

"By asking all employers to share responsibility, the president's plan levels the playing field," he said. "For the first time, all businesses will be able to negotiate the rates that America's largest companies do today. In addition, all of your competitors will have the same responsibilities that you will."

Treaty Signing Heralds World Trade Group With an Ambitious Mission

By Peter Behr
Washington Post Staff Writer

The far-reaching global trade treaty that officials from 125 governments are to sign today in Marrakech, Morocco, will create a new crossroads for the world's economies, a United Nations of global commerce called the World Trade Organization, or WTO.

If given final approval by Congress and other national legislatures, the Geneva-based WTO will replace the 47-year-old General Agreement on Tariffs and Trade, or GATT, next year. The product of years of tortuous negotiations that culminated in December, the WTO will be charged with opening markets and regulating trade disputes along the flow of global commerce, now \$5 trillion a year and growing rapidly.

Like the U.N., the WTO will have unprecedented authority—on paper. It will become the forum where the old industrial democracies, the emerging economic powers in the Pacific and Latin America and the developing world arbitrate their differences on a broad range of issues.

The WTO's scope is not just the reduction of quotas and tariffs but the rules of competition in banking and services, the protection of intellectual property and the integration of state-run economies of China and Russia into the world trading system.

It is designed to have the teeth that GATT lacks. Any GATT member could veto its rulings on disputes. There is no single-nation veto power in the WTO.

In the past, France could ignore GATT rulings attacking its farm subsidies. The United States could dismiss GATT's criticism of the U.S. law designed to protect dolphins from being killed in tuna nets dropped in international waters. Similar WTO rulings will stick.

The Clinton administration has embraced the WTO and will join with business allies to press Congress for approval this year. The argument will be the same made last year for the North American Free

Trade Agreement: To prosper, the United States must compete abroad.

An expansion of global trade, made possible by the WTO and the new rules it will administer, will give a boost to all economies, not the least the United States, according to U.S. Trade Representative Mickey Kantor. The new trade rules lower tariffs worldwide by more than one-third and punch a hole for exporters in protected farm markets in Europe and Asia.

Kantor cites predictions that the trade expansion under the WTO will add \$1,700 a year to the income of an average U.S. family, and \$1 trillion to the nation's total output over 10 years.

The establishment of the WTO, however, will change the rules of that competition.

It marks another step in a gradual spread of economic power around the world, lessening the influence of

The WTO is designed to have the teeth that GATT lacks.

the United States both in matters of trade and politics, said Clyde V. Prestowitz Jr., president of the Economic Strategy Institute, a Washington trade research group.

"The rest of the world has a big interest in reining in U.S. power," said Prestowitz. The WTO will give them more opportunities to do so, he added.

Critics such as consumer activist Ralph Nader picture the WTO in nightmare terms as "an extremely intrusive penetration of our domestic sovereignty," staffed with secretive bureaucrats who will pressure the United States to change laws that impede other countries' imports into U.S. markets, such as food and product safety regulations. This risk has allied virtually all of the U.S. environmental movement against the new WTO.

The administration and its business allies say the United States has the most to gain if a strong WTO succeeds in prying open markets where U.S. exporters still face restrictions, particularly in the expanding markets of the Pacific Rim and Latin America.

The WTO cannot force a change in U.S. law, Kantor says. If the WTO ruled that U.S. clean air laws discriminated against European auto manufacturers, for instance, the United States would not be obligated to change its statutes. But Europe could take compensating action to restrict U.S. imports.

"There is no sovereignty loss whatsoever," Kantor said. "If we are found wanting through a dispute settlement process, we have a choice. We can change a law or regulation or pay compensation."

But Nader said it is a no-win choice. "The United States has to either repeal its standards or pay perpetual trade fines," he said.

Other analysts say the extent of the WTO's true bottom-line power is less clear than Nader suggests. Like the U.N., it will operate under the close control of its parent nations, headed by the United States.

Other WTO members will think twice before trying to push the United States to the wall, said Dan Esty, senior fellow at the Institute for International Economics in Washington.

"Countries aren't going to use the WTO as a back-door way to undo U.S. laws. They know we would not stand for it," he said.

"Certainly, we're the biggest player on the block, but we're not as big as we used to be, and we're getting relatively smaller," as other countries close the gap, counters Prestowitz.

The administration, with its belief in export-led economic growth and the politics of competition, cannot avoid the challenge, its officials say.

"The end of the Cold War presents new opportunities and new dangers, but we are confronted by the same basic choice: engagement or withdrawal," Kantor said yesterday in Morocco. "We intend to compete, not retreat."

DAVE -
HERES THIS -
THANKS FOR YOUR
TIME - *[Signature]*



Attn: *[Handwritten: Harold L. Cooley]*
[Handwritten: Maureen]
ASO FYI

[Handwritten: 7 Haas: Capler for me, Mike Lint, Martha Yeager, Jan, Meghan, Paul, Steve R.]

ACTION ALERT

TAKE ACTION NOW ON THESE CRUCIAL LEGISLATIVE ISSUES

URGENT -- CONTACT SENATOR BAUCUS TODAY!

Dear NFIB Member:

Senator Max Baucus made an alarming statement last week during a Senate Finance Committee hearing. After voting in the past against an employer mandate to purchase health insurance for employees, it appears he may have changed his mind! After discussing his past opposition to an employer mandate, he said:

"THAT WAS THEN . . ."

Senator Baucus indicated that the only way to control health care costs is through a Clinton-type employer mandate. He said a Congressional Budget Office (CBO) study said that if the Clinton plan passes as it is currently proposed, businesses will save money by the end of the century.

What Senator Baucus has apparently forgotten is that no entitlement program has ever stayed within its proposed budget. Medicaid was supposed to cost \$1 billion a year; in 1990 alone it cost taxpayers \$76 billion. Medicare was priced at \$9 billion; in 1990, it cost us a whopping \$106 billion!

Senator Baucus also neglected to mention that CBO believes the Clinton plan will cost \$29 billion in new employer spending in the first year! CBO also found that the promised small business subsidies are underfunded by \$72 billion in the first five years alone!

Perhaps Senator Baucus has forgotten that the subsidies to small business are temporary, but the mandate is permanent. And perhaps he has forgotten what a new payroll tax would do to Montana small businesses and Montana small business employees. It will destroy jobs on every Main Street in Montana -- and they will never come back.

**YOU NEED TO REMIND HIM WHAT A NEW PAYROLL TAX
WOULD DO TO YOUR BUSINESS AND TO JOBS IN MONTANA!**

Senator Baucus is a member of the key Senate Finance Committee where his voice and his vote will carry enormous weight. Currently, the committee is discussing numerous proposals, many of which will reform the insurance system and cut costs without an employer mandate. The committee is about to make its decisions -- now is the time for you to act.

Most NFIB members want reform; you have told us it is your #1 priority. However, cost and availability are the biggest problems. An employer-mandated payroll tax that is only bound to go higher year after year will do NOTHING to solve these problems.

Senator Baucus needs to hear from you. He needs to be reminded how you feel about employer-mandated health insurance.

**DON'T LET SENATOR BAUCUS SACRIFICE MONTANA SMALL BUSINESSES
OR MONTANA EMPLOYEES TO SUPPORT THE CLINTON MANDATE**

Call or write to him today. Visit him when he is back home. He has offices in the following locations; make an appointment and make your views known.

Helena	449-5480	Great Falls	761-1574
Missoula	329-3123	Bozeman	586-6104
Billings	657-6790	Kalispell	756-1150
Butte	782-8700	Washington, D.C.	202/224-2651

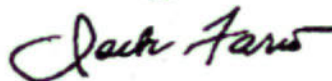
Or write to him at:

Senator Max Baucus
United States Senate
Washington, D.C. 20510

DAVE 587-9177

Small businesses and small business jobs are too important to Montana for Senator Baucus to forget them now. Remind him that he needs to fight the employer mandate.

Sincerely,



Jack Faris

P.S. Do not send a copy of this action alert to Senator Baucus. Your own words and examples are much more effective. Also, fax or send a copy of your letter to us so we can follow up with him in Washington at:

NFIB, Attention: HCR-MT
600 Maryland Avenue, SW, Suite 700
Washington, D.C. 20024
FAX: 202/484-1566

State Alliance Gives Workers Health Clout

CA Times
3/24/91

By ROBERT A. ROSENBLATT
TIMES STAFF WRITER

WASHINGTON—Forty thousand workers at small California businesses will get an extraordinary piece of good news on Tuesday: At a time when health insurance costs are climbing by 6% to 8% a year, their premiums will actually be reduced for the year starting July 1.

These fortunate few are members of the state's unheralded health alliance, a purchasing agency that gives companies with five to 50 workers an opportunity to band together and achieve the same buying clout in the health care market as giant corporations.

Even as President Clinton's proposal for alliances covering every citizen is being denounced in Washington as a blueprint for a menacing new bureaucracy, a staff of just 13 state workers in Sacramento has put together a working alliance, the first in the nation. And its customers seem delighted.

"It was heartbreaking to want to get insurance for your workers and not be able to afford it," said Cynthia Chauvie of Van Nuys, whose precision-instrument repair firm was once quoted an impossible \$2,500-a-month premium for its seven workers. Last July she joined the new state health alliance, and now she pays \$780 a month for the whole office.

"It's a great relief to have coverage now for all of us," she said.

The alliance, formally called the Health Insurance Plan of California, offers something never before available for employees of small companies: a wide choice of different insurance programs, with workers—not management—making the selec-

Please see HEALTH, B7

Continued from B5

In Los Angeles County, for example, a worker whose small company has joined the HIPC can choose among 15 plans—12 health maintenance organizations and three preferred provider organizations—including such well-known names as Kaiser, Aetna, FHP, Healthnet and Prucare. That differs dramatically from the conventional situation in which the company makes available one or perhaps two health plans.

All plans must offer the same benefits, but the doctors and hospitals are more desirable in some than others. Monthly fees range from \$84 to \$173.14 for a 25-year-old worker and from \$342.80 a month to \$674.44 for a 35-year-old employee with a spouse and children. The company must pay an amount equal to at least half of the cost of the lowest-priced plan; the worker pays the rest.

"You get one monthly bill whether you have 13 employees in one health network or in 13 different networks," said Diane Bourassa, office manager for Telenetworks, a software firm in Petaluma. "It's a great variety of choices and avoids a tremendous administrative load on small companies like us, where typically you have one person running the office."

Rates are 10% to 15% below many comparable plans in the conventional insurance market, according to a recent study by a HIPC board member. The reason: Providers are willing to offer discounts to gain access to as many as 40,000 customers.

"There's no mystery here," said John Ramey, the HIPC's executive director. "We're trying to get a large-volume deal for our small employers."

In May, Florida will become the second state to try voluntary alliances when it begins enrolling small businesses in a voluntary purchasing group called the Community Health Purchasing Alliance.

The California and Florida experiences may offer some direction for the increasingly bitter national debate over health care reform. Clinton's plan is being torn apart in Washington by partisan Republicans and skeptical Democrats, with enthusiastic lobbying by business-people large and small.

California and Florida officials are betting that their voluntary approach will be a giant step toward Clinton's goal of providing insurance protection for everyone while controlling the soaring costs of medical care.

By offering wide choice and low prices, they hope to woo enough businesses to make significant inroads in the ranks of the uninsured; among the nearly 40 million Americans without coverage, about 80% are full-time, low-wage workers, their spouses and children.

Clinton wants to require all employers to offer insurance and pay 80% of the cost of an average-priced plan. He also wants to require everyone except workers in firms with more than 5,000 employees to enroll in health alliances that would negotiate on their behalf with insurance companies, health maintenance organizations and other networks of health care providers.

Fear of a compulsory national program of alliances made it easier for all factions in Florida—businesses, insurers and politicians—to work together for a voluntary program. Gov. Lawton Chiles said he was grateful that the President's plan prodded everyone to get down to work.

Florida officials say they hope to get prices down simply by publishing the bids offered by insurers to small firms through the alliance. Side-by-side comparisons will make businesses aggressive in seeking better deals and force the high-priced insurers to bring their prices down, they say.

"A lot of what we do in Florida will send a message to the nation," said Lynn Kialak, chairwoman of the alliance for Dade County. "The wonderful thing Florida has is choice."

But California took a bigger step: Republican Gov. Pete Wilson and the Democrat-controlled Legislature decided to give the health alliance real muscle by granting it the authority to negotiate rates with insurers.

When the first set of bids came in last year, the HIPC gave the companies 48 hours to lower rates—and many of them did.

On Tuesday, the HIPC board will approve its second rate schedule, the figures covering 40,000 people from 2,300 employers for the 12 months starting July 1. The HIPC

How the Health Alliance Works

- Who may participate? Firms with five to 50 workers.
- What does it offer? Statewide, a choice of 15 health maintenance organizations and three preferred provider networks. Twelve of the HMOs and all three PPOs operate in Los Angeles; fewer are available in other parts of the state.
- What do the HMOs cost? For workers in the standard plan, co-payments of \$15 per doctor's office visit, \$100 per hospital admission and \$10 per generic drug prescription. For workers in the preferred plan, co-payments of \$5 per doctor's office visit, no co-payment for hospital admissions and \$5 for generic drugs and \$10 for brand names. The HMO pays if it refers enrollees to outside specialists. Maximum out-of-pocket cost per year: \$2,000 for individuals and \$4,000 for families under both plans.
- What do the PPOs cost? A 20% co-payment for office visits to network doctors and hospitals and 40% to outsiders. For workers in the standard plan, a \$500 yearly deductible per person. For workers in the preferred plan, a \$250 yearly deductible per person. Prescription drug co-payments of 20% for generics and 30% for brand names. Maximum yearly out-of-pocket payments of \$2,000 per person and \$4,000 per family in the network, and \$5,000 per person and \$10,000 per family outside the network.
- How can I sign up? Call your insurance agent or the HIPC directly at 1-800-447-2937.

will announce that the average insurance premium will decline in price, a testament to the negotiating skills of the organization and the desires of the insurance companies to crack the important small-group market.

The average company now enrolled in the HIPC has 10 workers. Companies with as few as four employees will be able to join as of July 1, and the threshold will drop to three a year later. About three-quarters of the employers in the HIPC bought their coverage through insurance agents, a fact that has made agents friendly rather than antagonistic toward the alliance.

HIPC membership should double in the coming year and could grow even faster as word spreads, Ramey and his staff estimate.

Beyond that, the competitive impact of the HIPC is being felt in the rest of the state's sprawling insurance market, where companies are offering more choices and trying to slow the rate of increase in premiums.

The HIPC is the "standard by which every other health plan's offerings and prices are compared," said Mark Weinberg, executive vice president at Blue Cross

of California, which covers 5 million Californians—and dominates the small-group market.

"If anything, we are having to be more competitive than ever to compete with the HIPC," he said. It was "no coincidence," he added, that a slowdown in California insurance inflation began last July when the HIPC opened for business.

At the beginning of the decade, California was grappling with the same thing the President and First Lady Hillary Rodham Clinton, who headed the Administration's health care reform task force, denounce again and again in speeches at lacking insurance companies: the specter of sick people crying in vain for help and uninsured families ruined by costly medical bills.

Many insurers engaged in "cherry-picking"—insuring the healthy but not those who were likely to face big medical bills. This meant seeking out firms with young, educated workers in white-collar jobs and giving them bargain rates. If their medical bills were higher than expected, insurers' rates would go up or the firm's coverage might be canceled without explanation.

Some industries were to be

avoided. Insurers didn't like to write policies for restaurants because many cooks, busboys, waiters and waitresses were transients. They avoided lawyers because they might sue and doctors because they would demand a lot of high-cost care.

Addressing this problem, the California law guarantees that no individual or company could be refused coverage for any reason. Any insurance product must be available to all customers.

Premiums may vary with the age, family composition and geographic location of the insured. An insurer may ask a 60-year-old to pay more than someone who is 30, a married woman with three children to pay more than a single woman, and a resident of Los Angeles, where medical costs are high, to pay more than someone who lives in Ukiah.

But insurers make only small adjustments in rates to compensate for different health conditions. If the cost of insurance for a typical group of five people is \$100 a month, the insurer cannot charge more than \$160 for a group of five people in which two have cancer, two have heart disease and the fifth suffers from diabetes. A group of four married runners in perfect health cannot get a rate lower than \$80.

These ground rules enable the HIPC to avoid becoming the dumping ground for companies with sick workers who could not get coverage elsewhere. The HIPC aggressively low rates and broad selection of plans make it attractive for healthy as well as high-risk groups of workers.

At LG2WB Engineers in Costa Mesa, for example, the \$8,000-a-month premium under the HIPC represents a savings of as much as 20% from the firm's old insurance plan.

The range of choices is welcome, if a bit intimidating. Marilyn Hall, the firm's vice president, says the 45 workers have enrolled in 11 networks.

"Some employees come to me and say, 'Which one should I choose, Marilyn?' I say, 'If you have a doctor, find out which network he belongs to.' Once they understand it, people love the choices."

Before the HIPC, Steve Levine, who owns an ad agency in Venice, got several calls a week from

people trying to sell him insurance. "I would tell them I'm a diabetic who had a kidney transplant, and the phone would go 'click,'" he said.

He paid \$1,000 a month for insurance for the four workers at his agency, plus \$1,500 out of his own pocket for special drugs to ensure that his body did not reject the kidney.

Now a monthly bill of \$851 from the HIPC covers both Levine and his employees—and drugs are part of the package.

The state has kept down costs and avoided building a new bureaucracy by hiring a private firm to act as the HIPC's sales agent, record-keeper and administrator. Employers Health Insurance won the contract and collects a fee for each person enrolled. The company started with 15 sales representatives and now, anticipating a boom year, has 30.

"We have forced the market to respond," said Kirk Rothrock, executive vice president of the HIPC, talking about the alliance's influence far beyond the comparatively small number of people enrolled.

Alliance backers in Florida agree. "You don't measure success by the number of small businesses they insure but by the impact they have on the market," said Bill Hurrell, a Florida business lobbyist. "You invent them to bring health care prices down."

The alliances ultimately could fall short of bringing insurance to everyone. After all, they are voluntary and employers remain free to refuse to spend money on health insurance.

Three-quarters of the HIPC's enrollees already had coverage elsewhere; only one-quarter come from the ranks of the uninsured. California still has a staggering 6.3 million uninsured people under age 65, and 83% of them are workers and their dependents, according to Richard Brown, director of the UCLA Center for Health Policy Research.

"We will need a national health care plan to complete the job," Chiles said.

Although he said he is confident the voluntary approach will make progress in his state, "I don't want to second-guess the President" on the call for mandatory coverage and compulsory alliances.

"I've got my hand to play and he has his," he said.

M E M O R A N D U M

TO: H.I.
FROM: J.E.
DATE: 6 April 1994
RE: Michael Whouley

I spoke to Michael today about where he is in putting together the small business coalition.

He said they signed the contract today and will be ready by the end of the month.

They will be in the following congressional districts to start off:

Slattery (KA)
Boucher (VA)
Payne (VA)
Hoagland (OK)
Lehman (CA)

These were their first targets to cover the Energy & Commerce guys.

Small Business Is Large In Opposing Health Plan

By ROBIN TONER

Special to The New York Times

WASHINGTON, April 25 — In the hierarchy of values on Capitol Hill, small business ranks right up there with national defense and intact families. If lawmakers forget that credo, the formidable small-business lobby will happily remind them.

All of which explains why the toughest struggle of the health care war these days is over the requirement that businesses contribute to the cost of their workers' insurance. This "employer mandate" is perhaps the principal barrier to getting a health care bill out of the Senate Finance Committee and the House Energy and Commerce Committee.

The mandate plan is the source of a gnawing anxiety among many lawmakers, particularly those from rural and Southern states. It has also been the trigger for a ferocious lobbying campaign that is likely to escalate and may end up sorely testing the Congressional commitment to universal health insurance.

"I don't know that people realize that our ways of achieving universal coverage are pretty limited," said Senator Tom Daschle of South Dakota, co-chairman of the Democratic Policy Committee and an ally of the Clinton Administration. "Someone described the employer mandate as our worst option, except for all the others."

Senator Daniel Patrick Moynihan, the New York Democrat who is chairman of the Senate Finance Committee, predicts that the mandate will be "the last thing to be decided."

"People are very much for it, and very much against it," he said.

Out front in the opposition is the National Federation of Independent Business, which is stalking swing members on important committees with a relentless mail campaign to small businesses in their districts. John Motley, the chief lobbyist for the federation, looks on his work so far and is pleased.

"We've made it very difficult for them to piece together something that will get out of committee," he said. "And the fact of the matter is we're much stronger in the Senate than we are in the House."

The federation has mailed about "600,000 pieces" so far this year to help mobilize grass-roots supporters, Mr. Motley said. It has 10 lobbyists on Capitol Hill, he added, and has only begun its "heavy barrel mailing" in the Senate.

This is not a subtle campaign.

"A Special Emergency Alert to All Kansas N.F.I.B. members!" roars a recent mailing aimed at putting pressure on Representative Jim Slattery, a Kansas Democrat who is a member of the

The Basics of Care

A periodic report on national health issues.

House Energy and Commerce Committee. "Jim Slattery could be the deciding vote to save the Clinton health plan — the largest government entitlement program in history — paid for by small business."

"Special Alert: Back Room Health Care Deal Cut," said a mailing aimed at squeezing Representative Richard H. Lehman of California, another Democrat on the committee. "The committee's chairman is working furiously behind closed doors to cut a deal to get Rep. Lehman to support an employer mandate that could be bad for your small business."

'Capable of Scaring People'

Lorrie McHugh, the White House spokeswoman on health, said, "I don't think anyone underestimates the power the N.F.I.B. has in influencing the debate." But she added: "This is the same organization that has opposed anything that would help working Americans: minimum wage, family and medical leave, worker safety law. They have a strong grass-roots organization that's capable of scaring people."

Another vocal opponent of the mandate is the National Restaurant Association, whose president-elect, Herman Cain, the chief executive officer of Godfather's Pizza, debated President Clinton on the issue in a "town hall" meeting earlier this month.

There are impassioned voices on the other side, too: the Health Care Reform Project, a coalition of labor, civic and business groups, is making the case for the new requirement on businesses with television and radio commercials in some of the same districts the federation is aiming at. And various companies have come forward to express their support for the employer mandate.

But the Administration and its allies had clearly hoped for broader support — particularly from big businesses that by and large already provide health insurance programs for their workers. Such businesses end up carrying a heavy share of the costs of the uninsured, analysts say, because of the practice known as cost-shifting.

"They've got billions on the line here, and many of them have sort of allowed a minority of small businesses to define the business interest in this debate," said Bob Chlopak, a consultant to the Health Care Reform Project. "It's a fraction of a fraction of a fraction of the business interests, but they're the only voices being heard right now."

That reserve on the part of big business is particularly apparent in the Business Roundtable, a group of executives from about 200 of the nation's largest corporations that the Administration wooed earlier this

year, only to be rebuffed. Johanna Schneider, spokeswoman for the roundtable, said its members generally felt that as bad as cost-shifting may be today, "how do we know that what we get under your plan won't be worse?"

In general, she added, members worried about the loss of control over their employees' health plans under the Clinton proposal — being financially responsible for a benefit package determined by politicians.

The arguments for and against the employer mandate have been made for months: Supporters say it is the best way to achieve private health insurance for every American that can never be taken away, and contend that their plan provides ample cushions for small businesses; opponents say it will, quite simply, cost jobs.

The committee chairmen and Democratic leaders like George J. Mitchell of Maine, the Senate major-

Talk of requiring insurance for workers energizes lobbyists.

ity leader, are trying to find a formulation of an employer mandate that can win a majority vote.

Representative John D. Dingell of Michigan, chairman of the House Energy and Commerce Committee, has repeatedly pared down the burden on small business; Senator Mitchell has proposed variations on the Clinton plan that would also reduce the burden on business.

Still, if universal coverage remains the goal, there is a strong political logic to requiring businesses to provide it.

Ms. McHugh at the White House makes the case: "There are essentially three ways you achieve universal coverage — through a broad-based tax, through guaranteed coverage at work, or through telling an individual and their family that they'll be responsible for the entire cost of their coverage."

Meanwhile, individual lawmakers are facing some powerful political calculations. One of the biggest is the memory of many House Democrats who heeded the pleas of their President and party last year and voted for a broad-based energy tax in Mr. Clinton's budget. That tax was dropped almost immediately when the bill moved to the Senate — thus exposing those representatives to political fallout for nothing. Many in the House have sought assurances from the Administration that this will not happen again with the employer mandate.

For now, much of the action surrounds moderate Democrats on the pivotal committees. Mr. Slattery, who is running for governor of Kansas this year, was the target of intensive lobbying from all sides, from the independent businesses federation to campaign-style visits from the President. Mr. Slattery finally decided last week that he could not support an employer mandate.

"I don't believe it's politically possible," he said in an interview. "And what we have to do then is shape a plan that moves us as close to universal coverage as possible without an employer mandate."

Mr. Slattery said he had become "hardened" to all the lobbying and dismissed its impact.

Nevertheless, no sooner had he announced his decision than the Health Care Reform Project was broadcasting a new commercial in Kansas: "Tell Congressman Slattery you want health insurance at work, just like his deal. Nothing less."

Continued on Page B8, Column 1

On Eve of Vote, Bombings Spread in South Africa

12 Are Killed in Blasts — Resolve of Black Voters Intensifies

By BILL KELLER
Special to The New York Times

JOHANNESBURG, April 25 — Bombs exploded across South Africa today, hitting mainly black taxi stands and polling places in a crescendo intended to demoralize the new South African electorate on the eve of its first vote.

A few hours after the worst attack, a horrific morning blast that killed 10 and sprayed human body parts and mangled minivans across a taxi park in suburban Germiston, the police said they were questioning a suspect and hoped for a breakthrough.

More than a dozen explosions were reported today, after a car-bomb detonated Sunday in downtown Johannesburg and killed nine people.

The explosions, most of them minor but ominous in their message, sent some panicky residents into a new frenzy of stockpiling household goods but seemed only to harden the resolve of black voters to exercise their first franchise.

Bolstered by the united condemnation of politicians and by their own lifetimes of being denied, even blacks who had been in the line of fire said they would not be frightened from voting.

"Someone is trying to scare us away from the election," said Zole Mntsi, who was sitting in his baby-blue minibus chatting with a friend when the Germiston blast suddenly lofted his vehicle into the air and smashed all the windows.

Swathed in bandages but unbowed, he returned from the hospital to retrieve his taxi and accept the condolences of whites who stopped to commiserate.

"They are wasting their time," he said of the spoilers. "We are going."

The first voters will be going on Tuesday, to 500 select polling stations opened for the elderly and the disabled and the imprisoned, followed by two days of universal suffrage.

Although no one took responsibility for the explosions, evidence mounted that the authors of the terror campaign were disaffected whites embittered about the loss of white control in South Africa.

One survivor of Sunday's explosion, in the commercial center of Johannesburg, told reporters he had seen two white men wearing the uniforms of private security guards running away from a beige Audi shortly before it blew up.

The survivor, Cherry van Heerden, 18, said he and a friend were sitting on the curb five yards away when the men parked the car, according to the South African Press Association. Moments later wisps of smoke arose inside the vehicle.

"We tell each other, let's move away, maybe it's a bomb," Mr. van Heerden said. They were walking away rapidly when the blast knocked them flying.

This victim, too, said he still planned to vote, at the mobile polling station that will pass his bed.

The Government has promised the biggest peacetime deployment in South African history to protect voters. Gert Myburgh, the Deputy Minister of Law and Order, said 100,000 police officers and thousands of army reservists would guard polling stations.

Except for the Johannesburg and Germiston car bombs, the explosions showed no clear pattern except for the choice of targets.

Tonight two young men lobbed a bomb into a restaurant frequented by blacks in Pretoria, killing 2 diners and injuring 29. This morning someone left a bomb in the women's toilet at a taxi park in Randfontein, west of Johannesburg; it exploded without harming anyone. Small bombs went off Sunday and today at polling stations in conservative suburbs of Johannesburg, in farm towns of the Transvaal and in the great Karroo desert.

In Germiston, 200 pounds of explosives packed into a car trailer went off at 8:45 A.M., in the morning rush hour. Most of the 10 dead and 36 injured were blacks using the taxi park, but the blast also devastated a Portuguese-run convenience store and blew out windows in a home for homeless Afrikaners.

Fears of a Merger

Germiston, which borders two volatile black townships, is to merge with them into a single municipality under the new order. The white local Government has accepted the merger, but many white residents are furious.

Among those surveying the wreckage, most whites expressed disgust. But a few reveled in the explosion as a show of separatist determination to wrest a white homeland, or volkstaat, from the new majority Government.

"We will always be in the minority, and we have always said that if we cannot get a volkstaat through negotiations, we will get it through armed struggle," said a 20-year-old member of the racist Afrikaner Resistance Movement who refused to give his name.

He said he was sorry the bomb had not killed more people.

The terror campaign has been the deadliest and most sustained since the African National Congress took to bombing civilian targets in the early and mid-1980's. As many South Africans pointed out today, that campaign spread considerable alarm but did not jeopardize the state's control.

Determined to Vote

Candidates and officials overseeing the elections dismissed any suggestion that the vote would be delayed, or even diminished.

"We have come light years in four years and we will not be deterred by minor incidents," said Judge Johann Kriegler, chairman of the Independent Electoral Commission. Peter Harris, in charge of poll monitoring, concurred, saying voting would go ahead "bombs or no bombs."

Nelson Mandela, the head of the African National Congress and probably the next President, visited victims of Sunday's explosion and told reporters that he and President F. W. de Klerk had agreed on measures to contain the violence.

"We know who they are," he said, without elaborating.

Unable to resist a final campaign barb, Mr. Mandela added, "I sincerely hope the Government will act in such a way as to remove the impression we are dealing with a Government of weaklings, unable to rise to the challenge that is posed by madmen now slaughtering innocent people because they fear democracy."

U.S. to Double Aid

WASHINGTON, April 25 (Reuters) — The United States plans to double its financial aid to South Africa, to at least \$140 million, Commerce Secretary Ron Brown said today. Much of the aid would support "real social reconstruction in South Africa," he said, including housing, commerce, education and health care.

Mr. Brown also said the Administration hoped to attract private investment and loans so that the aid could reach \$210 million or more.

"The fact is that salvation is not going to come from an aid package, it's going to come from greater investments and trade," he said in a speech at Howard University.



The worst bomb attack, in Germiston, killed 10 people.

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JAMES A. HARMON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

April 26, 1994

Mr. Harold Ickes
Assistant to the President
and Deputy Chief of Staff
The White House
1600 Pennsylvania Avenue N.W.
Washington, DC 20500

Dear Harold:

I understand that Howard Schultz, the CEO of Starbucks, is scheduled to meet with the President on Friday re. the healthcare program. You should know that Howard is a very good friend and a client of Wertheim Schroder. We did the initial financing, and I was with him just the other day.

If I can be of any assistance to you on this matter, please let me know.

With best regards,

Sincerely,





HEALTH CARE
REFORM PROJECT

THE VOICE OF
AMERICANS FOR
CHANGE, NOW.

2550 N Street, N.W.
Washington, D.C. 20037

For Immediate Release
April 14, 1994

Contact: Charlie Leonard,
Bob Chlopak
(202) 296-2777

Small Business Representatives Respond to NFIB

Washington, D.C. -- The following letter was sent to Members of Congress today from representatives of small business in response to an NFIB media event. The text of the letter follows:

Dear Member of Congress:

There they go again!

The National Federation of Independent Business today released a study purporting to document massive layoffs if an employer-based financing mechanism is included in health care reform. We've seen this scare tactic before. As representatives of 60 million Americans who support health care reform, including thousands of small businesses across America, we know that reform is good for small business. We do not buy the NFIB rhetoric.

Last October, the Washington Post contacted several small business owners at the suggestion of NFIB and other partisan opponents of reform (Washington Post 10/10/93). Rather than confirm that an employer mandate would put them out of business, as NFIB claimed, most of these small business owners said they could easily cover all employees. Several found they would actually save money under the President's plan.

Indeed, several respected, nonpartisan studies substantiate our view that job displacement under health care reform will be minimal:

- o Rand Corp., a nonprofit public research institute, determined "that job losses due directly to increased cost to employers will be under one-

quarter of one percent of total employment. We conclude that direct job loss need not be a major consideration in the evaluation of the President's plan."

- o The Congressional Budget Office found that "the effect of the proposal on the total labor force would be relatively small and limited largely to second workers in households in which one person already works." CBO also found that the President's plan would save businesses more than \$150 million annually in health care costs by the year 2004.
- o Lewin-VHI, in a study for the Heritage Foundation, concluded that few small firms will be forced to lay off workers or go out of business. At most, 155,000 to 350,000 jobs could be cut due to the employer mandate. That number is far less than the number of new jobs that will be created this year alone due to economic growth.
- o Two independent studies (Economic Policy Institute and the Employee Benefit Research Institute) predict that health care reform will cause a net increase in jobs.
- o The General Accounting Office said that "Hawaii's employer mandate did not have a large adverse impact in the small business sector." For the past 20 years, Hawaii has been the only state to implement an employer mandate. Dr. John Lewin, director of health for Hawaii, said that "Hawaii is living proof that the significant job loss and serious economic damage naysayers claim will result from an employer mandate has not occurred."
- o The Employee Benefit Research Institute found that an average business with nine employees and an average salary of \$13,000 per person would actually save more than \$12,000 a year in health care costs.

The NFIB's dire predictions fail to take into account the effects of lower insurance costs resulting from universal coverage and the fact that small businesses will have greater ability to join together to receive lower group rates. And through reductions in cost shifting and administrative charges, many small business owners who presently insure their workers will experience significant savings, which presumably would result in their ability to create new jobs.

The truth is, most small businesses (62 percent) already provide health insurance to employees. Virtually all who do not will be eligible for substantial discounts under the President's proposal. And for the first time ever, small businesses will be able to provide real insurance and comprehensive coverage as good as any Fortune 500 firm. That's good news for employers and employees.

So don't believe the NFIB scare tactics. We certainly don't.

Sincerely,

Charles M. West
National Association of Retail Druggists

Ann Looper
American Institute of Architects

Michael O'Connell
Owner Operator Independent Drivers Association, Inc.

Ronald Ziegler
National Association of Chain Drug Stores

Robert Chlopsk
Health Care Reform Project

For additional information, please contact:

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Editors Note: The Health Care Reform Project is in touch with small business owners around the country that support health care reform. For a small business contact in your area, please contact Mark Johnson.

Prices on Move Banks

THE WALL STREET JOURNAL THURSDAY, MARCH 24, 1994

Prime Rate Is Raised
Following Fed Action;
Stocks Finish Mixed

WEDNESDAY'S MARKETS

By STEVEN E. LEVINGSTON
And MICHAEL R. SESIT

Staff Reporters of THE WALL STREET JOURNAL

A boost in the prime rate by several large banks helped drive bond prices lower. Stock prices and the dollar were mixed.

The Dow Jones Industrial Average rose 6.91 points to 3869.46. Standard & Poor's 500-Stock Index edged down 0.26 to 468.54, and the Nasdaq Composite Index gained 1.17 to 797.51.

Bond prices traded in a narrow range until the afternoon, when they slumped after several banks raised the prime rate to 6.25% from 6%. The prime rate is the rate commercial banks charge on loans to their biggest borrowers. Tuesday, the Federal Reserve decided to raise short-term interest rates.

"This means interest rates — from the federal funds rate to the prime rate — are trending upward," said Sung Won Soha, chief economist at Norwest Corp. in Minneapolis. "Though the rise in the prime rate was expected, the bond market was somewhat discouraged." He added that the bond market's decline was also due to profit-taking after Tuesday's surge.

Stock prices were boosted by economically sensitive stocks as investors bet that the recovery remains on track despite rising interest rates. But investors are still worried about further Fed rate increases, said Ralph Bloch, market strategist at Raymond James & Associates in St. Petersburg, Fla. "There's a third shoe out there still to drop," he said.

Overseas, some Asia/Pacific markets soared. The Hong Kong stock market jumped 5%; Singapore, 3.2%; Thailand, 4%; and Malaysia, 3.4%. Markets in Australia, Taiwan and the Philippines also rallied. William Murray, a director at Baring Securities Ltd. in London, said Asian investors were relieved by the Fed's modest move on rates. Also, the flow of funds to the Japanese market from smaller Southeast Asian markets has slowed from its vigorous pace earlier in the year.

World-wide, stock prices fell in dollar terms. The Dow Jones World Stock Index lost 0.09 to 114.95.

In major market action:

Stock prices were mixed. Volume totaled 281.4 million shares on the New York Stock Exchange, where 1,159 issues rose and 945 fell.

Bond prices fell. The Treasury's benchmark 30-year issue lost more than $\frac{1}{2}$ point, or more than \$5 for each \$1,000 face amount, to yield 6.89%.

The dollar was mixed. In late New York trading, the currency was quoted at 1.6802 marks and 106.25 yen, compared with 1.6885 marks and 106.00 yen Tuesday.

Small-Business Program in California Cuts Health Premiums by Average 6.3%

By LESLIE SCISM

Staff Reporter of THE WALL STREET JOURNAL

An innovative small-business health-insurance program in California that pools employees into purchasing cooperatives is cutting premiums by an average 6.3%.

Michael Roush, an official with the National Federation of Independent Business in Washington, D.C., a group of 600,000 small businesses, said the California co-op's success comes as most small businesses nationally experience "low- to mid-single-digit increases, compared to double-digit increases as recently as last year."

The nearly year-old Health Insurance Plan of California announced that it has negotiated the premium cuts with 23 health plans to take effect July 1. The plan, which covers 2,500 businesses with 44,000 employees and dependents, is the nation's first statewide government-backed health-insurance purchasing co-op. Many experts consider it a model for the various sorts of purchasing pools being debated by national health reformers.

Under the California plan, employers voluntarily join the cooperatives. This gives them the same bargaining clout as large businesses. Employees at participating small businesses can pick among several plans and employers are required to cover at a minimum the cost of 50% of the cheapest plan, with employees paying the rest.

"The rate decrease that members are receiving will come as welcome news to all proponents of managed competition," said Richard Figueroa, deputy director with the California Managed Risk Medical Insurance Board, a 13-person agency overseeing the alliance. "It shows that alliances can be put together in a short period of time with a lot of insurance-company participation."

The premium cut comes on the heels of a 1.1% premium reduction announced by the giant California Public Employees Retirement System for members in 18 health-maintenance organizations. Announced last month, Calpers' new rates will benefit

920,000 public employees and family members.

In the most recent round of negotiations for the California co-ops, "competition was intense," said Ronald Brewer, a regional director for Aetna Life & Casualty Co., which captured nearly 40% of the program's business in its first year. "Through our success, others have seen that there's a lot of business to be written, and people who weren't aggressive last year came back much more aggressively."

The heightened competition is most evident when comparing the negotiated rates, Mr. Figueroa said. Beginning July 1 in the Los Angeles area, for example, six of the 17 participating companies will offer monthly rates below \$100 for an individual between 30 years and 39 years old, with the lowest one at \$87. Last year, only one of 15 participating companies offered a monthly rate below \$100. The rate: \$88.29.

Robert Laszewski, a consultant with Health Policy and Strategy Associates, Washington, D.C., said the California co-ops are "probably the best example of what the marketplace will be happy with." The program, however, still has a small market share, just several percent of the small business market.

Federal Prosecutors Are Considering Criminal Charges Against Congressman

By ANDY PASZTOR

Staff Reporter of THE WALL STREET JOURNAL
LOS ANGELES — Federal prosecutors are considering seeking criminal charges against Democratic Rep. Walter Tucker of California, people close to the situation said.

A nearly three-year investigation by the U.S. Attorney's office and the Federal Bureau of Investigation here focused on alleged bribery while Rep. Tucker served as mayor of Compton, Calif., in 1991 and 1992.

Relying on tapes from hidden video cameras and other material gathered during the undercover phase of the inquiry, these people said, prosecutors here are leaning toward seeking felony charges against Rep. Tucker and Patricia Moore, a former member of the Compton City Council. But the final decision has been referred to senior Justice Department officials in Washington because of the possible political sensitivity of the case.

Both Rep. Tucker and Ms. Moore said they weren't aware of the investigation and denied any wrongdoing. "It's an election year," Rep. Tucker said in a telephone interview yesterday.

Justice Department and FBI press officers in Los Angeles and Washington declined to comment on the case, although others said that local prosecutors months ago urged proceeding to indictment. But prosecutors could still change their current plan to present their findings to a grand jury.

The case could be controversial, because both former city officials are prominently identified with minority causes and have close ties to some of the area's most powerful black community leaders. Black leaders in the past have criticized the Justice Department for what they claim is the unfair targeting of minority officeholders for criminal prosecution.

Compton, an economically depressed city south of the Watts section of Los Angeles, became a symbol of racial division during the riots here two years ago. Rep. Tucker, a 36-year-old minister who is serving his first term in the House, gained prominence escorting President Bush and other dignitaries around the damaged area. The son of a longtime Compton mayor and a former county prosecutor himself, Rep. Tucker is one of the fastest-rising black politicians in Southern California.

One person familiar with the case said any indictment would be based partly on tapes of a sting operation that appear to show Rep. Tucker and Ms. Moore accepting money allegedly to make sure certain items were placed on the city council's agenda.

Asked about those allegations, Rep. Tucker said "I deny them, of course." He said he could "think of a lot of people who would like to smear my name," adding that no federal investigators "have talked to me about this."

In a separate interview, Ms. Moore, a longtime community activist, said "I've never done anything like that," adding that "this is the first time I have ever heard of this."

Shift of Military Maintenance Work To Private Sector Is Urged by Pentagon

By THOMAS E. RICKS

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — A Pentagon task force, in a move that could have multibillion-dollar implications for the defense industry, has privately recommended over the Air Force's objections that much of the maintenance work currently done by military depots be turned over to the private sector.

If approved by Defense Secretary William Perry and by Congress, the position recommended earlier this week by the task force would resolve a long-running battle between the military and the defense industry. In the post-Cold War era, the industry has sought more of the military's maintenance and upgrade work, only to see it absorbed in-house. The defense industry has fought for just the sort of compromise that is on the verge of emerging from the Pentagon.

The recommendation is especially good news for the aerospace industry, because the Air Force, unlike the Navy and the Army, has vigorously resisted curtailing its in-house work, on which it spends about \$5 billion a year.

The task force recommendation appears to place at least two of the Air Force's five big Air Logistics Centers squarely in the crosshairs of the next round of base closings, scheduled for next year. The five centers, which employ about 50,000 civilians, are located in San Antonio; Oklahoma City; Sacramento, Calif.; Ogden, Utah; and Macon, Ga.

In more good news for the defense industry, the task force also recommends dropping the practice of putting work up for bids from both the private sector and the military depots. In one such instance, the Navy's Norfolk depot took away from Grumman Corp. a contract to strip and repaint F-14 fighters, a surprisingly complex job. Grumman had been charging the Navy \$120,000 a plane; Norfolk's bid was \$28,000 apiece.

The defense industry had deeply resented such competitions, which it contended could never be fair, because the government didn't really have to account for its overhead. "The playing field is definitely not level," William Anders, then chairman of General Dynamics Corp., said last year.

Defense industry officials were privately pleased with their victory, but wouldn't crow about it in public for fear of stirring up opposition. Loren Thompson, a Georgetown University professor who has represented the consolidated views of the

industry before the task force, declined to comment, as did an official of the Aerospace Industries Association, a trade group that has worked to move the Pentagon toward the new position.

Air Force Backs Bidding

Air Force officials weren't so shy. Lt. Gen. Dale Thompson, vice commander of the Air Force Materiel Command, defended the idea of continuing the competition between the military and the defense industry. Between fiscal year 1991 and 1993, he said in a statement, "We have realized savings of more than \$353 million in competition between the Air Force and private contractors."

The task force's recommendations are expected to be endorsed by the defense secretary who by law must report on the issue to Congress by the end of next week.

But the recommendations will face a critical review in Congress, where many members jealously protect the thousands of jobs that the military depots represent in their districts. Rep. Glen Browder, the head of the congressional depot caucus, said he hadn't yet seen the task force's recommendations, but predicted that "they will have a difficult road through Congress."

"What that proposal sounds like is exactly what the industry has been hollering for all along," said the Alabama Democrat, who sits on the House Armed Services Committee.

Also, the Air Force may take the fight to Capitol Hill. But the Air Force's credibility with Congress has been eroded by its handling of the C-17 military cargo jet program.

Defining 'Core'

Others predicted that Congress, weary of the squabbling between the military and the industry on the issue, will accept any solution endorsed by the majority of both sides. The task force's solution of reserving "core" work for the military and pushing everything else into the private sector appears to pass that test.

However, that solution could provoke a new conflict between the military and industry over defining "core." One Navy admiral yesterday suggested that his service would seek a fairly robust definition that would give his service at least 30% to 40% of the money it spends on maintenance and upgrade work. Currently the services get about 70%, with the remaining 30% going to the industry.

73

The Fresno Bee

Thursday

April 7, 1994

Some owners tout Clinton health planBy Wanda Coyia
The Fresno Bee

Several small-business owners in Fresno want their congressman to know that they not only are willing to shoulder their fair share of responsibility for their employees' health care but also eager.

At a news conference Wednesday, five owners of small businesses called on their local colleagues to join them in endorsing major components of President Clinton's health-care reform plan.

They urged other business owners to tell Rep. Richard Lehman, D-North Fork, that they want a reform bill that would guarantee private insurance through the workplace and stop "discriminatory pricing" against small employers.

Lehman is a member of the House Energy and Commerce Committee, a key panel in drawing health-care reform legislation and has become a focus of intense lobbying from people on all sides of the issue.

He has not made a commitment on specific legislation but has said he favors exempting small businesses from paying the costs of health

Please see Health, Page D2

CONT PAGE of BUSINESS SECTION
FBI - H. Grossinger

BUSINESS**Health: Some owners tout Clinton plan**

Continued from Page D1

insurance for their employees. That is in line with the stance of the National Federation of Independent Businesses and some other business organizations.

But the Fresno businesspeople who spoke out Wednesday as members of the 60 million-member Health Care Reform Project coalition said that those organizations did not represent their views.

Strong supporter

"I can't imagine a small-business owner not being in favor [of the Clinton plan] if he has read what it does," said John Sorenson, owner of WECO Supply Co. where the news conference was held.

Sorenson said he was asked to be a spokesman for the Clinton plan as the result of a letter he wrote endorsing its principles.

The plan has "features that everybody wants," he said and, by requiring insurers to offer the same coverage to all employers at the same price, would allow small companies to compete more evenly with large ones.

In addition to Sorenson, those speaking for the reform bill were David Wilcox of Pharm Kee Inc., William Patnaude of the Law & Patnaude architectural firm, Ernesto Vera of Mid-State Medical Claims and Processing Co. and Frank Cortes of Cal State Muffler & Brake.

'A moral obligation'

All of them said that the president's plan would help small business because it would level off and set ceilings on premiums, spreading costs more evenly among small and large businesses.

Patnaude, an architect, said that as an employer he con-

siders providing health insurance "a moral obligation," but one that's more and more difficult to meet because of rising costs. He said he always has provided insurance for his employees and their dependents but recently has had to pull back on its scope.

Wilcox, whose company operates a chain of pharmacies, said that health care was a major concern to prospective employees and a small business that can't afford to offer insurance could not compete in hiring.

In answer to a question whether government regulations would stifle choices in health care, he said that it would mean "more choice, not less" because it would offer individuals a fee-for-service option at an additional fee.

Others favor it

Vera concurred, saying that under current health plans, "people are losing a lot of choices — there are lots of restrictions now."

Cortes, who said he had to drop insurance coverage for his four employees because he couldn't afford fee increases, said that he believed the Clinton plan will work. "It has to work."

The Health Care Reform Project is a national coalition of 37 organizations representing business, labor, health-care providers, seniors and children advocates.

It has launched a widespread advertising campaign for "real health-care reform" to combat what it says are misleading ads sponsored by the insurance industry.

Allen: Karen
Pg #1



NFIB
National Federation of
Independent Business

ACTION ALERT

TAKE ACTION NOW ON THESE CRUCIAL LEGISLATIVE ISSUES

A SPECIAL EMERGENCY ALERT TO ALL KANSAS NFIB MEMBERS

Dear Kansas NFIB Member:

"I just don't see how you can get to universal coverage without an employer mandate."

Do you to know who recently said that?

Kansas Congressman Jim Slattery did. The same Jim Slattery that wants to be the next governor of Kansas.

Rep. Slattery could be the deciding vote on the powerful House Energy and Commerce Committee on the proposal to require you and all small business owners to pay for a government mandated health benefits package for all employees - full time, part time, and seasonal. Today, this Committee is deadlocked and the Clinton plan is in serious trouble. The key votes on the employer mandate and the President's proposal will take place shortly after the Easter-Passover recess.

Representative Jim Slattery could be the deciding vote to save the Clinton health care plan - the largest government entitlement program in history - paid for by small business!

Jim Slattery has said he is undecided about the employer mandate. But on March 7th, he met with eight NFIB members in Topeka and told them he couldn't see how health care reform could happen without an employer mandate.

I need your help to convince him that an employer mandate of any type would be devastating to Kansas small business and your employees.

Rep. Slattery needs to hear from Kansas small business owners from every corner of the state. He is proposing a mandate that would require you to pay for 50% of a government mandated health care plan for all employees - full time, part time, and seasonal.

att: Karen
Pg #2

Servus

Rep. Slattery is also looking at the so-called Dingell plan. This plan would impose a 1-2% payroll on firms with 10 employees or less if they do not provide a government mandated health benefits package. Other employers would be required to pay for 80% of all employees' health benefits. Small firms would be eligible for government subsidies.

NFIB has carefully studied these compromise proposals. Sure, some compromises might make the employer mandate a little less expensive in the short run than the 80% mandate proposed by the President, but otherwise these deals being negotiated behind closed doors have all the same features as the President's plan. They would:

- * result in higher costs for at least 55%-60% of employers.
- * lock you in to paying a cost over which you have no control.
- * reduce your role in deciding what health benefits are right for your firm to just writing the check.
- * kill small business jobs.
- * create more paperwork and reporting requirements.
- * set more penalties.
- * establish more government control of health care.

Also, the cost of every government health care program has been grossly underestimated. Future costs will rise, and you will have to pay them. Remember, Social Security started as a 1% payroll tax!

Rep. Slattery has said that he thinks Congress can come up with an employer mandate that small business can live with. If you don't agree, you need to contact him immediately and tell him so. He needs to know that:

- * Small business in Kansas wants health care reform without an employer mandate. No more payroll taxes and mandates! The cost of health insurance is a big problem for small firms, but that should be solved through market oriented reforms.
- * Small business will not accept a health insurance employer mandate just because it is a little less expensive than the one proposed by President Clinton.

Please call or write Congressman Jim Slattery today -- before its too late!

IN WASHINGTON:
2243 Rayburn Building
Washington, DC 20515
202/225-6601

IN KANSAS:
Suite 803, 700 S.W. Jackson
Topeka, Kansas 66603
913/233-2503

Thank you for getting involved.

Sincerely,

Jack Faris
President

P.S. Please do not send a copy of this action alert to Rep. Slattery. Your own letter is much more effective. Let us know when you contact Rep. Slattery by sending or faxing a copy of your letter to:

NFIB, Attention: Alert Team
600 Maryland Avenue, S.W., Suite 700, Washington, D.C. 20024
FAX: 202-484-1566

Health debate gets down to 'very smallest' business

By Judi Hasson
and Richard Wolf
USA TODAY

President Clinton's plan to have every business shoulder most of workers' health insurance costs is being cast as a battle over jobs.

The issue: whether requiring companies to pay 80% of workers' premiums would force layoffs as bosses reduced payroll so they could cover the new costs.

On Thursday, the National Federation of Independent Business, representing 610,000 small companies, warned that the requirement would cost at least 850,000 jobs.

"The very smallest firms and ... the low-pay jobs are the first to go," said NFIB President Jack Paris. He said those laid off would be "disproportionately female workers, making less than \$10,000 a year and trying to support a family."

But three dozen large employers, including Ford Motor Co., Sara Lee Corp., Archer Daniels Midland Co. and Bethlehem Steel, sent a letter to Congress in support of employer-paid insurance.

"An employment-based system ... is an essential component of health-care reform," they wrote to Rep. Dan Rostenkowski, D-Ill., and Rep. John



By Bob Child, AP

BOWLES: Says small firms now get 'raw deal' on insurance

Dingell, D-Mich., chairman of two key House committees.

The proposed requirement is a major stumbling block on Capitol Hill as those committees take up a revised version of Clinton's plan.

Now, neither the House Energy and Commerce Committee, chaired by Dingell, nor the House Ways and Means Committee, chaired by Rostenkowski, has enough Democratic votes to approve the mandate without further sweeteners for small business. Clinton's plan would give small, low-wage companies subsidies to help pay for their workers' insurance.

Treasury Secretary Lloyd Bentsen defended Clinton's plan: "I think there will be shifting of jobs, but not job loss."

Small Business Administration chief Erskine Bowles said two-thirds of NFIB members already insure their workers, and get a "raw deal" because they can't get price breaks on insurance enjoyed by big business. That would change with the Clinton plan, he said.

Economist William Custer of the Employee Benefit Research Institute minimized job losses, but said the real impact would be in lower raises as employers cover health costs.

Despite all the claims, some businesses remain unconvinced:

James Heiman, a grain company owner from Wichita, Kan., who met Clinton last week, said Thursday: "They haven't convinced me fully that we need a mandate. Businessmen like myself are afraid."

And Herman Cain, president of Godfather's Pizza Inc., who challenged Clinton's figures at a Kansas City meeting last week, sent the White House his own estimate that his company's health costs would increase by \$1.7 million a year, which would require a 16% to 20% sales increase to cover.

► Health costs falling, 1B

Bonus: Background checks turn up criminals

By Debbie Howlett
USA TODAY

Five days after the Brady handgun law went into effect, Robert Delariva tried to reclaim his handgun at a Reno pawn shop.

He filled out a form and the clerk entered the information on a computer for the background check as required by the new law. The police showed up minutes later and busted him on a felony warrant for writing bad checks.

Delariva, 46, is among an estimated 38,000 felons who've turned up in background checks of handgun purchasers in the seven weeks since the Brady law took effect.

Officials at the Bureau of Alcohol, Tobacco and Firearms say they have no idea how many of the felons are arrested; most state or local officials can't say how many arrests have been made. Still, ATF officials are pleased — and a bit surprised

— that the checks are revealing so many criminals.

"We're nailing them until they glow at the pawn shops," says Jack Killorin, ATF spokesman. "I guess they don't figure a pawn shop is a federally licensed firearms dealer. It says something about the judgment of the American criminal."

The FBI's computerized criminal information network has handled about 90,000 background checks a week since Feb. 28. About

16% of those are denied, though only one in three denials actually turns out to be a felony matter.

Many of the "hits" turn out to be a case of mistaken identity or a misdemeanor matter, such as an unpaid traffic ticket.

And many of the felons, such as Delariva, are minor-league criminals with minor offenses compared with murderers, rapists and armed robbers.

The National Rifle Association is a leading opponent of

the checks, in part because of the burden placed on local law enforcement officials.

The NRA is financing five of six federal court challenges to the Brady law brought by county sheriffs.

On Wednesday, John Arnold of Fort Walton Beach, Fla., became the first person convicted under a lesser-known provision of the Brady law that makes it a federal crime to steal a weapon from a licensed gun dealer; he faces up to 10 years in prison.

...ent day ...rkens at White House

By Bill Nichols and Adam Nagourney
USA TODAY

As the day began at the White House, Thursday actually seemed quite promising.

The crime bill, the administration's top legislative priority at the moment, finally was beginning to move in the House.

And a bit of atypical Washington weather — mild, clear and radiantly sunny — was a perfect backdrop for an elaborate South Lawn anti-crime rally that was to be the president's major public event of the day.

But at 6:15 a.m. ET, before President Clinton took a 3-mile run with the U.S. Winter Olympics team, he was called with a report that U.S. helicopters had gone down over Iraq.

Within hours, reporters clamored for details and the entire focus of Clinton's day would change, showing once more how the best-laid plans of this administration — or any other — can be instantly transformed by events beyond their control.

At about 8:30 a.m., during a breakfast meeting between Clinton and members of Congress, came news that would make Thursday one of the worst in Clinton's 16-month presidency.

Clinton was pulled from the meeting by national security adviser Tony Lake, senior aide George Stephanopoulos and Defense Secretary William Perry and told they believed two

U.S. F-15 jets enforcing the "no-fly" zone had shot down two U.S. helicopters.

Clinton, back at the meeting, Stephanopoulos says, "Just told the members, 'Listen, we've had an accident. I don't know a lot of information.'"

Just over two hours later, Clinton was in the White House briefing room, expressing "terrible sorrow" at the news — 26 U.S., British, French and Turkish personnel had died.

Clinton seemed shaken, the promise of the day gone, the incident marking the second-worst — after the deaths of 18 U.S. soldiers last October in Somalia — U.S. military disaster of his presidency.

Aides said the incident would not affect the domestic agenda, blurred already by the Whitewater affair.

But the deaths from friendly fire in Iraq, along with an increasingly tense standoff between United Nations forces and Bosnian



Agence France-Presse

They served with courage and professionalism, and they lost their lives while trying to save the lives of others.

— President Clinton

Serbs in Bosnia-Herzegovina, instantly overshadowed the domestic concerns they had hoped would dominate the day.

After the breakfast, Clinton returned to the Oval Office with Lake, Stephanopoulos and Perry and called Gen. John Shalikashvili, chairman of the Joint Chiefs of Staff, for more facts.

That Clinton should go before the press was never an issue. The White House was "just trying to be as straightforward as possible," said press secretary Dee Dee Myers. "The president ... wanted to be as clear as he could about what we knew as soon as we were able to talk about it."

"This is a terrible tragedy for the families involved and for the people in the armed forces," Clinton said before making his crime speech to community leaders. "I would like to ask that since so many of you put your lives on the line every day, we open this ceremony with a moment of silent prayer for those who lost their lives, their families and their loved ones."

Clinton went on to make a lengthy speech pushing quick passage of the crime bill, and he mostly kept his schedule.

The crime event was delayed about 20 minutes because of Clinton's statement, but the rest of the day went as planned, including an unannounced stop at a lunch honoring the 25th anniversary of Senate Minority Leader Bob Dole's first Senate speech championing the rights of the disabled.

Yet it was clear Thursday was anything but ordinary for Clinton — a man unafraid to show his emotions, yet still getting used to the mantle of responsibility for unforeseen tragedies.

"They served with courage and professionalism, and they lost their lives while trying to save the lives of others," Clinton said of those killed. "The nation and the world should remember them in gratitude."

ALSO IN WASHINGTON

Senate committee: Kelso deserves 4-star retirement

A key Senate committee says Chief of Naval Operations Frank Kelso should be allowed to retire as a full four-star admiral despite fallout from the Tailhook sex-harassment scandal that occurred on his watch.

The Senate Armed Services Committee voted 20-2 Thursday to go along with President Clinton's recommendation that Kelso retire at top rank. The issue goes to the full Senate. At stake: a \$114,453 annual pension that would be reduced to \$89,892 at the lower two-star rank he would receive without Senate action.

Sen. Kay Bailey Hutchison, R-Texas, the only woman on the panel, voted against a four-star retirement, saying Kelso attended the 1991 Tailhook Navy aviation convention despite its reputation within the Navy for sexual misconduct. Sen. Robert Byrd, D-W.Va., also voted "no."

"I do not think the investigation by the Navy was adequate, and he must be accountable," Hutchison says.

But Armed Services Committee chairman Sen. Sam Nunn, D-Ga., says Kelso did not witness misconduct or impede the probe.

MITCHELL SUCCESSOR: Sen. Wendell Ford, D-Ky., took himself out of the running to succeed retiring Sen. George Mitchell, D-Maine, as Senate majority leader. Instead, Ford, 69, says he will seek re-election as whip, the No. 2 post for Senate Democrats. Meanwhile, Sen. Patrick Leahy, D-Vt., says he may run for Democratic leader. Sen. Thomas Daschle, D-S.D., is the only announced candidate. Sen. Bob Graham, D-Fla., another potential candidate, says he's backing Daschle.

E-MAIL THREAT: The Secret Service is investigating a threat against President Clinton received via computer from east Texas. Special Agent Billy Peek of Tyler said the source of the message was traced to the Stephen F. Austin State University campus in Nacogdoches. The message was sent by e-mail, which is an electronic bulletin board, to a White House computer system. Peek declined to give specifics of the message or the ongoing investigation.

USA TODAY • FRIDAY, APRIL 15, 1994 •

Afford Your Health Plan, Mr. Clinton *business, small*

Clinton got into a... Herman Cain, president of Godfather's Pizza, over the impact on business and jobs of the Clinton health care plan's employer mandate. "Why wouldn't you be able to raise the price of pizza 2%?" the president asked at one point. "I'm a satisfied customer. I'd keep buying from you." On Tuesday, Mr. Cain sent the following letter to the president. The table is based on one that accompanied the letter:

Dear Mr. President:

During your April 7, 1994, town hall telecast from Kansas City, you asked me to send you my calculations of the impact on our business of your health care proposal. I am happy to do so in this letter.

As a reminder, the Godfather's Pizza system has 525 restaurants with over 10,000 employees. Two-thirds of these restaurants are owned and operated by franchisees of our company, whose operating financials are almost identical to our corporate-owned operations of 141 restaurants. Therefore, in order to be as specific as possible in our calculations, I will focus on just our corporate-owned operations with 3,418 employees.

Under your proposed health care plan, the cost to cover all 3,418 employees would be nearly \$2.2 million annually. This amount of \$2.2 million is a \$1.7 million increase in our insurance, which is approximately 3 1/2 times our prior-year insurance cost. Last year we paid \$540,000 in insurance premiums to cover an 80% employer portion for all participating full-time employees.

You mentioned during the telecast that restaurants with approximately 30% labor need only increase prices 2.5%. This price increase appears to be arrived at by taking 7.9% times 30%. Quite frankly, we cannot just look at a percent of a percent but in-

stead we must look at the actual dollars involved. A \$1.7 million cost increase would directly decrease "bottom line" profit. In order to produce the same "bottom line" as we are generating today, a 16%-20% increase in "top line" sales would be required due to variable costs such as labor, food costs, operating expenses, marketing

cause they are very price conscious. In fact, 25% of all restaurant customers use a discount coupon with their purchase. (Source: NPD/CREST)

2. Since it is likely that many of our suppliers of ingredients and materials will also experience increases in costs due to a mandate, they will likely pass some or all of those costs on to us and, thus, it becomes an inflationary "snowball."

3. Although consumers are spending more of their food dollar eating out, it is due to competitive forces which tend to hold prices down. This is evidenced by the cost of eating out rising slower than the cost of eating at home (Source: Consumer Price Index, Bureau of Labor Statistics). I believe price increases "by all competitors" in our industry would change this trend.

To summarize, Godfather's Pizza Inc. employs a large percent (67%) of younger, inexperienced and minimum-educated workers with a very high turnover rate of over 100% annually. This is typical of all quick service restaurants, which account for 47% of all eating place sales. I wish we could cover this group of workers, but the incremental cost under your plan causes a significant negative impact on our "bottom line" which cannot be easily rectified. We would then be put in a position to eliminate jobs which would impact productivity and ultimately profitability, or to increase prices to the point of being at a competitive disadvantage.

Mr. President, I believe your objective of coverage for everyone can be achieved without a mandate, using an alternate approach to health care reform... but this is what the debate is all about. I will not impose on the courtesy you have extended to me to personally review my calculations, but I will be more than happy to share some ideas with you personally on alternate approaches which are more business friendly and public friendly.

Thank you for your very valuable time and attention; I look forward to your response.

Most respectfully,
HERMAN CAIN

The Hit Godfather's Will Take Under Clinton's Health Care Plan

Annualized from Jan. 1994 data

	HOURS	WAGES
975 full-time employees	1,915,742	\$18,671,075
1,570 part-time employees who work 10+ hours a week	1,537,983	\$8,011,091
720 employees who work less than 10 hours a week	221,125	\$1,115,347
153 employees on leave of absence/other	0	0
3,418 TOTAL EMPLOYEES	3,674,850	\$27,797,513

Under Current Health Insurance Plan

594 employees are eligible	
409 participate	
Current cost of plan:	\$540,758
Potential cost of Clinton plan: (cap of 7.9% of payroll)	\$2,196,604
Additional Cost:	\$1,655,246

Source: Godfather's Pizza Inc.

and taxes. Thus, it is incorrect to assume we can just add \$1.7 million to the "top line" and expect it to flow directly to the "bottom line."

As a system of small businesses, we are concerned about the impact of any price increase for the following reasons:

1. Large price increases will drive customers away. Over 50% of our customers use coupons with their pizza purchases be-

until I owned a computer it was reasonably legible. Now, not even I can read it. The main problem is speed. On the computer, it's easy to whiz along at 80 or 100 words a minute. I can input almost as fast as I can think. Every idea makes it easily onto the screen.

That is not necessarily a good thing. When words are carefully written by hand, there's simply no way to keep up with the thought process. "Dear Senator: Your vote has outraged me for three reasons. Here's one. I'll convey the other two when I'm back at my computer." The more frustrated I become with the slowness of the process, the more my penmanship deteriorates. Increasingly, my penned lines resemble an EKG reading.

When I was employed as public relations director at a small ad agency, my annual review included the evaluation category "handwriting." My boss said we should all write clearly, so messages would be easily understood. Good handwriting can accomplish communication.

According to Emily Post, fine handwriting is essential. Certain wedding invitations, notes of congratulation or condolence, and those of special thanks absolutely must be composed in longhand. One may always employ a calligrapher to handle dinner-party place cards or special invitations, but the use of such a service for daily correspondence is impractical. And script fonts on the computer—well, they simply will not do.

There's something extraordinarily personal about a note that someone has taken the time to draft with pen and ink. It implies the sender cares. It's very nice to receive. And nicer yet if it can actually be read.

Ms. McCormick heads her own public relations firm in Sacramento, Calif.

✓ Lost Art of Penmanship

By MICHELE McCORMICK

Critics of Newton and other notepad computers have complained they can't read very well. But the writers, not the readers, are the problem. Too many of us have stopped taking the time to write attractively—and legibly. Worse yet, we haven't even noticed that it matters.

Historically, few skills have been more significant than clear penmanship. The Magna Carta and the Declaration of Independence are just two of the important documents beautifully written by hand. There is no question as to whether Jefferson actually meant to say, "When in thy course of hormone errors," or "Where on the course of learned ferrets," or "When in the course of human events..." The answer is indisputable, because it was so clearly written.

Such skill seems near extinction. Ask any experienced secretary or pharmacist, and she will tell you that handwriting has been in decline for ages, even among our most learned professionals. When I was in grade school, an "A" in handwriting was a coveted goal. We spent hours practicing our a's and o's, and took great care that our g's should curl below the line precisely. I admired the loopy handwriting of my friends who attended Catholic school. I don't know what exercises they used, but the result was an abundantly curvaceous style with a surprisingly lusty flair for a skill taught in a religious environment.

During my college years, my father often responded to my scrawled correspondence with admonitions to study Palmer. Mr. Palmer was the scriptmeister—a teacher for people who cared about the details of shaping the written word exactly. His method, whatever it was, had mightily impressed dear old Dad.

My handwriting never won prizes, but

THE WALL STREET JOURNAL FRIDAY, APRIL 15, 1994

✓ In Bosnia, Another Mistake

By JOHN MCCAIN

Since the summer of 1992, I have greeted calls for limited air strikes in Bosnia with the typical skepticism of a former Navy pilot who has had occasion to closely observe the limits of air power.

I know too well that the use of air power alone has never determined the outcome of a military conflict. Seizing ground, the only measure of progress on the battlefield, is the infantry soldier's job. Thus I admit to some disdain for the confident predictions of newly minted military experts that limited air strikes in Bosnia—blow a bridge here, an ammo dump there—will yield political as well as military dividends sufficient to force a fair settlement of that bloody civil war.

However, now that we have allowed United Nations officials to call in very limited NATO air strikes against besieging Serb forces around Gorazde, I find myself in an uncomfortable position for a politician: hoping fervently that I am wrong.

I hope that a military action that violates every lesson learned from our mistakes in Vietnam, Beirut and Somalia will be the exception that proves the rule. I hope that the exceedingly confused U.S. policies that produced this action—which, like so much of the administration's disquieting approach to the world, violates diplomatic lessons learned throughout this century—will not irreparably harm U.S. interests around the world.

Credibility Undermined

President Clinton threatened air strikes against Bosnian Serbs 10 times without following through, undermining our credibility not only in Yugoslavia but in many other capitals where leaders are estimating the cost of confrontation with the U.S. In February, the administration and our NATO allies ultimately presented an apparently credible threat that, at least until now, has persuaded the Serbs to lift their siege of Sarajevo.

Finally, on April 10, one week after the U.S. secretary of defense and chairman of the Joint Chiefs of Staff clearly forswore U.S. military action to lift the Serbian siege of Gorazde, U.S. aircraft were ordered into battle by the U.N., immediately vitiating U.S. policy as articulated by Secretary William Perry and Gen. John Shalikashvili. All of this proves once again

that if there is a unifying theme to this administration's foreign policy, it is the dangerously casual relationship between rhetoric and action.

My reservations about air strikes are based on several concerns: the tactical problems posed by chronic poor weather and very difficult, mountainous terrain; the improbability that the strikes would encourage the warring parties to reach a settlement; and the prospect that the action would begin an incremental escalation of our involvement in this war.

In the two strikes to date, U.S. pilots encountered substantial difficulties in finding their targets in the predictably rotten

I hope that a military action that violates every lesson learned from our mistakes in Vietnam, Beirut and Somalia will be the exception that proves the rule.

weather. Flying dangerously low until nearly out of fuel, our pilots had to settle for targets of negligible value—a tent, a truck and two armored personnel carriers. Their altitude was so low that some of their bombs failed to detonate. Illustrative of the dangers inherent in such operations, these problems stand as a rebuke to some members of Congress and defense officials who burnish their newfound "hawk" credentials by declaring air strikes "a piece of cake."

The Serbs interpreted our action as involvement on the side of the Muslims. So did the Muslims. Despite our disingenuous assertions that we were only providing close air support for 12 U.N. peacekeepers in Gorazde, we clearly took the action to persuade the Serbs to lift their siege of that "safe area." The Serbs broke off peace talks with the U.N. and now talk only with a Russian representative. The Muslims called for more strikes, and fired on Serb forces outside Gorazde.

As of this writing, negotiations have yet to resume. The Serbs have seized or re-

stricted the movement of more than 200 U.N. personnel, apparently as insurance against further strikes. Another U.N.-declared "safe area," Tuzla, has come under Serb artillery attack. Western journalists have been ordered out of Serbian-controlled areas. Sniping and grenade attacks have resumed in Sarajevo. Serbs approached a U.N.-guarded arms depot near Sarajevo demanding access to the weapons.

Most alarming, Bosnian Serb leader Radovan Karadzic toured his front lines, declared the minimal air strikes to be NATO's "last card on the table," threatened to shoot down any other aircraft flying in his direction, predicted that NATO would now have to introduce ground troops, and in a display of battlefield bravado, welcomed that prospect.

My fear is that the Serbs' reaction will beget new NATO strikes, which will beget stronger Serb reactions, which will beget stronger strikes, which ultimately will amount to failure reinforcing failure. The final dilemma wrought by this "mission creep" will be a choice between deploying ground troops to resolve the conflict and withdrawing in defeat. The first will require our involvement in a long and bloody engagement that the American people will oppose overwhelmingly. The second could cripple all U.S. foreign policy for the duration of this administration.

Beware Wrong Lessons

I hope every subsequent development in Bosnia proves me wrong. I hope the Serbs feel they have consumed enough territory that their only remaining purpose is to consolidate their gains. I hope the U.S. actions precipitate a lasting settlement of this tragic conflict. I hope the entire world is impressed by the courage and wisdom of America's leaders. If so, I will gladly accept the certain "I told you so's" from critics of my position.

But I would leave them with one final warning. Do not learn the wrong lessons from such a success and eagerly apply them to other conflicts. If we are successful, the only lesson that may be applicable is that old adage: God protects fools.

Sen. McCain (R., Ariz.), a career Navy aviator, is on the Armed Services Committee.

MEMORANDUM TO BOB BOORSTIN

CC: GREG LAWLER
FROM: HAROLD ICKES
DATE: MARCH 28, 1994
RE: MATERIALS EXPLAINING HEALTH CARE REFORM

Bob, attached is a self explanatory memo to me from Erskine Bowles dated 7 March 1994 asking for understandable information about certain aspects of health reform. I assume we have developed such materials. Let's discuss.

For the
Files



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MEMORANDUM

TO: Harold Ickes
Deputy Chief of Staff

FROM: Erskine Bowles
Administrator 

DATE: March 7, 1994

SUBJECT: Health Care Reform

Our campaign for health care reform badly needs simplified marketing materials. We need this information to give to Congress, to leave behind to the groups we talk to, and to mail out to our supporters.

Over and over again after I have met with various groups or individual members of Congress, they always request for us to follow up with information they can disseminate to their membership or constituents.

The requested information always revolves around the following:

1. Explain to us how the plan:
 - a. Reduces cost;
 - b. Protects quality; and
 - c. Increases choice.
2. Explain how your plan simplifies the health care system -- why it isn't a bureaucratic nightmare.
3. Explain universal coverage in terms I can understand and why it is so important to reform our health care system.
4. Prove to me there is a health care crisis.
5. Calculate the cost of health care coverage for my company under your plan.

Harold, we have simple, understandable, direct answers to each of these important questions. When I answer these questions at various forums and meetings, I can almost see the light bulbs going off. I'm sure other Administration spokespeople have experienced the same results.

However, our small team cannot reach everyone. After one of us speaks to 20 industry association heads, we need to immediately follow up with marketing materials that answer the above questions for their membership.

In the business world, we know that success depends on a good plan, persistence, and follow-up, follow-up, follow-up. We have a good plan; we are persistent; to win, we need these other tools.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MEMORANDUM

TO: Harold Ickes
Deputy Chief of Staff
Special Assistant to the President

CC: Alexis Herman
Christine Varney
Steve Silverman
Dana Hyde

FROM: Katie Broeren *[Signature]*
Chief of Staff
Small Business Administration

SUBJECT: Erskine Bowles
Administrator
Small Business Administration
Health Care Outreach

DATE: February 1, 1994

Congratulations on your new position! I look forward to working together with you in the next few months on health care reform. I wanted to take this opportunity to summarize the health care outreach Erskine Bowles has completed during the past six months and second, to provide a rough sketch of our outreach plan in the upcoming months.

We believe that the most effective way to communicate with the small business community is through a fully coordinated effort.

I. OUTREACH TO DATE

A. Health care forums conducted at request of Congress

These forums included a variety of small businesses invited by each Representative.

<u>DATE</u>	<u>CITY, STATE</u>	<u>REPRESENTATIVE</u>
December 8, 1993	Madison, WI	Sen. Herb Kohl (D)
December 8, 1993	Appleton, WI	Sen. Herb Kohl (D)
December 9, 1993	Sioux Falls, SD	Sen. Tom Daschle (D)
December 15, 1993	Clinton, MD	Rep. Steny Hoyer (D)

B. Town Hall Meetings

These meetings were held for Erskine to get a sense of the overall issues of concern to the small business community. Health Care was always a popular topic of discussion during these town hall meetings. For background purposes, I have listed the Congressional Representatives corresponding to each site (even though they were not involved in the meetings).

<u>DATE</u>	<u>CITY, STATE</u>	<u>REPRESENTATIVE</u>
August 7, 1993	Hartford, CT	Rep. Barbara Kennelly (D)
August 27, 1993	Los Angeles, CA	Rep. Julian Dixon (D)
September 13, 1993	Atlanta, GA	Rep. John Lewis (R) Sen. Paul Coverdell (R)
September 30, 1993	Portland, OR	Rep. Ron Wyden (D)
October 6, 1993	Cleveland, OH	Rep. Martin Hoke (R)
October 13, 1993	Houston, TX	Rep. Craig Washington (D)
November 11, 1993	Des Moines, IA	Rep. Neal Smith (D)

- C. Visits at the request of a Representative where health care was discussed, but was not the major topic of discussion
During these visits Erskine discussed health care because it came up during the forum, but it was not the primary topic.

<u>DATE</u>	<u>CITY, STATE</u>	<u>REPRESENTATIVE</u>
July 26, 1993	Arkansas	Sen. Dale Bumpers (D)
	California	Rep. Esteban Torres (D)
March 18, 1993	Connecticut	Sen. Joseph Lieberman (D)
August 13, 1993	Maine	Sen. George Mitchell (D)
August, 1993	Missouri	Rep. Richard Gephardt (D)
November 10, 1993	North Carolina	Rep. Charlie Rose (D)
	Oregon	Rep. Ron Wyden (D)
	South Carolina	Rep. John Spratt (D)

- D. Surrogate sent for Administrator to discuss health care reform in small business

Requests were received by the SBA from four Members of Congress who asked the Administrator to participate in a health care forum. Since there was strong interest from the small business community and Erskine's schedule did not allow him to attend, a SBA surrogate was sent in his place.

<u>DATE</u>	<u>CITY, STATE</u>	<u>REPRESENTATIVE</u>
November 12, 1993	San Francisco, CA	Rep. Pete Stark (D)
October 30, 1993	New Haven, CT	Rep. Rosa DeLauro (D)
September 28, 1993	Arlington, VA	Rep. Leslie Byrne (D)
November 18, 1993	Alexandria, VA	Rep. Jim Moran (D)

E. Health care visits conducted by SBA Congressional and Legislative Affairs staff

The SBA Legislative Affairs staff has been responding to requests from various Representatives' offices to speak about the possible effects of health care reform on small business. Included in this list are the members on the House and Senate Small Business Committees.

House Small Business Committee

Democrats

Rep. Ike Skelton (MO)
Rep. Earl Hilliard (AL)
Rep. Ron Wyden (OR)
Rep. Norm Sisisky (VA)
Rep. Bill Sarpalius (TX)
Rep. Eva Clayton (NC)
Rep. Pat Danner (MO)
Rep. Cleo Fields (LA)
Rep. Martin Lancaster (NC)
Rep. John Conyers (MI)
Rep. Floyd Flake (NY)
Rep. Marty Meehan (MA)
Rep. Jim Bilbray (NV)
Rep. Ted Strickland (OH)
Rep. Ron Klink (PA)
Rep. Romano Mazzoli (KY)
Rep. Glenn Poshard (IL)
Rep. Walter Tucker (CA)
Rep. Kweisi Mfume (MD)
Rep. Nydia Velazquez (NY)
Rep. Lucille Roybal-Allard (CA)
Rep. Thomas Andrews (ME)
Rep. Marjorie Margolies-Mezvinsky (PA)

Republicans

Rep. Joel Hefley (CO)
Rep. Mac Collins (GA)
Rep. Jim Talent (MO)
Rep. Joe Knollenberg (MI)
Rep. Jay Dickey (AR)
Rep. Don Manzullo (IL)
Rep. Peter Torkildsen (MA)
Rep. Bill Zeliff (NH)
Rep. Richard Baker (LA)
Rep. Scott McInnis (CO)
Rep. Ronald Machtley (RI)
Rep. Sam Johnson (TX)
Rep. Larry Combest (TX)
Rep. Jay Kim (CA)
Rep. Jim Ramstad (MN)
Rep. Mike Huffington (CA)

Senate Small Business Committee

Democrats

Sen. Dale Bumpers (AR)
Sen. Sam Nunn (GA)
Sen. Carl Levin (MI)
Sen. Tom Harkin (IA)
Sen. John Kerry (MA)
Sen. Joe Lieberman (CT)
Sen. Paul Wellstone (MN)
Sen. Harris Wofford (PA)
Sen. Howell Heflin (AL)
Sen. Frank Lautenberg (NJ)
Sen. Herb Kohl (WI)
Sen. Carol Moseley-Braun, (CA)
Sen. John LaFalce (NY)
Sen. Neal Smith (IA)
Sen. Maxine Waters (CA)

Republicans

Sen. Malcolm Wallop (WY)
Sen. Christopher Bond (MO)
Sen. Conrad Burns (MT)
Sen. Connie Mack (FL)
Sen. Paul Coverdell (GA)
Sen. Dirk Kempthorne (ID)
Sen. Robert Bennett (UT)
Sen. John Chafee (RI)

F. Health care visits done by Erskine with various organizations
 In response to requests from various organizations concerned about the impact of health care reform on small business, Erskine has been involved in further outreach, as indicated below.

<u>DATE</u>	<u>CITY, STATE</u>	<u>ORGANIZATION</u>
June 29, 1993	Washington, DC	Jack Faris, National Federation of Independent Business
July 1, 1993	Washington, DC	John Satagaj, Small Business Legislative Council
July 8, 1993	Washington, DC	Holcombe Green, National Association of Manufacturers
August 19, 1993	Washington, DC	Bennie Thayer, National Association of the Self-Employed
November 2, 1993	Hot Springs, AR	Chamber of Commerce Keynote address South Carolina Chamber of Commerce
October 14, 1993	Texas	Conference on Small Business Health Care
October 21, 1993	Portland, ME	Chamber of Commerce Small Business Health Care Committee
November 3, 1993	White House	Parking Lot Associations
November 18, 1993	Boston, MA	U.S. Chamber of Commerce
December 13, 1993	White House	Florist Association
December 13, 1993	White House	Beauticians' Association
December 22, 1993	Washington, DC	Rosemont Center - Children's Daycare Media Event with Secretary Shalala

G. Health Care visits done by SBA Staff

In some instances, Erskine could not attend in response to requests from such organizations; so an SBA surrogate was sent in his place.

<u>DATE</u>	<u>CITY, STATE</u>	<u>ORGANIZATION</u>
November 4, 1993	Treasury	Direct Sellers Association
November 5, 1993	Washington, DC	National Restaurant Association
November 10, 1993	Treasury	Small Business Legislative Council

H. Associations

The SBA is aware of over 100 small business associations. We have contacted each association and secured its members' meeting dates and locations.

I. "Benefits to Business" Brochure

In October the SBA and the Department of Commerce shared in the release of a health care "Benefits to Business" brochure. The brochure was developed by SBA to educate and inform small and large businesses about the Health Security Act (attached).

J. 1-800 number/Employer Premium Worksheet

A number of small business owners and congressional members have requested that SBA assist businesses in calculating their future health care premium costs under the Health Security Act. Initially, the SBA considered the possibility of a 1-800 number, where small businesses could have called in and had a computer operator help calculate their new insurance costs under the Health Security Act. The SBA could not secure the funds needed for such a project and it was cancelled. In its place, the SBA was asked by the Administration to design an employer premium worksheet that would help a small business owner calculate his or her new health insurance premium costs under the Health Security Act. On January 18, 1994, the SBA Congressional and Legislative Affairs department sent a copy of the worksheet to all members of the Senate and the House of Representatives.

K. Media interviews Erskine has completed on health care

Attached is a list of all print and radio interviews Erskine has done on health care to date.

II. FUTURE OUTREACH PLAN

A. Congressional district visits

Erskine has been receptive to suggestions from the White House as to legislative districts that he should visit. We believe he can visit one district a week. Ideally, we would like to plan any media interviews to correspond with the upcoming visits (thus, if Erskine is to visit Chicago on February 11th, the morning radio the week prior could be in the Chicago market).

B. Association/State opinion leaders briefings

We are very responsive to further suggestions as to any associations and state opinion leaders that would benefit from a briefing with Erskine. Various meetings are scheduled for the upcoming weeks. The goal of inviting these groups and individuals is for them to return to their districts and organizations with a clear understanding of the benefits of the President's plan so that they can talk more effectively about health care reform.

C. Opinion editorials on the benefits of the Health Security Act to small business

The SBA will draft several opinion editorials outlining the key benefits to small business under the Health Security Act. The expected due dates and topics are outlined below:

- | | | |
|------------|----|---|
| By 2/11/94 | 1) | HSA offers rock-solid, comprehensive insurance coverage. |
| By 2/18/94 | 2) | HSA brings health care costs under control. |
| By 2/25/94 | 3) | HSA ends small business insurance abuses. |
| By 3/4/94 | 4) | HSA extends 100% tax deductibility to the self-employed. |
| By 3/11/94 | 5) | HSA gives employees real choice of their health plan. |
| By 3/18/94 | 6) | HSA removes the hassle small businesses must now undergo in dealing with insurance companies. |

I believe this is a very inclusive and precise list of our outreach efforts, past and future. If the SBA can be of any further assistance in the upcoming months, please do not hesitate to phone me at 205-6698.

Attachments:

October 15, 1993 memorandum to Christine Varney regarding
our proposed education and outreach efforts

Benefits for Business brochure

January 28, 1994 memorandum to the Office of Public Liaison
regarding current activity

Business Worksheet

List of all Erskine Bowles' media interviews to date



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MEMORANDUM

TO: Christine Varney
Deputy Assistant to the President and Cabinet Secretary

FROM: Erskine B. Bowles, Administrator 

RE: Health Security Act

DATE: October 15, 1993

As Administrator, I have talked to thousands of small businesses over the last three months. Whether it was talking to an employer or an employee, health care was by far their greatest concern. The rate of increase in the cost of health care for small businesses is 50% higher than the rate of increase for big businesses. Educating the small business community will be critical to the success of the Administration's effort to communicate the need for national health care reform.

Since the President's introduction of the Health Security Act, the Small Business Administration has been committed to educating and informing the small business community on what the plan will mean to their business.

We identified programs and communication vehicles to determine how we could incorporate the importance of universal health care as a theme. In doing so, we have already committed significant funds (\$100,000) from the Agency's budget to begin educating small businesses on the specifics of the Health Security Act, and its probable impact on their businesses. We have a plan for reaching out further to our constituency, but we are unable to commit any additional funds at this time.

The SBA is enthusiastic about what health care reform will mean to small business. In order to communicate the benefits of health care reform properly, however, we will need additional resources from other government Departments. Together we can reach the greatest number of constituencies with little or no duplication in our combined effort.

It is fitting that other Departments allocate proportionate resources to communicating about the health care reform effort. Since Departments have much larger budgets and staff than SBA their "proportionate" contributions should be substantial (Commerce alone is 25 times our size). Shifting some of these resources to our "small business" effort would make a great deal of sense and have a very positive impact.

Here are some of the steps we have taken thus far:

Brochure: *Health Security Act - Benefits for Business*

This 10-page brochure was designed to be used in a number of different ways: as an informational document; as a format for a speech; or, as talking points.

Our first printing, on September 27, consisted of 150,000 copies. On September 28, we sent out 10,000 copies (1,000 per) to our ten Regional Offices; 53,000 copies to our District Offices; and 6,300 to our Branch Offices. We also sent shipments to the sites of our four upcoming SBA Town Hall Meetings, in Portland, Cleveland, Houston, and Denver.

Along with the Commerce Department, we hand-delivered a copy to each member of the House and Senate. In addition, we provided the White House Communications Office with 1,000 copies, and the Office of Public Liaison with 4,000 copies. (See attachment entitled "Distribution of Brochure".)

By October 6, we had completed a shipment to each of our 536 SCORE (Service Corps of Retired Executives) chapters around the country, and also had sent 100 to each of our 56 lead Small Business Development Centers, and to several hundred women's business organizations.

The brochure has also been sent to Department Chiefs of Staff. It was sent in disk format with the hope that all federal employees will take the time to read it on their own computer.

Health Security Act Worksheet/Computer Program:

We have developed a computer software program which allows us to input data on an individual small business -- its number of employees, payroll costs, average annual salary, and annual insurance cost -- and then calculate their estimated projected cost under the Health Security Act. We successfully used this program during our briefing for 50 small businesspeople which we held at the SBA the day after the President's speech. In addition, this same program will be used when people call our 800 number. We have also sent this worksheet out to all of our District Directors and 70 district offices so they can begin compiling health insurance information on small businesses for our database.

1-800 Number:

We are expanding the capabilities of our existing SBA Answer Desk (1-800-U-ASK-SBA) so that small businesses will be able to call in and get information about the Health Security Act. A caller dialing this number will be asked to choose from a number of options, which automatically routes it to the Health Care Hotline. We have set up a local area network with 10 workstations to handle the software used for the computations in the program described above. The information will be obtained from the callers and entered into the database, which can be used for analysis or for follow-up activities. The people staffing the hotline also will have the capability from their workstations to FAX the caller a copy of their worksheet, and an electronic version of the brochure (as is available via SBA ON-LINE, described below). We are preparing to have 10 to 25 workstations operational and staff trained as soon as possible. We anticipate 300-500 calls daily. However, having already expended \$100,000 on this project, we do not have adequate funding to operate this 800 number and need other Departments to share in its cost.

When the Health Security Act Information Service is operational, we will develop a "hypertext" type feature as an aid for our information providers. This is an on-line help window that the user can invoke after each entry filed. Each help window would provide clarification or Q&As related to the information in that field. Creating this help feature is essentially a software-writing task which we can perform internally over a two to three week period.

SBA "On-Line":

This is the SBA's electronic bulletin board that is accessible by anyone with a microcomputer and a modem. The service is provided free via an 800 number. SBA ON-LINE is being modified to allow callers the option of going to a section of the bulletin board where they can view or download to their individual computers a copy of the Health Security Act brochure. We also are establishing a mailbox on the bulletin board, where callers can leave comments regarding health care. This information will be analyzed by our trained staff and an immediate response will be sent via modem. We also can provide the capability for SBA staff to interactively communicate via computer with people calling the bulletin board. This might be something we would do periodically with updates on Health Security Act legislation. In addition, we plan to set up a mechanism to collect basic information from the callers that can go into a database to be used for analysis or for follow-up activities.

Associations Database:

To date, we have contacted over 100 small business-related associations to obtain information on their annual meetings and their publications, and plan to send them copies of the brochure, along with articles on small business and health care. After reviewing all association/trade speaking dates we will work closely with the "War Room" to identify the appropriate keynote speakers for specific events.

Part II: 1-800 Number Cost Estimates

These are the cost estimates for two options to provide Health Security Act information services to small business callers. We cannot reliably estimate the number of calls we will receive or the average length of each call. Assumptions have been made for discussion purposes and to create a budget estimate.

ASSUMPTIONS: (for both options)

- Full service operation 9 a.m. - 9 p.m. Mon-Fri.
using two shifts (9-3; 3-9)
- All phone lines in continuous use
- Salaries based on SBA Agency-wide average
- 10 minute average call length during full service hours

■ Option #1: Call Processing System

This system will answer calls on 25 incoming lines, provide menu-based information, transfer a caller to an operator for estimated cost calculations, or ask caller to hold if all operators are busy. System will feed 12 "on hold" callers to the next of the available 25 operators.

EQUIPMENT COSTS (One time only)

Microlog Call Processing Hardware	\$24,900
Phones & Headsets	7,500
25 Microcomputers	67,500
Fax server, cabling, misc. hardware	31,000
Fax machines & lines	7,400
Phone line installation	<u>2,500</u>
TOTAL	\$140,800*

*(SBA expenditure to date: \$42,500)

RECURRING COSTS

PHONE LINES:

1-800 lines (during full service hours Mon-Fri 9 a.m.-9 p.m.)	\$186,480
1-800 lines (info messages during off-hours, after 9 p.m. and Sat-Sun 24 hours)	108,864

LABOR:

50 FTE	<u>633,000</u>
Recurring total	928,344
+ equipment total	140,800

Total Estimated Cost over 3 months.....**\$1,069,144**

CAPACITY:

- 25 simultaneous operator assisted calls
- 12 calls holding for next available operator
- Up to 9,000 operator-assisted calls per week during 9 a.m. - 9 p.m. period; 4,500 on hold for next available operator

■ Option #2: Direct Call System**ASSUMPTIONS:** (as in 1. above)

- Full service operation 9 a.m. - 9 p.m. Mon-Fri. using two shifts (9-3; 3-9)
- All phone lines in continuous use
- Salaries based on SBA Agency-wide average
- 10 minute average call length during full service hours

This is direct person-to-operator calling with no pre-recorded intermediate answering system. This system has no "on hold for next operator" capability and no off-hours message capability. All callers after #26 will get a busy signal; after hours callers will get no pickup or response.

EQUIPMENT COSTS (One time only)

Phones & Headsets	7,500
25 Microcomputers	67,500
Fax server, cabling, misc. hardware	31,000
Fax machines & lines	7,400
Phone line installation	<u>2,500</u>
TOTAL	\$115,900

RECURRING COSTS**PHONE LINES:**

1-800 lines (during full service hours. M-F, 9 a.m. - 9 p.m.; No off-hour message or information service)	\$126,000
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LABOR:

50 FTE	<u>633,000</u>
Recurring total	759,000
+ equipment total	115,900

Total Estimated Cost over 3 months.....**\$874,900**

CAPACITY:

- 25 simultaneous operator assisted calls
- Up to 9,000 operator-assisted calls per week during 9 a.m. - 9 p.m. period

■ [A third option considered was an interactive voice response system which would collect information by prerecorded questions which the customer would respond to via touch-tone phone input. Operator Assistance would be available as an option. We have decided to exclude this system from consideration because it would require 45-60 days to develop, and we believe the complexity of these issues merits more immediate operator assistance.]

Distribution of "The Health Security Act: Benefits for Business"

Department of Commerce.....	23,800
SBA Regional Offices.....	10,000
SBA District Offices.....	53,000
SBA Branch Offices.....	6,300
Portland, OR (town hall meeting).....	350
Cleveland, OH (town hall meeting).....	350
Des Moines, IA District Office.....	400
New York District Office.....	400
Houston, TX District Office.....	500
Houston, TX (town hall meeting).....	350
Other Executive Departments/Agencies.....	300
White House Office of Communications.....	1,000
White House Office of Public Liaison.....	4,000
Democratic National Committee.....	10,000
Mailing to SCORE, SBDCs and WBOs.....	19,200



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MEMORANDUM

To: Amy Zisook
From: Katie Broeren
Susan Otrin
Date: January 28, 1994
Re: White House and SBA coordinated effort on health care

This memorandum is to summarize our discussion this morning on The White House and the SBA's coordinated effort on health care outreach to the small business community.

- I. The White House will be coordinating special briefings with associations and state opinion leaders. The effort will include many of the agency heads, and health policy experts from the Administration. The goal of inviting these groups and individuals is for them to return to their districts and organizations with a clear understanding of the benefits of the President's plan so that they can talk more effectively about health care reform.
- II. By next week, 2/4/94, the SBA will look at Erskine's schedule in the upcoming weeks and pick a window of time that can be devoted to him meeting with a variety of interested small business groups.
- III. The SBA will work together with The White House Office of Public Liaison to share helpful information regarding sending Erskine to any local chamber and state manufacturer association meetings.
- IV. The SBA will be preparing a variety of small business health care information by 2/11/94. The information includes; small business talking points, questions and answers, and a one pager on small business issues that can be used in speeches. We will be happy to provide a courtesy copy to The White House Office of Public Liaison. We also plan to formulate a questionnaire that can be sent to small businesses.

V. The SBA will draft several opinion editorials outlining the key benefits to small business under the Health Security Act. The expected due dates and topics are outlined below:

By 2/11/94	1)	HSA offers rock solid, comprehensive insurance coverage.
By 2/18/94	2)	HSA brings health care costs under control.
By 2/25/94	3)	HSA ends small business insurance abuses.
By 3/4/94	4)	HSA extends 100% tax deductibility to the self-employed.
By 3/11/94	5)	HSA gives employees real choice of their health plan.
By 3/18/94	6)	HSA removes the hassle factor small businesses must now undergo in dealing with insurance companies.

VI. The SBA will share with you a three month calendar of Erskine's schedule.

VII. Every Thursday at 3:00 p.m. our group will meet to discuss our small business outreach efforts.

bcc: Caren Wilcox

HEALTH SECURITY ACT EMPLOYER PREMIUM WORKSHEET

By carefully following this step-by-step worksheet, you will be able to calculate your estimated health insurance costs under the Health Security Act, as proposed*.

WHAT THE EMPLOYER WILL PAY UNDER THE HEALTH SECURITY ACT:

Under the Act, you will pay the lesser of:

- Option (1) 80 percent of the adjusted premium for each full-time worker plus a pro-rated share for part-time/seasonal workers, or
- Option (2) A fixed percentage of your firm's total payroll.

CALCULATING MONTHLY EMPLOYER PREMIUM PAYMENTS

Option (1)

	INDIVIDUAL	COUPLE	FAMILY	TOTAL
1. Number of full-time employees.	_____	_____	_____	_____
2. Total monthly hours worked by part-time and/or seasonal employees.	_____	_____	_____	_____
3. Divide line 2 by 120 hours. This is the full-time employee equivalent for part-time employees.	_____	_____	_____	_____
4. Add line 1 and 3. This is the company's total full-time equivalent number of employees.	_____	_____	_____	_____
5. Multiply line 4 by premium cost on line 5.	\$1,549	\$2,125	\$2,479	
6. Enter amount here.	_____	_____	_____	_____

7. Divide line 6 by the number 12.
This is the total monthly premium
cost for all of the full-time
equivalent employees from line 4.

8. Enter the number from the total
column on line 7. This is the total
estimated monthly premium payment
from the employer.

- 1 Full-time employee: an employee who works at least 120 hours a month.
2 Part-time/seasonal employee: an employee who works at least 40 hours a month but less
than 120 hours a month. The part-time employee is counted as a fraction of a full-time
employee depending on the number of hours worked that month.

CALCULATING PREMIUM COSTS BASED ON PAYROLL PERCENTAGE
Option (2)

1. Number of full-time
employees.

2. Total monthly hours worked
by part-time and/or seasonal
employees.

3. Divide line 2 by 120 hours.
This is the full-time employee
equivalent for part-time
employees.

4. Add line 1 and 3. This is
the company's total full-time
equivalent number of employees.

5. Divide total annual payroll by the
number on line 4. This is the
average annual wage per employee.

6. Using the average wage calculated on Line 5 above, look up the small business discount on the last page and multiply the appropriate discount factor by the company's total payroll. Enter amount here. _____

7. Divide line 6 by the number 12. This is the total monthly premium payment cost for all of the full-time equivalent employees. _____

* This worksheet was accurate as of January 14, 1994. To the extent that changes in the Health Security Act occur subsequently, further revisions to the worksheet may become necessary to assure continued accuracy.

Your actual monthly health insurance costs will be the lesser of the amount on line 8 Option (1) or the amount on line 7, Option (2).

Note: Under Option (1) above, you are not required to make contributions on behalf of employees who are under the age of 24 and are full-time students. Individuals under the age of 18 (regardless of student status) are also excluded and will be covered through the policies held by their parents. You are responsible for employees over the age of 18 who are not full-time students. Under Option (2), however, the payroll of the above mentioned individuals is included for purposes of the percentage calculation.

Note: **SUBCHAPTER S CORPORATIONS:** If you receive your income from a service related business, materially participate in the activities of the S corporation, and you own 2 percent or more of the stock, your wages would be treated as "net earnings from self-employment" and must be included in the total payroll.

* **Please note:** The discounts are based on an annual retrospective look at the company's payroll and average wage per employee. These premium amounts will have to be estimated monthly and reconciled in February of the following year.

SMALL BUSINESS DISCOUNTS UNDER THE HEALTH SECURITY ACT

You will be asked on the worksheet to refer to the chart below in order to calculate your discount. Find the column across the top that shows your company's total number of full-time equivalent employees (Option (1), line 4). Then find your company's average annual wage per full-time equivalent employee (Option (2), line 5).

<u>Average Annual Wage*</u>	<u>Number of Full-Time Equivalent Employees</u>			
	25 or less	50 or less	75 or less	75-4,999
Under \$12k	.035	.044	.053	.079
\$12k-\$15k	.044	.053	.062	.079
\$15k-\$18k	.053	.062	.071	.079
\$18k-\$21k	.062	.071	.079	.079
\$21k-\$24k	.071	.079	.079	.079
Over \$24k	.079	.079	.079	.079

* k = thousands

Note: When calculating discounts, even if you are not responsible for an employee's health insurance cost, all employee's payroll amounts must be included in the total payroll used to compute the discount. However, you may not be responsible for making an employee premium payment for a full-time dependent student under 24 years of age; a dependent child under the age of 18, regardless of student status; or a part-time employee working less than the required 40 hours a month.

age No. 1
1/04/94

ATE	NEWS_ORG	LASTNAME	FIRSTNAME	STATE
0/29/93	ALAN COMBS SHOW	COMBS	ALAN	
1/02/93	BUSINESS WEEK	FOUST	DEAN	
9/23/93	CNN	DOBBS	LOU	
0/21/93	DNC RADIO ACTUALITY	SHECTMAN	HOAH	
0/21/93	FLINT JOURNAL	JACRESA	GEORGE	MI
0/21/93	FLINT JOURNAL	GAITO	DANNY	MI
0/21/93	FLINT JOURNAL	SEMECK	DAVE	MI
0/21/93	FLINT JOURNAL	BRAUN	JACKIE	MI
0/21/93	FLINT JOURNAL	TURNER	MIKE	MI
0/21/93	FLINT JOURNAL	STOBBE	MIKE	MI
0/21/93	FLINT JOURNAL	LINDLEY	TOM	MI
2/04/93	GEORGIA ASSOCIATED PRESS	WATTS	ROBERT	
0/21/93	IOWA RADIO NETWORK	SUTTERER	DENNIS	IA
2/02/93	KMOX	WHITE	NAN	MO
0/29/93	KQV	BALLAROTTO	DAVID	PA
2/03/93	KWKH	COX	SHERI	LA
0/27/93	LARRY KING RADIO	PIPER	PAT	
1/02/93	MINORITIES IN BUSINESS INSIDER	SILVERSTONE	KEN	
1/02/93	NASBIC NEWSLETTER	SMITH	JEANNETTE	
1/02/93	NATION'S BUSINESS	LIPMAN	LAURA	DC
2/04/93	SHREVEPORT TIMES	PRICE	LAURIE	LA
2/03/93	SOUTH CAROLINA NETWORK			SC
2/02/93	ST. LOUIS DISPATCH	FLANNERY	BILL	MO
1/29/93	THE HERALD	EVANS	KEN	SC
1/02/93	THE WASHINGTON TIMES	GIBBONS	KEN	DC
9/23/93	U.S. HISPANIC CHAMBER OF COMMERCE			NY
9/23/93	WCBS RADIO	CONNALLY	JOE	NY
0/21/93	WCCO		BRUCE	MN
0/15/93	WHITE HOUSE			
0/21/93	WHITE HOUSE			
0/29/93	WHITE HOUSE			
2/02/93	WHITE HOUSE			
2/03/93	WHITE HOUSE			
9/16/93	WHITE HOUSE - W.S. JENKS HARDWARE			DC
0/29/93	WLEE	CULLUM	BLANQUITA	VA
0/21/93	WMT	BOYD	JIM	IA
2/02/93	WRTH/WIL	WASHINGTON	TONY	MO
2/03/93	WVOC	CHASE	BENNET	SC
2/08/93	WISCONSIN STATE JOURNAL	LAUTENSHLAGR	SCOTT	WI
2/08/93	THE CAPITAL TIMES	HAMLER	PATRICK	WI
2/09/93	KSOO			SD
2/09/93	KDLT-NBC			SD
2/09/93	KSFY-ABC			SD
2/09/93	KELO-CBS			SD
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The Health Security Act

Benefits for Business



"The Health Security Act preserves our employer-based, privately-financed system of health care. It will control the costs that are hurting American businesses' ability to compete. And it will help small business owners provide affordable insurance for themselves, their employees, and their families."

– President Bill Clinton
